

Channel Four Television Corporation



Front cover - Channel 4's award winning 'Tapping campaign' used on air during 1993.

Featured are:

(line one, left to right) **Sandi Toksvig** The Talking Show/The Big One, **Terry Christian and Katie Puckrick** The Word,
Clive Anderson Clive Anderson Talks Back, **Victoria Wicks and David Swift** Drop the Dead Donkey

(line two, left to right) **Jack Dee** The Jack Dee Show, **Norman Beaton and Carmen Monroe** Desmond's,
Mary Goldring The Goldring Audit, **Paul Usher** Brookside

(line three, left to right) **Richard Whiteley** Countdown, **Chris Evans** The Big Breakfast, **Jon Snow** Channel 4 News

The Programme Remit

Channel 4 is a public service for

information, education and
entertainment.

The Broadcasting Act 1990 requires that Channel 4
programmes shall:

- appeal to tastes and interests not generally catered for by Channel 3.
- encourage innovation and experiment.
- be distinctive.
- maintain a high general standard and a wide range.
- include a proportion which are educational.
- provide high quality news and current affairs.
- include proportions which are European and are supplied by independent producers.

Contents

Chairman's statement	2
Chief Executive's review	4
Programmes	6
Programme review	7
Programme transmissions	17
Programme awards	18
Programme transactions with independent producers	20
Corporate activities	21
Advertising sales and audience	26
Financial review and statements	31
Director of Finance's review	32
Report of the members	34
Corporate governance	36
Members and advisers	38
Statement of members' responsibilities	40
Reports of the auditors	40
Consolidated profit and loss account	41
Balance sheets	42
Consolidated cashflow statement	43
Principal accounting policies	44
Notes to the financial statements	46

Chairman's statement

2

I am pleased to report that Channel 4 has enjoyed a highly successful first year of operation in its new independent status, benefiting both from audience levels and advertising revenue exceeding expectations. The year under review has marked the transition of Channel 4 from being a subsidiary of the Independent Television Commission into an independent statutory corporation. The financial results for the corporation for the year ended 31 December 1993 are very satisfactory. Turnover amounted to £343.9 million, an increase of 29% compared with the previous year. Profit before the amount payable to Channel 3 and taxation was £38.9 million.

Distinctive programmes transmitted during the year have given impetus to the unique position in UK television which Channel 4 is developing and the financial results have proved that the channel can succeed commercially while remaining a public service broadcaster. For the first time Channel 4 has overtaken BBC2 in viewing figures and recorded a total average audience share for 1993 of just under 11%, which is marginally higher than our cautious forecast made at the beginning of the year.

This is a success which has brought great satisfaction to everyone working at the channel. However, I believe Channel 4 must prepare itself for a formidable reaction and response from our competitors, including satellite channels, in 1994 and succeeding years. Both in programming and advertising competition it is realistic to expect that they will seek to claw back some of the ground which has been conceded. So Channel 4 cannot rest on its laurels but must continue to create schedules which surprise and delight. In maintaining our commercial edge we will need to vigorously defend our competitive position in an increasingly tough market.

It had been suggested to us that the unique programme remit of Channel 4 would be prejudiced by competitive airtime selling. We profoundly disagreed with such a concern and I believe we have now convincingly proved that our confidence and ability to match these objectives was well founded.

The commitment to be different from other channels and provide airtime for special interest groups and issues not catered for elsewhere on television

has proved our greatest asset. As a result, we have attracted growing audiences and advertising revenue to the channel. This has given our Director of Programmes, John Willis, and his team the confidence to plan stimulating and radical new programmes. They are reaching towards a new threshold of creativity in the knowledge that Channel 4's quite distinctive style is valued by viewers and advertisers alike.

It is inevitable that conducting such a programme policy will from time to time bring us into both regulatory and political conflict. We do not seek such conflict, neither do we retreat from it when we determine that the programmes concerned are an essential part of the remit. Whatever the merits of any such disagreements, for our part, we pledge to respond openly, responsibly and truthfully when these issues arise. We will defend vigorously our position and, conversely, hope for fair and even-handed treatment when such matters are adjudicated.

During the course of the year, Channel 4 transmitted 7,255 hours of programming. The ITC formally intervened following transmission on seventeen occasions to register complaints about breaches of their programme codes. In two cases they issued public warnings. Given its special programme remit the channel will, inevitably, find itself occasionally at the border line of what the ITC, and indeed the Board of Channel 4, find acceptable. Nevertheless, we are mindful of all our responsibilities and during the course of the year, the executive management was required by the Board to review and, in some cases, tighten compliance procedures.

Under the terms of the funding formula established in the 1990 Broadcasting Act, Channel 4 is required to make a payment to Channel 3 companies of 50% of the advertising and sponsorship income which Channel 4 earns over 14% of terrestrial qualifying (advertising and sponsorship) revenue (TQR). In return the Channel 3 companies undertake to promote Channel 4 programmes on their airtime (and vice-versa) and those companies have a contractual obligation to 'top up' Channel 4's revenue, by a maximum of 2% of TQR, if it falls below 14% of TQR.



Michael Bishop

In compliance with the terms of these arrangements, Channel 4 has made a payment of £38.2 million to the ITC for distribution among Channel 3 licence holders for 1993.

The Board of Channel 4 considers that the performance recorded by the corporation in 1993 and its future prospects suggest that it is most unlikely that Channel 3 will be required to subsidise Channel 4 during the term of its current licence. The amount paid to the Channel 3 companies, through the ITC, for 1993 significantly exceeds the cross-promotion value to Channel 4. An unsatisfactory consequence of the payment which has been made is that Channel 4 now finds itself providing a safety net of considerable significance to the more enthusiastic bidders for Channel 3 licences. If the money paid to Channel 3 had been retained by Channel 4 it would have been deployed in strengthening our position through increased investment in British created film and programme production.

Already, after barely one year of operation, the 1990 Act has been revisited by the Government to the benefit of our Channel 3 competitors and further amendments, potentially to our disadvantage, including the issue of media ownership, may follow. Our support for the funding formula has been considerably undermined by the recent and anticipated legislative and regulatory changes which are to the benefit of our competitors. It is now timely for Channel 4 to seek from the Government measures to maintain Channel 4's competitive position.

One of the most important contributions that the ITC made to the transition of Channel 4 from being its subsidiary company has been the perceptive selection of non-executive members to serve the new corporation. David Plowright, my deputy, has given me invaluable support and sound advice drawn from his professional knowledge of the industry gained over many years. All non-executive members of the Board have contributed robustly and effectively to our deliberations.

The Board is especially grateful to all the staff for their personal contribution to the success of Channel 4 in the past year. However, the real burden of successfully managing our business has fallen squarely on the shoulders of our Chief Executive, Michael Grade. He has led and motivated his executive team from the front, thoughtfully, with skill, determination and style.

The success of Channel 4 in selling its own airtime has been due in large measure to careful planning in 1992 and the responsive market awareness of our own sales and marketing team built up by Stewart Butterfield, matched by a strong and innovative programme schedule.

1994 will see our move to a new headquarters at Horseferry Road. It is much to the credit of our executive management in David Scott, our Director of Finance, and to Frank McGettigan, our General Manager, that they have been able to run this scale of project in parallel with the demands of the day-to-day operation of the channel during such a crucial year. The building is on schedule and within budget. It will be distinctive, efficient and stylish; a real contribution to the architecture of London but also a good place to work. I expect that our move there will herald a new era of growing success for Channel 4 built on firm foundations laid in 1993.

An encouraging start has been made to trading in the current year with advertising revenue in the first quarter of 1994 ahead of the same period last year. In the absence of any circumstances materially affecting our business, I am hopeful that Channel 4 will record a further improvement in its financial performance in 1994.

Sir Michael Bishop Chairman
28 March 1994

Chief Executive's review

4

In previous years, at the end of my annual report I have recorded my gratitude to those who work for the channel. This year I make no apology for starting my review of 1993 with a personal tribute to the 500 or so men and women, each and every one of whom has made their own individual contribution to our success, efforts way above and beyond the call of duty. Their combined talent and energy have been the key factors in achieving the tough goals set at the beginning of the year. Ratings and revenue targets were met (and exceeded). Behind that simple statement lies the commitment and flair of the finest management and editorial team and the best staff any Chief Executive could wish for.

It is a source of pride and pleasure to all of us who work at Channel 4 that our very discerning audiences have responded so wholeheartedly to the fruits of these labours in the teeth of the fiercest competition in the channel's history. Viewers now turn more and more to Channel 4 for their pleasure and edification. To set this achievement in context, we have, after eleven years, now overtaken BBC2, a significant milestone in the historical growth of the channel. We have the opportunity to increase our share before the competition really bites, but that will depend on our ability to invest in additional, new programming.

The new Advertising Sales department, under Stewart Butterfield and Andy Barnes, has become one of the most respected and effective sales forces in the business. They have won the confidence of the advertisers and agencies and provided ITV with more competition than I think they expected. The challenge ahead is twofold for Stewart and Andy - to close the price discount against ITV, and to increase our share of revenue.

This has not been made easier by the Government's decision to reduce the competition in the market by changing its 1990 Broadcasting Act to allow the Carlton/Central and the Granada/LWT takeovers. As a direct result of this legislative change, there will be two, super dominant ITV sales points plus one, or at most two, less powerful ones. This concentration of sales points within ITV is a long way from the fifteen who sold ITV when Channel 4's funding formula was set up. I have no doubt that our brilliant sales operation will meet this latest challenge, but it is not surprising that the advertisers who

pay for ITV and Channel 4 have expressed disappointment at this reduction in airtime selling competition almost before it began.

The impact of our sales success on ITV is much misunderstood. Whilst we have been demonstrably more successful at selling Channel 4's airtime than ITV used to be, they have enjoyed considerable financial benefits from the separation. ITV no longer has to fund S4C, the Welsh Fourth Channel, nor does it pay Channel 4's transmitter, regulatory and schools programmes' costs - a saving in 1993 of £42 million. If the old subscription funding formula had been in place in 1993, it would have cost ITV £296 million. So, the separation has reduced ITV's costs by £338 million. After taking the £38 million Channel 4 rebate to ITV into account, ITV's cost-savings from the separation were some £40 million more than the advertising revenue obtained by Channel 4 and S4C.

Our ability to earn revenue is directly related to our ability to deliver sufficient, discerning audiences to the advertisers. Director of Programmes, John Willis, and his editorial team have excelled themselves in 1993. Under John's inspirational leadership, they have delivered quality, innovation and growing audiences. They have served the Channel 4 programme remit with distinction. (A full review of our programme year appears on pages 6 to 16 of this report).

The range of awards, from arts to education, from animation to innovation, is tangible evidence that, despite the commercial pressures, Channel 4 continues to develop and enhance its traditional programme remit. Unlike other commercial broadcasters, the need to deliver ratings and revenue is driven solely by our ambition to invest in more new production for British viewers. That is what Channel 4 exists to do, that is what provides the incentive for us to remain the most cost efficient British broadcaster, that is what our viewers want, and that is the only way to secure the long term future and independence of the channel.

Traditional, terrestrial broadcasting has nothing to fear from the new competitors, cable, satellite or terrestrial, provided that we can continue to invest sufficiently in new, British-made programmes of all kinds, made specifically for British viewers. It is this fundamental belief that drives



Channel 4 to make sure that every penny possible is made available for investment on the screen.

By the summer of 1994, we will have moved to our new building in Victoria. The Richard Rogers Partnership has designed for us a striking addition to London's architecture. It is nearing completion under budget and on time, due in no small measure to Frank McGettigan's dedication supported by his outside project managers, Fuller Peiser, led by Tony Charles.

Once again 1993 saw a real growth in the income from our commercial activities. These have been consolidated into Channel Four International Limited, a new wholly-owned subsidiary of the corporation. Under its Managing Director, Colin Leventhal, this company sells programmes and films overseas. All its profits are ploughed back into programmes and I look forward to this activity growing over the next few years. It is an exciting and profitable development.

The one small cloud over 1993 has been the regulatory confusion caused by the overlapping jurisdictions of the Independent Television Commission, the Broadcasting Standards Council and the Broadcasting Complaints Commission. This creates confusion in the broadcasters' minds, and worse, creates an unnecessary, bureaucratic workload which the channel is not and should not be equipped to have to cope with.

As our ultimate licensing authority, with statutory powers and severe sanctions at its disposal, the ITC should be left to adjudicate on these matters. Broadcasters have a clear, moral duty to deal fairly with the public, both in terms of how we treat them in programmes and in terms of taste and decency. Viewers are entitled to an objective complaints system. The ITC is best equipped to handle these matters. Three overlapping regulators is two too many. If the workload for the channel's already stretched staff continues to be increased by the regulatory muddle, we will have to review our attitude to the BSC and the BCC. I could not recommend to the Board of Channel 4 that we recruit a new bureaucracy inside the channel at enormous cost just to meet the needs of these two superfluous regulatory bodies who add nothing to the existing powers and duties of the ITC.

We continue to enjoy a healthy relationship with the growing independent sector of producers. Inevitably, there are never enough commissions at any

one time to satisfy all our mutual ambitions, but I believe the channel works harder than any other broadcaster to keep producers well informed in advance of our needs. We continue to make progress in reaching out to encourage producers not based in London.

During the year, Andrea Wonfor, Deputy Director of Programmes and Controller of Arts and Entertainment, left us after four years to rejoin her old company, Granada Television, as Director of Programmes. I know everyone at the channel joins me in wishing her well and thanking her for the enormous contribution she has made to our current success on the screen.

My colleagues and I are once again indebted to the Chairman, Deputy Chairman and all the non-executive members of our Board for their time and their wisdom throughout the year. Without their support and trust, we could not have reached our present, healthy state. Their identification with the ideals of the channel ensure that our programme remit remains at the heart of their deliberations.

In conclusion, I offer the following comment from a Channel 4 viewer who telephoned our Duty Office to make some complimentary remarks about a programme. In the course of her conversation, our duty officer noted that she said: "Channel 4 keeps me in touch - and I also like the naughty things!" In those few words, this viewer encapsulated all our programme aspirations, our remit.

We have enjoyed three years of growth and consolidation. The challenge now for Channel 4 is to develop new and daring ways to win audience support. That work is under way and a new three year plan is just beginning. New ideas, new programmes and new schedules must evolve. We have the confidence of the advertisers, the appetite of the viewers, and the editorial skills to maintain our role as the nursery for British talent and as the home of new ideas.

Michael Grade Chief Executive
28 March 1994

Programmes



Tapping campaign - Rory Bremner

Our House



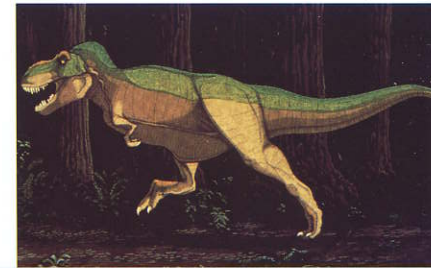
Innovation and diversity Despite Channel 4's successful push for record ratings in 1993, we nevertheless maintained the commitment to innovation and diversity that is our *raison d'être*, the immovable cornerstone of our remit since its inception. Nothing epitomises this double success better than the achievement in gaining a record 12.2% audience share in the second and final week of the uncompromising season about the under reported problem of homelessness, **Gimme Shelter**. Powerful documentaries about the problem - including a unique study of the impact upon homeless children, **Our House** - were interspersed with dramas, daily coverage of a self-build group on Tyneside, **Raising the Roof** and **Come on Down and Out**, a spoof game show concocted in association with Shelter. This attempted to recreate in the more jaded '90s the kind of outrage that **Cathy Come Home** (repeated in the season) achieved 25 years ago when the scale of homelessness was actually less serious.

Equally bold in confronting indifference was the week-long attempt to foster concern and understanding of the Bosnian tragedy beyond the nightly headlines, **Bloody Bosnia**. The season united the forces of **Channel 4 News**, artists, documentaries - including the year's single most harrowing film, **The Unforgiving**; a **Sarajevo Diary** from a former British resident, Bill Tribe; an equally impassioned *exposé* of Serbian warlords from Maggie O'Kane in **Frontline** (which won an RTS Journalism award); and a special edition of the revived **After Dark**. Other seasons - **Dinomania**, and **The Love Weekend** - were lighter hearted in tone, though **Xmas in New York** touched a bleaker note with Beeban Kidron's personal account of **Hookers, Hustlers, Pimps and their Johns**. Public controversy beforehand focused on the season's sprinkling of gay programmes and the invitation to Quentin Crisp to offer his **Alternative Queen's Christmas Message** from Manhattan.

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7

Dinomania



The Unforgiving





Raining Stones

Beyond these seasons, innovation and popularity do sometimes march together, as with the increasing success of **The Big Breakfast**, which maintained its freshness and originality while its growing audience and flair for attracting publicity only intensified the competition for the infant GMTV. But innovation is not about courting popularity, as confirmed by **Blue**, the late Derek Jarman's extraordinary monochromatic testimony, with 76 minutes of a blue screen accompanying a remarkable stereo soundtrack (which was transmitted without commercial breaks and simulcast with Radio 3).

Drama In our high profile drama output, Channel 4 supported Britain's most controversial television playwright, Dennis Potter, with **Lipstick on your Collar**, judged by most critics to be on a par with his best works like **The Singing Detective**. **Tales of the City** may not have been an original screenplay but to start serialising Armistead Maupin's cult novels was audacious enough a venture for all that: for the first time a British broadcaster and production company jumped in where American cinema and television had feared to tread - scared off by the gay pot-smoking milieu of mid-'70s San Francisco. Channel 4 provided all the finance and production resources to film this American tale in California. When PBS bought the series from us, American critics raved, with New York's Newsday proclaiming "Let the Brits do it for us. Take our literary masterpieces, our actors and teleplay writers and give it back....."

Channel 4 films had a highly successful year, with more Oscar nominations than any other single studio in the world (except Warner), for **The Crying Game**, **Howard's End** and **Damage**, and with acclaim at Cannes and on release for Mike Leigh's **Naked** and Ken Loach's **Raining Stones**. On the channel's own screen, this year's **Film on Four** Premiere season also featured a newly completed film to mark World Aids Day, **Closing Numbers**. The channel's reputation for supporting the most original animation was sustained with the Oscar nomination for Barry Purves' **Screen Play**; the top European award, the Golden Cartoon, for Mark Baker's **The Village**; and a special award for the channel's whole animation policy.

Religion While religious programming on Channel 3 may have been marginalised, Channel 4 has transformed its own contribution this year with **Witness**. Concentrating resources on the first twelve programmes in an unprecedented peak time strand of strong individual documentaries, the series reflects the diversity of contemporary personal beliefs, with Don Boyd's survey of native churches in South Africa, **Man, God and Africa**, Ludovic Kennedy's crusade for euthanasia **Consider the End**, and most controversially, **Another Journey by Train**, in which several diehard young neo-Nazis were taken to Auschwitz to confront the visual and eyewitness evidence of the holocaust that they still deny ever happened.

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For the first time a British broadcaster and production company jumped in where American cinema and television had feared to tread

Man, God and Africa





Tales of the City

Lipstick on your Collar



The Big Breakfast

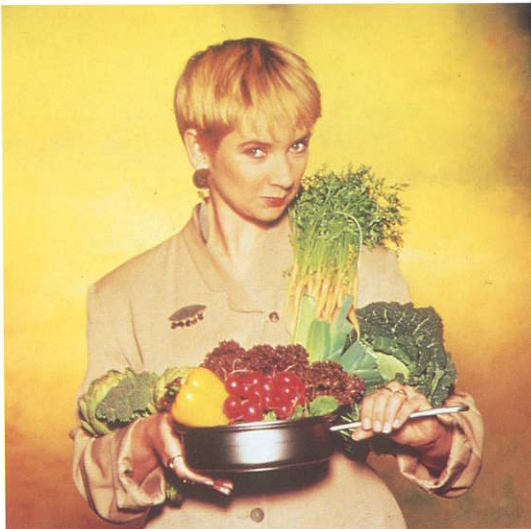


The Village

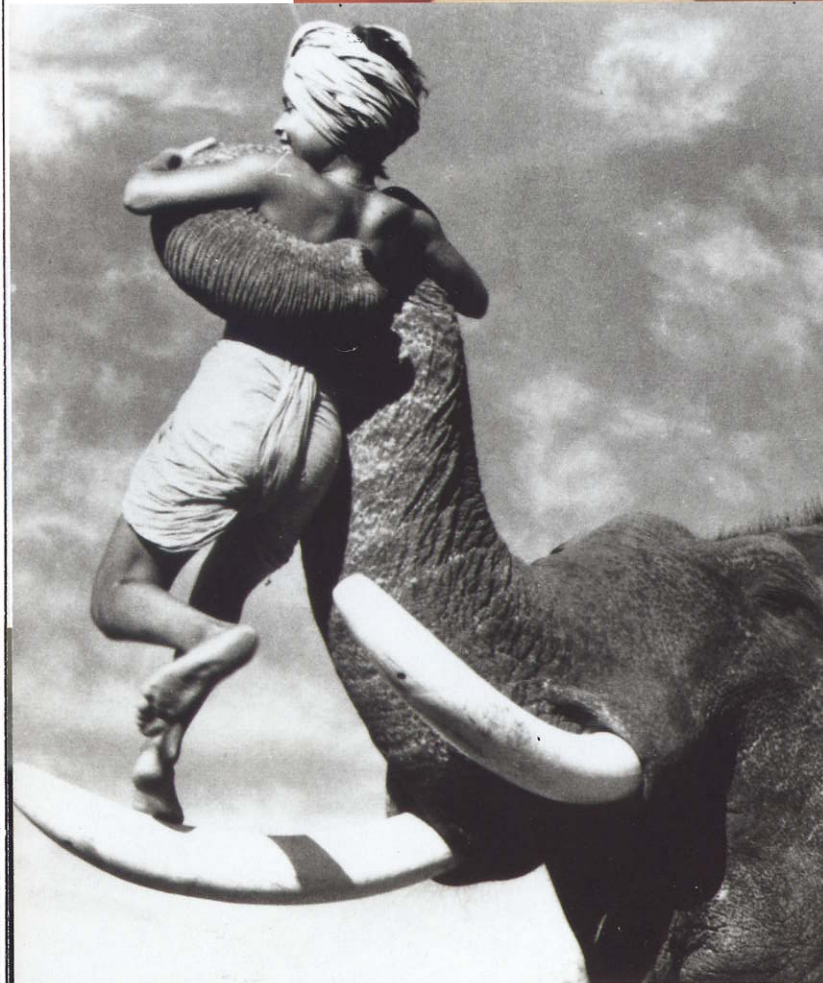


Blue

Grow your Greens. Eat your Greens



Sabu the Elephant Boy



Beat that Sport

Channel 4 Schools



Eurotrash



The Almost Complete History of the 20th Century

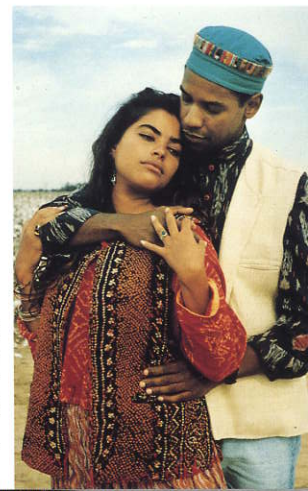
Education The channel also refreshed its education output with new health strands - an observational series following a hospital as it moved towards trust status, **Operation Hospital**, and the launch of a consumer public health strand, **The Pulse**. **The Almost Complete History of the 20th Century** brought a new quirky comic style to education, linking genuine archive film and equally genuine historical interpretations with comic voice-overs for a series of trenchant essays, ranging from Lenin to the forgotten links between birth control and the discredited concept of eugenics. The highly successful food and gardening strands were yoked together for the first time for two interlinked series with Sophie Grigson, **Eat Your Greens** and **Grow Your Greens**, while the interests of disabled people were again recognised with **People First** and, for children, **Beat That Sport**.

Schools Although we had transmitted ITV's schools service since 1987, Channel 4 was charged by the ITC with responsibility for also funding and commissioning the service from 1 January 1993. The Channel 4 Schools service was launched in the new school year in September. The first term has already confirmed that the channel is applying the same commitment to innovation and the flexibility of independent production that has marked all our output. This was evidenced by the series on personal issues for secondary children, **Off Limits**, and by a unique and gripping French language thriller series, **Musique Enquête**, all shot on French locations and involving the theft of master tapes by the world music star from Mali, Salif Keita, who plays himself.

Multicultural Channel 4's multicultural programming continued with the sparkily eclectic international arts strand, **Rear Window**, ranging from portraits of Korda's Indian discovery, **Sabu the Elephant Boy**, to a portrait of E.P. and Dorothy Thompson, just before the radical historian's death. Darcus Howe sparred with neo-Nazi League organisers and LaToya Jackson in **Devil's Advocate** and a late night discussion series **Doing it with you is Taboo** addressed the inevitably controversial topic of sexual relationships between blacks and whites. **Hot Cinema** featured television premieres of feature films made with Channel 4 backing, by Asian directors around the world including **Mississippi Masala**, Mira Nair's follow-up to her debut feature **Salaam Bombay**.

Youth The channel continued its pioneering service to the youth audience with five new series alongside the perennially ineffable **The Word**. **Moviewatch** gave young people, the majority of today's cinema-going public, a voice in film criticism on television - and launched a new television natural, Johnny Vaughan; **The Next Big Thing** tracked aspiring young musicians on the path to fame; **Naked City** teamed Johnny Vaughan with teenage novelist, columnist and genuine original, Caitlin Moran; **Hypnosis** used multi-layered sound and images (without presenters) to capture the buzz of the club music scene; and **Eurotrash** mischievously trampled over all Euro-boundaries of taste while launching one of the funniest television presenter double-acts, Antoine (**Rapido**) de Caunes and Jean-Paul Gaultier.

*The interests of disabled people were again recognised with **People First** and, for children, **Beat That Sport***



Mississippi Masala

Current Affairs and Documentary By relying on individual commissions for many of its top factual strands, Channel 4 contrives to maintain a high reputation - with viewers and professional critics alike - while guaranteeing continuing freshness in approach. **Dispatches**, now into its seventh season, continues with triumphant exclusives such as its film observing Operation Samson, the elite Israeli Army unit operating undercover in the occupied territories. It concluded 1993 in top form with a devastating extended investigation of the Marchioness pleasure boat disaster, questioning why there was still no public inquiry into a tragedy that cost more lives than any other British disaster of recent years. The channel renewed its daily parliamentary coverage with **House to House**, a new lunchtime discussion format with Maya Even; and **Frontline** successfully launched a new strand of authored reports with Julian Pettifer returning to Vietnam after 25 years, and Jann Turner returning to South Africa to seek her political activist father's assassins.

In the course of making programmes for us, many producers undertook considerable risks particularly those reporting from Bosnia and Somalia. In the Yemen two journalists working on a Channel 4 commission were arrested and imprisoned and it was largely thanks to the prompt and highly effective intervention of Foreign Secretary, Douglas Hurd, that they were released and allowed to return home.

Cutting Edge remained sharply honed as the channel's strongest and most popular regular documentary slot, extending its survey of contemporary British life to the search for young missing persons, paupers' graves, the Fraud Squad and, in the top rated two-parter **Navy Blues**, the controversial activities of the Naval Police, most notoriously their hounding of alleged homosexuals. **Naked Sport** applied that same edge to opening up the rich and dubious world of professional American sport. Leading the slot for feature length documentaries, **True Stories**, Nick Broomfield delivered his latest idiosyncratic film **Aileen Wuornos - The Selling of a Serial Killer**. Allowing less experienced directors opportunities on a smaller canvas, **Short Stories** included a portrait of clients of a depository with **Memories in Store**, and a portrait of a unique black ventriloquist, **Distant Voices, Still Lips**.

News **Channel 4 News** maintained its prominent position as the best source of serious news and analysis. During 1993 we negotiated a new long term contract.

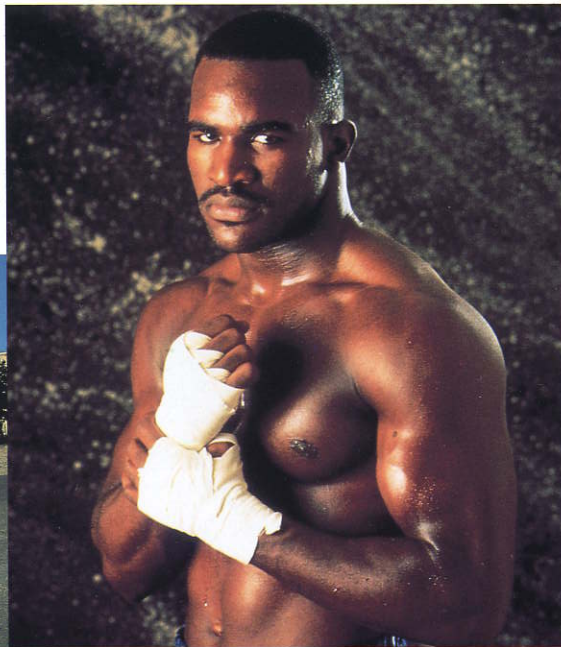
Science The well established science strand, **Equinox**, maintained its diversity with unique access to **Space Shuttle Discovery**; a lucid exploration of the scientific reality behind fiction in **The Real Jurassic Park**; and **Life and ART**, a study of test-tube baby techniques by a film maker who is the mother of two babies born by in-vitro fertilisation.

Aileen Wuornos - The Selling of a Serial Killer



Many producers undertook considerable risks particularly those reporting from Bosnia and Somalia

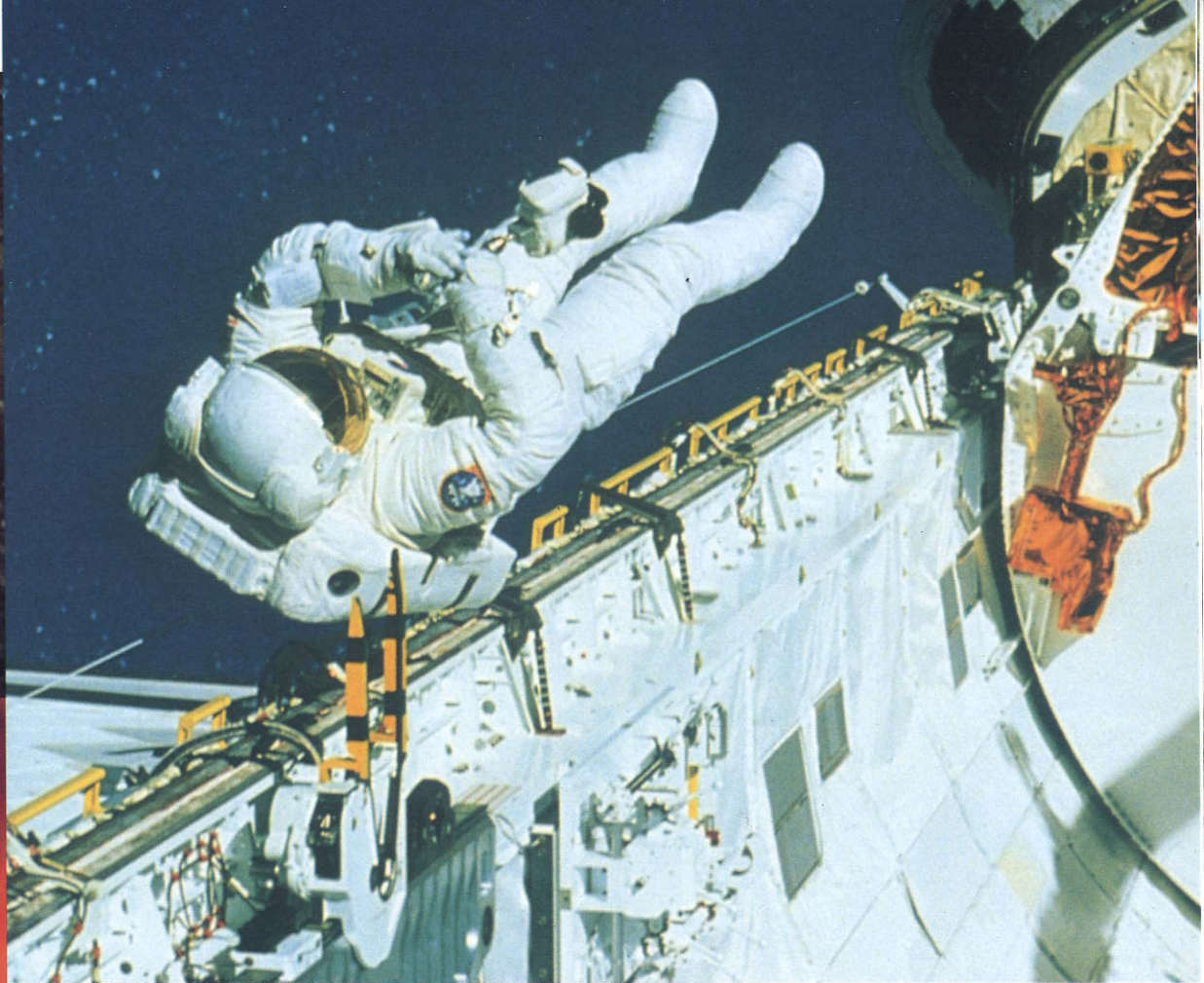
Naked Sport



Frontline



Distant Voices, Still Lips

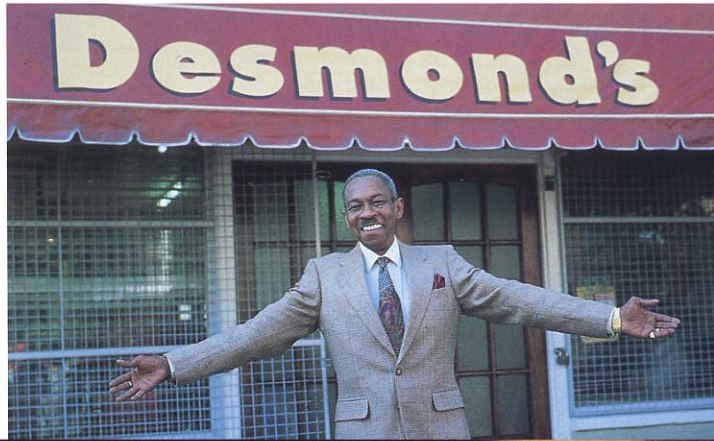


Equinox - Space Shuttle Discovery



Dispatches - The Loss of the Marchioness

Desmond's



Without Walls - Forbidden Fruit



The Panama Deception

Rory Bremner - Who else?



As it Happened -
The Killing of Kennedy



Independent Film and Video The channel's independent film and video group's radical global agenda prompted a second series of **South**, the magazine about third world issues made by film-makers from those countries; **Critical Eye** looked at the plight of **Poland plc** as it struggles to join the capitalist world; and **Global Image** reported on the worrying phenomenon of racial violence against immigrants in Rostock. Channel 4 also premiered two recent Oscar-winning American documentaries which it had backed: **Liberators**, about black servicemen who had helped to liberate concentration camps, and **The Panama Deception** about the US action against Noriega.

Two promising pilot programmes flew well enough to guarantee future commissions: **First Sex** at last discovered a way to tackle women's issues on television where earlier attempts had failed; and **As it Happened - The Killing of Kennedy** proved a compelling format for the future.

Entertainment In entertainment, the major priority was as usual to nurture new talent - **Viva Cabaret**, **Sin with Bruce Morton**, **mr don and mr george** (two characters from **Absolutely**), and the second series of **Sean's Show** - but the channel also welcomed the return of its cleverest sitcom, **Drop the Dead Donkey** (which in 1993 won an International Emmy for the second successive year) and of its most popular home-grown sitcom **Desmond's**. Channel 4 was delighted to allow Rory Bremner the latitude, resources, topicality and moral support to develop his talents further than before; the result, **Rory Bremner - Who Else?**, proved a savagely clever Saturday satire show, that sent some older observers back 30 years to **That Was The Week That Was** to find its equal.

Music and Arts **Harry Enfield's Guide to Opera** was a bold experiment in serving the wider appetites of emerging opera lovers that have been whetted by the compact disc boom. **Without Walls** continued to deploy a prodigious range of formats upon an enormously wide agenda of cultural and arts issues - from the demise of the Singing Nun to the story of Leon Theremin, the nonagenarian Russian expatriate inventor of a pioneering electronic musical instrument, who was kidnapped back to the USSR by the KGB. **Good Morning Mr Hitler** made remarkable use of rare amateur colour film of Hitler opening a Munich cultural festival in 1939, and **The Wonderful Horrible Life of Leni Riefenstahl** proved compelling enough to deserve its International Emmy. In **Mr Shaw's Missing Millions**, Sir Ian McKellan impersonated Bernard Shaw returning from the grave to investigate what had happened to the money he had bequeathed to the British Museum. This proved a winning formula, swiftly exploited for Timothy West to impersonate Lord Reith examining the BBC of the '90s (**Reith to the Nation**). **Bad Ideas of the 20th Century** launched a new polemical strand with Germaine Greer attacking **Youthism**. **New Nightmares** proved a highly thoughtful survey of science fiction. Tony Parsons' essay **Forbidden Fruit** praised Kubrick's **A Clockwork Orange** but attacked his continuing ban on its UK distribution. This precipitated a major test case about the use of the 'fair dealing' clause in the Copyright Act, under which the programme lawfully used clips for which - by the very terms of the ban which the programme was attacking - official permission would not have been forthcoming.

*In entertainment, the major priority was
as usual to nurture new talent*



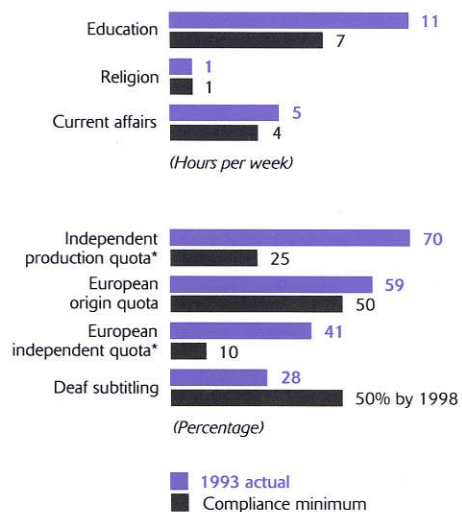
Harry Enfield's Guide to Opera

The licence This wide range and diversity of programmes shows that the remit is central to Channel 4's programming policy. The channel takes pride and pleasure in the challenge of fulfilling it in different ways each year. Our licence from the ITC, in addition to stipulating the need to meet the remit, places certain specific programme obligations on Channel 4.

In 1993 Channel 4 met or exceeded all the undertakings given to the ITC. We await the results of the ITC's first annual performance review. Chart (a) shows the principal programme requirements and their actual outturn for 1993. Chart (b) shows the principal programme requirements and their actual outturn for 1993.

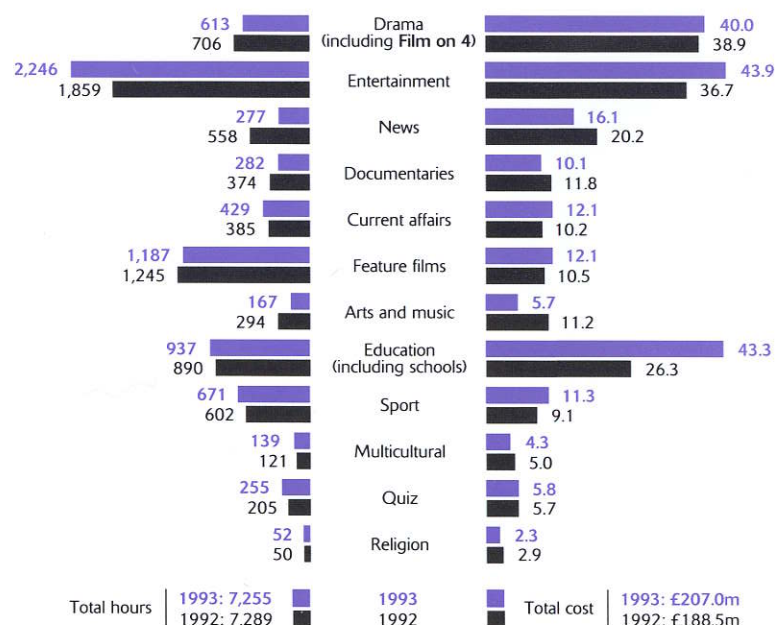
The channel's wide range of programme transmissions is analysed in chart (b).

(a) Principal programme requirements and their actual outturn

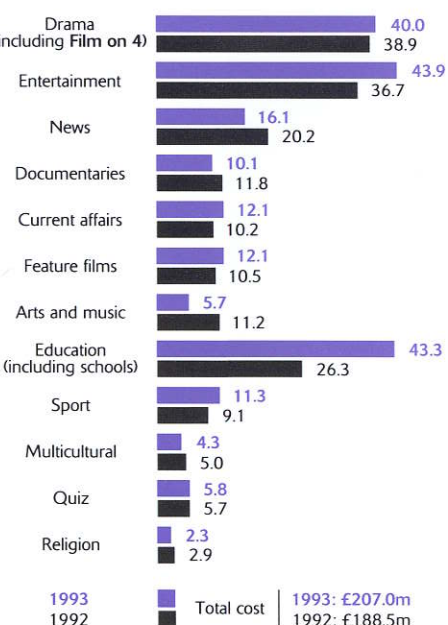


* There are material differences in the definitions contained in the European and UK legislation for qualifying independent production

(b) Total number of hours transmitted by programme range (Hours)



Total cost by programme range (£m)



Sources The channel broadcast for 7,255 hours in 1993 - an average of 20 hours per day.

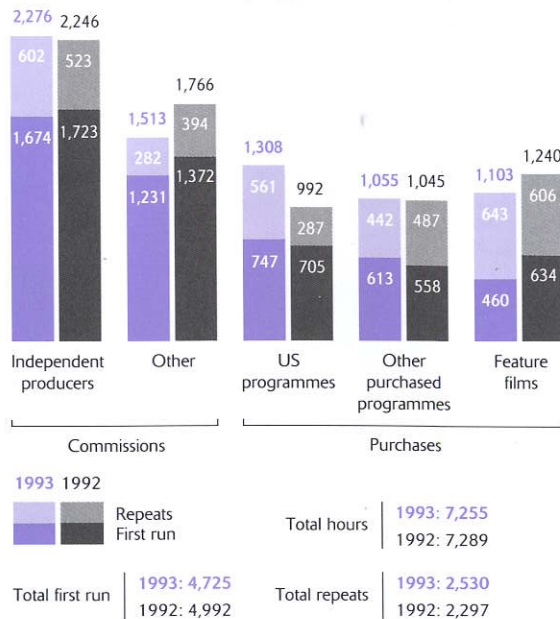
Channel 4 commissions programmes from the ITV companies and independent producers, and purchases programmes in the international markets. In keeping with our programme policy requirements we have a wide range of suppliers. The sources and costs of the programmes transmitted in 1993 are as shown in charts (a) and (b).

The percentage of hours and transmission costs of first run commissioned programmes are shown in chart (c):

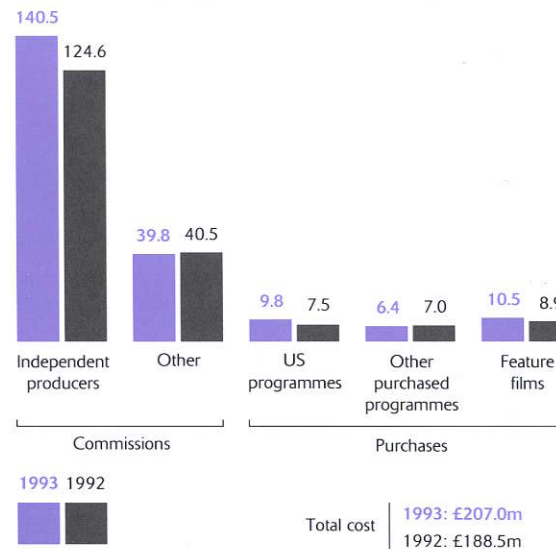
The overall cost per programme hour from the ITV companies is less than that for programmes from the independent producers because the ITV companies produce the majority of Channel 4's cheaper studio based programmes, whereas the independent producers provide the majority of the drama programmes and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

17

(a) Sources of programmes transmitted (Hours)



(b) Costs of programmes transmitted by sources (£m)



(c) Programme sources (Percentage)



We were proud to maintain our track record for award winning programmes and films during 1993. It is impossible to list the full details but some major festivals included the following:

TELEVISION FESTIVALS

BAFTA (British Academy of Film & Television Arts)

Production & Performance

Channel 4 News
Best News Actuality Coverage

Howard's End
Best Film

Howard's End - Emma Thompson
Best Actress

The Crying Game
Alexander Korda Award for Best British Film

The Crying Game - Miranda Richardson
Best Supporting Actress

Damage - Miranda Richardson
Best Supporting Role

Tosca
Best Foreign Film

Craft

The Camomile Lawn
Best Costume Design

BANFF International Television & Film Festival

The Nicholas Brothers - We Sing and We Dance
Best Arts Documentary

BFI (British Film Institute)

True Stories - Aileen Wuornos - The Selling of a Serial Killer
Grierson Award

Golden Rose of Montreux

The Nicholas Brothers - We Sing and We Dance
Bronze Rose (Music)

International Emmys

The Wonderful Horrible Life of Leni Riefenstahl
Arts Documentary

Drop the Dead Donkey
Popular Arts (Joint Winner)

Concerto!
Performing Arts

Pact Indie Awards

Dispatches: Body Shop
Best News & Current Affairs Programme

Italian Football
Best Sports Programme

Tights, Camera, Action!
Best Music & Arts Programme

Prix Europa

Lipstick on your Collar
Television Programme of the Year

Sarajevo Diary
Special Mention

The Camomile Lawn



Prix Italia

Homeland
Special Mention

Riff Raff
Special Prize

Silverlake Life: The view from here
Prix Italia

RTS (Royal Television Society)

Dispatches: Mother Russia's Children
Current Affairs International Award

Equinox: The Elements
Best General Adult Education Programme

The Big Breakfast
Team Award

Drop the Dead Donkey
Writer's Award

Hypnosis
Graphic Design Award

Lipstick on your Collar
Team Award

US Emmys

Channel 4 News
Outstanding Investigative Journalism

Fragile Earth: Tides of War
Outstanding Analysis of a Single Current Story

Crater of the Rain God
Outstanding Individual Achievement in a Craft (Cinematography)

FILM AND ANIMATION FESTIVALS

Annecy International Animated Film Festival

Father Christmas
Best Commissioned TV Special

Screen Play
Jury Prize

The Village
Special Jury Prize

Cannes Film Festival

Friends
Special Mention

Naked - Mike Leigh
Best Director

Naked - David Thewlis
Best Actor

The Piano
Palme D'Or (Joint)

Raining Stones
Joint Jury Prize

Edinburgh International Film Festival

Kings of Siam
Post Office/McLaren Prize for Best British Animation



Drop the Dead Donkey



Evening Standard British Film Awards

Hear My Song - Peter Chelsom
Best Newcomer

Howard's End
Best Film



Crater of the Rain God

Howard's End - Emma Thompson
Best Actress

The Long Day Closes
Best Screenplay

The Long Day Closes
Technical Achievement Award

Peter's Friends - Kenneth Branagh
Peter Sellers' Award for Comedy

Peter's Friends - Emma Thompson
Best Actress

Secret Friends
Best Cinematography

Golden Cartoon

The Village
Best European Animated Film

Golden Globe Awards

Howard's End - Emma Thompson
Best Actress

Los Angeles Society of Film Critics

The Crying Game
Best Film

Silverlake Life: The view from here
Independent Film Award

New York Film Critics' Circle Award

Naked - David Thewlis
Best Actor

The Crying Game - Miranda Richardson
Best Supporting Actress

The Crying Game - Neil Jordan
Best Screenplay

Oberhausen International Film Festival

Screen Play
Best Animated Film

Oscars

Howard's End - Emma Thompson
Best Actress

Howard's End
Best Film

Howard's End
Best Art Direction

Howard's End
Best Adapted Screenplay

The Panama Deception
Best Documentary

US National Society of Film Critics

Naked - David Thewlis
Best Actor

The Crying Game - Stephen Rea
Best Actor

The following programmes and films also received awards - or received additional awards to those shown above - during the year:

A is for Autism
AZT - Cause for Concern
The Big Breakfast
Bhaji on the Beach
Britannia
Bye Bye Baby
Crater of the Rain God
The Crying Game
Cutting Edge: Summerhill at 70
Dispatches: All the Presidency's Men
Dispatches: Blind Data
Dispatches: Body Shop
Dispatches: The Gluckman Files
Dispatches: Mother Russia's Children
Empire
Equinox: The Elements
Equinox: ET Please Phone Earth
Equinox: Human Waste
Equinox: The Puzzle of HIV
Flight of the Swan
Fragile Earth: Ablaze in Provence
Fragile Earth: Children of Chernobyl
Fragile Earth: Tides of War
Free For All
Friends
Gazzetta Football Italia
The Good Wife of Tokyo
The Great Japanese Bubble
Heart has Reasons
Hidden Faces
High Interest: South Africa's Black Economy
Homophobia in Hollywood
Howard's End
Krzysztof Kieslowski Trilogy (Blue)
Loves Me ... Loves Me Not
Naked
The Nicholas Brothers - We Sing and We Dance
Now that it's Morning
Oedipus Rex
Prince Cinders
Raining Stones



Channel 4 News

Italian Football



Ray of Hope
The Royal Collection - The Collectors
Screen Play
Secret History - Drowning by Bullets
The Secret Life of Machines
The Secret Life of the Wordprocessor
Seven Songs for Malcolm X
Silverlake Life: The view from here
Soho Square
Something like a War
South: Deadline 1997
Storm over the Okavango
Sweet France
Temptation of Sainthood
Tickets for the Zoo
True Stories: St Petersburg!
True Stories: Vegetable plots
The Village
Wild West
Without Walls: Theremin, an electronic odyssey

In addition, other areas of Channel 4 received recognition of outstanding achievements in promoting and marketing our films and programmes:

'Tapping campaign' -
Channel 4 on-air presentation
RTS Design award for Graphic Design
Designers and Art Directors' silver award
Promax USA gold award

For on-air promotions generally:

Promax USA silver award for Equinox, gold award for Italian Football, gold and bronze awards for Tour de France, bronze award for Jack Dee, bronze award for Cheers. Judge's special gold award for excellence of promotion of the channel across all entries.
Promax USA gold award for Best Campaign - (one or more media) for The Big Breakfast; gold award for Best Sales Tape (Autumn 1992); silver award for Best Mixed Media Campaign for The Big Breakfast; bronze award for Best Print Campaign for The Big Breakfast, bronze award for Best Campaign for Tour de France; and RTS Design Award for Best Graphics in Print.

Independent production companies are the most important source for commissioned programmes. In 1993, Channel 4 made programme payments to 533 independent production companies (1992: 664).

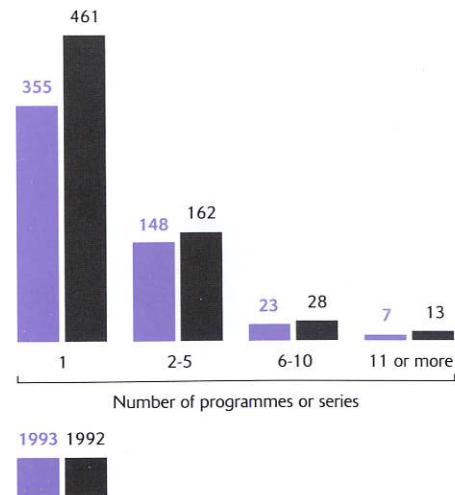
Chart (a) sets out the number of companies which received programme payments from Channel 4 in each of the bands shown. Chart (b) shows the number of programmes or series of programmes for which the channel made payments to individual independent production companies. That chart includes long running strands of programmes as one programme series. The *Brookside* series, of which three episodes are transmitted each week, is therefore shown in the chart as one series.

20

(a) Programme payments (Number of companies)



(b) Number of programmes per company (Number of companies)



Corporate activities



Tapping campaign - Jon Snow

The success of Channel 4's first year of independent existence re-inforced its central role in the industry. With a public service remit but only commercial funding, we straddle both sectors and can speak on industry issues with an independent voice. The central planks of our remit - innovation, the encouragement of pluralism and support for minorities - continue to inform and underpin all our activities off screen. In our internal affairs and external relations we seek to operate in an open, friendly and helpful manner.

Supporting the industry

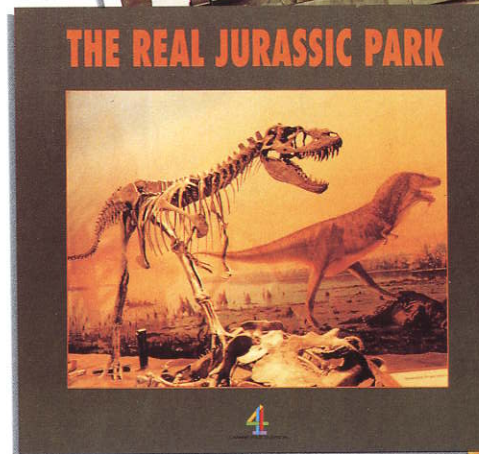
Film has always played a central role in Channel 4's programme policy. We are the largest financier of British film production and are responsible for many of the industry's recent successes. We try to encourage pluralism in the funding of film through the support of small production units. In our corporate role we support a range of organisations and festivals with activities throughout the United Kingdom including the British Film Institute, the Scottish Film Production Fund and over 50 film festivals. Most notable in 1993 were the Three Continents season at the London Film Festival and the award for the Young Film Maker of the Year at Edinburgh.

The channel has a tradition of encouraging more accountability in broadcasting. We are pleased, therefore, to support events like the first international conference of the Voice of the Listener and Viewer.

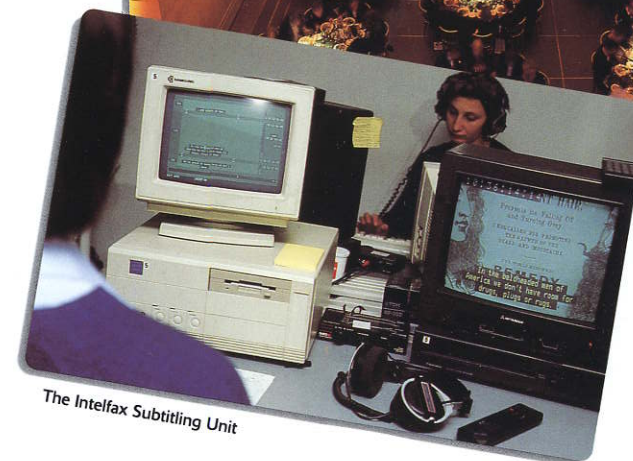
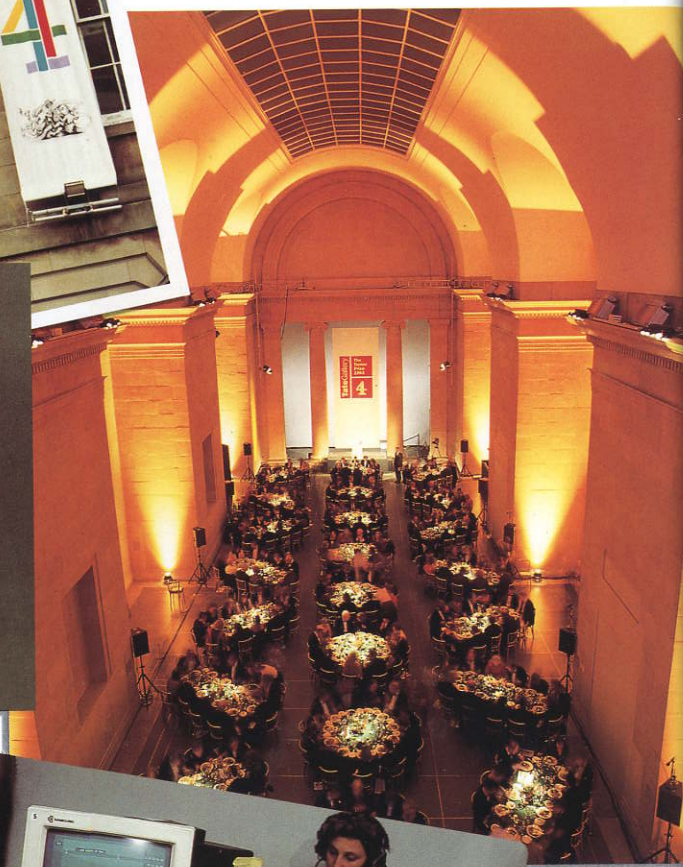
Sponsorship and community support

The channel provided sponsorship support in 1993 to over 40 events and initiatives related to our work as a broadcaster. These ranged from the third year of support for the prestigious Tate Gallery's Turner Prize and INPUT (The Public Broadcast Screening Conference, Bristol) to smaller contributions to initiatives such as the European Film School, One World Trust and a Young Offenders Screen-Writing Course.

In addition the channel was involved with many charity and community efforts covering a wide range of organisations. The channel receives hundreds of requests in this area each year. Inevitably we can support only a small number of them and we concentrate on those where there is an obvious Channel 4 'connection' - examples range from advertising support for concerns such as the British Wheelchair Sports Foundation, the Children's Film



The Turner Prize



The Intelfax Subtitling Unit

Unit, the British Deaf Association and the Terrence Higgins Trust, to sponsorship of disabled access for a Gay and Lesbian Festival, provision of printed sweatshirts for a national youth orchestra and assistance towards a stay of execution by Bow Council for 'House' the much discussed work by Rachel Whiteread (winner of the 1993 Turner Prize).

Towards the end of the year two programme seasons were marked by charitable support from the channel. The channel's 11th Birthday was celebrated by a contribution of £11 made on behalf of each staff member to the Bosnia Appeal and the Channel 4 Christmas card - based on children's paintings from the homelessness season - provided financial support towards Shelter's Christmas appeal.

Over 250 other events were supported in 1993 by Channel 4 merchandise gifts for raffle and tombola prizes.

Working with suppliers

Channel 4 places great importance on maintaining a good dialogue with its main programme suppliers, the independent producers. The regular liaison meetings between the channel's executive and members of the Council of PACT serve as useful fora for the discussion of issues of mutual concern. The annual 'open days' held by each programme department when any producer can attend and hear individual commissioning editor's future programme plans are important in the exchange of ideas, as is Michael Grade's annual presentation of the Annual Report to all PACT members. In 1993 we extended the dialogue to cover discussion of programme policy issues. The Innovation Day, held in September and attended by 300 programme makers, was a considerable success. As a result, a Producers' Forum has been established to encourage more regular discussions of this nature.

The channel tries to ensure that distance from London does not disadvantage producers. Commissioning editors, controllers and the Director of Programmes held their annual open day in Edinburgh in November and made regular visits to other production centres around the country. One commissioning editor has specific responsibility for relations with producers based in Scotland and administers a development fund to encourage production north of the border. This year a similar arrangement was established for producers living in the English regions.

Training for the future

Channel 4 is a founder member of Skillset, the industry training organisation for broadcast, film and video.

Much progress has been made in the development of National Vocational Qualifications for the industry. These are of particular significance in an industry where there have been very few consistent means of recognising skills. It is particularly heartening that so many professionals representing nearly a score of the occupational groupings in the industry have acknowledged the value of this work and have been deeply involved in it. The first NVQs are expected to be in place early in 1994.

Skillset has also continued to be instrumental in winning contributions from the European Social Fund towards industry training efforts.

Skillset's Freelance Training Fund now has significant contributions from the Channel 3 companies, Channel 4 and PACT via its commendable levy from members. The Freelance Training Fund is targeted specifically to those areas where training is identified as a priority, and where those benefiting from the training have realistic opportunities for employment. So far, 1,100 training places have been provided, as well as support for the industry's scheme for new entrants to technical grades FT2. The Fund has also developed two distance learning packages aimed at helping independents and freelances within the industry to improve their business skills.

The channel has continued to support the National Film and Television School in its excellent and essential work. Financial help was also given to the Actors' Centre, which provides actors with the opportunity to train for work in front of the camera.

The four successful candidates from the 1,500 applications for the 1993 intake of Fourfit, the channel's two year full-time course designed to achieve better representation of the ethnic minorities in production grades, have begun their training. Fourthought (a similar two-year scheme for people with disabilities) continued through 1993. The year also saw the start of a further production training scheme for deaf people at the North East Media Centre supported by Channel 4 in partnership with Tyne Tees Television, the British Film Institute, the Foundation for Sports & Art and the European Social Fund.

Subtitling for the deaf

In 1993, Channel 4 commissioned new subtitles averaging 24 hours per week for pre-recorded programmes - an increase of eight hours per week over 1992 - and continued to provide subtitles for Channel 4 News totalling more than four hours per week. The channel remains on target to provide 50% of its programmes with subtitles by 1998 as its commitment to make as many of its programmes as practicable accessible to the deaf.

Channel 4 and its staff

Equal opportunities are a high priority for the channel. The representation of people from ethnic minority backgrounds was 8.4% at the end of 1993, slightly down on the previous year. The channel continues to strive to improve this figure. The departures of Liz Forgan and Andrea Wonfor deprived the channel of its two most senior woman managers, and meant that the female percentage of staff who earn over £50,000 was down from 28% to 23%. The female percentage of staff earning over £30,000 increased from 35% to 38%, however. The channel continues to encourage the development and promotion of female staff.

The channel's new building in Horseferry Road, which has been designed for full accessibility throughout, will, we hope, increase the opportunity to employ staff with disabilities.



Bosnia appeal - birthday card

Channel 4 and viewers

Channel 4 welcomes comments from viewers about programmes, whether these are praise or complaints. The channel runs a duty office open 24 hours a day, with staff on duty from 8.30 am to midnight and then an answerphone service, to handle viewers' telephone calls and letters. It aims to deal with all comments in an honest and efficient manner.

The duty office handled 97,412 telephone calls in 1993 and received 39,810 letters. Many were simply asking for information but just over 8% were complaints. A summary of telephone calls is passed to all senior executives each day. Particular points are passed on for specific response from production companies or commissioning editors. All complaints from people with a direct interest in a programme are dealt with as a matter of policy at commissioning editor level. Viewers with complaints are also referred, as appropriate, to the Independent Television Commission, the Broadcasting Complaints Commission and the Broadcasting Standards Council. The existence of these bodies and their functions are publicised in a 'How to Complain' leaflet and in announcements on air. Viewers who contact the channel about its programmes can also use the **Right to Reply** programme. As part of our licence requirements a full log of viewers' complaints is kept with complaints filed by category and with all programmes attracting more than 30 complaints specifically noted and reported to the ITC.

Regulatory authorities

In 1993, the Independent Television Commission considered 760 complaints about Channel 4 programmes and made seventeen formal interventions. In the case of the drama serial, **Brookside**, a formal warning was given on the use of a knife as a murder weapon in the omnibus edition (transmitted at 5pm on Saturdays). The Commission required an on air apology for an incident transmitted live on **The Word** where an interviewee made offensive remarks. The Broadcasting Standards Council considered 174 complaints from viewers concerned about taste and decency issues in our programmes and upheld six in full and 28 in part. In one case - the use of a four letter word shortly after the 9pm watershed - it required its finding to be published in The Times. The Broadcasting Complaints Commission considered sixteen complaints from people who felt they had been treated unfairly in Channel 4 programmes or that their privacy had been invaded. Two were upheld in whole and seven in part.

Meeting the viewers

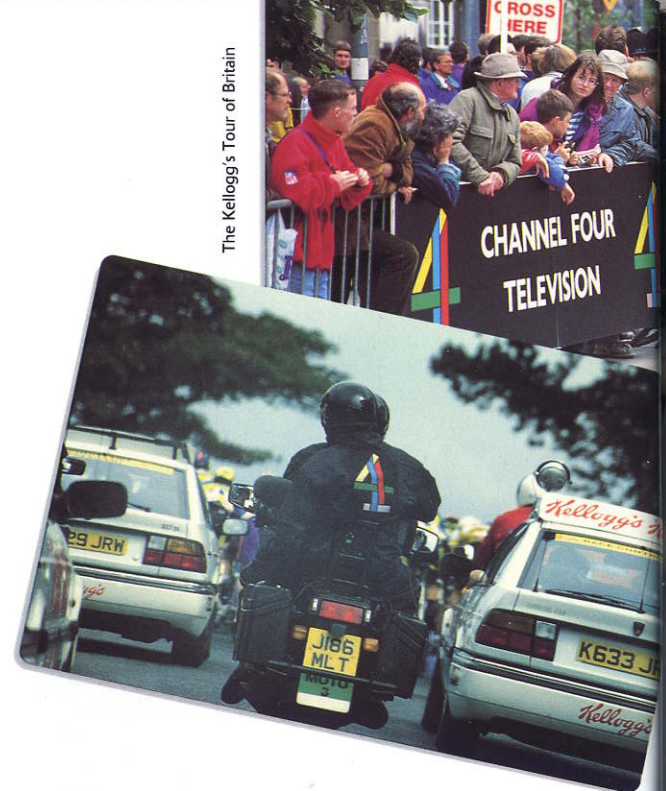
It is the channel's continuing policy to create opportunities for direct contact with viewers throughout the UK. As part of this, Channel 4 was present at a diverse range of events, locations and venues during the year:

- in January, the channel visited Bristol as part of the Independent Traveller's Exhibition.
- in February, an exhibition based on the channel's programme **The Secret Life of Machines** was installed in the launch pad section of the Science Museum.
- in April, the channel installed a display at the Institute of Contemporary Arts in connection with the British Animation Week. Each month from April to September the Channel 4 Gardening Roadshow visited a different location - ranging from the Chelsea Flower Show in London through to the Perth Show on Tayside; in many areas, local schools were invited to take part in a Schools' Gardening Competition and winners received their prizes from a Channel 4 'star' at the roadshow event.
- in May, the channel was present at the Deaf Broadcasting Council's AGM where a video pillar and a subtitling demonstrator explained the work the channel puts into subtitling its programmes.
- in August - as part of our cycling coverage - the channel joined the Kellogg's Tour of Britain cavalcade travelling from Portsmouth around the country and ending in Liverpool. From 28 August to 3 September the channel's science programmes were featured at the Science for Life exhibition at Keele University.
- in November, in connection with the channel's sponsorship of the Turner Prize, displays were mounted in the Tate galleries in Liverpool and St Ives in addition to London. The second year of the **Channel 4 Silents** screenings took place at the Odeon, Marble Arch and presented the renovated print of William Wellman's **Wings** (1927) with new score and live orchestra conducted by Carl Davis.

Educational back-up

The channel's hope is that the impact of many of its programmes does not end when the television is switched off. We therefore invest some £450,000 a year in programme support activities which include printed material which can be obtained by post.

The Kellogg's Tour of Britain





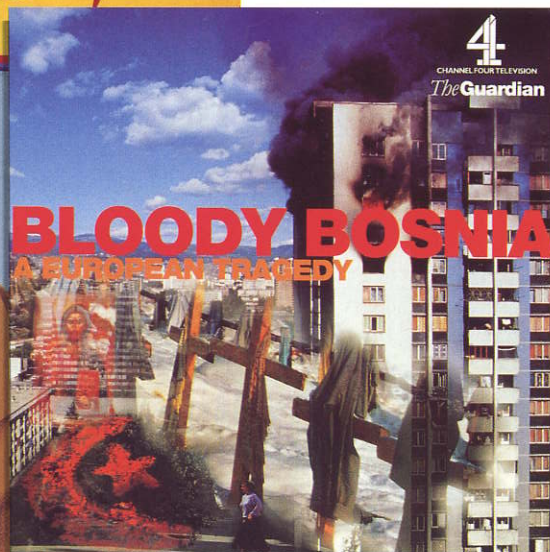
**Today's
health
service**
-a user's guide-

Robert Eagle



CHANNEL FOUR TELEVISION

The William Wellman 1927 classic starring Clara Bow & Charles 'Buddy' Rogers
Channel Four Silents, the Odeon Marble Arch, London. November 12 & 13, 1993



In 1993 the two major projects were related to the programme seasons - **Gimme Shelter** and **Bloody Bosnia**:

- 5,000 viewers requested the principal viewers' guide to many of the issues around homelessness. In addition, a booklet offering practical advice on self-building was published to accompany **Raising the Roof**. A total of 430 viewers rang the telephone helpline to obtain advice on getting housed, and 630 rang the action line to offer their time and energy to the problems of homelessness.
- a booklet to support **Bloody Bosnia** sold 6,000 copies. Over the year the Channel 4 Bosnia Appeal, administered by Broadcasting Support Services and the Refugee Council, and publicised on air, raised nearly £200,000 which was distributed to charities doing vital work in the field.

'Today's Health Service' which Channel 4 published in support of **The Pulse** was described as the best guide to the Patient's Charter in existence and the report accompanying **Dispatches: All our Futures** reached over 10,000 members of parliament, teachers, administrators and general viewers. Channel 4 supported 81 programmes with back-up material in 1993.

Channel 4's Science Club, now well established, has been joined by the Science Line, a service by which viewers can now raise questions with scientists by telephone; over 800 called during the **Dinomania** weekend and over 600 wanted to know more about the science and technology of **Space Shuttle**, stimulated by an announcement after an **Equinox** programme. The latest Channel 4 club is the Talking Heads Club for viewers interested in ideas, ethics and philosophy.

The telephone helpline service was extended this year to offer help to viewers of **Brookside**. The drama had been carrying a storyline on domestic violence and sexual abuse and on three nights a helpline was run after the programme for viewers who had themselves been victims or abusers or who simply wanted to discuss the issue. This service was used by 400 people.

Advertising sales and audience



Tapping campaign - Chris Evans

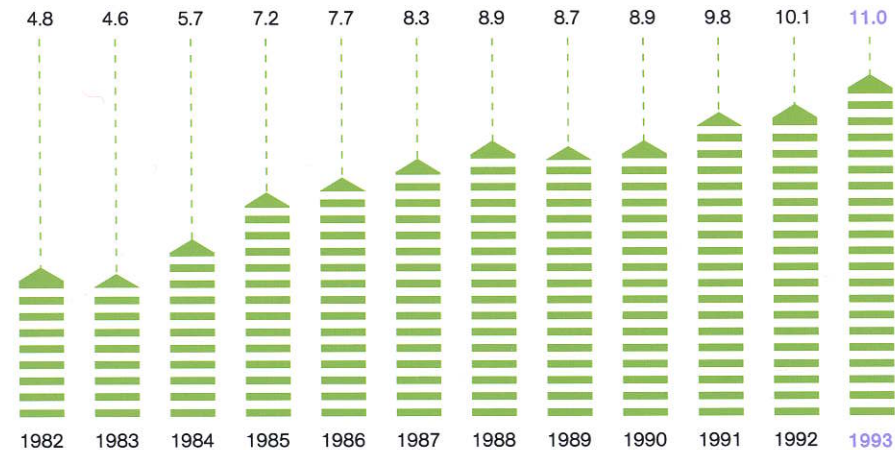
1993 was Channel 4's first year of independent commercial trading with a newly formed advertising sales department. Although competing directly with ITV (and the emerging satellite and cable channels) for advertising revenue, Channel 4 decided to pursue a different sales policy from that traditionally used in the television market.

Channel 4 launched into its new commercial future in a very uncertain advertising marketplace. Television advertising had been extremely buoyant through most of the 1980s but had been affected, as with all advertising, by the UK economic recession between 1989 and 1992. Television revenue had produced zero real growth in 1989, -8% in 1990, -7% in 1991 and 3% growth in 1992.

However, past experience had shown that advertising responds more quickly and more dramatically to growth in the economy and the overall television market is estimated to have increased by approximately 5% in 1993. Channel 4 therefore performed well in a market slowly recovering from three years of decline.

ITV has always had a policy based on the 'average price' of airtime, which has led to constant readjustment of those prices as audiences and demand fluctuate. Channel 4 has a policy of fixed prices whereby advertisers secure a guarantee of ratings in advance. For advertisers it has the benefit of simplicity, for Channel 4 the advantage is that it allows for 'excess' ratings to continue to be sold right up until transmission of the airtime.

Channel 4's share of UK television audience - 1982 to 1993 (%)



Source: BARB

the overall television market
is estimated to have
increased
by approximately
5%

in 1993, Channel 4 achieved a
record

share of viewing at
11.0%

A further difference in policy is to sell advertisers specific types of audiences (eg. 16-34 year old men) which closely match their target purchasers, thereby utilising the channel's strength in delivering a different profile of viewer from ITV. (The ITV policy has primarily been based on broad audience groups rather than specific type).

The success of this policy has been proved by the £330.1 million advertising and sponsorship revenue secured in 1993 - 18.2% of all UK terrestrial television

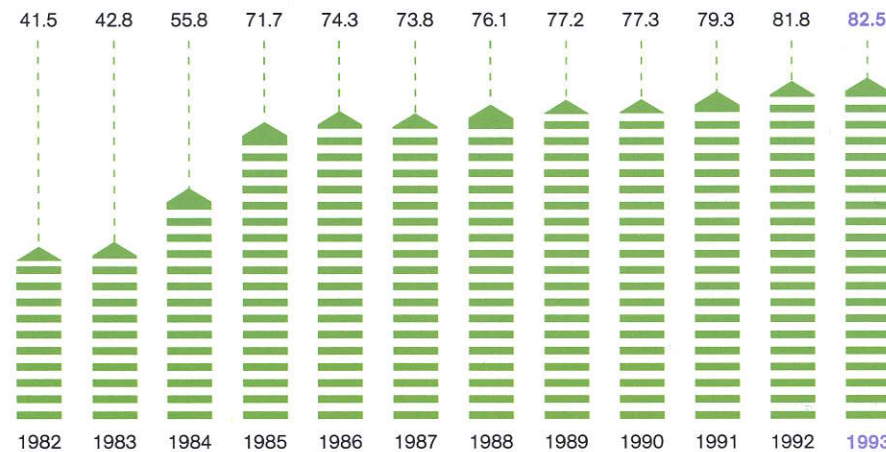
advertising and sponsorship revenue, a figure that exceeded all external forecasts. This level of revenue generation was enormously helped by record audience levels.

In addition to selling airtime to national advertisers, between 20% and 30% of Channel 4's advertising airtime is sold on a regional basis. Channel 4's advertising can be transmitted separately in any combination of six regions.

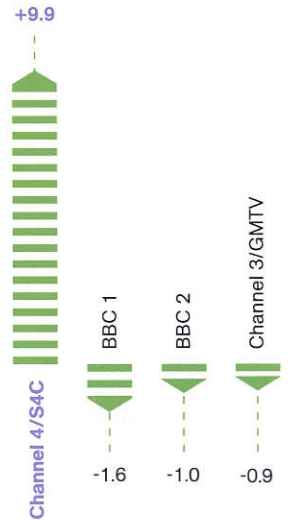
In just one year the channel's sales department has established itself not just as commercially successful in a difficult market, but also as innovative and distinctive in its own right. The sales policy has been a catalyst to a debate on how television airtime should be sold in the future.

In 1993, Channel 4 achieved a record share of viewing at 11.0%. We overtook BBC2 for the first time in our history and were the only UK terrestrial channel that enjoyed an increase in channel share of hours viewed. This was a particularly significant success as total television viewing dropped by 3.7% over the year and there was additional competition from the growth of satellite and cable channels on offer.

Channel 4's weekly reach - 1982 to 1993 (%)



Source: BARB



Increase/decrease in terrestrial channel shares in 1993 (%)

Source: BARB

Despite growing competition, more people tuned in to Channel 4 than ever before - up to 41.1% of the population tuning in on a daily basis and 82.5% on a weekly basis - but, as importantly, the audience profile to Channel 4 also became younger and more up-market.

Channel 4's share of commercial terrestrial and satellite audiences (measured in 'impacts') reached 19.6% in 1993. For the commercially important audience categories of ABC1 and 16-34 year old viewers, Channel 4's

share was even higher at 20.9% and 20.7% of the commercial television audience for these two categories.

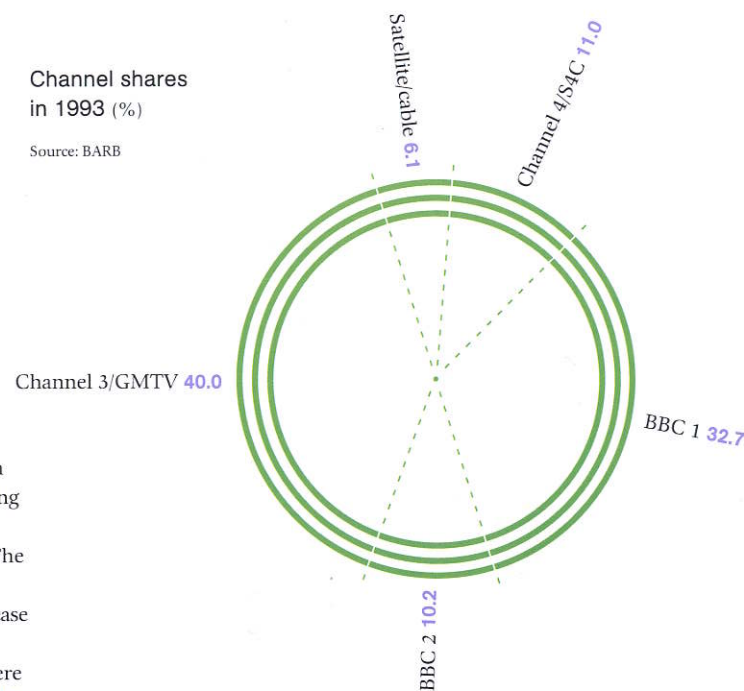
It is the distinctiveness of the channel's audiences which make them commercially valuable to the advertising world and the growth in these particular types of viewer helped make 1993 a strong start to commercial independence. Much of this valuable audience growth was delivered by programmes that reflect the uniqueness of the channel's remit and appeal to audiences who watch a limited amount of commercial television.

For example: **Rear Window**, the multicultural arts programme had an increase in average audience of 33%; **Dispatches**, the current affairs strand, increased by nearly 25%; **Cutting Edge**, the

documentary strand, was again consistently in our top ten rating programmes, and increased its audience by 10% on average. The audiences to the game show, **Crystal Maze**, showed an increase of nearly 6% and in sport, the **Tour de France** audiences were 8% up, year on year. **Brookside** achieved a record audience of 8.3 million viewers to one episode in November, and **The Big Breakfast** continued its tremendous success by holding a 28% share of breakfast television viewing across the year.

Channel shares in 1993 (%)

Source: BARB



ABC1



Channel 4 profile (%)
(demographic analysis of
Channel 4's audience)

Source: BARB

16-34 year olds



41%
of the
population

tune into Channel 4 on a daily basis

Channel 4 has also had great success with many of its 'themed' programme seasons: *Dinomania*, a weekend of programmes about dinosaurs was viewed by over a third of the population. The *Bloody Bosnia* season was viewed by nearly 40% of UK viewers and *Gimme Shelter* - a season on homelessness in Britain - reached a peak of two million viewers.

As well as monitoring audience figures, the channel carries out research into viewer

attitudes - both quantitatively and qualitatively. According to a survey carried out in 1993, Channel 4 is still perceived as controversial, surprising and thought-provoking. Within recent discussion-group research, people refer to it as being "adventurous", and "experimental" and say that it "makes you think". Viewers seem to recognise that Channel 4 requires more mental commitment than the UK's other television channels. It is for these reasons that, when lifestyle data is examined, the sort of people who prefer Channel 4, regardless of age or socio-economic status, are those with more forward, free thinking attitudes. Our distinctive programme service appeals to the upmarket, the young and the adventurous.



Some trade marketing initiatives

The responsibility for generating revenue within an increasingly competitive market place, has brought with it the need to market the channel: both to viewers to maximise audiences, and to advertisers and their agencies to maximise revenues. In the last two years, Channel 4 has been one of the few television channels consistently to support its programming and brand image with co-ordinated campaigns in

the press, on air and through paid-for advertising. Investment in this activity has increased significantly and research has shown both high awareness and appreciation of it amongst viewers.

The effectiveness of both on and off-air marketing has been reflected in a number of awards and the growth of audiences in 1993.



Two poster campaigns



Financial review and statements



Tapping campaign - Mary Goldring

Director of Finance's review

32

Turnover

The corporation's advertising sales operation has now been established successfully. Assisted by a growing audience share, the sales team increased net advertising revenue for 1993 by 35% over the amount declared by ITV as Channel 4's net advertising revenue for 1992. Gratifyingly, our net advertising and sponsorship revenue of £330.1 million in 1993 turned out to be £5.1 million more than we had projected in 1991 when launching the loan syndication referred to on page 50.

Channel 4's share of the commercial terrestrial audience was 21.6% in 1993 and our share of qualifying revenue, as defined in the Broadcasting Act 1990 and summarised on page 34, amounted to 18.2%. Hence, our advertising time was sold at a discount to Channel 3. The task and opportunity for 1994 is to maintain Channel 4's audience share and reduce that price discount.

Cost of transmissions and sales

Channel 4's cost of transmissions and sales increased by £24.7 million during 1993. The principal reasons for this increase were our taking over from ITV, from January 1993, the responsibility for:

- schools programmes and their associated education liaison and support publications;
- ITC regulation;
- the advertising sales and marketing operation; and
- a more complex British Telecom lines network required to service Channel 4's six advertising regions around the United Kingdom.

Profit

The corporation made an operating profit of £44.4 million for 1993, before interest, the amount payable to the Channel 3 companies, and tax.

£38.2 million was payable to the Channel 3 companies as a result of the funding arrangements set out in the Broadcasting Act 1990.

The profit for the year was £1.3 million after tax.

Cashflow

The corporation generated gross cashflow from trading operations of £27.6 million in 1993.

In line with UK television industry practice, the corporation extends credit to recognised advertising agencies. Advertising revenue is collectable at the end of the month after transmission. Accordingly, the commencement of the corporation's advertising sales activity on 1 January 1993 required the corporation to finance from the start of 1993 advertising sales debtors at any month end amounting to about one month's sales. Advertising debtors owed the corporation £38.3 million at 31 December 1993 (1992: £ nil).

The sum payable to Channel 3 under the Broadcasting Act's funding formula is calculated by reference to the total qualifying revenue of Channel 3, Channel 4 and S4C for the calendar year. Channel 4 owed the Channel 3 licensees £38.2 million for 1993, and that amount was paid to the ITC on the due date of 14 February 1994 for distribution to the Channel 3 licensees in accordance with the terms of the Act.

Net interest paid amounted to £5.5 million.

Capital expenditure amounted to £33.1 million. This expenditure was spent principally on construction and technical equipment at the Horseferry Road office and transmission centre which the corporation will occupy from April 1994.

The corporation financed the capital expenditure and advertising debtors from operating cashflow and by drawing down a further £31 million from the term loan facility referred to on page 50.

Net borrowings and balance sheet

The cash movements in the year, together with exchange effects on retranslation of foreign cash to the 31 December 1993 exchange rate, left net borrowings at that date of £21.9 million, compared with £14.2 million at the start of the year.

Channel 4's medium term loan facilities incorporate balance sheet ratio and cashflow covenants. Existing cash balances, together with internally generated funds and the available bank credit facilities described on page 50, will be more than sufficient to meet cash and covenant requirements through 1994.

Horseferry Road

The Horseferry Road office and transmission centre project has taken place over a number of years. It was authorised by the Board in 1988; the land was purchased in 1990; construction commenced three days after planning approval in May 1992; completion is on schedule. The total cost of the freehold land and construction of the building will be £62 million - nearly £5 million less than the financial budget agreed by the Board in 1990. The Board is satisfied that this investment will more than pay for itself over the ten year period of the licence.

Interest rate and foreign currency exposure

Exposure to fluctuations in interest rates has been managed through interest rate swaps arranged in June 1992 which have the effect of fixing the rate of interest at 9.38% until September 1996 for the reducing amount of the £50 million term loan.

Channel 4 buys and sells programmes and films in the international markets and is a net purchaser of US dollars. Exposure to fluctuations in exchange rates is managed by transactions in the forward foreign currency markets. Channel 4 does not take speculative currency positions.

Channel Four International

The corporation formed a new wholly owned subsidiary, Channel Four International Limited, on 8 March 1993. That company has been appointed to act as the corporation's sales agent to manage efficiently the worldwide distribution and exploitation of the film and programme rights obtained by the corporation in about 30% of our commissioned programmes as part of the financing negotiations with production companies.

Channel Four International started trading on 1 July 1993. It continued the programme and film sales business which Channel 4 had undertaken as an internal department for a number of years. The business grew satisfactorily during 1993, to the benefit of independent producers and other third parties who have ongoing interests in programme rights. The corporation's share of the net revenue from this activity is received as a rights payment which is then added without deduction to new programme commissions.

It is the channel's view that this is clearly the most efficient method of ensuring that the revenue from secondary rights is directly returned to the commissioning of new programme production. Otherwise, there is no guarantee that this revenue would generate additional economic activity in the UK.

The programme and film sales results for the 1992 and 1993 calendar years are summarised as follows:

	1993 £m	1992 £m
Turnover	11.0	9.4
Producers' and third party profit share	2.4	1.8
Profit before rights payment to the corporation and tax	4.0	2.4



David Scott Director of Finance

28 March 1994

Report of the members

34

Principal activities

1993 was a year of transition as Channel 4 evolved into its new form as the Channel Four Television Corporation (the corporation), financed by the sale of advertising.

The Broadcasting Act 1990 (the Act) established the corporation to secure the continued provision of the television broadcasting service known as Channel 4. On 1 January 1993 the corporation inherited, under the terms of the Act, the business, assets and liabilities of Channel Four Television Company Limited (the company), which had provided the Channel 4 service from 1982 to 1992. Throughout that time, Channel 4 had been financed by subscriptions from the ITV companies, which sold Channel 4's advertising time and hence maintained their regional television advertising monopolies.

The net assets of the company were transferred, at net book value, to the corporation on 1 January 1993. The consideration for that transfer was left outstanding on current account until 22 March 1993 when that balance was satisfied by a dividend of £139.5 million from the company to the corporation. After that transaction, the company became dormant with £100 of share capital and £100 owing from the corporation.

On 1 January 1993 the ITC issued a broadcasting licence under the terms of the Broadcasting Act 1990 for the corporation to broadcast for the ten calendar years 1993 to 2002.

Funding

Until 31 December 1992 Channel 4 obtained funds from the ITC, which collected the fourth channel subscription from each of the ITV companies, who sold Channel 4's and S4C's advertising time. This funding arrangement, which operated since Channel 4 and S4C started, ceased at the end of 1992.

From 1 January 1993 the corporation has sold its own advertising time, which is its principal revenue source.

The Broadcasting Act 1990 established a new funding relationship between the Channel 3 licensees and Channel 4. Under the terms of that Act, the corporation is required to pay Channel 3, for 1993 and subsequent years, 50% of calendar year qualifying revenue in excess of 14% of total qualifying revenue. The total qualifying revenue to which this formula relates is the total of advertising, sponsorship, subscription and barter income of Channels 3, 4 (and 5) and S4C.

The Act also established a funding safety net for Channel 4 under which Channel 3 would pay the corporation up to 2% of qualifying revenue if the corporation's revenue, together with any balance on the statutory reserve account referred to in note 18 to the financial statements, were to be less than 14% of qualifying revenue for any calendar year. Channel 4 has stated consistently since 1989 that it has no wish or expectation of calling upon such a subsidy from Channel 3.

The Act enables the Secretary of State for the Department of National Heritage to amend the funding formula from 1997 by substituting different percentages for the 14% and 2% figures referred to in the two paragraphs above.

Review of business and results

The Chairman's statement and the Chief Executive's review on pages 2 to 5 and the Director of Finance's review on pages 32 and 33 form part of this report and provide information on the development of Channel 4's activities during the year and outlook for the future. The group's results are set out on pages 41 to 52.

Members

The present members of the corporation are listed on pages 38 and 39.

John Willis was appointed as Director of Programmes on 25 January 1993 following Liz Forgan's resignation from that post on that date.

Members' interests

As indicated on pages 38 and 39, certain members are also directors of companies which supply programmes to the corporation, and to that extent are also interested in contracts with the corporation. In particular, note 23 to the financial statements gives information in relation to a material interest of one member in one contract with the corporation.

Liability insurance

A liability insurance policy has been effected for members and officers in respect of their duties.

Research and development

The corporation devotes substantial resources to the development of scripts and programme outlines for possible commissioning. Development expenditure incurred in 1993 on scripts and programmes not commissioned for production by the end of that year amounted to £3.5 million (1992: £4.3 million).

Employment policy

The corporation is an equal opportunities employer. It does not discriminate on the grounds of race, sex, religion, physical handicap, marital status or political affiliation in its recruitment or other employment policies. The corporation 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 Channel 4 and are given equal opportunities with other staff in relation to training, career development and promotion.

Employee involvement and consultation

The corporation informs and consults with its employees through:

- normal collective bargaining with trade unions. Approximately 20% of the corporation's employees are in membership of one of three recognised trade unions:
 - BECTU (for engineering, presentation, clerical and studio staff)
 - AEEU (for plumbers and electricians)
 - Equity (for continuity announcers)
- regular departmental meetings where information is disseminated and staff have an opportunity to air views;
- an internal teletext-based information service available to all members of staff; and
- an annual staff meeting, where the executive gives presentations on the corporation's progress and future and all staff are encouraged to ask questions.

Auditors

Coopers & Lybrand were appointed as auditors by the corporation with the approval of the Secretary of State for the Department of National Heritage in accordance with the requirements of paragraph 12(2) of schedule 3 of the Broadcasting Act 1990.

Coopers & Lybrand have expressed their willingness to continue in office.

The Secretary of State for the Department of National Heritage has required the corporation during 1994 to hold a selected tender with three leading firms of Chartered Accountants, including Coopers & Lybrand, for the audit of the corporation's financial statements for 1994 and subsequent years.



By order of the Board

Janet Walker Secretary

28 March 1994

Corporate governance

36

On 1 December 1992, the Cadbury Committee published its report on corporate governance, which contained a recommended Code of Best Practice (the Code). The Board is pleased to confirm that the corporation fully complies with the Code apart from those provisions relating to the members' reporting on internal control and going concern on which further guidance is awaited from the accounting profession.

The Board

The members have full responsibility for ensuring that, in a changing public service and commercial broadcasting environment, the statutory functions of Channel 4 are discharged in accordance with the broadcasting licence from the ITC and policies regulated by the Board and in accordance with arrangements and procedures which have, to the extent required, the approval of the ITC.

The Board consists of fourteen members of whom the majority are non-executive. Accordingly, there is a strong independent element on the Board and no one individual has unfettered powers of decision. All members are of equal standing. Biographical details of the present members are given on pages 38 and 39.

The Board normally meets once every month. Board meetings follow a formal agenda of matters specifically reserved for decision by the Board.

Non-executive members

The non-executive members carry significant weight in Board decisions. They bring an independent judgement to bear on issues of strategy, performance

and resources. They are independent of management and free from any business relationship which could interfere with their independent judgement.

The non-executive members are appointed for fixed terms by the ITC following consultation with Channel 4's Chairman, or Deputy Chairman, and the approval of the Secretary of State for the Department of National Heritage. The fees for the non-executive members are determined by the ITC.

Executive members

Subject to periodic review and to the overall responsibility of the Board, the Board has delegated responsibility for the formulation and operation of detailed policy, in accordance with the Channel 4 remit and programme policy, and for the conduct of Channel 4's affairs to the Chief Executive and to the five other executive members. The executive members are responsible for ensuring that Channel 4's affairs are conducted in accordance with the operating procedures approved by the Board and applicable rules and regulations.

The terms of employment of the executive members are subject to the approval of the remuneration committee whose terms of reference are set out on page 37. Members' total emoluments (including bonus payments) are analysed on page 47.

Reporting

The Board believes that the 1993 Report and Financial Statements present a balanced and understandable assessment of the corporation's position.

Board committees

The Board has established the following three committees which each meet at least once every year:

Audit committee

The audit committee's purpose is:

- to satisfy itself on all matters of financial propriety and procedure;
- to discuss with the corporation's external auditors any matters of concern arising out of their audit; and
- to review the draft annual report and financial statements before presentation to the full Board.

Three non-executive members, Sir Michael Bishop (Chairman), David Plowright and Bert Hardy, form the membership of the audit committee.

Michael Grade, David Scott and the Coopers & Lybrand audit partner attend meetings of the committee. The audit partner has direct access to the Chairman at all times.

The committee is satisfied with the policies and controls applied during the year, and with the measurement and presentation of financial information in the 1993 Report and Financial Statements.

Budget committee

The budget committee's purpose is to examine and discuss the details of the corporation's and Channel Four International Limited's annual budgets and any other significant financial matters which the full Board may wish to refer to the budget committee for detailed consideration.

The budget committee has six members: Sir Michael Bishop (Chairman), David Plowright, Bert Hardy, Michael Grade, David Scott and Frank McGettigan.

The budget committee reports to the Board, which retains the right of approval of the annual budget and business plan.

Remuneration committee

The remuneration committee's purpose is to approve in relation to the corporation's employees:

- the level of any general salary increase;
- merit or market rate increases for individuals; and
- the corporation's pension fund arrangements and related employee benefits.

Appointments of non-executive Board members, and the fees payable to them, are determined by the Independent Television Commission.

The remuneration committee has a majority of non-executive members. Its membership consists of Sir Michael Bishop (Chairman), David Plowright, Bert Hardy, Michael Grade and Frank McGettigan.

No executive member attends meetings of the remuneration committee at times when any aspect of his remuneration or terms of employment are being discussed.

Pension Plan

The six trustees of the Channel 4 Pension Plan meet with the Plan's managers, Legal & General Assurance (Pensions Management) Limited, several times each year. The Chairman of the trustees is Sir Michael Bishop. The trustees include an independent member, Louise Botting; two of the corporation's executive members, Frank McGettigan and David Scott; and two employee representatives, Robin Hurley and Dawn Stanley.

Members and advisers

Chairman

Sir Michael Bishop CBE (age 52)

Joined the Board in 1991 as Deputy Chairman, and succeeded Lord Attenborough as Chairman on 1 January 1993. His appointment runs to the end of 1997.

Sir Michael Bishop is Chairman of British Midland Airways Limited.

Deputy Chairman

David Plowright (age 63)

Joined the Board in 1992 following his retirement as Chairman of Granada Television Limited. His appointment runs to the end of 1997.

Other non-executive members

Bert Hardy (age 65)

Joined the Board in 1992. His appointment runs to the end of 1997. He is Managing Director of Associated Newspapers Limited.

Anne Lapping (age 52)

Joined the Board in 1989. Her appointment runs to the end of 1994. She is an independent producer and a director of Brook Associates Limited.

Mary McAleese (age 42)

Joined the Board in 1992. Her appointment runs to the end of 1997. She is Director of the Institute of Professional Legal Studies at Queens University, Belfast.

John McGrath (age 58)

Joined the Board in 1989. His appointment runs to the end of 1994. He is an independent producer and writer; a director of Freeway Films Limited; a past member of the PACT Council; and past Chairman of Scottish IPPA.

Sir David Nicholas CBE (age 64)

Joined the Board in 1992. His appointment runs to the end of 1997. He is a past Chairman and Chief Executive of ITN Limited.

Usha Prashar (age 45)

Joined the Board in 1992. Her appointment runs to the end of 1996. She is a past director of the National Council of Voluntary Organisations.



Executive members

Michael Grade (age 51)

Chief Executive since 1988. He is Chairman of Channel Four International Limited, a non-executive director of The Open College Limited and First Leisure plc and a member of the British Screen Advisory Council. Prior to joining Channel 4 he was Controller BBC1 (1984 to 1987), combining the post with that of Director of Programmes, Television from 1986; President Embassy Television, Los Angeles (1981 to 1984); and Director of Programmes, London Weekend Television plc (1976 to 1981).

Stewart Butterfield (age 46)

Director of Advertising Sales and Marketing since 1991. He was European Media Director for McCann-Erickson from 1989 to 1990 and had a number of other roles with McCann-Erickson from 1974 to 1990.

Colin Leventhal (age 47)

Director of Acquisition since 1988, Managing Director of Channel Four International Limited and Deputy Chairman of the British Screen Advisory Council. He joined Channel 4 in 1981 as Head of Programme Acquisition. Prior to that he was with the BBC from 1974 rising to Head of Copyright (1979 to 1981). He qualified as a solicitor in 1971.



Top, left to right
Michael Grade
Sir Michael Bishop
David Plowright
Stewart Butterfield
Colin Leventhal

Middle, left to right
Frank McGettigan
David Scott
John Willis
Bert Hardy
Anne Lapping

Bottom, left to right
Mary McAleese
John McGrath
Sir David Nicholas
Usha Prashar

Executive members

Frank McGettigan (age 43)

Director and General Manager since 1988 and a governor of the National Film and Television School. He joined Channel 4 as Head of Industrial Relations and Administration in 1981. Prior to that he was with the Financial Times (1977 to 1981), ACAS and the Commission on Industrial Relations (1973 to 1977).

David Scott FCA (age 39)

Director of Finance since 1988 and a director of Channel Four International Limited. He joined Channel 4 as Controller of Finance and Company Secretary in 1981. Prior to that he was with Peat Marwick Mitchell (1972 to 1981).

John Willis (age 47)

Director of Programmes since January 1993 and a director of Channel Four International Limited. He joined Channel 4 as Controller of Factual Programmes in 1988 rising to combine the post with that of Deputy Director of Programmes from 1991. Prior to joining Channel 4 he was with Yorkshire Television plc from 1970 to 1988 in a number of roles culminating as Controller of Documentaries and Current Affairs.

With the exception of John Willis, each of the members of the corporation since its formation on 1 January 1993 were directors of Channel Four Television Company Limited during 1992.

Secretary

Janet Walker ACA

Solicitors

D J Freeman
43 Fetter Lane
London EC4A 1NA

Allen & Overy
9 Cheapside
London EC2V 6AD

Auditors

Coopers & Lybrand
Chartered Accountants
Plumtree Court
London EC4A 4HT

Bankers

Midland Bank plc
27/32 Poultry
London EC3P 2BX

Samuel Montagu & Co Limited
10 Lower Thames Street
London EC3R 6AE

Statement of members' responsibilities

The corporation is required by the Broadcasting Act 1990 to keep proper accounts and proper records in relation to the accounts, and to prepare financial statements in respect of each financial year. The members therefore prepare financial statements in compliance, to the extent applicable, with the provisions of the Companies Act 1985 and accounting standards currently in force, that give a true and fair view of the state of affairs of the corporation and the group as at the end of the financial year and of the profit or loss of the group for that period.

The members confirm that suitable accounting policies have been used and applied consistently and reasonable and prudent judgements and estimates have been made in the preparation of the financial statements for the year ended 31 December 1993. The members also confirm that applicable accounting standards have been followed and that the financial statements have been prepared on the going concern basis.

The members are responsible for keeping proper accounting records, for taking reasonable steps to safeguard the assets of the corporation and the group, and to prevent and detect fraud and other irregularities.

40

Reports of the auditors

Report of the auditors on the members' statement of compliance with the Code of Best Practice

We have reviewed the members' statement on page 36 concerning the corporation's compliance with the Code of Best Practice published by the Committee on the Financial Aspects of Corporate Governance, in so far as it relates to those paragraphs of the Code which that committee has specified for our review. We carried out our review having regard to the Bulletin 'Disclosures relating to corporate governance' issued by the Auditing Practices Board.

Our procedures primarily comprised enquiry of appropriate members and officers and examination of relevant documents. We are not required to review, and have not reviewed, the effectiveness of the corporation's governance procedures.

Based on our review we have satisfied ourselves that the members' statement appropriately reflects the corporation's compliance with the specified paragraphs of the Code.

Coopers & Lybrand
Chartered Accountants
London
28 March 1994

To the members of Channel Four Television Corporation

We have audited the financial statements on pages 41 to 52.

Respective responsibilities of members and auditors

As described above the corporation's members are responsible for the preparation of financial statements. It is our responsibility to form an independent opinion, based on our audit, on those statements and to report our opinion to you.

Basis of opinion

We conducted our audit in accordance with Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the members in the preparation of the financial statements, and of whether the accounting policies are appropriate to the corporation's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion, we also evaluated the overall adequacy of the presentation of information in the financial statements.

Opinion

In our opinion the financial statements give a true and fair view of the state of affairs of the corporation and the group at 31 December 1993 and of the profit, total recognised gains and cashflows of the group for the year then ended and have been properly prepared in accordance with the Broadcasting Act 1990.

Coopers & Lybrand
Chartered Accountants and Registered Auditors
London
28 March 1994

Consolidated profit and loss account

For the year ended 31 December	Notes	1993 £m	1992 Note 1 £m
Turnover	2	343.9	267.1
Cost of transmissions and sales	3	(278.4)	(253.7)
Administrative expenses		(15.4)	(14.5)
Depreciation	4	(5.7)	(3.8)
Operating profit/(loss)	4 to 7	44.4	(4.9)
Net interest payable	8	(5.5)	(1.3)
Profit/(loss) before amount payable to Channel 3 licensees and taxation		38.9	(6.2)
Amount payable to Channel 3 licensees	9	(38.2)	-
Profit/(loss) before taxation		0.7	(6.2)
Taxation	10	0.6	(1.2)
Retained profit/(loss) for the year	18	1.3	(7.4)

41

All activities are continuing.

The group has no recognised gains or losses other than the profit for the year and therefore no statement of total recognised gains or losses is presented.

There is no difference between the profit before taxation and the retained profit for the year stated above, and their historical cost equivalents.

The notes on pages 44 to 52 form part of these financial statements.

Report of the auditors - page 40.

Balance sheets

At 31 December	Notes	1993 Group £m	1993 Group £m	1993 Corporation £m	1993 Corporation £m	1992 Note 1 £m	1992 Note 1 £m
Fixed assets							
Tangible assets	11		82.5		82.5		58.4
Current assets							
Programme and film rights	13	104.5		104.5		111.9	
Debtors	14	51.6		48.7		13.3	
Cash at bank and in hand		28.1		27.9		4.8	
		184.2		181.1		130.0	
Creditors							
Amounts falling due within one year	15	(75.9)		(73.1)		(29.9)	
Net current assets			108.3		108.0		100.1
Total assets less current liabilities			190.8		190.5		158.5
Creditors							
Amounts falling due after one year	16		(50.0)		(50.0)		(19.0)
Net assets			140.8		140.5		139.5
Profit and loss account	18		121.7		121.4		139.5
Statutory reserve	18		19.1		19.1		-
			140.8		140.5		139.5

Sir Michael Bishop Chairman

David Scott Director of Finance

These financial statements were approved by the Board of Directors on 28 March 1994.

The notes on pages 44 to 52 form part of these financial statements.

Report of the auditors - page 40.

Consolidated cashflow statement

For the year ended 31 December	Notes	1993 £m	1993 £m	1992 Note 1 £m	1992 Note 1 £m
Net cash inflow from continuing operating activities	19(i)		27.6		11.1
Returns on investments and servicing of finance					
Interest received		0.2		0.1	
Interest paid		(5.7)		(1.3)	
			(5.5)		(1.2)
Taxation					
UK corporation tax refunded/(paid)		0.3		(1.0)	
Overseas tax paid		(0.2)		(0.3)	
			0.1		(1.3)
Investing activities					
Purchase of tangible fixed assets		(33.1)		(19.0)	
Sale of tangible fixed assets		3.1		0.1	
			(30.0)		(18.9)
Net cash outflow before financing			(7.8)		(10.3)
Financing					
Medium term loan			31.0		19.0
Increase in cash and cash equivalents	19(ii)		23.2		8.7

Principal accounting policies

for the year ended 31 December 1993

44

Basis of accounting

The financial statements have been prepared under the historical cost convention. The financial statements meet the requirements, in so far as they are applicable, of the Companies Act 1985 and of accounting standards currently in force. Given the special nature of the corporation's business, as permitted by the Companies Act the format of the profit and loss account has been adapted to disclose separately 'Amount payable to Channel 3 licensees' under the Broadcasting Act 1990 funding formula.

Accounting policies

A summary of the more important accounting policies, all of which have been applied consistently, is set out below.

Basis of consolidation

The consolidated financial statements comprise the financial statements for the Channel Four Television Corporation and all of its subsidiary undertakings made up to 31 December 1993. The corporation has taken advantage of the legal exemption not to present its own profit and loss account.

Advertising revenue

Advertising revenue is stated net of advertising agency commission paid.

Sale of programme rights

Profit is recognised on contracts for the sale of rights of completed programmes as payments under the contracts become due.

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 programmes or films which are 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) Research and development expenditure, consisting of funds spent on projects prior to a final decision being made on whether a programme will be commissioned, is included in programme and film rights but is fully provided for. Where research and development expenditure leads to the commissioning of a programme, such expenditure is transferred to programme cost and the provision is released. 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 financial statements.

iii) The direct cost of programme and film rights is wholly written off on first transmission.

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 from the date of its first utilisation. The principal annual rates used for this purpose are as follows:

Freehold land	Nil
Leasehold properties are depreciated over the remaining period of occupancy	
Technical equipment and office furniture	20%
Motor cars	25%

- iii) The construction costs of the Horseferry Road property will be depreciated at the rate of 2% per annum from the date of occupation of the completed building in 1994.
- iv) Direct computer software development costs are capitalised and depreciated at 20% per annum from the date of implementation of the software system.

Foreign currencies

Assets and liabilities denominated in foreign currencies are translated into sterling at the rates prevailing at the balance sheet date. Any resultant gain or loss on exchange is shown as part of the surplus or deficit for the year.

Pensions

The corporation maintains a defined benefit pension scheme. Pension costs are determined by external actuaries and charged against profits each year.

Notes to the financial statements

46

1 Comparative figures for 1992

The year ended 31 December 1993 was the first year of the corporation's existence. The comparative figures for 1992 in these financial statements are those of Channel Four Television Company Limited, which undertook the activities of Channel 4 up to 31 December 1992, restated where appropriate to conform with the accounts format adopted by the corporation and to reflect the changes brought about by the Broadcasting Act 1990.

2 Turnover

Turnover, excluding value added tax, arises from television and related activities as follows:

	1993 £m	1992 £m
Net advertising and programme sponsorship	330.1	0.9
Subscription from the ITC	-	251.2
Programme and film sales	11.0	9.4
Sundry income	2.8	5.6
	343.9	267.1

3 Cost of transmissions and sales

	1993 £m	1992 £m
Transmissions:		
Direct programme costs	207.0	188.5
Transmitter and distribution costs	27.1	23.9
Programme related costs	23.8	25.7
ITC regulatory costs	2.6	-
Sales:		
Cost of advertising and programme sales	15.5	13.8
Share of programme sales income due to independent producers and third party financiers	2.4	1.8
	278.4	253.7

4 Operating profit/(loss)

The operating profit/(loss) for the year is arrived at after charging:

	1993 £m	1992 £m
Research and development	3.5	4.3
Depreciation of fixed assets (note 11)	5.7	3.8
Operating lease rentals - company premises	2.9	2.9
Members' remuneration (note 6)	1.2	1.0
Equipment hire	0.2	0.2

Fees in respect of services provided by the auditors were:

	1993 £000	1992 £000
Statutory audit	45	38
Other services, principally tax advice	82	104
	127	142

5 Segmental information

	Turnover £m	Profit/(loss) before taxation £m	Net assets £m
i) 1993			
Broadcasting	332.9	0.5	140.5
Programme and film sales	11.0	0.2	0.3
	343.9	0.7	140.8
ii) 1992			
Broadcasting	257.7	(6.7)	139.5
Programme and film sales	9.4	(0.7)	-
	267.1	(7.4)	139.5

6 Remuneration of the members

	1993 £000	1992 £000
Non-executive members		
Chairman	33	33
Others	60	45
Executive members		
Salaries	802	788
Bonuses	114	-
Contributions to pension scheme (note 22)	123	121
Other benefits	55	48
	1,187	1,035

Bonuses based on the corporation's performance for the year were paid to three executive members. All bonus payments are approved by the remuneration committee.

The members' aggregate emoluments (excluding pension contributions) were as follows:

	1993 Number	1992 Number
£0 - £5,000	-	6
£5,001 - £10,000	7	3
£10,001 - £15,000	1	1
£30,001 - £35,000	1	1
£95,001 - £100,000	-	1
£100,001 - £105,000	1	2
£105,001 - £110,000	2	1
£115,001 - £120,000	-	1
£125,001 - £130,000	1	-
£170,001 - £175,000	1	-
£310,001 - £315,000	-	1
£355,001 - £360,000	1	-
	15	17

Included above are amounts in respect of the highest paid member:

	1993 £000	1992 £000
Salary	319	314
Bonus	40	-
	359	314

The comparative figures for members' remuneration in 1992 in notes 4 and 6 are for the directors of Channel Four Television Company Limited.

7 Employee information

The employment costs for all employees, including executive members, were as follows:

	1993 £m	1992 £m
Basic salaries	16.0	14.1
Staff bonuses	1.1	-
Aggregate gross salaries	17.1	14.1
Employer's national insurance contributions	1.6	1.2
Employer's pension contributions (note 22)	1.8	1.7
Total direct costs of employment	20.5	17.0

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

	1993 Number	1992 Number
Programme commissioning and transmission	305	296
Advertising and programme sales	108	63
Operational management and administration	141	145
	554	504
Full-time permanent employees	506	472
Short-term contract staff	48	32
	554	504

8 Net interest payable

	1993 £m	1992 £m
Interest payable on bank loans and overdrafts repayable within five years	5.7	1.4
Interest receivable on bank and short term deposits	(0.2)	(0.1)
	5.5	1.3

9 Amount payable to Channel 3 licensees

The Broadcasting Act 1990 established a funding relationship between the Channel 3 licensees and Channel 4 which is described in the Report of the Members on page 34. The ITC has reported that the total qualifying revenue relevant to that formula for 1993 was £1,811.6 million (1992: £1,741.0 million).

Based on the ITC's report of total qualifying revenue, the amount payable by Channel 4 to the Channel 3 licensees for 1993 is £38.2 million, representing 50% of Channel 4's qualifying revenue in excess of 14% of the total qualifying revenue for Channels 3, 4 (and 5) and S4C. That sum was paid to the ITC on 14 February 1994 for distribution between the Channel 3 licensees.

10 Taxation

The taxation (credit)/charge is based on the taxable profit for the year, after deduction of the amount payable to the Channel 3 licensees, and comprises:

	1993 £m	1992 £m
UK corporation tax @ 33.0%	0.1	1.2
Double tax relief	(0.1)	(0.2)
	-	1.0
Adjustment in respect of prior years	(0.7)	-
Overseas taxation	0.1	0.2
	(0.6)	1.2

11 Fixed assets

Group and corporation

Tangible assets

	Freehold properties £m	Leasehold properties £m	Furniture & equipment £m	Motor vehicles £m	Total £m
Cost					
At 1 January 1993	40.6	8.6	30.2	0.8	80.2
Additions	22.1	-	10.9	0.1	33.1
Disposals	(3.1)	-	(0.3)	(0.1)	(3.5)
At 31 December 1993	59.6	8.6	40.8	0.8	109.8
Depreciation					
At 1 January 1993	0.1	5.8	15.7	0.2	21.8
Charge for the year	-	1.4	4.1	0.2	5.7
Disposals	-	-	(0.1)	(0.1)	(0.2)
At 31 December 1993	0.1	7.2	19.7	0.3	27.3
Net Book Value					
At 1 January 1993	40.5	2.8	14.5	0.6	58.4
At 31 December 1993	59.5	1.4	21.1	0.5	82.5

The freehold properties mainly represent land and a building at Horseferry Road, London SW1 which is being developed to become Channel 4's office and transmission centre. Construction of the building will be completed early in 1994.

The leasehold properties mainly represent work carried out on Channel 4's offices and transmission centre at 60 and 76 Charlotte Street, London W1.

12 Investments

i) British Screen Finance Limited

Channel 4 holds 1,800,030 ordinary £1 and 1,842,141 B class £1 shares in British Screen Finance Limited (British Screen), representing 43% of the ordinary share capital and 39% of the total capital. The shares were received in consideration of Channel 4 advancing £0.3 million per annum from 1986 to 1991 to British Screen - a total of £1.8 million. British Screen is incorporated in England.

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. Draft financial statements for British Screen for 1993 show accumulated losses of £8.6 million and a loss for 1993 of £0.3 million. Channel 4 has recognised its share of the accumulated losses made by British Screen by charging the amounts advanced as an expense. The shares are therefore held in the balance sheet at nil value. Channel 4 has no commitment or plans to advance any further funds to British Screen.

ii) Subsidiary companies

The corporation owns the whole of the issued share capital of the following companies. All are incorporated in England.

	Issued ordinary £1 shares
Channel Four International Limited	1,000
Channel Four Television Company Limited	100
Film on Four Limited	100
Sport on Four Limited	2
Channel Four Racing Limited	2

Except for Channel Four International Limited, which manages the distribution of the corporation's film and programme rights, these subsidiaries do not trade.

13 Programme and film rights

	1993 £m	1992 £m
Programmes and films completed but not transmitted	37.4	31.8
Programmes and films in the course of production	37.5	47.4
Purchased programme and film rights	29.6	32.7
	104.5	111.9

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

14 Debtors

	1993 Group £m	1993 Corporation £m	1992 £m
Trade debtors	45.7	43.6	3.0
Prepayments and accrued income	5.9	4.7	7.2
Subscription income due from the ITC	-	-	3.1
Amounts due from subsidiaries	-	0.4	-
	51.6	48.7	13.3

The above amounts are receivable within one year.

15 Creditors - amounts payable within one year

	1993 Group £m	1993 Corporation £m	1992 £m
Payable to Channel 3 licensees (note 9)	38.2	38.2	-
Trade creditors	8.4	8.4	6.5
Accruals	20.6	17.8	21.4
Other creditors including taxation and social security:			
United Kingdom corporation tax	-	-	0.4
Social security	0.7	0.7	0.5
Value added tax	7.2	7.2	0.2
Other creditors	0.8	0.8	0.9
	75.9	73.1	29.9

16 Creditors - amounts payable after one year

The corporation has drawn down the full amount of its £50.0 million term loan facility. In addition to this term loan, which is scheduled for repayment in equal six-monthly instalments of £7.5 million between March 1995 and September 1997, with the balance of £5 million due in March 1988, Channel 4 has a committed £25.0 million revolving credit facility which is available for drawdown at any time until 1998, and which was undrawn at 31 December 1993. Amounts drawn down under these medium term loan facilities are secured by a first legal charge over the freehold land and office building under construction at Horseferry Road, London SW1.

In addition to these medium term loan facilities, Channel 4 has a £20.0 million unsecured overdraft facility with the Midland Bank plc.

17 Deferred tax

Losses for tax purposes, arising from the start up costs of the new advertising sales trade and capital allowances, are carried forward and available to provide future tax relief. No deferred tax asset is recognised in respect of these losses.

18 Reserves

	Profit and loss account £m	Statutory reserve £m	Total £m
i) Group			
At 1 January 1993	139.5	-	139.5
Profit for the year	1.3	-	1.3
Transfer to statutory reserve	(19.1)	19.1	-
At 31 December 1993	121.7	19.1	140.8
ii) Corporation			
At 1 January 1993	-	-	-
Profit for the year:			
Dividend received	139.5	-	139.5
From operations	1.0	-	1.0
Transfer to statutory reserve	(19.1)	19.1	-
At 31 December 1993	121.4	19.1	140.5

Consequent upon the Broadcasting Act 1990, under which Channel Four Television Company Limited became a wholly owned subsidiary of the corporation on 1 January 1993, the net assets at that date of Channel Four Television Company Limited were transferred to the corporation at net book value, the balance on Channel Four Television Company Limited's deferred income account was transferred to its profit and loss account and a dividend of £139.5 million, being the balance on Channel Four Television Company Limited's profit and loss account, was paid to the corporation. As a result of these transactions, Channel Four Television Company Limited is now a wholly owned dormant subsidiary of the corporation, with share capital and net assets of £100.

The Broadcasting Act 1990 specifies that 25% of the corporation's qualifying revenue in excess of 14% of the total qualifying revenue for Channels 3, 4 and 5, and S4C should be recorded in a statutory reserve. This statutory reserve will be drawn upon if, in subsequent years, the corporation's qualifying revenue were to fall below 14% of total qualifying revenue.

19 Cashflow

i) Reconciliation of continuing operating profit to net cash inflow from operating activities:

	1993 £m	1992 £m
Profit/(loss) for the year before amount payable to Channel 3 licensees	44.4	(4.9)
Amount payable to Channel 3 licensees	(38.2)	-
	6.2	(4.9)
Depreciation charges	5.7	3.8
Decrease in programme and film rights	7.4	0.9
(Increase)/decrease in debtors	(38.3)	3.6
Increase in creditors	46.4	8.3
Exchange gains	(0.1)	(0.6)
Loss on disposal of fixed assets	0.3	-
Net cash inflow from operating activities	27.6	11.1

ii) Analysis of changes in cash and cash equivalents during the year:

	1993 £m	1992 £m
Balance at 1 January	4.8	(4.5)
Net cash inflow before adjustments for the effect of foreign exchange rate changes	23.2	8.7
Effect of foreign exchange rate changes	0.1	0.6
Balance at 31 December	28.1	4.8

iii) Analysis of balances of cash and cash equivalents as shown in the balance sheet:

	1993 £m	1992 £m	Change in year £m
Cash at bank and in hand	28.1	4.8	23.3

20 Programme and film commitments

At 31 December, Channel 4 had committed future expenditure for programmes and films due for payment as follows:

	1993 £m	1992 £m
Within one year	141.8	158.6
After one year	72.3	36.1
	214.1	194.7

21 Other commitments**i) Capital expenditure**

	1993 £m	1992 £m
Amounts contracted but not provided for in the financial statements	4.3	25.8
Amounts authorised for expenditure but not contracted at 31 December	7.5	9.9

The capital expenditure commitments relate mainly to the construction of the building at Horseferry Road and the technical equipment required for broadcasting from that building in 1994.

ii) Forward foreign exchange contracts

At 31 December 1993, Channel 4 had entered into commitments to purchase foreign currencies amounting to £6.6 million (31 December 1992: £5.5 million), maturing between January and March 1994, which were entered into in order to fix the sterling cost of certain foreign programme and film purchase commitments.

iii) Operating leases

Channel 4 has financial commitments in respect of operating leases for its premises, which will terminate in 1994 or thereafter. The amount payable under these leases in 1994 will be £2.7 million (1993: £2.9 million).

22 Pension costs

Channel 4 operates a contributory pension scheme providing benefits based on final pay. The assets of the scheme are held separately from those of the corporation, 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 Channel 4.

The contributions are determined by a qualified actuary on the basis of triennial valuations using the projected unit method. The most recent independent valuation was as at April 1991. 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 1993 was £1.8 million (1992: £1.7 million).

The actuarial valuation at April 1991 showed that the market value of the scheme's assets was £12.3 million and that the actuarial value of those assets represented 108% of the benefits which had accrued to members, after allowing for expected future increases in earnings. The contributions of Channel 4 and employees remain at 15.3% and 6% of earnings respectively. The next actuarial valuation will be at April 1994.

23 Member's interests in contracts

Anne Lapping is a director and shareholder of Brook Associates Limited, an independent production company which was commissioned during the year to produce 26 one-hour **A Week in Politics** programmes. The production costs for these programmes are £871,971 of which £20,000 is due to Anne Lapping as executive producer and £79,270 is the production fee to the production company. None of the production fee was paid in 1993. Transmissions of **A Week in Politics** began in October 1993.



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