



# TELEVISION THAT MATTERS

CHANNEL FOUR TELEVISION CORPORATION



Report and Financial  
Statements 1999



**250,000**

subscribers to FilmFour  
since launch

**86,000**

calls to Channel 4 Dyslexia  
helpline and more than 10,000  
adult literacy learners for  
Brookie Basics


**£316,000,000**

invested in original British film  
and television

**450,000**

sales of Ali G, innit video

**REFERENCE**



The War Zone

**412**

independent companies  
provided programmes  
transmitted on Channel 4

**£10,000,000**

East is East's UK box office

**3**

international Emmys – plus  
169 other television and film  
awards

**1,000,000**

books sold – including Sunday  
Times bestseller Station X

CHANNEL 4 MADE A DIFFERENCE IN 1999

**THE DIFF**

## CHANNEL 4's PURPOSE

Since 1982 Channel 4 has been making television that matters – offering an alternative to the mainstream on other channels and placing a premium on innovation, originality and diversity. Owned by the public and funded entirely by commercial activity, it reinvests all its profits in generating new creative opportunities for Britain's most talented producers and filmmakers.

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## FUTURE AIMS

As Britain's most innovative contemporary television channel, Channel 4 can never stand still. Channel 4 aims to remain as relevant and salient in the future as it is now. To do so, it must embrace new technology and new ways of engaging its audience, while staying true to the values that have made it one of Britain's most recognisable and respected media brands.

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Vanni Treves Chairman

### 1999 Results

Each year brings increased levels of competition in the television industry. Last year Channel 4 again rose to the challenge.

In 1999, following ITV's decision to move *News at Ten* and the first full year of operation for two new digital platforms, we might have been expected to suffer some slackening of performance. Instead, while our main terrestrial competitors saw audiences fall year on year, Channel 4 maintained its share of all television viewing at 10.3%. It is particularly satisfying that at a time of so much conformity within television, a channel that places a premium on risk and diversity should receive such a vote of confidence from the audience.

Our material reward for bucking the downward trend in terrestrial television was another excellent set of financial results. Our maintained audience share and the appeal of our audience profile to advertisers enabled us to increase advertising and sponsorship income by 7% to £600 million and without the burden of the funding formula, we were able to increase our programme and related expenditure. Profit before tax was £46 million compared with £26 million for 1998.

### People

Our exceptional editorial and commercial performance in 1999 coincided with a period of stability for Channel 4's Board and executive team.

We did say goodbye, however, to Frank McGettigan, Channel 4's General Manager and longest serving

senior executive, who announced in October 1999 his decision to leave the channel. Frank joined Channel 4 even before its launch in 1982 and was instrumental in the construction of our purpose-built headquarters in Horseferry Road. We owe him a debt of gratitude for that and for many other services during his long association with Channel 4, as well as for his loyalty and effectiveness.

Three non-executive members of the Channel 4 Board – Murray Grigor, Usha Prashar and Sarah Radclyffe – finished their terms at the end of 1999. They had served for up to eight years of great change for the channel and we are grateful to them for their supportive guidance.

Millie Banerjee and Ian C Ritchie were appointed to serve four-year terms from January 2000. Millie Banerjee is Senior Vice President of ICO Global Communications and has over 25 years experience working at BT. She is also a non-executive director of the Management Board of the Cabinet Office. Ian Ritchie serves as non-executive chair of a number of technology and software companies and is a board member of Scottish Enterprise. He founded multimedia software company Office Workstations Ltd in 1984 and is the author of *New Media Publishing – Opportunities from the Digital Revolution*, as well as the immediate past-President of the British Computer Society. Their experience of modern communications practice and technology promises to stand Channel 4 in good stead as it identifies new opportunities in the digital age.

I warmly endorse Michael's comments on page 7 of this report about the skill and commitment of everyone who works at Channel 4 and add my thanks to his. The fact that the upheaval threatened by rapid technological change is viewed with such optimism by the management team at Channel 4, is ultimately testament to our confidence in the application, adaptability and appetite of our dynamic workforce.

### Investment

Channel 4 was finally freed of the burden of the funding formula in 1999 and, as a result, did not need to divest funds to ITV for the first time since the channel started selling its own airtime in 1993. All the fruits of our commercial success can now be invested in our future.

As a result, additional funding was released for programmes, with the transmission cost rising by £39 million to £391 million. The channel achieved its original production target of 60% (1998: 57%) in accordance with requirements laid down in the new programming licence agreed with the Independent Television Commission in 1998. We also increased original production in peak-time to 76% (1998: 72%) and, in the process, reduced the number of hours of acquired programming in the schedule.

Satisfactory progress was achieved during 1999 towards a second target agreed with the ITC in 1998 – a commitment to allocate 30% of total production spend to companies in Scotland, Wales, Ireland and the English regions by 2002. The total

## CHAIRMAN'S STATEMENT

'Each year brings increased levels of competition in the television industry. Last year Channel 4 again rose to the challenge.'



transmission cost of regionally produced programmes in 1999 was £85 million, an 18% increase over the previous year.

Targets and quotas, however, only tell half the story. The additional investment was most evident on screen through the sheer quality and originality of so much of Channel 4's output in 1999, as you will read elsewhere in this report.

The demise of the funding formula has also allowed Channel 4 to increase its investment in film. Our reputation as the leading supporter of the domestic film industry was enhanced still further in 1999 by the success of FilmFour Ltd, our film financing, production and distribution subsidiary, which, under Paul Webster, has operated as a standalone company since 1998. The company invested in 26 new feature films in 1999 as well as theatrically releasing 17 films, both those fully or co-funded by FilmFour and third party acquisitions. The success of *East is East* and other FilmFour projects are documented in Michael's report on page 6.

We also signalled a rapid expansion of our online activities at the end of 1999, when we announced the formation of a new Interactive department. Channel 4 is more than quadrupling its spending on online in 2000. As well as taking responsibility for all Channel 4's existing and planned internet ventures, the Interactive department will also be developing interactive television content in a variety of areas including entertainment and education.

### Regulation and governance

There were just six formal ITC interventions against Channel 4 programmes in 1999 (1998: eight), none of which represented serious breaches resulting in statutory sanctions. I dealt in detail in my report last year with the case of *Too Much Too Young: Chickens*.

The ITC has announced its intention to mount a full-scale audit of its regulatory activities in anticipation of a forthcoming Communications Bill. In the light of forthcoming Human Rights legislation, we believe that a review of the ITC's procedures and responsibilities and the regulatory requirements imposed on commercial broadcasters, is both welcome and timely. Channel 4 is intent on playing a full part in this consultation exercise.

As a public corporation, we are not of course listed on the Stock Exchange and are not therefore subject to its rules. Nevertheless, as this report shows, we conduct ourselves to the extent possible as if we were, and apply the highest standards of corporate governance.

### Channel 4's public service future

At the Royal Television Society's convention in Cambridge last year the Secretary of State, Chris Smith, called for a debate to redefine public service broadcasting in the UK. The inquiry into the BBC's funding by the Davies Committee has focused attention on the corporation's cultural and social responsibilities, but within this debate so far, Channel 4's role has not received the recognition it merits.

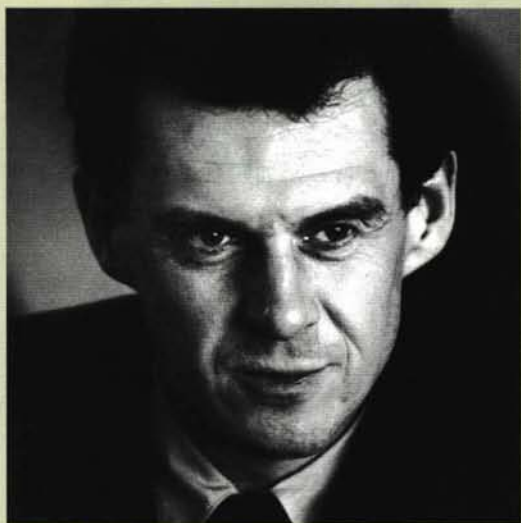
Our aim in the run up to the next Communications Bill, must be to highlight Channel 4's vital contribution to public service broadcasting in this country, now and for the future. We are convinced that the extra substance and colour that Channel 4 adds to the broadcasting spectrum would be significantly devalued by removing our public status and we therefore remain implacably opposed to privatisation.

That said, Channel 4 is changing with the times, diversifying its activities to reflect the expanding range of media outlets available to our audience. These new services are and will continue to be based on the same core and consistent principles as Channel 4 – ambition, innovation, diversity and the distinctive Channel 4 attitude. The commercial dividend that results from them will be reinvested in offering the Channel 4 audience an alternative to the commercial mainstream across a variety of different media. We intend to argue and to prove that a vigorous Channel 4 is absolutely necessary if there is to be a sense of imaginative possibility and a social edge to digital broadcasting.

Vanni Treves

Vanni Treves  
Chairman  
17 April 2000





Michael Jackson Chief Executive

### A media company

In a digital television landscape characterised by ever more channels with little to say and even less to distinguish them, Channel 4 retains its distinctiveness. Our unique combination of a public service programming remit and a funding system entirely dependent on commercial activity continues to generate television that offers viewers innovation and excellence and gives Britain's most talented programme-makers real creative opportunity.

It is a formula that has enabled us to go on winning and holding audiences while other terrestrial channels have suffered decline. Strong audience figures built on a clearly defined brand identity have produced impressive and continuing growth in advertising revenue over the last seven years.

None of this provides grounds for complacency. Rather, we regard it as a compelling argument for growth. With our channel and brand at their most potent, now is the time to diversify our activities and extend our revenue base beyond terrestrial television – a market in long-term, if gradual decline.

As a broadcaster without a production base our principal assets are our brand and our audience. At this time of rapid technological change, we believe our clearly defined public service remit can help us build an ever-closer relationship with that audience by means of new programme ideas, new services and new platforms. Our job is to be distinctive, to

be innovative, to take risks and to be ambitious both in what we make and whom we ask to make it, at a time when too much television is and does none of these things.

For Channel 4 to realise its stated ambition of being as relevant and salient in ten years time as it is now, we need to grow from being a terrestrial broadcaster into a multi-faceted media company. We are putting in place the structures, the people and the investment to make expansion possible. In 1999, for the first time, the fruits of this strategy are easily discernible in this annual report.

### Programming

The key to our future success as a creative media business remains our ability to develop content that carries the unmistakable stamp of Channel 4 and that engages an intelligent audience on whatever medium they choose to receive it. In that respect, 1999 was an outstanding year, with a number of signature shows that commanded ratings, plaudits and a place in the wider cultural debate.

*Queer as Folk* was not only the first drama series about gay sex, but one that captured a new way of living and feeling. Tony Marchant's *Kid in the Corner* laid bare the plight of parents living with a child with Attention Deficit and Hyperactivity disorder.

In entertainment *Ali G* sprung an instant star from *The 11 O'clock Show* and the *Smack the Pony* team

made an assured debut in Channel 4's Friday night line-up. Simon Pegg and Jessica Stevenson broke through in the surreal sitcom *Spaced*.

The simple brilliance of *1900 House* made celebrities of the Bowler family who braved the reality of living at the turn of the century.

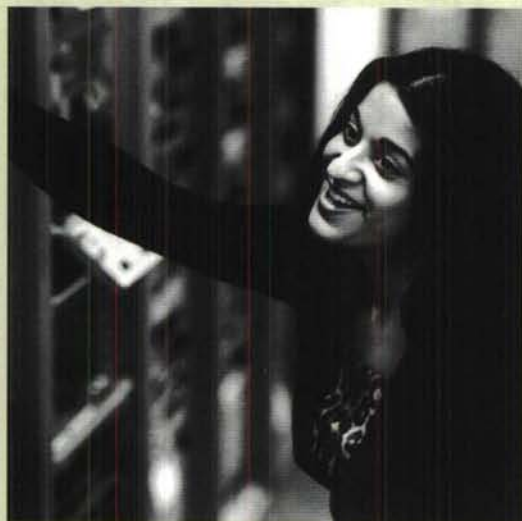
Channel 4's identity as the channel of innovation found a surprising variety of guises. Most acclaimed was the way a new team modernised the coverage of *Test Match Cricket*. Equally original was the dramatised documentary *Tina Goes Shopping* filmed on a Leeds housing estate where the residents acted out the stories of their lives.

Molly Dineen's *Geri* offered an unvarnished documentary portrait of the lust for fame, while *Shanghai Vice* was the product of Phil Agland's four-year immersion in urban China. *Staying Lost's* 18 month mission to expose the abandonment of the children lost on our streets was transmitted despite the determination of local social services departments to suppress it. Dan Reed's *The Valley* bore first witness to the horrors of Kosovo.

The ratings success of the new *Channel 4 News* Saturday bulletin was particularly pleasing at a time when other broadcasters reduced their commitment to news. It was also the year when our multicultural programming came of age, in the mainstream of the schedule.

## CHIEF EXECUTIVE'S REPORT

'In a digital television landscape characterised by ever more channels with little to say and even less to distinguish them, Channel 4 retains its distinctiveness.'



The *Untold* season of black history included a landmark series on *Britain's Slave Trade*.

Channel 4 won 105 international awards for film and a further 67 for television during the year, including three International Emmy Awards for *Smack the Pony*, *The Phil* and *Dispatches: Witness to Murder*. *The Valley* also picked up a prestigious Prix Italia.

#### Advertising sales

The richness and angularity of our schedule in 1999 was rewarded with another strong revenue performance from the advertising sales team under Commercial Director, Andy Barnes. Advertising and sponsorship revenue grew by 7% to £600 million in 1999 (1998: £560 million), reflecting the channel's combative performance in maintaining audience share during the most competitive year in television history.

#### New channels

In 1999 the success of our new film channel, FilmFour, put flesh on the bones of Channel 4's strategic thinking. Launched in November 1998, the service exceeded our most optimistic predictions by securing in excess of 250,000 subscribers by the end of the year. Now available to nearly seven million cable, satellite and digital homes, the channel has already indicated its potential as a profit centre while staying true to Channel 4's core values. It is evidence that all Channel 4's future expansion activities will be based on business as well as cultural foundations.

We have previously stated our ambition to launch additional television services, including horse racing and an entertainment channel, E4.

#### Film

Channel 4 is focusing its expansion strategy in programme areas where it has a strong and established reputation. The FilmFour channel was launched off the back of Channel 4's long and leading involvement in British film – the channel has invested more than £220 million in film production since 1982.

The commercial and critical highlight of the year for our film subsidiary, FilmFour Ltd, was *East is East*, a comedy about an Anglo-Pakistani family growing up in 1970s Salford. The film, funded and produced by FilmFour Ltd, had taken £10 million at the box office at the time of going to press, making it the most successful film released by FilmFour Distributors. FilmFour also handled UK distribution for teen comedy, *She's All That*, which netted £5.9 million and reached number one in the UK box office in May.

FilmFour Ltd also launched a new low-budget division, the FilmFour Lab, to find, nurture and support striking new voices in the world of film.

#### New media

Just as the launch of Channel 4 prompted a new wave of creativity and private enterprise in television production, so the increasing accessibility of the internet is giving fresh impetus to Britain's creative

community. As a channel that prides itself on supporting creativity in all its forms, Channel 4 is determined to play a pre-eminent role in the expansion of this new medium.

We are working on various on-line ventures. These include an E4 entertainment portal, a comprehensive FilmFour site, a relaunched version of *channel4.com* and a series of linked educational sites encouraging people to participate in the creative economy. These businesses will seek to generate revenues through e-commerce.

#### Channel 4 International and commercial development

Channel 4 International, our international sales and co-production operation, relaunched in April and announced a rolling £15 million fund to develop and finance drama and factual programmes over the next three years. Channel 4 International struck deals to develop a range of Channel 4 dramas for the US market.

The strength of Channel 4 as a multimedia brand was evident in the performance of the commercial development department. In its first full year of operation the Channel 4 Books imprint sold more than one million books – including a number one best-seller with *Station X*. Channel 4 Video was responsible for the best selling television video of the year *Ali G, innit*. Channel 4 Music had one double platinum and two gold discs in 1999 and the channel has now launched its own music label.



### Independent producers

If our future is dependent on building on key programming reputations, then those reputations are dependent on the continued health of the independent production companies that supply our programmes. The relationship between our commissioning team and the myriad companies in the independent production sector continues to be the catalyst for the most forward thinking and innovative programmes in British television.

In 1999, 412 independent producers provided originated programmes transmitted on Channel 4 – many times the number commissioned by any other broadcaster – accounting for £242 million of our production cost.

The channel also undertook a number of initiatives among small and medium-sized independents, to improve access and promote greater understanding of the Channel 4 schedule. These included a revamped Channel 4 Open Day, online chats with commissioning editors and specialised genre briefings.

### Staff

Alongside the Channel 4 brand and audience, our most valuable asset remains our staff. In preparation for the push into new markets the channel has employed staff with a range of new expertise, which we believe, with the intellectual and imaginative capital contained within our existing skills base, combines to make Channel 4 the most creative and stimulating place to work in British television.

During the year we consulted all Channel 4 employees on our strategy and the feedback was characterised by understanding and a sense of passionate involvement in the future of Channel 4. I firmly believe that the channel's expansion strategy offers a host of exciting and challenging opportunities for everyone who works at Channel 4. I would like to thank them for their continuing hard work and support.

### Channel 4 and the creative economy

Channel 4 has done more than any other broadcaster to stimulate and nurture television's creative economy. Its publisher/broadcaster status and its unique funding system have helped the independent production sector transform into a vibrant and prospering community of more than 1,400 companies.

Throughout its history Channel 4 has been about creative opportunity – giving writers, directors, performers, producers and craft professionals of all types an outlet and the funding to bring their ideas to fruition and extract value from the creative process. As Channel 4 diversifies and grows as a media company, there will be many more such opportunities across a broader range of media.

Channel 4 remains committed to finding the new, the exciting, the innovative, the different – to

continue to give new talent an opportunity in a competitive media environment. By valuing something for tomorrow over something for today, we will keep refreshing the talent pool for the benefit of all the creative industries in the UK.

**Michael Jackson**  
Chief Executive  
17 April 2000



'Television may be fragmenting into hundreds of channels, but in 1999 Channel 4 proved that when creative minds meet up with an audience hungry for fresh ideas, there still emerge memorable programmes that stand out from the crowd.'

Tim Gardam Director of Programmes

**Test Match Cricket**

was reinvented, keeping all the traditional authority, but bringing a new pace, intensity and detail to the coverage.

1

**Queer as Folk**

was the first drama series to enter the exuberant, turbulent and emotionally packed lives of a gay generation.

2

**The Valley**

Dan Reed's The Valley recorded in searing detail the advance of Serb militia through a valley in Kosovo.

3

**Shanghai Vice**

was the result of four years' work by Phil Agland, documenting the Chinese underworld in one of the world's fastest growing cities.

4

**Cinderella**

directed by Beeban Kidron and starring Kathleen Turner, was Channel 4 Schools' most ambitious project of the year.

5

**Geri**

In Geri, Molly Dineen swept us into the looking glass world of modern celebrity with her portrait of Geri Halliwell.

6

**The 11 O'clock Show**

Ali G sprang from The 11 O'clock Show to defy description and become the hottest new name in entertainment.

7

**Spaced**

created the surreal sitcom.

8

**This is Modern Art**

Matt Collings rethought how to understand and how to talk about modern art.

9

**1900 House**

stripped away nostalgia to lay bare the realities of family life 100 years ago.

10

**Staying Lost**

documented the bleak truth of the children living on the streets of our cities and defied the attempts of social services departments to suppress it.

11

**Untold**

Channel 4's season celebrating black British history, brought multicultural programmes into the mainstream.

12

CR



David Brook Director of Strategy and Development



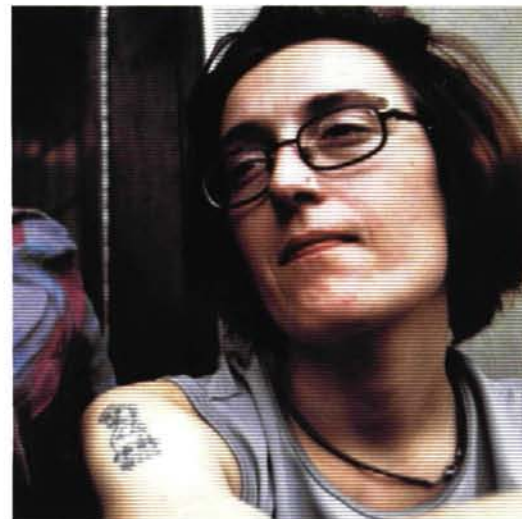
# EATIVITY

The Valley

RE



Divorce: Iranian Style



Staying Lost

### News and current affairs

Channel 4 News was itself media news at the start of the year, but the comment about the desk-free environment and Jon Snow's socks masked the real purpose as Channel 4 stood out as the only channel to be increasing its range and investment in news. The new Saturday edition proved a successful innovation, gaining the programme its best audiences and prompting us to order a new Sunday half-hour edition for 2000.

*Staying Lost* became a campaign long before its October transmission, when Nottingham City Council sought an injunction to prevent October Films continuing to film in the city. The High Court found in the filmmaker's favour and the four-part chronicle of youth homelessness laid bare the failure of the care system across Britain.

The *Bloody Balkans* season of programmes included a film shot secretly in the air raid shelters in *Belgrade Blitz*. *Witness to Murder*, a *Dispatches* special, uncovered evidence of a massacre in one Kosovan village and six months later the same team traced the killers to Serbia. The season also queried the legitimacy of the West's bombing campaign during a heated studio debate, *Nato on Trial*.

For the second year running the channel challenged New Labour with a season assessing the Government from a distinctive angle. *If John Smith had Lived* presented a hypothetical alternative for the last

five years of Labour; *The Real Peter Mandelson* painted a timely portrait of a key architect of the New Labour project.

The Channel 4 Political Awards were inaugurated, in association with The House Magazine.

Channel 4 left the mark of the year on its schedule – rapidly turning round programmes on the Paddington rail crash and on air rage over Florida. Roger Graef secured access to Metropolitan Police Commissioner, Sir Paul Condon, during the Lawrence inquiry, resulting in an observational exclusive, *The Siege of Scotland Yard*.

*Who Leads Scotland?* was the only live televised debate involving Scotland's main political parties in the run up to the country's first fully democratic parliamentary elections.

Channel 4 was at the centre of many of the year's big stories, with *Dispatches* gaining the only interview with Monica Lewinsky outside the US. Channel 4 also secured an exclusive with sacked England football coach, Glen Hoddle, for *Hoddle and the Healer*. Charlie Whelan brought us *Confessions of a Spin Doctor*.

Other series and programmes of note during the year included: *City Stories*; a portrait of the Saatchi brothers, *The Real Saatchis – Masters of Illusion*;

*Can't Pay Won't Pay* on the Child Support Agency; and a dissection of management consultants, *Masters of the Universe*.

### Documentaries

Documentaries remain the heart of the Channel 4 schedule and it is this commitment to quality factual programmes that most distinguishes us from our commercial rivals.

Our documentary year was notable for a number of outstanding feature-length films. Dan Reed's *The Valley* picked up the Prix Italia for its cold-eyed documentation of Serb police ethnically cleansing an Albanian community at the onset of the Kosovo conflict. Critics initially questioned Channel 4's decision to devote 90-minutes to Molly Dineen's portrait of the eponymous ex-Spice Girl, *Geri*, but were won over by her television essay on the cult and cost of modern celebrity. Another ratings and critical success was Penny Woolcock's *Tina Goes Shopping*, which employed the residents of a Leeds housing estate to act out their lives as a drama documentary.

Other single documentaries of note included Kim Longinotto's revelatory *Divorce: Iranian Style* which quietly observed the hearings of a Tehran divorce court; *The Face of Debt*, Maggie O'Kane's powerful personal view of the iniquities of African indebtedness to the World Bank; and *The Lost Children*, detailing the repercussions of Belgium's recent paedophile scandals.

PROGRAMMES **FACTUAL**

# VEALING



Shanghai Vice

Phil Agland supplied the documentary landmark of Channel 4's year. His seven-hour epic, *Shanghai Vice*, captured the microcosm of life in the criminal underworld of Asia's greatest city while subtly documenting the wider theme of modernisation in today's China. The tortuous recent history of relations between the USA and China was unravelled in *Playing the China Card*. *The Last of the Hiding Tribes* told the 40-year story of the attempt to save the Amazon's indigenous tribes.

In the North East of England, *The Decision* gained extraordinary access for a disturbing examination of the care system and the dilemmas facing children and their social workers. *The Coroner* attracted large audiences with its intimate account of a world normally hidden from public view.

Channel 4 also sought greater depth in popular documentary. *Tony's People* documented everyday life in Sedgefield, Tony Blair's constituency. *Stepkids* sketched intimate portraits of broken family life in the 1990s. *Ramsay's Boiling Point* was a high-octane portrait of the nightmare world of a celebrated master chef. *Bangkok Bound* showed Thailand's darker side in a series of traveller's tales.

*Cutting Edge* found a new voice with a series of signature films, notably *The Disappeared*, *Snoopers at Work* and *Love is Blind*. *The Real...* proved one of Channel 4's most agile performers, contributing a variety

of timely biographical portraits including Prince Philip, James Goldsmith and Jonathan Aitken.

#### Science, history and religion

It was a year of science programmes defined by one critic as 'attention seeking but intelligent' – a description we would gladly take as our ambition across our factual output. *Universe* attracted our largest audiences with its clear articulation of the fundamental questions about the cosmos. *Scrapheap Challenge* did for engineering what *Time Team* has done for archaeology. *Equinox* maintained its range and inquisitive ambition as the channel's science flagship with programmes such as the award-winning *Frozen Hearts*.

Two anthology series were especially noted: *To The Ends of The Earth* excavated the Valley of the Kings and went in search of The Lost Tribe of Israel. *Hidden Love* told frank and moving stories of emotional lives, past and present, from the desires of the aged and disabled to a controversial examination of zoophilia.

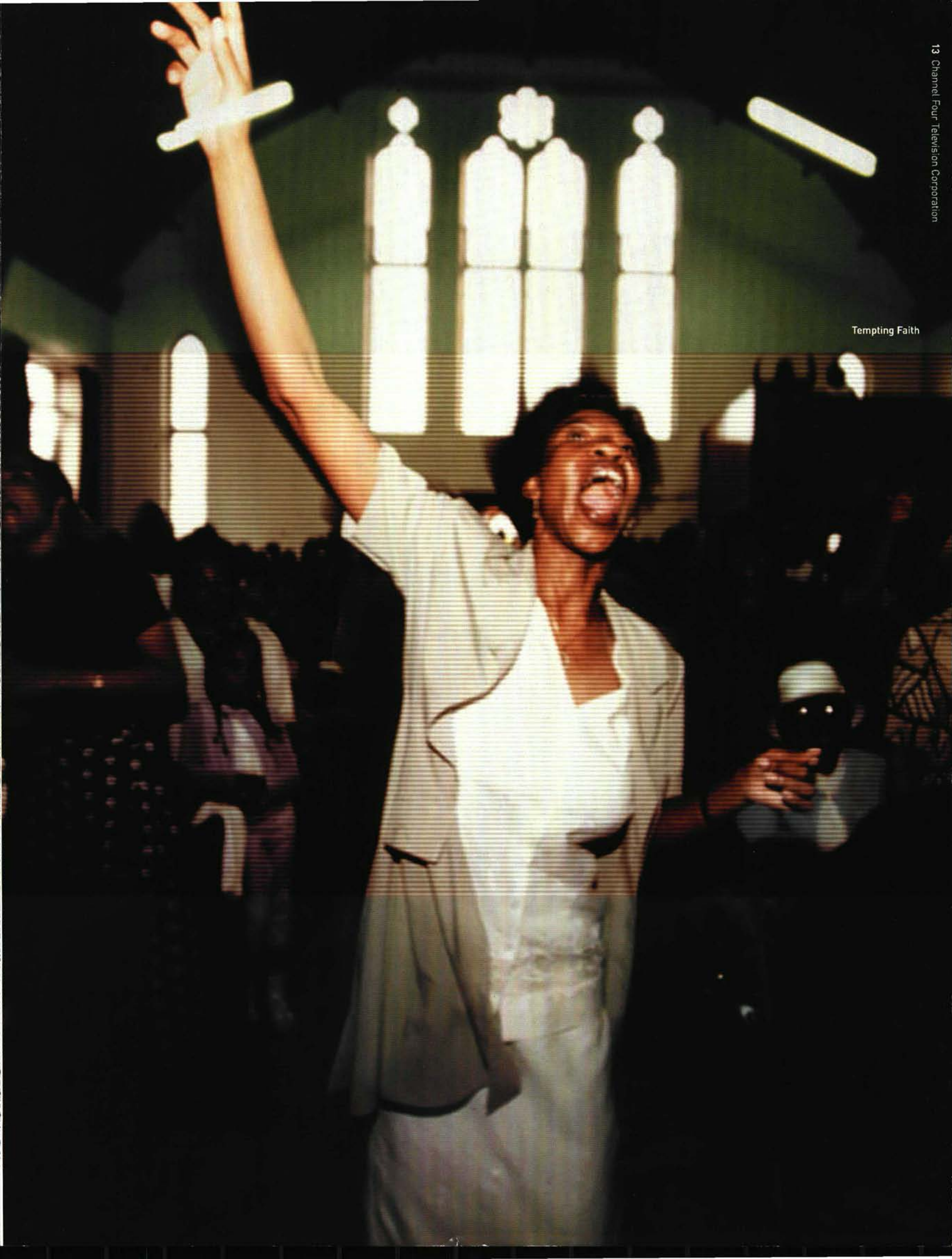
History programmes attracted large and appreciative audiences. *Station X* told, in their own words, the story of the code-breakers at Bletchley Park. *Secrets of the Dead* applied modern forensic techniques to historical mysteries and tapped a rich vein of public fascination. The year's most popular series was the innovative *1900 House* where a modern family learnt of life a century ago, shorn of the nostalgia.

Jonathan Lewis' account of *The Boer War* tracked down a wealth of eyewitness accounts, photographs and film to mark the centenary of the first modern conflict. Steve Humphries contributed two characteristic oral histories to the channel's schedule. *Green and Pleasant Land* charted the changes that have swept through rural life in the 20th Century, while *Far Out* explored the distant origins of New Age Britain. Channel 4 also examined the decline of religious belief in Britain in the last 60 years in *Tempting Faith*.

A range of single documentaries explored aspects of ethics, faith and religion including Jon Ronson's *New Klan*, and a portrait of a fallen television evangelist, *The Eyes of Tammy Faye*. *The Real Jesus Christ* examined the testament of those not involved in writing the New Testament gospels – his closest followers and family.

*Secret History* embraced a broad mix of subject matter including *The Great Train Robbery*, *The Hidden Jews of Berlin*, *Mau Mau*, *The People's Duchess*, *Bunny Girls* and *Killer Fog*.

## PROGRAMMES **FACTUAL**



Tempting Faith

This is Modern Art





The Phil



Jo Whiley

Channel 4's coverage of arts and music was at its best in 1999 when it struck out in a bold and contemporary direction. Showing across seven consecutive weeks in the heart of Sunday evenings, *This is Modern Art* encapsulated the channel's ambition for its arts output, mixing Matt Collings' presentational style with a comprehensive, questioning and humorous approach. Later in the year the critical coverage that again surrounded the Channel 4 sponsored *The Turner Prize* echoed many of the issues raised by Collings' critique.

Another major series, *Pornography: The Secret History of Civilisation*, achieved the distinction of attracting widespread critical respect and impressive ratings. The true measure of its quality was that it avoided being dragged into the sex on television debate, despite pulling no punches with an intelligent analysis of its subject matter.

The channel's run of major awards success for arts programming continued when its documentary portrayal of London's Philharmonia Orchestra, *The Phil*, carried off an International Emmy. In *Journeys into the Outside*, Jarvis Cocker visited some of the world's more unconventional man-made installations to present an alternative and personal viewpoint of what constitutes art.

Performing arts also had a contemporary feel on Channel 4, with pride of place in the Christmas schedule given to modern opera, *Powder Her Face*,

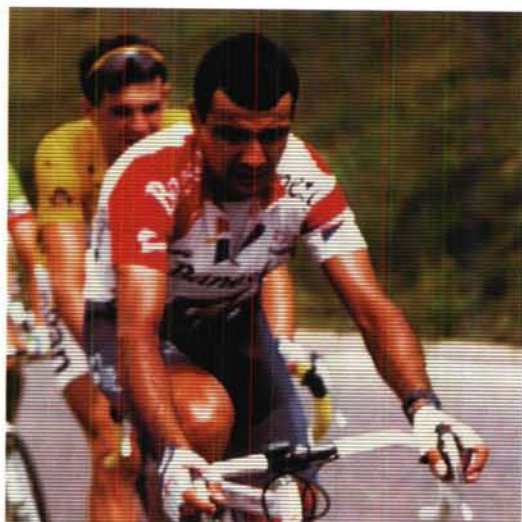
alongside a portrait of its youthful composer, *Thomas Adès: Music for the 21st Century*. Channel 4's Glyndebourne season brought another recent composition, Jonathan Dove's airport opera *Flight*, and Debussy's *Pelléas and Mélisande* to the small screen.

The centrepiece of Channel 4's music coverage was *Music of the Millennium*, the climax of a national survey of contemporary musical taste at the turn of the century. The two and a half hour special programme was scheduled across a Saturday night.

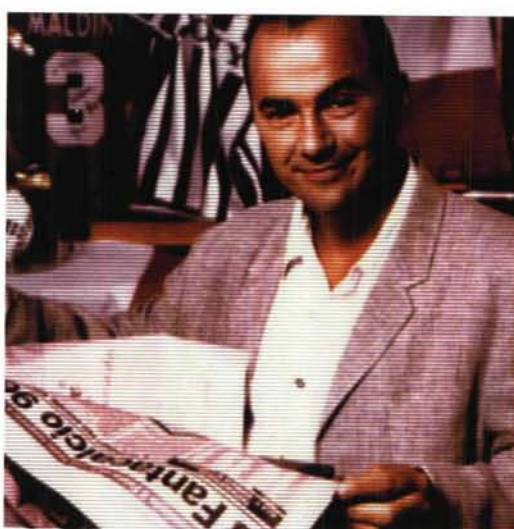
Popular music output broadened noticeably on Channel 4 during the year. A new late-night zone *4Music* was launched to complement new and returning programmes including a four part series on the great music business managers, *Mr Rock and Roll*, and *Jo Whiley*, the most authoritative television review show on modern music.

## PROGRAMMES ARTS AND MUSIC

# CULTURE



Tour de France



Football Italia

In 1999 Channel 4 put its signature on *Test Match Cricket* to add to its admired coverage of horse racing.

Having taken over the rights to domestic *Test Match Cricket* from the BBC, an unprecedented level of media attention was focused on the start of our live coverage at Lords. Cricket and media journalists were united in hailing Channel 4's assured Test debut as one of the few bright spots of an otherwise disappointing summer for English cricket. Commentators were warm in their praise for many of the innovations in Channel 4's coverage, such as the lunch and tea break programming, the style of commentary and presentation, the weekly magazine programme *Cricket Roadshow* and the much-talked about snickometer. The introduction of highlights of the day's play immediately after *Channel 4 News* was also favourably received although audiences seemed slower to catch on to the innovation. At the end of the year, we also showed highlights of England's winter tour to South Africa.

The input and inspiration of the team at Channel 4 and at producer Sunset & Vine was rewarded with a Broadcast Production Award for Best Sports Programme.

*Channel 4 Racing*, produced by Highflyer, also picked up some well-earned plaudits during 1999, winning a BAFTA for its live outside broadcast from The Derby and attracting a massive 86% of the vote in a Sun

readers' poll to find which broadcaster provides the best racing coverage. For the first time *Channel 4 Racing* also used spare frequency on Channel 4's digital terrestrial multiplex to offer extended and enhanced coverage of the full race card of The Cheltenham Festival.

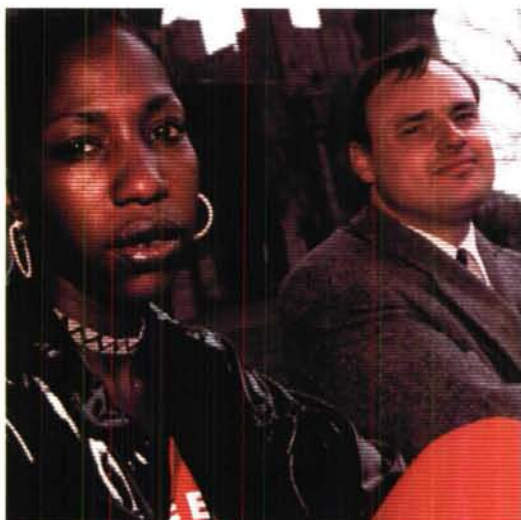
Channel 4 retained the UK rights to *Football Italia* and once again delighted early evening audiences with its coverage of the *Tour de France*. The channel also introduced more sports output on Saturday mornings, including highlights shows *Inside Rugby* with Thierry Lacroix and *F3 on 4*.

## PROGRAMMES **SPORT**

# OWZAT!



Test Match Cricket



Untold



Psychos

Channel 4 had a successful year improving its cultural visibility and programme performance outside of London. By all measurable criteria, the channel made significant efforts to meet its licence requirements of originating 30% of its programmes outside of London by 2002.

The Nations and Regions team based in Glasgow is the vanguard of our regional performance, advocating and advancing the contribution of producers based in the nations and regions of the UK. In 1999, for the first year in the channel's history, internal targets for regional performance were set across all commissioning areas.

Under the terms of its licence, Channel 4 is expected to 'reflect the diversity of life across the UK'. Apart from mainstays in the schedule such as the continuing drama series, *Brookside* and *Hollyoaks*, a wide range of programmes met those expectations.

The flagship drama *Queer as Folk* was not only television's first gay soap; it was set against the thriving new economies of Manchester's Canal Street. *Love in Leeds* was a major multicultural series reflecting the changing social expectations of single people in Leeds. *Psychos*, a drama series set in a Glasgow mental hospital, captured the tense and sometimes obsessive lives of a group of mental health professionals. It divided opinion and in doing so generated debate around mental health care, within the context of the new Scottish parliament.

Channel 4's commitment to new talent was reflected across the schedule but two significant series commissions based outside London are worth

highlighting. *Coming Soon* was a first time series commission for Pirate Productions, a new Glasgow based company. This innovative comedy drama followed a pretentious theatre company on tour in Scotland, and was a satirical metaphor for the strained relationships between London and Scotland.

In a very different vein, Turn On TV's *Bangkok Bound* was a DVC documentary series on fantasy seekers that descend on Thailand. Other highlights included a short season of programmes on devolutionary Scotland, a cultural *A-Z of Wales* and another series of the disability strand *The Vibe* from Northern Ireland.

One of the innovative initiatives the department has put in place is The Research Centre for Television and Interactive Media, a project funded by the European Union and hosted at Channel 4's Glasgow offices.

The Research Centre provides a centre of excellence for research and development on behalf of companies outside London. One of its major schemes in 1999 was the launch of a Researchers Development Project – in partnership with the producers' association, PACT and the national training organisation, Skillset – which invests £300,000 in 12 regional production companies, to improve their research and development.

#### Multicultural

Multicultural programmes took their place at the heart of Channel 4's peaktime schedule in 1999. *Untold*, a season to mark Black History month, had as its centrepiece Trevor Phillips' detailed and impressive documentation of *Britain's Slave Trade*.

A range of popular documentary series emerged from the multicultural department. *Love in Leeds* portrayed the lives of a group of single young women, black, white and Asian. *Road Raj* took us onto the streets of Bombay, while *Lagos Airport* stirred controversy with its unvarnished documentation of the workings of Africa's busiest airport.

A multicultural perspective was evident across the schedule, with Richard Blackwood earning his own entertainment series – *The Richard Blackwood Show* – and joining Channel 4's roster of cutting edge comedy talent. The definitive cultural history of *The Hip Hop Years* and *The MOBO Awards* put music at the defining point of our programming.

*Living On The Line* was Channel 4's distinctive contribution to the millennium, linking the countries on the Greenwich Meridian in a series of programmes shown across Christmas and New Year.

We have also announced that all proposals pitched to Channel 4 must now include details of how the programme in question might help the channel advance its multicultural agenda.

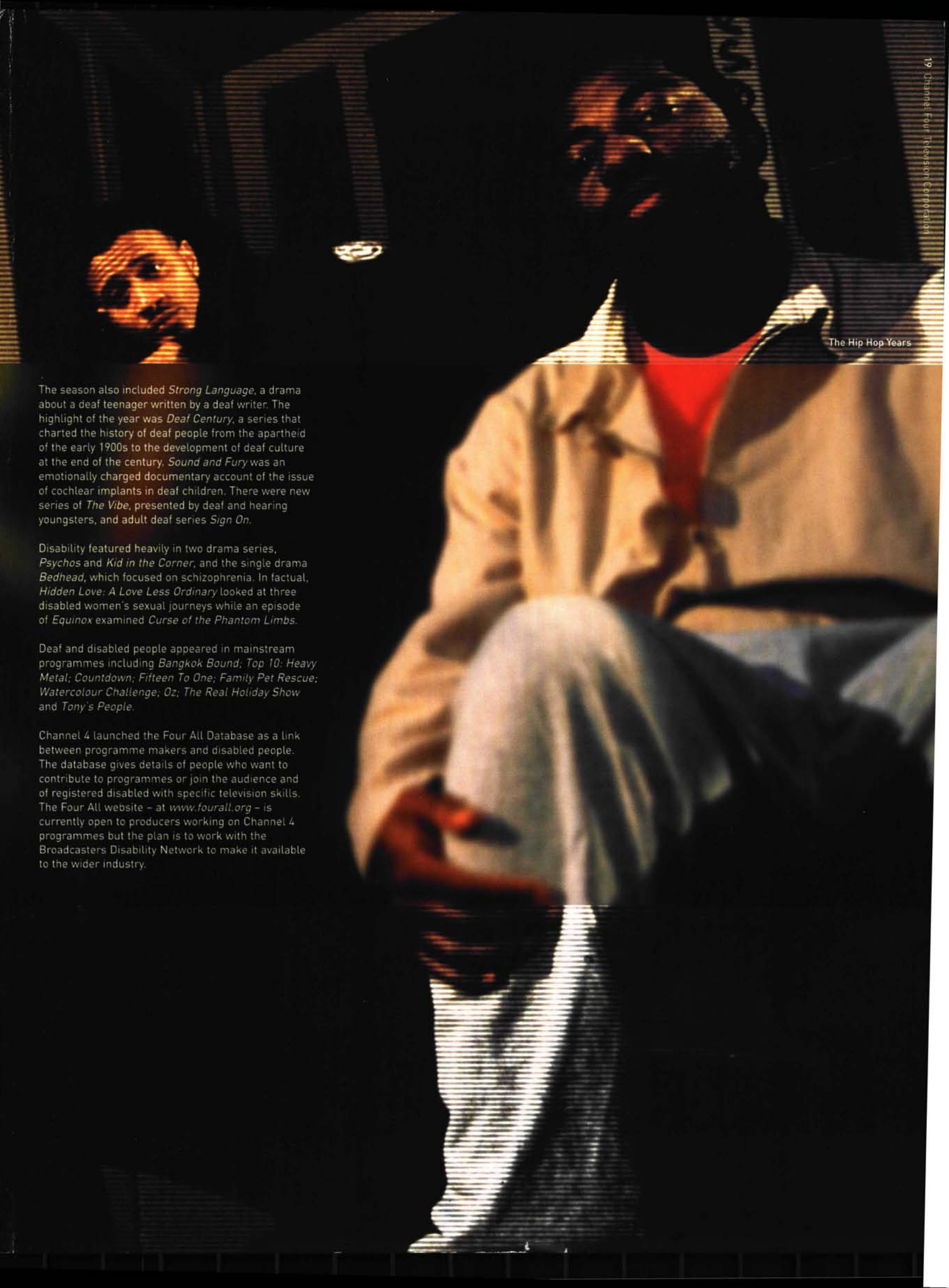
#### Deaf and disability

In our second *Access All Areas* season, a peaktime pilot for a new disability series, *Freak Out*, mixed comedy with straight journalism and reports from the wilder shores of the disabled community. Documentaries in the season included *The Half Monty*, a provocative look at a troupe of dwarf strippers, and *Penny's Baby*, the story of a disabled single mother's fight for care for herself and her new baby.

## PROGRAMMES DIVERSITY

# LIFE

The Hip Hop Years



The season also included *Strong Language*, a drama about a deaf teenager written by a deaf writer. The highlight of the year was *Deaf Century*, a series that charted the history of deaf people from the apartheid of the early 1900s to the development of deaf culture at the end of the century. *Sound and Fury* was an emotionally charged documentary account of the issue of cochlear implants in deaf children. There were new series of *The Vibe*, presented by deaf and hearing youngsters, and adult deaf series *Sign On*.

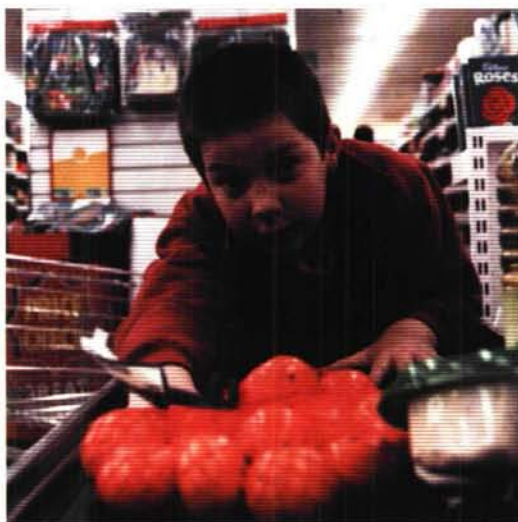
Disability featured heavily in two drama series, *Psychos* and *Kid in the Corner*, and the single drama *Bedhead*, which focused on schizophrenia. In fact, *Hidden Love: A Love Less Ordinary* looked at three disabled women's sexual journeys while an episode of *Equinox* examined *Curse of the Phantom Limbs*.

Deaf and disabled people appeared in mainstream programmes including *Bangkok Bound*; *Top 10: Heavy Metal*; *Countdown*; *Fifteen To One*; *Family Pet Rescue*; *Watercolour Challenge*; *Oz*; *The Real Holiday Show* and *Tony's People*.

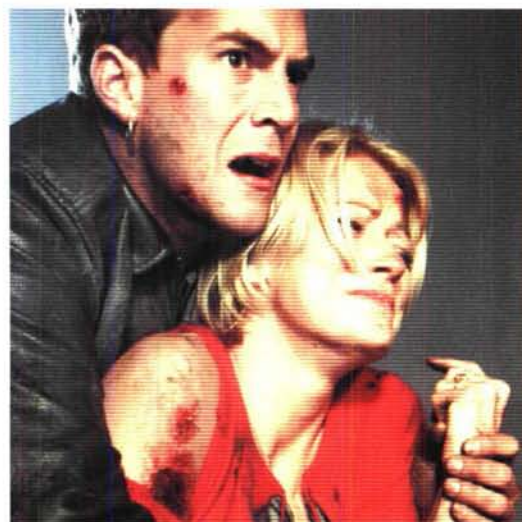
Channel 4 launched the Four All Database as a link between programme makers and disabled people. The database gives details of people who want to contribute to programmes or join the audience and of registered disabled with specific television skills. The Four All website - at [www.fourall.org](http://www.fourall.org) - is currently open to producers working on Channel 4 programmes but the plan is to work with the Broadcasters Disability Network to make it available to the wider industry.

Queer as Folk

RIS



Kid in the Corner



Hollyoaks

In 1999 we broadcast the most diverse array of series, single drama and serials in the history of the channel.

The highlight was *Queer as Folk*, an eight-part series made in Manchester, following the lives and loves of three men in the city's gay village. It was admired for its fresh, funny and exuberant portrayal of a world previously unexplored in television drama. Thousands of critics and supporters flooded the channel with emails and phone-calls to provoke a debate noted for its vehemence and its perceptiveness.

Other series helped cement Channel 4's ambition to be the home of energetic, contemporary fiction. *Psychos*, set in the psychiatric ward of a Glasgow hospital, prompted good reviews for its performances and the writing of newcomer David Wolstencroft. Tony Marchant's *Kid in the Corner*, about a child with Attention Deficit and Hyperactivity disorder, won critical acclaim and the best viewing figures for original drama on Channel 4 in 1999.

Channel 4 also invested in single dramas in 1999 with two new anthology series. *Love in the 21st Century* featured six, half-hour, plays each exploring relationships and sexual frailties in a modern setting, while *Shockers* was a trilogy of short psychological dramas playing on millennial neuroses. *Dockers*, a powerful two-hour film about the human cost of the Liverpool dock strike, was written by Jimmy McGovern and some of the sacked workers.

At Christmas, Channel 4 Schools unveiled an innovative 90-minute version of *Cinderella* directed by Beeban Kidron and starring Kathleen Turner. At Easter we brought to the screen a four-hour story of *Merlin* that played to our highest audiences of the year.

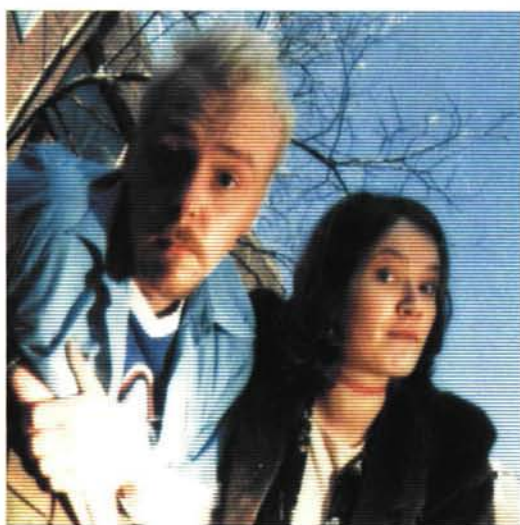
Channel 4's Independent Film and Video department also used single drama to blood television newcomers. *Acts of Passion* offered a showcase for emerging television talent and included *Heterosexuality*, a film about teenage angst that received a screening at the Edinburgh International Television Festival. The same department commissioned *Underground*, a dark love story set amongst the treetops and tunnels of a road protest in rural England.

*Hollyoaks* became required viewing for its teenage audience, and grew to three episodes each week. Its Mersey Television stablemate, *Brookside*, got fresh impetus from new story lines and characters and a new series producer.

Alongside our home grown drama, *Ally McBeal* enhanced its cult status and *The Sopranos* quickly established itself as one of the most critically talked-about television dramas of the year.

PROGRAMMES **DRAMA**

# K TAKING



Spaced



Smack the Pony

New writing and new talent defined our comedy and entertainment in 1999, on-screen and off-screen. Perhaps most satisfying was the emergence of *Smack The Pony*, a sketch-show format that became an instant fixture in Channel 4's Friday night line-up and in its first series won an International Emmy in New York.

*Spaced* was far more than a conventional successful comedy. The surreal, seven-part series, about two directionless twenty-something flatmates – instantly dubbed a 'slackcom' – was celebrated for the writing and performances of Simon Pegg and Jessica Stevenson and the innovative directing style of Edgar Wright. The comic potential of the slacker-generation was also tapped by a second Channel 4 sitcom, *small potatoes*, written by Sharat Sadana and Richard Pinto and starring Perrier Award winner, Tommy Tiernan.

The channel ventured twice into the realm of comedy drama. *Boyz Unlimited* satirised both boy-bands and rockumentaries, and the Scottish production *Coming Soon* lampooned an alternative theatre company on the loose north of the border.

*The 11 O'clock Show* remained determinedly ignorant of the boundaries of good taste, but grew an ever-increasing (and sometimes enraged) audience, as it became shamelessly more confident in its satirising of the news. Out of *The 11 O'clock Show* sprang Ali G, the comedy voice of 1999 who,

by the end of the year, faced the Queen with his own Christmas message. Channel 4's nursery for emerging comic talent, *Comedy Lab*, returned for a second ten-part run.

Denise Van Outen and Zoë Ball launched new shows of their own. *Something for the Weekend* defied critical description to attract some of the highest entertainment audiences of the year; it joined the pantheon of Channel 4 cult shows for the post-pub Friday night audience. *The Priory* reinforced Channel 4's strength among the younger audience between 6pm and 7pm and gave Zoë a platform on television to rival her radio reputation.

There was no more defining voice on Channel 4 than that of Graham Norton. His chat show, *So Graham Norton*, entered its third season with a large and adoring following, with Graham displaying his inimitable knowledge of the wilder sites on the internet. He also hosted the channel's millennium night celebration as well as a new entertainment strand *Unzipped* and a one-off special *The 100 Greatest TV Moments*. *Eurotrash*'s Antoine de Caunes also took a test-drive in a new vehicle, *Le Show*, while *Armstrong and Miller* and *The Adam & Joe Show* both returned to an appreciative critical reception. *Streetmate*, with Davina McCall, established itself as our most successful, renewable entertainment format.

Rory Bremner continued to fly the flag for satire on British television alongside his co-stars in

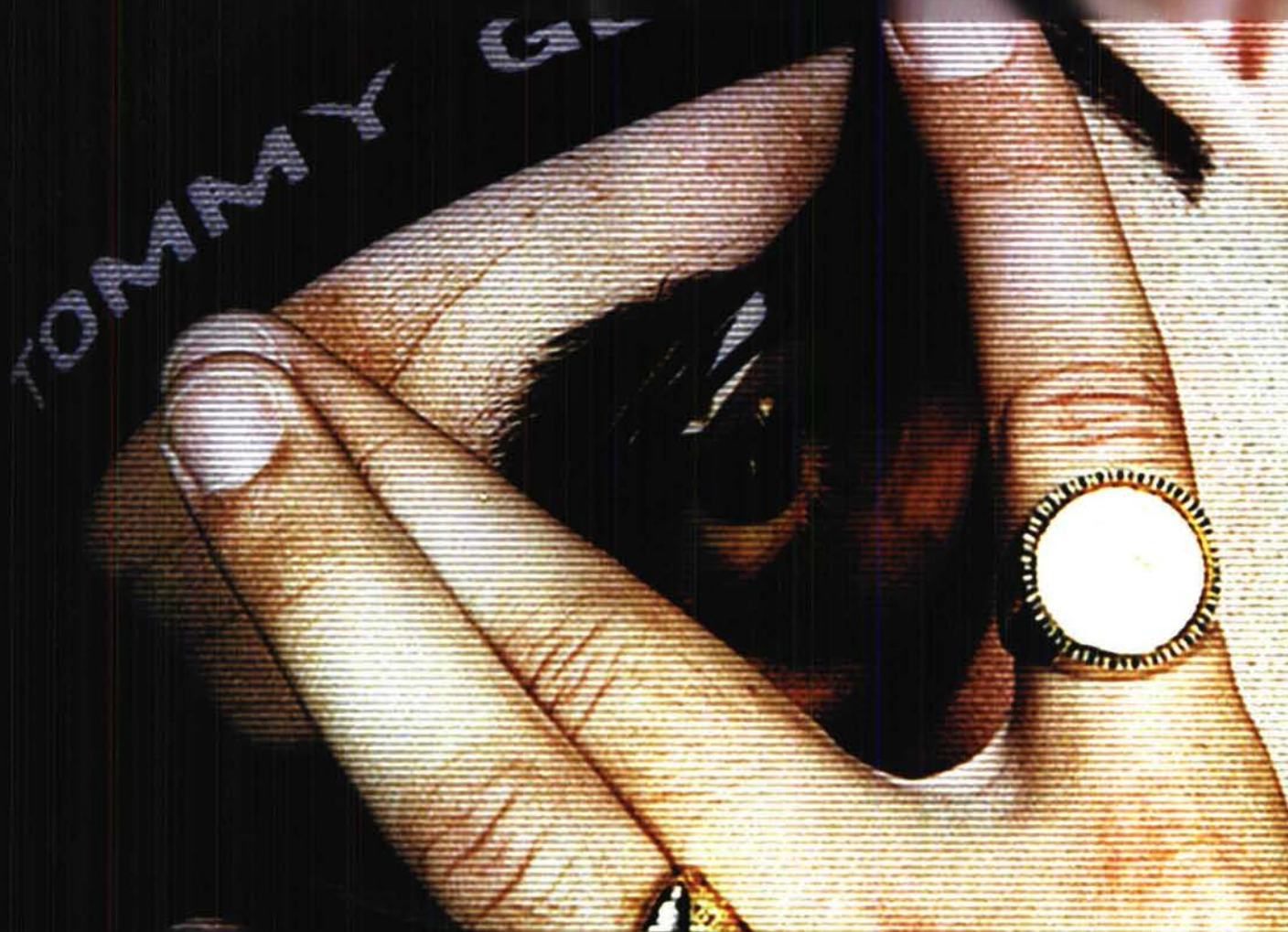
*Bremner, Bird and Fortune*. Mark Thomas in *The Mark Thomas Comedy Product* claimed notable scalps and scoops with his investigation into arms sales to Indonesia that coaxed an admission of torture out of a bamboozled army general.

The Entertainment department enjoyed success on Saturday nights with the instantly popular, *Top Tens*, and Channel 4 mined the nostalgia vein still further with themed evenings *Starsky and Hutch Night* and *Queen for a Night*.

## PROGRAMMES ENTERTAINMENT

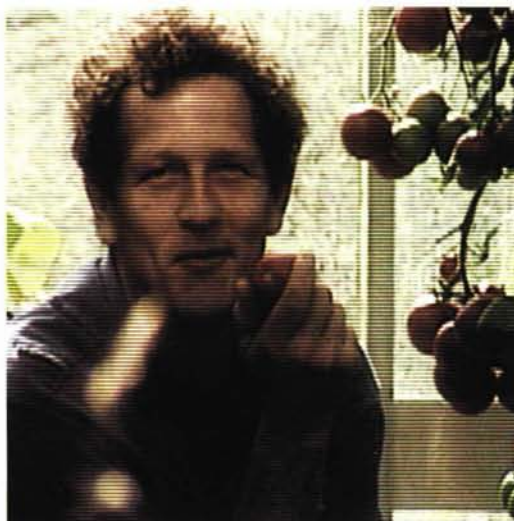
# ENJOY

Ali G



The Johnny Vaughan Film Show

STR



Fork to Fork



She's Gotta Have It

Channel 4 set out to be the most contemporary channel in 1999 and the one that best captured the experience of living now. Our features output focused on adding real value to the leisure time of our viewers and on reflecting the changing preoccupations of the Channel 4 audience at play.

*Time Team*, the show that has popularised archaeology and spawned a host of imitators, grew still further in popularity in its sixth year on air. It celebrated the millennium with a live excavation from York spread over three days and a *Time Team* special also told the story of the saving of the uncovered site at *Seahenge*.

One of our most striking successes was *Show Me The Money*, a popular investment show that tapped into the viewing public's burgeoning interest in the stock market and personal finance, and whose share tips threw the City into a frenzy.

*Slave* found an instant late-night niche, giving style obsessives the low-down on the latest trends and fashions in the worlds of art, design, eating out, clubbing, holidays and shopping.

*She's Gotta Have It* reinforced its reputation as television's premier fashion label. Arabella Weir took over presenting duties at the beginning of the third series when Liza Tarbuck decamped to form an energetic partnership with Johnny Vaughan on *The Big Breakfast*. Johnny also launched his own

vehicle for fellow film enthusiasts, *The Johnny Vaughan Film Show*.

Two of the channel's most consistent performers during the year were *Driven* and *Deals on Wheels*, which alternated in the schedule and established Tuesday evenings as the place for home truths about cars.

*Grand Designs* charted eight couples determined to design and build their own homes.

While other channels flooded their schedules with conventional food and cookery shows, Channel 4 found a typically alternative angle on the subject. Hugh Fearnley Whittingstall cut a slice of the good life in *Escape to River Cottage*, retiring to a tiny red brick cottage in west Dorset to grow his own produce and hand rear (and slaughter) his own livestock. *If You Can't Stand the Heat* travelled the country, troubleshooting restaurants with large overheads and small clientele. At Christmas, Chris Patten paid homage to the mother of modern British cuisine by following *In the Footsteps of Elizabeth David*. *Dishes* broke through in the Happy Hour as a dating show with a culinary twist.

Channel 4 also had a distinctive take on gardening and developed a popular factual figure in Monty Don. Live coverage of The Royal Horticultural Society's great annual shows, at Chelsea and Tatton, was accompanied by practical advice in *Real Gardens* and *The Gardener's Garden*. *Lost Gardens* reconstructed

famous, vanished gardens of the past and *Fork to Fork* showed viewers how to grow and eat organic.

In daytime, a long running popular documentary on *Hampton Court Live* pulled in impressive audiences, while *Countdown*, *Fifteen to One* and *Pet Rescue* reinforced their place among the nation's favourite afternoon programmes.

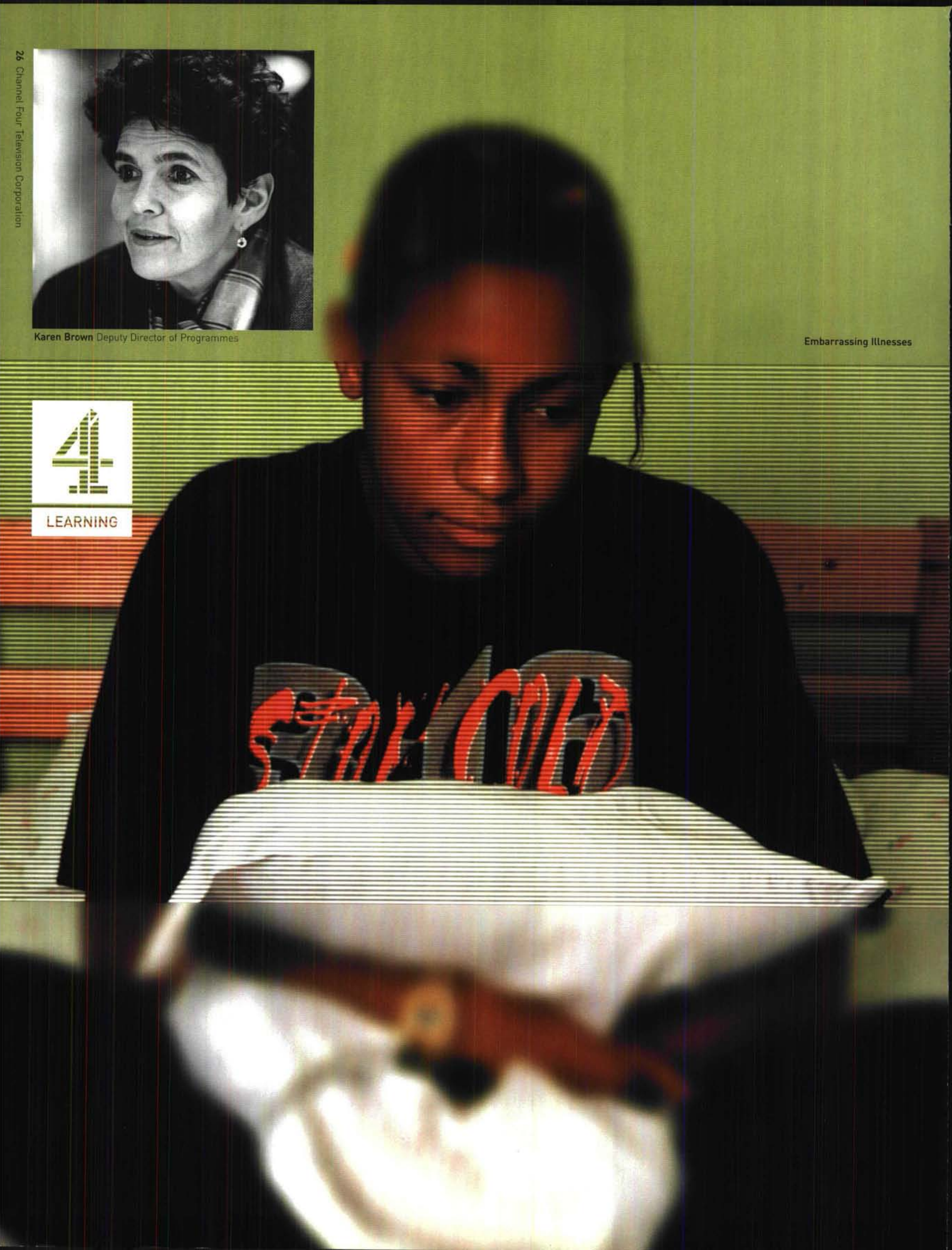
## PROGRAMMES **CONTEMPORARY LIVING**

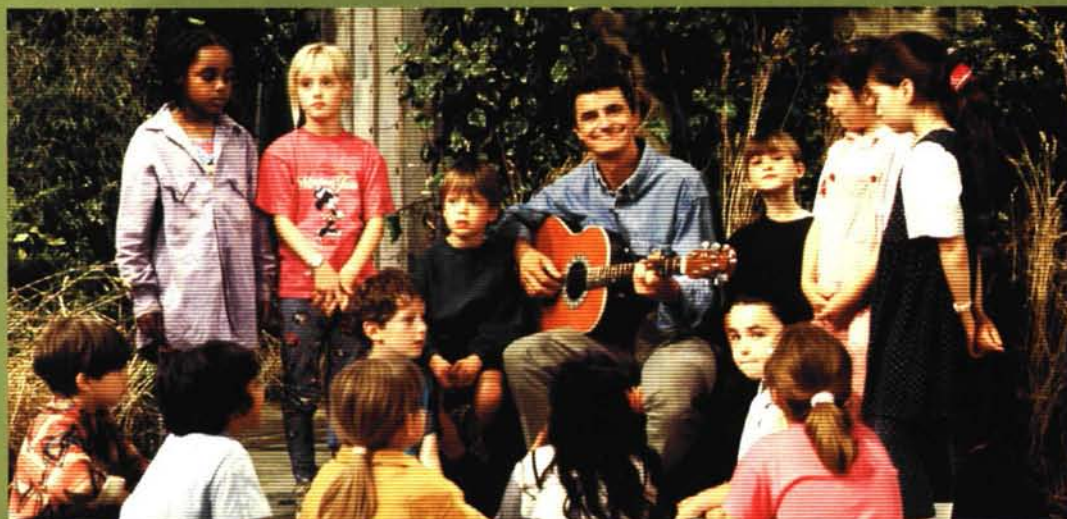
# EETWISE



Karen Brown Deputy Director of Programmes

Embarrassing Illnesses





Rat-a-Tat-Tat



homeworkhigh.com

Our most successful education programmes had a common tone – the voice of down to earth authentic experience, portraying people aspiring to do something of real ambition.

The *Women's Bits* season opened up stories and issues about gynaecology that broke a barrier of silence. Endometriosis was the subject of *Love Me Tender*. In *The Real Birth Show*, video diaries gave testimony to women's experience in the last hours of pregnancy.

*Embarrassing Illnesses* attracted large audiences to a series in which the participants had the courage to share with the nation their experience of medical conditions that many retiring Britons are too shy to discuss with a doctor.

*Making The Grade* got into the hard grain of school life in modern Britain, with a tough story of a hit team of teachers trying to turn round a sink school on Tyneside.

The *Dyslexia* season raised important social and educational issues and prompted 86,000 calls to a Channel 4 support line, the largest response the channel has ever had.

*Brookie Basics*, the channel's largest ever off-air educational campaign, raised the subject of adult literacy by linking it to the channel's flagship drama series. Over 10,000 callers contacted the telephone help-lines for information about literacy skills after watching *Brookside*, many thousands more went directly to local literacy centres. *Brookie Basics*

was recognised by the Prime Minister as a major contribution to the Government's Year of Reading and applauded by the Queen, who met the *Brookside* cast during a visit to Liverpool.

All of Channel 4's education output is now supported by off-air activity. The channel's programme support team also offers help-lines and publications for programmes that are not categorised as education for ITC purposes, but are likely to prompt viewers to pursue an interest in a subject, or tackle a difficult issue in their lives. These include everything from *Dispatches* to *Hollyoaks*.

Notable achievements in programme support this year included *Study Science with Equinox* – a pilot self-learning science course on the internet with support from the DfEE. A street-wise address book with crisis telephone numbers was distributed to 27,000 children in care to coincide with *Staying Lost*, which was also supported by a telephone help-line. The *Black History Map of Britain* was launched as part of the *Untold* season, a project that will pull together local black history projects to create a national on-line archive in time for Black History Month 2000.

The channel organised a seminar and special screening for voluntary groups and charities to explain new medical evidence presented in an *Equinox* programme about stem cell therapy and its potential applications in treating conditions including diabetes, Alzheimer's disease, strokes and multiple sclerosis. A help-line set up to support *Kid in the Corner* generated 35,000 calls.

419 hours and nearly £12 million went towards schools output in 1999, providing materials of extraordinary quality and range for primary, middle and secondary school pupils across all areas of the national curriculum. Among the outstanding achievements of the school year were *Rat-a-Tat-Tat*, a reading development series for four to six-year-olds, which won an RTS Award and a BAFTA. *Strong Language* won a prestigious Japan Prize. *The Number Crew*, an inspirational new series introducing maths to primary school children, promises to be an invaluable tool for teachers.

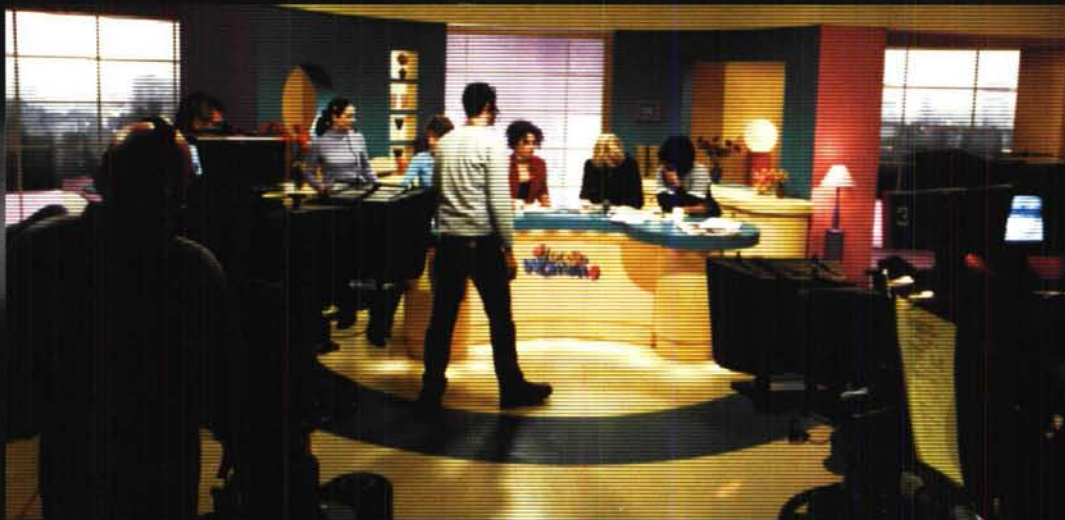
Channel 4 Learning has continued its high quality work in the provision of support material for schools, producing more than 650 resources to accompany schools broadcasts, ranging from printed booklets and videos to sophisticated online projects. This year it has introduced a new online resource for secondary schools, *Net Notes*, and pioneered a wholly new, interactive learning package the *TV-Rom*. The first title is *Rainforest Development: The Amazon Experience*.

In November 1999 Channel 4 Schools began piloting a revolutionary new online homework advice service, *homeworkhigh.com*, which offers students who are struggling with their homework access to help from qualified teachers four nights each week in term time. The service, launched in January 2000 by Schools Standards Minister, Estelle Morris MP, is already exceeding early expectations of response from school students.

4LEARNING

# INSPIRE





On the set of Loose Women

The maintenance and development of the skills base in television is a vital issue for all broadcasters, but particularly for Channel 4, which is dedicated to identifying and encouraging new and emergent talent in all its forms.

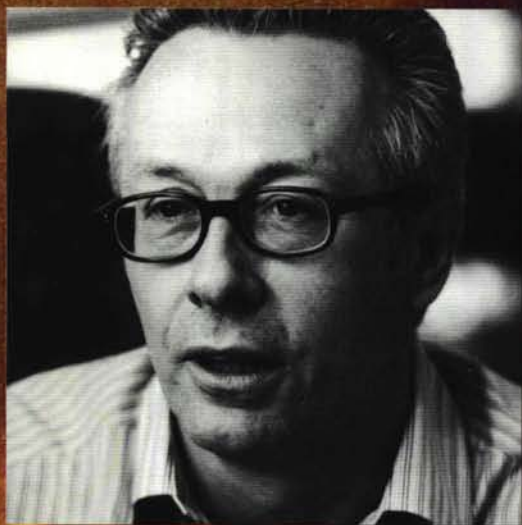
Having given birth to and sustained the UK's independent production sector, the channel now sees itself as the research and development department of television's creative economy – finding, testing and refining the best new ideas and talent. It is only by ensuring that the right training, support and opportunities are available that original and innovative work will continue to find its way onto the screen.

Channel 4's involvement in training and development takes several forms:

- Channel 4 continues to be fully committed to collaborative industry initiatives to identify and meet common training needs. In 1999 the channel made significant further contributions to Skillset, the Freelance Training Fund and to the National Film and Television School.
- Channel 4 also pilots its own television skills courses, including one which aims to increase the pool of deaf and disabled talent working in television. The course taught newcomers the basics of production and gave them experience of working on a three-minute film for *The Slot*.
- Channel 4 is equally dedicated to training and developing its own staff, to allow them to reach their full potential and help the channel achieve its objectives. During the year spending on staff training increased and further progress was made towards the Investors in People standard, which the channel hopes to achieve in 2000. By investing in contemporary training methods to develop internal talent, we are seeking to ensure we retain our innovative edge.
- Channel 4 also invested heavily last year in its own schemes to uncover new writing, performance and production talent. The channel is funding trainee drama producer and script editor positions with leading independent production companies on an ongoing basis and in 1999 helped launch a new £300,000 scheme to fund full-time researcher posts at 12 regional production companies.
- Channel 4 continues to sponsor the annual Riverside Sitcom Festival and the So You Think You're Funny stand-up competition at the Edinburgh Festival.
- In 1999 Channel 4 celebrated the 10th anniversary of its Animators in Residence Scheme at MOMI in London, which allows four graduates to develop their first professional short film each year. The channel is expanding its search for new talent by setting up a similar scheme at the Glasgow Lighthouse in 2000.
- Above all, the channel offers a range of programming initiatives for upcoming talent and television newcomers. In 1999, we scheduled our first *Talentspotting* season, stripping three new talent showcases – *Comedy Lab*, *Acts of Passion* and *Reality Bites* – three nights a week across a month.
- The FilmFour Lab, launched in 1999 by FilmFour Ltd, finances low-budget feature films – usually from first time directors – and is driven by the mission to find cutting edge creative talent and to innovate in terms of style and production.

TALENTSPOTTING

# TALENT



Paul Webster Chief Executive, FilmFour Ltd

East Is East

**FILMFOUR**



On the set of *The War Zone**She's All That*

FilmFour Ltd aims to be the UK's pre-eminent film company, with a mission to supply a range of commercially and creatively successful films to UK and international cinema-going audiences.

In 1999, FilmFour Ltd, led by Chief Executive, Paul Webster, generated total sales of £32 million and produced a pre-tax profit of £0.5 million. Total investment in film production, acquisition and development was £24.5 million.

The company comprises four divisions:

#### FilmFour Productions

In 1999, FilmFour invested in 26 feature films, ranging from the considerable commercial success of *She's All That* – which achieved a UK box office total of £5.9 million and was the UK's number one film in May 1999 – to Kevin Smith's controversial *Dogma*. Other notable 1999 investments included two films due for theatrical release in 2000 – *Birthday Girl*, starring Nicole Kidman, and Mark Herman's *Purely Belter*. In addition, FilmFour Productions invested heavily in 1999 in both film development and short films.

The investment we made in 1998 in *East is East* has proved to be a significant hit for FilmFour Productions.

#### FilmFour International

The division is responsible for the worldwide sales and marketing of FilmFour Productions and third party acquisitions. In 1999, FilmFour International generated strong revenues with major sales from titles including several FilmFour Productions – *East is East*, *With or Without You*, *The War Zone* – and *The Red Violin*.

#### FilmFour Distributors

FilmFour Distributors had a successful 1999, nearly doubling the turnover it achieved in 1998. *East is East* generated £10 million – the largest ever UK box office receipt for FilmFour Distributors while *She's All That* achieved the second largest figure.

Other winning theatrical releases in 1999 included *Buena Vista Social Club* – the highest grossing documentary ever released theatrically in the UK – *Dogma* and *The Straight Story*.

In video rental *She's All That*, *The Debt Collector* and *The Land Girls* recorded excellent sales, while *Martha – Meet Frank, Daniel and Laurence* and *Velvet Goldmine* performed well on video sell-through.

#### FilmFour Lab

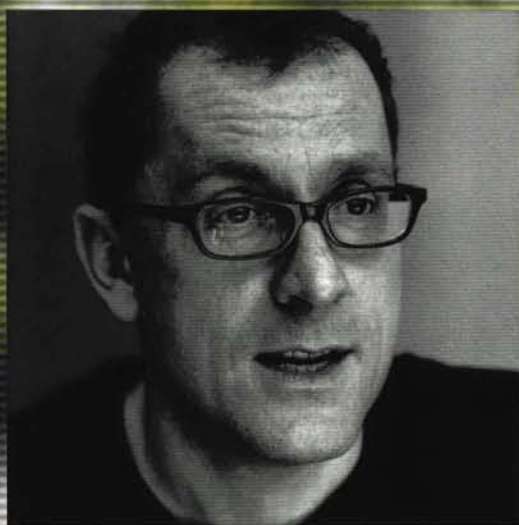
This new division was successfully launched at the Edinburgh International Film Festival in August 1999. FilmFour Lab captures the spirit and practice of filmmaking that has evolved through Channel 4's Independent Film and Video department. The Lab is the purest area of risk within FilmFour Ltd, establishing itself as a champion of radical, low-budget filmmaking. In 1999, the Lab invested in the feature film *Daybreak* and is planning to invest in the comedy feature *Large* in the first quarter of 2000.

#### Awards

FilmFour-backed features and shorts garnered an outstanding number of accolades, receiving 238 international award nominations including 11 BAFTA nominations and picking up 105 prizes. Two FilmFour productions were particularly acclaimed. Tim Roth's directorial debut *The War Zone* has won nine international awards, including the prestigious Michael Powell Award at the Edinburgh International Film Festival and The Fassbinder Discovery Award at the European Film Awards. *East is East's* phenomenal success continues, winning Best Film at the Evening Standard Film Awards and the Alexander Korda Award for Outstanding British Film at the BAFTAs.

FILMFOUR LTD

# CREATE



Gerry Bastable Managing Director, Digital and Pay TV Services



**FILMFOUR**





The Made in Britain season on FilmFour – July 1999

Channel 4's film channel, FilmFour, built on its highly acclaimed launch in November 1998 and ended the year with more than 250,000 subscribers – a number that comfortably exceeded expectations.

Over the course of 1999, FilmFour established a clear, recognisable, easily understood, credible and sustainable position in pay television homes, and in doing so reinforced Channel 4's reputation as the leading broadcast supporter of film in the UK.

The FilmFour channel broadcast for 4,337 hours in 1999 (1998: 726 hours) with 69% of these being subtitled for the deaf and hard of hearing. The channel places a strong emphasis on British films – highlights in 1999 were the television premieres of a number of FilmFour productions including *A Life Less Ordinary*, *Career Girls* and *Welcome to Sarajevo* and a Made in Britain season of films in July. The channel also offered its subscribers the chance to see a number of more challenging and often controversial films, such as *Kids*, *Man Bites Dog* and *Kissed*.

In addition, FilmFour has shown a number of rare finds, including the first screening of Hitchcock's lost early work *The Man Who Knew Too Much* and various directors' cuts such as *Caligula*. Another key attribute of the FilmFour channel is its commitment to showing foreign language films – from Jean Luc Godard classics to the most recent works of directors such as Abbas Kiarostami.

As well as transmitting feature-length films, FilmFour shows a large number of shorts, complementing the commitment to short films of our production arm FilmFour Ltd.

#### Other new services

The FilmFour channel forms part of Channel 4's overall investment in digital television, which includes the retransmission of the Channel 4 signal on digital satellite and digital terrestrial platforms. Other digital services are being considered as part of a strategy to reinforce Channel 4's key reputations in a multi-channel and multimedia age.

FILMFOUR CHANNEL

FILM



Bernard Macleod Managing Director, Channel 4 International Ltd

The Monica Lewinsky Interview

CHANNEL FOUR  
INTERNATIONAL





War in Europe



The Spying Game

Channel 4's international distribution and co-production arm, Channel 4 International, embarked on a major restructure in 1999. With all film production financing and sales now housed in FilmFour Ltd, Channel 4 International was re-launched with a specific brief to expand and develop the business of television rights exploitation, and to build on Channel 4's co-production activities in the international market.

#### Growing turnover and profit

Channel 4 International's turnover from continuing operations grew 31% in 1999 to £18.6 million, against £14.2 million in 1998. The profit contribution to Channel 4's results was £9.2 million, an increase of 23% on 1998's £7.5 million. Revenue increased across the board, specifically in key territories such as North America, Italy and Australia. The UK secondary market continued to be important to our business, with new channels entering the market and two video-on-demand platforms beginning to acquire programmes from the Channel 4 catalogue.

#### Investment in programming

In 1999 Channel 4 International invested in Channel 4 programmes as part of its strategy to expand its business by acquiring more rights to programming with international appeal. At the beginning of the

year, along with Channel 4's *Dispatches*, we bought exclusive international rights to *The Monica Lewinsky Interview*, which sold into more than 30 territories worldwide. Other investments were made in drama and factual programmes, including *The Spying Game*, *Anna Karenina* and *War In Europe*. In 2000 Channel 4 International plans to invest a total of £5 million in new programming for both Channel 4 and other broadcasters.

#### International co-production

As part of Channel 4's drive to increase co-production revenue from overseas partners, Channel 4 International set up a co-production division in 1999. As well as continuing to service Channel 4's traditional co-production partners, Channel 4 International has opened up new co-production opportunities in the US with several partners including WNET PBS and The History Channel. We plan a concerted effort in 2000 to establish new partners in the European and Asian markets.

#### Future strategy

As part of its re-structuring in 1999, Channel 4 International carried out a strategic assessment of its business and, at the end of the year, implemented

a new strategy based on a segmented approach to marketing its programmes. Using sophisticated analysis of its clients and their needs, Channel 4 International is now able to place programming in the market in the most efficient and accurate manner, ensuring the maximum exposure for the programming it sells. Future plans for its internet site include streaming video to our clients for viewing purposes and allowing programme purchasing in certain segments of the market.

Building on the work done in 1999, Channel 4 International is embarking on an ambitious growth plan for 2000 and beyond. Our activities will be concentrated in four key areas:

- continuing to grow revenues from the existing Channel 4 catalogue.
- increasing investment in key Channel 4 programming.
- setting up alliances with targeted independent producers globally.
- identifying further distribution opportunities for third party catalogues.

CHANNEL 4 INTERNATIONAL

# WORLD



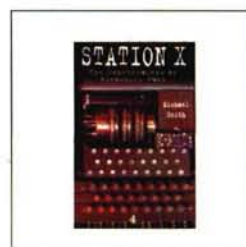
Sue Oriel Head of Commercial Development



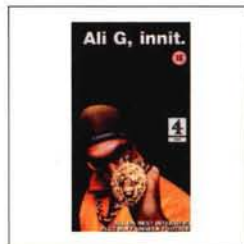
Essential Soundtracks CD



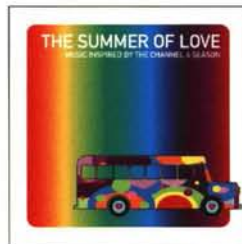
Music of the Millennium CD



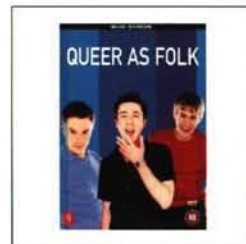
Station X book



Ali G, innit video



The Summer of Love CD



Queer as Folk video

The commercial development department was established in 1998 and completed its first full year of trading in 1999. The department is responsible for growing revenue streams for Channel 4 by developing our commercial relations with independent producers and advertisers. The department is headed by Sue Oriel and reports to Commercial Director, Andy Barnes.

During the year Channel 4 was delighted to announce its largest ever sponsorship deal with Nescafé for *Friends*, as well as a variety of additional high-profile deals including Seven Seas for *Countdown*, Equitable Life for *Frasier* and Wella for *The Priory*. Stella Artois continued as the sponsor of Channel 4's film seasons while Volkswagen extended its association with the channel's sports output by also covering *Test Match Cricket*.

As well as mainstream sponsorships, we secured some less traditional arrangements. First Direct sponsored a free-to-air evening of FilmFour as a tenth birthday gift to its customers, IBM sponsored the on-screen graphics during our *Test Match Cricket* coverage and HMV's close involvement with *Music of the Millennium* ensured the success of a major record release.

Commercial development is also concerned with the profitable exploitation of secondary rights on behalf of producers and the channel. In 1999 Channel 4 established a strong book imprint, Channel4Books,

working with Macmillan Publishers Ltd, revitalised the Channel4Video label in conjunction with Video Collection International Ltd (VCI) and undertook record releases with a variety of major partners. Commercial development also supported FilmFour in developing related CD releases, books and merchandise.

Highlights of the year included:

- gold CD releases for FilmFour *Essential Soundtracks* (with Telstar), *Queer as Folk* (with Almighty Records) and a double platinum release for the *Music of the Millennium* box set, a co-operation between Channel 4, EMI and Universal.
- the biggest selling television drama video of 1999 with the release of *Queer as Folk* in March and the biggest selling non-film video of the entire year with *Ali G, innit* with sales of 450,000 units.
- Channel4Books sold its one millionth book in October, a year after launch, having achieved its first Sunday Times Best Seller in February with *Station X*. Three more titles made the Top Ten – *Behind the Scenes at Time Team*, *The Ultimate Friends Companion* and *1900 House*. In all, 40 titles were launched during 1999.

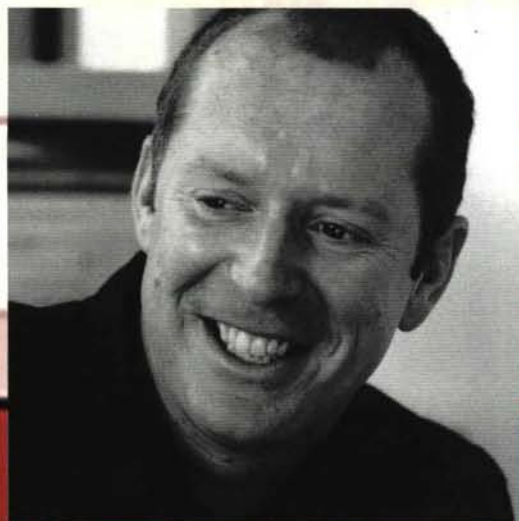
The commercial development team also represents the channel to advertisers and their agencies as business partners and markets all our commercial activity to this important community. During the year,

we launched the industry's first interactive television website, *in4mer.com*, catering specifically to this broad range of clients.

1999 saw Channel 4's reputation as a creative media company enhanced by our commercial development activities. The growing dialogue with our key advertising customers and producers puts us in an increasingly strong position for the future.

## COMMERCIAL DEVELOPMENT

# EVOLVE



Andy Anson Head of Strategic Planning and Interactive

//www.channel4.com/

T4 : SPORT : ENTERTAINMENT

Channel 4's involvement in new media stepped up a gear in 1999 with the creation of a new Interactive department – led by Andy Anson and reporting to Director of Strategy and Development, David Brook – to oversee all the channel's activities on the internet, interactive television and other new media services.

Our approach to new media is to find ways to expand and enhance the services offered to our audience, whilst building on the core strengths and values of the main channel. The new department will work closely with the channel's commissioning editors to develop new content, which will exist on screen and online. We want to build strong links between our television output and online activities.

During 2000 we plan to launch a number of new interactive services, focusing on key Channel 4 reputations including film, education, entertainment and sport.

*channel 4.com* will continue to exist as the channel's main site, but we are planning a major re-launch. The site will be expanded, focusing on the creation of interactive content to enhance viewers' relationships with Channel 4 programmes. There will also be improved listings and chat services, and a greater level of programme support.

Building on FilmFour's unique reputation for producing and showing the best in modern, independent cinema, *filmfour.com* aims to become a definitive film website.

It will integrate our activities on the core channel, on the FilmFour channel and in film production and distribution and will feature unique film content online, such as short movies. We will be significantly increasing our investment in this site to build on the success of the FilmFour channel.

The winter will see the launch of a new entertainment network consisting of a digital entertainment channel with interactive content and an internet portal that will build on the strengths of Channel 4's unique brand of entertainment. It will include specific zones of entertainment such as fashion, music, games, underground and comedy. This will allow the channel to extend its reputation for cutting-edge and innovative entertainment into the online world.

In education, we have launched a government-endorsed homework help site for children aged between 11 and 16 years old called *homeworkhigh.com*. Children can have their homework questions answered by real teachers, in real time online. We are also planning to develop a site that will support and promote the skills needed for people wishing to enter the creative industries.

Interactive television services are being examined across all multi-channel platforms. We want to support Channel 4's television output with enhanced television services wherever possible, but always where we feel that the service will add to the viewing experience.

Channel 4 is developing content and services for broadband distribution and new mobile technologies such as Wireless Application Protocol. Our desire is to build brands and services that can exist on any technology and any distribution platform.

Channel 4 believes its innovative approach to television should extend into all new media. We need to be at the forefront of the new media revolution, working with the most creative people in Britain to offer a range of exciting new services. The challenge ahead lies in taking our audience with us into a digital age.

CHANNEL 4 INTERACTIVE

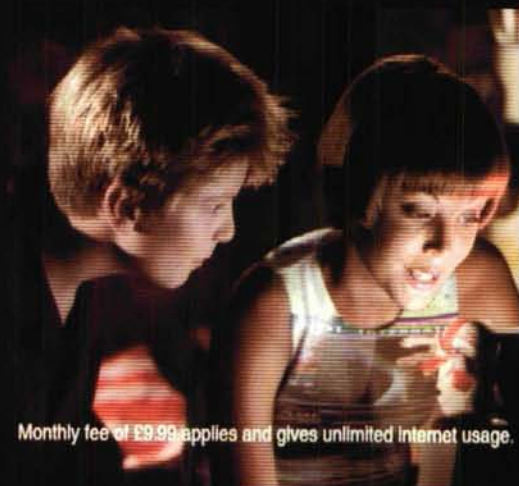
# SURF



Andy Barnes Commercial Director



Brewed in Strasbourg and the UK.



Monthly fee of £9.99 applies and gives unlimited internet usage.



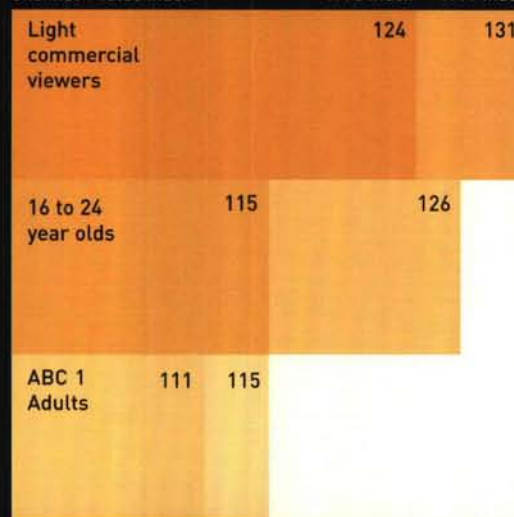
Clio RENAULT sport 172



Stella Artois. Reassuringly expensive.

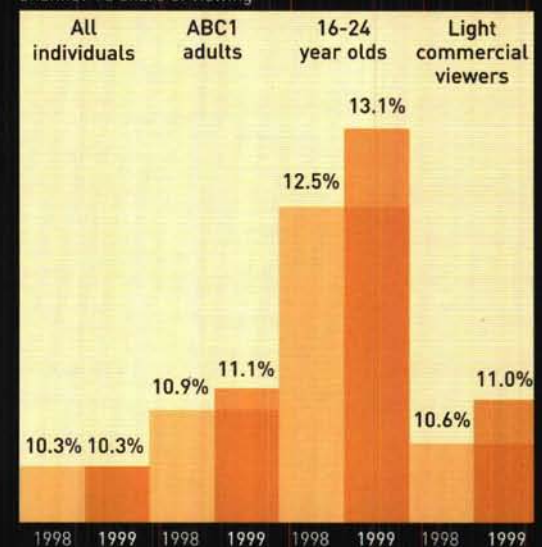
A

Channel 4's share impacts/  
Channel 4 value index



All individuals 100

Channel 4's share of viewing



Advertising revenue is dependent on both audience size and profile. With new channels and new media competing aggressively for audiences in 1999, Channel 4 performed strongly, maintaining its overall share of audience at 10.3% year on year.

However, Channel 4's commercial success derives from its ability to consistently deliver those audience groups that are most sought after by advertisers. The sales team works closely with commissioning editors and schedulers to deliver targeted programming, and offers advertising opportunities on a national and regional basis. Through this unique advertising sales proposition, the channel achieved significant year on year share increases in the most valuable socio-demographic audience groups of ABC1 Adults, 16-24 year olds and light commercial viewers.

The continued success of Channel 4 in 1999, in outperforming the industry average for these sought after audience groups is reflected in the share of impacts (i.e. people watching commercials) delivered by the channel compared to the share of 'all persons' impacts. Channel 4 enjoyed significant increases year on year in all of these audience groups.

For ABC1 Adults the share of impacts based on the all share index was 115 for 1999 – that is, Channel 4 achieved 15% better delivery than the industry average.

Similarly for 16-24 year olds the percentage was 26% better. For the most elusive group that advertisers

wish to reach, the lightest commercial viewing third of the population, Channel 4 recorded almost a third or 31% better delivery than the industry average.

The sales department also maintained its successful practice of fair and open trading which once again this year led to there being no significant under-delivery of audience impacts on any of Channel 4's airtime sales deals.

#### Advertisers

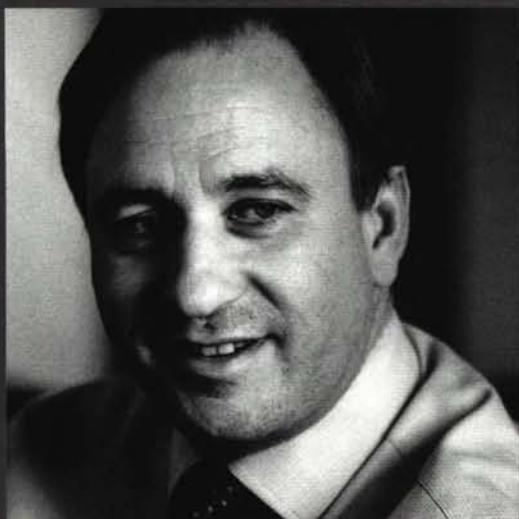
Channel 4 traded with a total of 600 advertising clients, 149 of which spent more than £1 million with the channel. In 1999, the channel enjoyed average revenue growth from a number of advertising sectors, including alcohol, retail and financial advertisers. As well as effective delivery of the most valuable audiences, advertisers recognise the value of Channel 4's unique programme environment. The sales team positively encourages innovative placement of advertisements and in 1999, the placement of an advertisement for Vanish Stain Remover during Channel 4's exclusive interview with Monica Lewinsky won 'Media Stunt of the Year' at the Campaign Media Awards.

#### Revenue

In 1999, Channel 4 advertising and sponsorship revenue totalled £600 million – a 7% revenue increase from 1998. Despite significant re-investment in its schedule, Channel 4's closest competitor, the ITV network, managed to achieve revenue growth of only 6% year on year.

## ADVERTISING SALES AND AUDIENCE

# AUDIENCE



David Scott Managing Director

'Channel 4 met or exceeded all its licence requirements in 1999. In peaktime 81% of programmes transmitted were first run and 76% were originated.'

The commissioning team's efforts in 1999 were recognised by a positive performance review from the ITC, who wrote:

'Channel 4 had a good year. Freshness and innovation appeared across various genres: challenging dramas such as *Queer as Folk* and *Tina Goes Shopping*; prominently scheduled long-form documentaries including *Kosovo - the Valley* and *Divorce*, *Iranian Style*, also the documentary series *Shanghai Vice*; in education *1900 House* and *Secrets of the Dead*, which applied forensic science techniques to major world events; *Smack the Pony*, *Spaced* and the emergence of *Ali G* in comedy; and widely-praised cricket coverage.'

#### Production outside London

Channel 4 is keen to encourage film and television production throughout the nations and regions of the UK and has a number of schemes to achieve that objective. Satisfactory progress was achieved during 1999 in increasing the volume of production in Scotland, Ireland, Wales and the English regions. The total cost of those programmes in 1999 amounted to £85 million, an 18% increase from £72 million in 1998.

#### Sources of programmes

Channel 4 commissions programmes from independent producers and the ITV companies and purchases programmes in the international markets. In keeping with our programme policy requirements, we have a wide range of suppliers.

Independent production companies are the most important source of originated programmes. 412 independent companies provided programmes transmitted on Channel 4 in 1999 (1998: 465). The recent trend of ITV companies acquiring independent production companies such as Planet 24 and Ginger Media leads to those companies losing their independent producer status.

The sources and costs of the programmes transmitted in 1999 were as shown in the table below:

1999 Hours	1998 Hours		1999 £m	1998 £m
<b>Originated</b>				
3,785	3,827	Independents	242.1	227.1
1,495	1,130	Other	74.0	63.4
5,280	4,957		316.1	290.5
<b>Acquired</b>				
3,480	3,803		74.5	61.1
8,760	8,760	<b>Total</b>	390.6	351.6

1999 Hours	1998 Hours		1999 %	1998 %
5,280	4,957	Originated	60	57
3,480	3,803	Acquired	40	43
8,760	8,760		100	100

#### Transmission output

Channel 4 broadcast 8,760 hours in 1999 - 24 hours each day. The hours and costs of the channel's wide range of programme transmissions were as follows:

1999 Hours	1998 Hours		1999 £m	1998 £m
1,537	1,232	Entertainment	82.1	71.4
936	875	Drama	78.1	80.9
915	932	Education	60.0	48.2
1,356	1,814	Feature films	28.8	26.9
883	869	Sport	26.1	17.4
300	278	News	19.1	16.9
234	253	Current affairs	17.8	18.1
521	543	Other factual	17.5	13.4
385	300	Documentaries	15.1	18.9
278	181	Arts and music	14.0	9.1
218	175	Multicultural	12.6	9.3
309	249	Quiz and game shows	8.2	8.0
819	971	Children	7.5	8.4
69	88	Religion	3.7	4.7
8,760	8,760		390.6	351.6

#### The licence

The 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.

## TRANSMISSION OUTPUT

Principal licence requirements	Compliance minimum	1999	1998
<b>Average hours per week</b>			
Education	7	10	10
News	4	5	5
Current affairs	4	4	5
Multicultural	3	4	3
Religion	1	1	2
<b>Hours per year</b>			
Schools	330	419	424
<b>Percentage</b>			
Original production – overall	60	60	57
– in peaktime (6 pm to 10.30 pm)	70	76	72
First run	60	60	56
– in peaktime	80	81	79
Independent production*	25	76	88
European independent production*	10	42	47
European origin	50	65	62
Subtitling for the deaf and hard-of-hearing	50	62	60
Production expenditure outside London	30 (by 2002)	27	26
Training and development (% of qualifying revenue)	0.5	0.7	0.6

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

#### Regulatory authorities

Channel 4 takes seriously its compliance obligations both in respect of the ITC's Codes and the Codes issued by the Broadcasting Standards Commission. The channel broadcasts a vast range of programmes, many of which are highly innovative and which frequently push the boundaries. Our Legal and Compliance department and editorial team work carefully with our external suppliers to ensure that the overwhelming majority of the programmes are broadcast without regulatory intervention.

During 1999 Channel 4 re-issued its Compliance Manual which contains user-friendly summaries of the regulatory codes, together with our own rules and procedures designed to ensure compliance. The launch of the Compliance Manual was accompanied by a series of seminars for independent producers to promote best practice in programme-making.

Our judgements are often fine ones and the regulatory authorities do not always agree with the decisions taken. The ITC monitors compliance with the

Broadcasting Act and broadcasters' licence obligations (including compliance with its regulatory codes) and entertains complaints about programmes. There were six formal interventions (1998: eight), one of which was a formal warning (1998: none). None of the six interventions represented serious breaches resulting in statutory sanctions (1998: none).

The channel's Report for 1998 gave details of a fine of £150,000 which the ITC imposed in February 1999 following breach of its programme code in the documentary *Too Much Too Young: Chickens* which was transmitted in 1997.

The Broadcasting Standards Commission has two roles. It entertains complaints about unfair treatment and/or infringement of privacy. In 1999, four complaints were upheld (1998: one) and none were partially upheld (1998: four). It also entertains complaints concerning standards of taste and decency and in 1999 fifteen were upheld (1998: fifteen) and nine partially upheld (1998: four).

REGULATION

# 24HRS

Advertising and sponsorship  
revenue

**+7%**

£600 million in 1999

Programme transmission costs

**+11%**

£391 million in 1999

Other revenue

**+35%**

£42 million in 1999

Film investment

**+14%**

£25 million in 1999

Investment in training

**+23%**

£4 million in 1999

Investment in regional production

**+18%**

£85 million in 1999

Investment in education

**+24%**

£60 million in 1999

Digital investment

**+204%**

£33 million in 1999

# FINANCE



Janet Walker Director of Finance and Business Affairs

'Total transmission costs increased in 1999 by 11% to £391 million, enhancing the dividend to our viewers. Abolition of the ITV subsidy meant we could devote more resource to a number of areas, notably production outside London, education and new digital services.'

## Operating and financial review

### Turnover

Channel 4's total net advertising and sponsorship revenue increased by 7% in the year to £600 million (1998: £560 million) which represented 21.6% (1998: 21.7%) of the terrestrial television advertising and sponsorship market.

Television advertising and sponsorship revenues represented 93% of Channel 4's turnover for 1999 (1998: 95%). As noted in last year's Financial Review, increasing consumer take up of new technologies, such as digital television, internet and interactive television is changing how media is distributed and consumed. This growing competition and fragmentation is making the market for network broadcasters increasingly difficult. However, against this environment Channel 4 bucked the trend of the BBC and ITV in 1999 by maintaining its audience share at 10.3%, the same level as in 1998.

Looking forward, Channel 4's strategy is to build on the powerful Channel 4 core public broadcast service and brand, to develop new products and services that connect with the values of our audience, and to deliver these products and services across the new and emerging media platforms.

From November 1998, the Channel 4 core service has been simulcast on digital terrestrial and digital satellite as well as analogue cable systems. FilmFour channel, Channel 4's first venture into pay television, was successfully launched in November 1998. This service is available across all pay television distribution platforms: digital terrestrial, analogue and digital satellite and analogue cable.

Channel 4 is developing a number of new interactive services, notably in the areas of racing, entertainment and education. The overall objective is to create products and services that reinforce the channel's core service

and values whilst helping to prepare Channel 4 for the increasing take up by its viewers of these new media technologies.

Other turnover increased by 35% to £42 million (1998: £31 million). The majority of this revenue can be attributed to the subsidiary operations and other commercial activities of the channel. The performance of these activities has been dealt with in earlier sections of this year's Report.

### Output and investment

The abolition of the requirement to make annual payments to the ITV companies enabled Channel 4 to deliver on its undertakings to Government and the ITC. In particular increased resource was allocated to production outside London (+ £13 million), education (+ £12 million), film investment (+ £3 million), new digital services (+ £22 million), training (+ £1 million) and news (+ £2 million).

Total programme transmission cost for Channel 4's analogue service increased by £39 million, 11%, in 1999 to £391 million (1998: £352 million).

Channel 4 welcomed the new programme remit issued by the ITC in February 1998 as giving clear expression to our commitment to innovation and experimentation within the television medium. The combination of a remit to innovate and a commercial imperative is central to our programme policy. During 1999, we delivered all our licence requirements, as detailed on page 41.

Most notably, our investment in original production represented 60% of the channel's overall output (1998: 57%), an increase of 323 hours. Moreover, originated hours represented 76% of our peaktime output (1998: 72%) which more than exceeded our licence obligation set at 70%.

Of equal significance was the fact that we achieved our licence requirement for first run programmes

with 60% of output (1998: 56%). In peaktime, we exceeded our obligations with 81% of output being first run (1998: 79%).

In 1999, the channel embraced its commitments to increase the percentage of programming from Scotland, Ireland, Wales and the English regions by meeting our internally set objective of 27% of total transmission costs coming from these parts of the UK (1998: 26%).

### Treasury

#### Objectives, policies and strategies

Channel 4's treasury management objective is to minimise interest rate and currency exposures deriving from its business operations. Channel 4 never takes speculative positions in its treasury management.

All material exposures are considered and managed by the group treasury function. The strategies and policies are agreed with the Managing Director and operate within clear parameters approved by the Board.

#### Cash deposits and borrowings

Channel 4 funds are deposited only with an agreed list of organisations that carry an A1/P1 rating by the major credit rating agencies.

The channel had net cash deposits at 31 December 1999 of £44 million (1998: £71 million).

The short-term deposits and investments shown in note 16 on page 62 were invested on the short-term money market at rates prevailing at the time of investment.

During 1999, Channel 4 renegotiated its UK syndicated loan facility. The new £55 million facility has a maturity date of April 2004. The primary objective of this facility is to provide additional support to the channel's short to

medium term liquidity needs. This facility was not utilised at 31 December 1999.

The group did not have any significant borrowings during the year although money market borrowings were undertaken to meet the short-term business requirements of the channel. The rate of interest is fixed and based on UK money market interest rates prevailing at the time of borrowing.

Overall, there was a net cash outflow in 1999 of £27 million (1998: £22 million) as shown in note 15 on page 61. This net movement reflects further investment in programme production and our new digital services.

#### Currency management

Channel 4 buys and sells programmes in the international markets and is a net purchaser of US dollars. The group has no significant exposure to other foreign currencies. Exposure to fluctuations in exchange rates is managed by transactions in the forward foreign exchange markets.

At 31 December 1999, Channel 4 had hedged forward dollar purchases of programmes totalling £43.4 million (1998: £24.5 million) as detailed in note 16 on page 62.

#### Taxation

Channel 4 is subject to corporation tax on profits. The tax charge for 1999 was £13.1 million and the effective rate was 28.5%. The current year effective tax rate is reduced below the standard corporation tax rate by a prior year credit of £2.0 million. The effective rate before prior year adjustments was 30.5%.

#### Year 2000 compliance

At the date of this Report, the group had experienced no disruption or malfunctions since the turn of the year arising from its own computer systems or equipment or in connection with those of its suppliers.

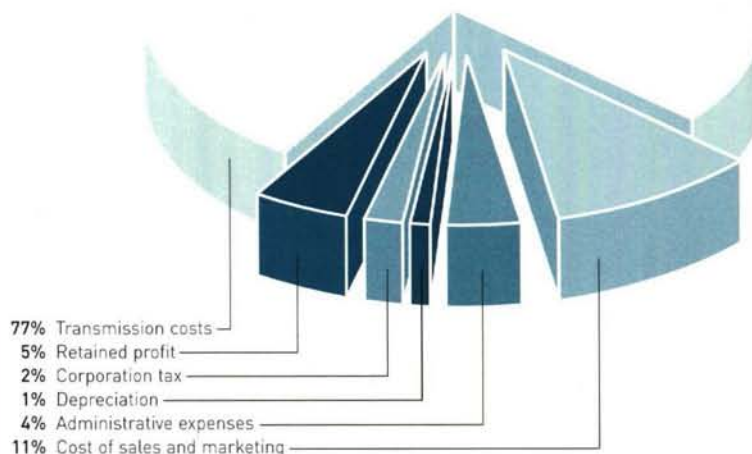
The lack of disruption is attributable to the analysis of risks carried out over the last two years by an internal taskforce and by external consultants, to determine the impact of the Year 2000 problem on the channel's activities. Consequential modification to, or replacement of, hardware and software has been undertaken to ensure that operations continue with the minimum of disruption. The situation continues to be monitored.

The total cost of modifications to the channel's computer hardware and software was £3.9 million. Of this total, expenditure of £1.1 million was incurred in 1999.

#### Euro

The Board does not at this stage foresee significant costs being incurred or any significant impact as a result of the UK introducing the Euro in the future.

Application of income in 1999



## Report of the members

### Principal activities

Channel 4 is the only public service broadcaster in the world funded solely from commercial revenues which it earns.

**The Broadcasting Act 1990 (the 1990 Act) established Channel Four Television Corporation to secure the continued provision of the television broadcasting service known as Channel 4 which started transmissions in 1982, and to carry out any activities which are incidental or conducive to the operation of Channel 4. On 1 January 1993 Channel 4 inherited, under the terms of the 1990 Act, the business, assets and liabilities of Channel Four Television Company Limited, which had provided the Channel 4 service from 1982 to 1992.**

On 1 January 1993 the ITC issued a broadcasting licence under the terms of the 1990 Act for Channel 4 to broadcast for the ten calendar years 1993 to 2002. That licence was amended by the ITC, which published revised programme requirements in February 1998, details of which are summarised on page 41 of this report.

The Broadcasting Act 1996 (the 1996 Act) broadened Channel 4's powers so that it may be involved in the UK or any other country with:

'The provision of one or more services which are licensed by the ITC or by the Radio Authority or which, if provided in the UK, would be required to be so licensed'.

The group has four commercial subsidiary companies involved in film financing and distribution, international programme sales and co-financing, studio and post production facilities and educational services. Additionally, the group has a subscription television channel, FilmFour and continues to develop other commercial activities such as merchandising, book and music publishing and online activities.

### Business review

The Chairman's statement on pages 2 and 3, the Chief Executive's report on pages 5 to 7 and the Financial review on pages 42 to 45 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 49 to 64.

### Members

The present members of Channel 4 are listed on page 70.

Since 1 January 1999, the following members have been appointed to, or retired from, the Board:

#### Appointments

Millie Banerjee  
Barry Cox  
Robin Miller  
Ian Ritchie

#### Date of appointment

1 January 2000  
1 February 1999  
1 February 1999  
1 January 2000

#### Retirements

Murray Grigor  
Frank McGettigan  
Ushar Prashar  
Sarah Radclyffe

#### Date of retirement

31 December 1999  
31 January 2000  
31 December 1999  
31 December 1999

### Members' interests

Channel 4 fully embraces the principles of good corporate governance and, to this end, makes full disclosure of all members' interests, irrespective of the materiality those interests may have to the channel or to the members concerned.

Three members were interested in contracts negotiated at arms length on normal commercial terms with Channel 4.

- Vanni Treves is a partner in the city solicitors Macfarlanes. In 1999 the group instructed Macfarlanes to provide legal advice on normal commercial terms. The cost of services

provided by Macfarlanes during the year amounted to £23,419.

- Sarah Radclyffe's production companies received production cost payments in 1999 of £149,000 for feature films commissioned by FilmFour Ltd.
- Frank McGettigan, after ceasing to be a member of Channel 4, entered into a consultancy agreement to provide the channel with advice on training in 2000 and 2001 at a cost of £24,000 per annum for those two years.

Two members' partners transacted business with Channel 4 at arms length on normal commercial terms during 1999.

- Michael Jackson's partner Sheree Folkson was the director of the drama series *Love in the 21st Century* and *Lock Stock & Two Smoking Barrels*. The fees paid to her for these series were £53,950.
- Andy Barnes' wife Linda Stevens owns a majority share of a specialist recruitment agency, The Stevens Company, which received £8,500 from Channel 4 in 1999 for recruitment services.

### Liability insurance

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

### Research and development

Channel 4 devotes substantial resources to the development of scripts and programme outlines for possible commissioning. Script and programme development expenditure charged to the profit and loss account in 1999 amounted to £6.8 million (1998: £5.3 million).

### Charitable donations

During 1999 Channel 4 donated £26,008 to charities (1998: £25,160).

### Employment policy

Channel 4 is an equal opportunities employer and does not discriminate on grounds of sex, sexual orientation, marital status, race, colour, ethnic origin, disability, age or political or religious belief in its recruitment or other employment policies. The ethos of Channel 4 for both job applicants and staff is that everyone matters.

Channel 4 has established an ethnic monitoring system for its recruitment and the ethnic composition of its staff. The representation of ethnic minorities amongst its permanent staff was 9% (1998: 8%) and women continue to form the majority of the channel's staff at 56% (1998: 57%).

The channel encourages applications from people with disabilities. The policy of the channel is to recruit, train and provide career development opportunities to disabled people, whether registered as such or not, on the same basis as that of other staff.

### Employee involvement and consultation

The quality, commitment and effectiveness of Channel 4's staff are crucial to its continued success. As noted on page 29, Channel 4 has continued to invest significantly in its staff through training and development.

Channel 4 informs and consults with its employees through:

- its commitment to achieving the Investors in People standard.
- regular departmental meetings where information is disseminated and staff have an opportunity to air views.

- recognition of trade unions. A minority of Channel 4's employees are in membership of one of two recognised trade unions:

– BECTU (for some engineering, presentation, clerical and 124 Facilities staff);

– Equity (for continuity announcers).

- an internal intranet information service available to all members of staff.

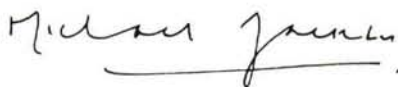
### Going concern

Based on normal business planning and control procedures, the members have a reasonable expectation that Channel 4 has adequate resources to continue in operational existence for the foreseeable future. For this reason, the members continue to adopt the going concern basis in preparing the financial statements.

### Auditors

PricewaterhouseCoopers have been appointed as auditors by Channel 4 with the approval of the Secretary of State for Culture, Media and Sport in accordance with the requirements of paragraph 12(2) of schedule 3 of the Broadcasting Act 1990.

PricewaterhouseCoopers have expressed their willingness to continue in office.



**Michael Jackson**  
Chief Executive  
17 April 2000

## Report of the auditors

### To the members of Channel Four Television Corporation (Channel 4)

We have audited the financial statements on pages 49 to 64 which have been prepared under the historical cost convention, as modified by the revaluation of certain fixed assets, and the accounting policies set out on page 52.

### Respective responsibilities of members and auditors

The members are responsible for preparing the Annual Report. As described on page 66, this includes responsibility for preparing the financial statements, in accordance with applicable United Kingdom accounting standards. Our responsibilities, as independent auditors, are established in the United Kingdom by statute, the Auditing Practices Board and by our profession's ethical guidance.

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Broadcasting Act 1990 and direction made thereunder by the Secretary of State. We also report to you if, in our opinion, the report of the members is not consistent with the financial statements, if Channel 4 has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding members' remuneration and transactions with Channel 4 is not disclosed.

We read the other information contained in the Annual Report and consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements.

We review whether the statement on page 65 reflects Channel 4's compliance with those provisions of the Combined Code specified for our review relevant to a statutory corporation and we report if it does not. We are not required

to consider whether the Board's statements on internal control cover all risks and controls, or to form an opinion on the effectiveness of Channel 4's corporate governance procedures or its risk and control procedures.

### Basis of audit 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 Channel 4'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 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 Channel 4 and the group as at 31 December 1999 and of the profit and cashflows of the group for the year then ended and have been properly prepared in accordance with the Broadcasting Act 1990 and directions made thereunder by the Secretary of State.

### PricewaterhouseCoopers

Chartered Accountants and Registered Auditors  
London  
17 April 2000

## Consolidated profit and loss account

For the year ended 31 December

	Notes	1999 £m	1998 £m
<b>Turnover</b>	1	642.1	590.5
Cost of transmissions and sales	2	(564.1)	(467.4)
<b>Gross profit</b>		78.0	123.1
Administrative expenses		(24.4)	(25.7)
Depreciation	8	(8.7)	(8.9)
<b>Operating profit</b>	3	44.9	88.5
Net interest receivable	6	1.1	3.8
<b>Profit before ITV subsidy and taxation</b>		46.0	92.3
Subsidy payable to ITV		–	(66.0)
<b>Profit before taxation</b>		46.0	26.3
Taxation	7	(13.1)	(8.6)
<b>Retained profit for the year</b>	17	32.9	17.7

All activities are continuing. There is no material difference between the profits reported above and their historical cost equivalents.

## Statement of total recognised gains and losses

For the year ended 31 December

	Notes	1999 £m	1998 £m
<b>Profit for the year</b>	17	32.9	17.7
Unrealised surplus on revaluation of buildings	8 and 17	5.3	5.7
<b>Total recognised gains for the year</b>		38.2	23.4

The notes on pages 53 to 64 form part of these financial statements.

Report of the auditors – page 48.

## Balance sheets

At 31 December

	Notes	1999 Group £m	1998 Group £m	1999 Channel 4 £m	1998 Channel 4 £m
<b>Fixed assets</b>					
Tangible assets	8	89.2	81.3	89.2	81.3
<b>Current assets</b>					
Stock and work in progress	10	185.4	167.6	138.4	128.0
Debtors	11	78.9	90.9	115.2	125.5
Investments	12	10.1	35.6	10.1	35.6
Cash at bank and in hand	15	34.0	35.2	33.7	35.1
		308.4	329.3	297.4	324.2
<b>Creditors</b>					
Amounts falling due within one year:					
Subsidy payable to ITV		-	[66.0]	-	[66.0]
Creditors	13	[74.7]	[57.1]	[67.7]	[55.6]
Corporation tax		[7.3]	[9.2]	[7.3]	[9.0]
<b>Net current assets</b>		226.4	197.0	222.4	193.6
<b>Total assets less current liabilities</b>		315.6	278.3	311.6	274.9
<b>Provisions for liabilities and charges</b>	14	[8.2]	[9.1]	[8.2]	[9.1]
<b>Net assets</b>		307.4	269.2	303.4	265.8
<b>Profit and loss account</b>	17	211.1	178.2	207.1	174.8
<b>Statutory reserve</b>	17	84.8	84.8	84.8	84.8
<b>Revaluation reserve</b>	17	11.5	6.2	11.5	6.2
		307.4	269.2	303.4	265.8

**Vanni Treves**  
Chairman

**Janet Walker**  
Director of Finance and Business Affairs

These financial statements were approved by the Board of Members on 17 April 2000.

The notes on pages 53 to 64 form part of these financial statements.

Report of the auditors – page 48.

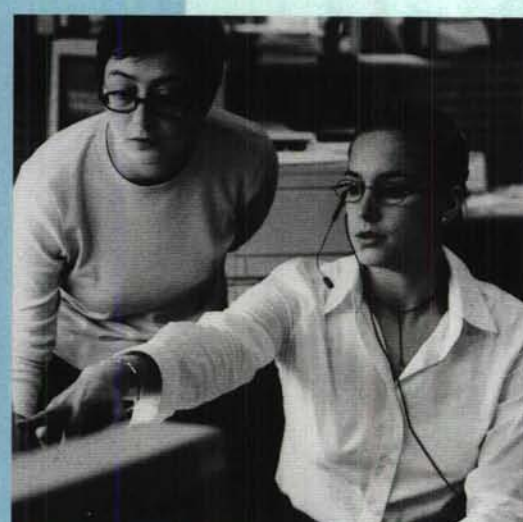
## Consolidated cashflow statement

For the year ended 31 December

	Notes	1999 £m	1999 £m	1998 £m	1998 £m
<b>Net cash inflow from operating activities</b>	15		64.4		84.2
<b>Subsidy paid to ITV</b>			(66.0)		(89.9)
			(1.6)		(5.7)
<b>Returns on investments and servicing of finance</b>					
Interest received		1.2		3.9	
Interest paid		(0.2)		–	
			1.0		3.9
<b>Taxation</b>					
UK corporation tax paid		(14.4)		(12.6)	
Overseas tax paid		(0.5)		(0.3)	
			(14.9)		(12.9)
<b>Capital expenditure</b>					
Payments to acquire tangible fixed assets	8	(12.3)		(7.4)	
Receipts from sales of tangible fixed assets		1.1		0.2	
			(11.2)		(7.2)
<b>Net cash outflow before management of liquid resources</b>	15		(26.7)		(21.9)
<b>Management of liquid resources</b>					
Decrease in investment in short-term cash deposits	15		25.5		29.9
Decrease in money market borrowings	15		(15.8)		(3.2)
<b>[Decrease]/increase in cash in the year</b>	15		(17.0)		4.8

The notes on pages 53 to 64 form part of these financial statements.

Report of the auditors – page 48.



## Principal accounting policies

### Basis of accounting

The financial statements have been prepared under the historical cost convention, modified by the revaluation of freehold properties. The financial statements have been prepared in a form as directed by the Secretary of State for Culture, Media and Sport with the approval of the Treasury and meet the requirements, in so far as they are applicable, of the Companies Act 1985 and are in accordance with applicable UK accounting standards.

### 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 Channel Four Television Corporation and all of its subsidiary undertakings made up to 31 December 1999.

### Advertising revenue

Advertising revenue is stated net of advertising agency commission paid.

### Sale of programme and film rights

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

### Deferred tax

Tax deferred or accelerated is accounted for in respect of all material timing differences to the extent that it is probable that a liability or asset will crystallise.

### 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 profit for the year.

The group uses derivative financial instruments to reduce exposure on commitments in dollars for programme and film purchases. The group does not hold or issue derivative financial instruments for financial trading purposes. Changes in the fair value of derivative financial instruments are not recognised in the financial statements until these hedged transactions mature.

### Stock and work in progress

Stocks are valued at the lower of cost or net realisable value.

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.

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.

Within the accounts of Channel 4 the direct cost of programme and film broadcasting rights is wholly written off on first transmission.

### Fixed assets

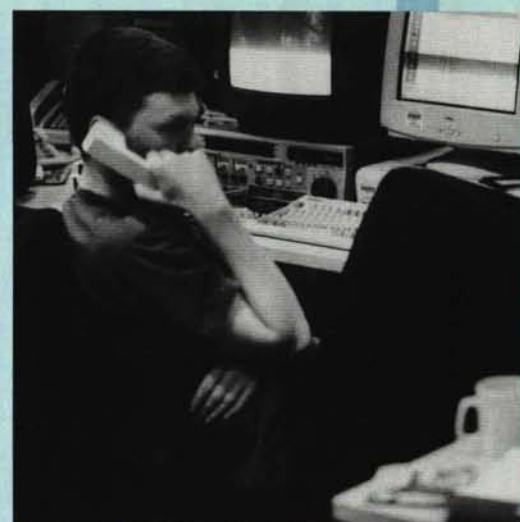
Fixed assets, other than the freehold land and buildings which are shown at valuation, are stated at cost, together with any incidental expenses of acquisition, less depreciation.

Depreciation is calculated so as to write off the cost or valuation of the asset on a straight line basis over its estimated useful life from the date of its first utilisation. The annual rates used for this purpose are as follows:

Freehold property	2%
Technical equipment and office furniture	20%
Motor cars	25%

### Pensions

Channel 4 maintains a defined benefit pension scheme. Pension costs are determined by external actuaries and charged against profits each year.



## Notes to the financial statements

### 1. Turnover

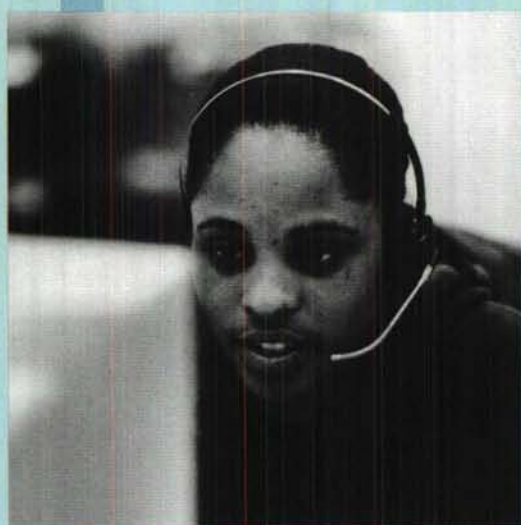
Turnover, excluding value added tax, arises from television and related activities as follows:

	1999 £m	1998 £m
Net advertising and programme sponsorship	600.5	559.6
Programme and film sales	29.5	24.5
Other income	12.1	6.4
	<b>642.1</b>	<b>590.5</b>

The programme and film sales business is carried out by Channel Four International Ltd and FilmFour Ltd.

### 2. Cost of transmissions and sales

	1999 £m	1998 £m
<b>Transmissions</b>		
Direct programme costs:		
Channel 4	390.6	351.6
FilmFour	9.2	2.0
Transmitter and distribution costs		
Channel 4 analogue	27.3	27.5
Digital services	15.0	2.9
Indirect programme costs		
Channel 4	41.8	32.5
Other activities	6.8	2.6
ITC regulatory costs	2.1	2.1
<b>Sales</b>		
Cost of sales and marketing		
Channel 4	40.7	20.4
Other activities	25.8	21.8
Share of film and programme sales income due to third parties	4.8	4.0
	<b>564.1</b>	<b>467.4</b>



### 3. Operating profit

Operating profit is stated after charging/(crediting):

	1999 £m	1998 £m
Depreciation of fixed assets (note 8)	8.7	8.9
Research and development	6.8	5.3
Training	4.3	3.5
Members' remuneration (page 68)	2.5	1.9
Equipment hire	0.3	0.3
Operating lease rentals	0.4	0.1
Profit on disposal of fixed assets	[0.1]	[0.1]

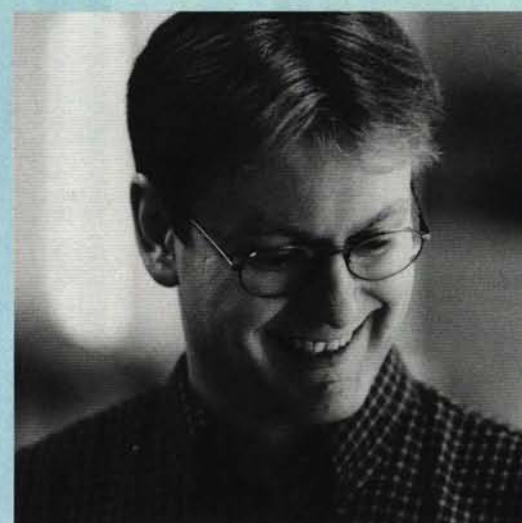
Channel 4 has taken advantage of the legal exemption not to present its own profit and loss account. Of the retained profit after tax of £32.9 million [1998: £17.7 million] recorded in the consolidated profit and loss account for the year, £32.3 million [1998: £17.1 million] was dealt with in Channel Four Television Corporation's accounts.

Fees in respect of services provided by the auditors were:

	£000	£000
Statutory audit:		
Channel 4	38	34
Subsidiaries and associates	26	26
Pension plan	4	4
Non-audit fees for other services:		
IT advice and support	620	–
Airtime sales system advice	170	80
Taxation	116	41
Risk assessment	46	42
Other	76	128
	1,096	355

### 4. Segmental information

	Turnover £m	Profit/(loss) before taxation £m	Net assets £m
<b>1999</b>			
Channel 4	604.7	70.5	251.5
FilmFour and other digital services	4.4	[28.4]	4.0
	609.1	42.1	255.2
Subsidiary activities (note 9)	58.1	1.5	4.8
Consolidation adjustments	[25.1]	2.4	47.1
	642.1	46.0	307.4
<b>1998</b>			
Channel 4	562.0	30.3	225.1
FilmFour and other digital services	0.1	[9.8]	4.8
	562.1	20.5	229.9
Subsidiary activities (note 9)	48.8	1.5	3.9
Consolidation adjustments	[20.4]	4.3	35.4
	590.5	26.3	269.2



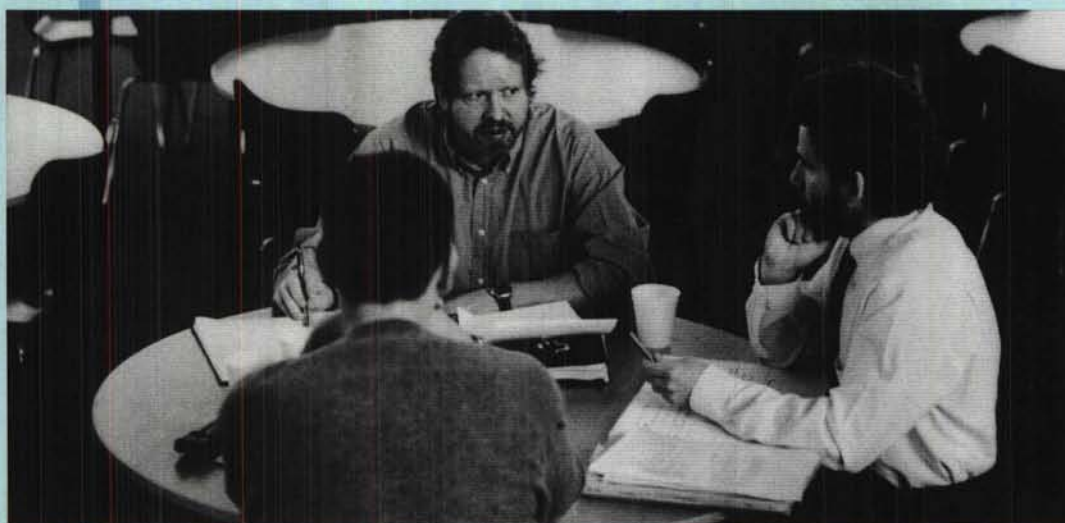
## 5. Employee information

A detailed analysis of members' remuneration, including salaries and performance-related bonuses, is provided in the report on members' remuneration on page 68.

	1999 £m	1998 £m
<b>Aggregate gross salaries of all employees</b>		
Aggregate gross salaries	35.2	28.5
Employer's national insurance contributions	3.1	2.5
Employer's pension contributions (note 20)	3.9	3.1
<b>Total direct costs of employment</b>	<b>42.2</b>	<b>34.1</b>

The average number of employees, including executive members, was as follows:

	1999 Number	1998 Number
<b>Channel 4 main service</b>		
Programme commissioning and transmission	340	294
Advertising sales, marketing and research	97	99
Operational management	86	69
Information systems	54	44
Corporate affairs and press office	32	29
	<b>609</b>	<b>535</b>
<b>Other activities</b>		
FilmFour Ltd	48	28
FilmFour channel	35	12
Channel Four International Ltd	31	32
Channel Four Learning Ltd	30	26
124 Facilities Ltd	29	29
Commercial development	22	11
Interactive	4	1
	<b>199</b>	<b>139</b>
<b>Total employees</b>	<b>808</b>	<b>674</b>
<b>Permanent employees</b>	<b>746</b>	<b>626</b>
<b>Contract staff</b>	<b>62</b>	<b>48</b>
	<b>808</b>	<b>674</b>
<b>Male</b>	<b>358</b>	<b>289</b>
<b>Female</b>	<b>450</b>	<b>385</b>
	<b>808</b>	<b>674</b>



## 5. Employee information continued

Travel, subsistence and hospitality expenditure was as follows:

	1999 £000	1998 £000
Members	245	205
Other employees	2,042	1,361
	<b>2,287</b>	<b>1,566</b>

Staff loans outstanding at 31 December were as follows:

	1999 £000	1998 £000
Season ticket	114	105
Other loans	7	–
	<b>121</b>	<b>105</b>

There were no loans to members.

## 6. Net interest receivable

	1999 £m	1998 £m
Interest receivable on short-term deposits	1.2	3.8
Interest payable on bank loans and overdrafts repayable within five years	(0.1)	–
Net interest receivable	<b>1.1</b>	<b>3.8</b>

## 7. Taxation

The taxation charge is based on the taxable profit for the year and comprises:

	1999 £m	1998 £m
UK corporation tax @ 30.25% (1998: 31%)	15.1	8.6
Less relief for overseas taxation	(0.5)	(0.4)
Overseas taxation	0.5	0.4
Adjustment in respect of prior years	(2.0)	–
	<b>13.1</b>	<b>8.6</b>



## 8. Fixed assets

Channel 4 and group Tangible assets	Freehold properties £m	Equipment and furniture £m	Motor vehicles £m	Total £m
<b>Cost or valuation</b>				
At 1 January 1999	73.8	53.5	1.8	129.1
Additions	–	7.9	0.6	8.5
Transfer from current assets	3.8	–	–	3.8
Disposals	–	–	(1.7)	(1.7)
Revaluation	5.8	–	–	5.8
<b>As 31 December 1999</b>	<b>83.4</b>	<b>61.4</b>	<b>0.7</b>	<b>145.5</b>
<b>Depreciation</b>				
At 1 January 1999	10.0	37.0	0.8	47.8
Charge for the year	1.6	6.7	0.4	8.7
Disposals	–	–	(0.7)	(0.7)
Revaluation	0.5	–	–	0.5
<b>As 31 December 1999</b>	<b>12.1</b>	<b>43.7</b>	<b>0.5</b>	<b>56.3</b>
<b>Net book value</b>				
At 1 January 1999	63.8	16.5	1.0	81.3
<b>At 31 December 1999</b>	<b>71.3</b>	<b>17.7</b>	<b>0.2</b>	<b>89.2</b>

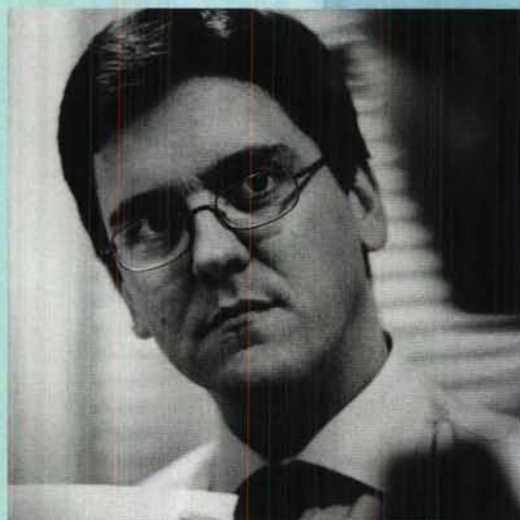
### Transfer from current assets

The company purchased for resale the freehold interest of 76 Charlotte Street in 1998, in order to refurbish it for the FilmFour Ltd operations. In 1999 it was decided that the retention of this freehold interest would provide improved business flexibility, and the property was transferred to fixed assets at cost.

### Valuation of freehold properties

The net book value of freehold properties shown at cost or valuation comprises:

	1999 £m	1998 £m
Office, studio and transmission centre:		
Valuation in year	66.7	62.9
Other properties at cost	4.6	0.9
	<b>71.3</b>	<b>63.8</b>



## 8. Fixed assets continued

Three of the other properties are used as permanent location sets for programme series and from 1999 one property in Charlotte Street is being used to house the FilmFour Ltd operations.

If freehold properties had not been revalued they would have been included in the financial statements at the following amounts:

	1999 £m	1998 £m
Cost	67.1	63.3
Accumulated depreciation	(7.1)	(5.7)
Net book value based on cost	60.0	57.6

The freehold property comprising the office, studio and transmission centre at Horseferry Road, London SW1 was valued as at 31 December 1999 by external valuers, Fuller Peiser, Property Consultants. The parts of the property occupied by Channel 4 were valued on a depreciated replacement cost basis. The remainder of the property was valued on the basis of open market value. Attention was drawn to the fact that the value reported on the depreciated replacement cost basis is in excess of open market value for use as conventional office accommodation.

The surplus of £5.3 million (1998: £5.7 million) arising from the revaluation has been transferred to the revaluation reserve (note 17).

## 9. Subsidiary and associated companies

The cost of investments at 31 December was:

	1999 £000	1998 £000
Subsidiary companies	4	4
Associated companies	1	1
	5	5

### Subsidiary companies

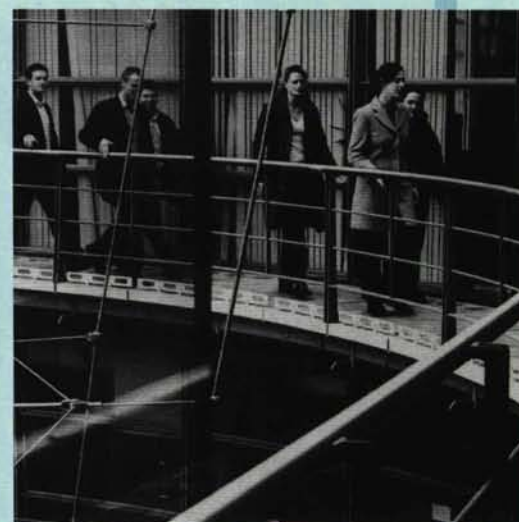
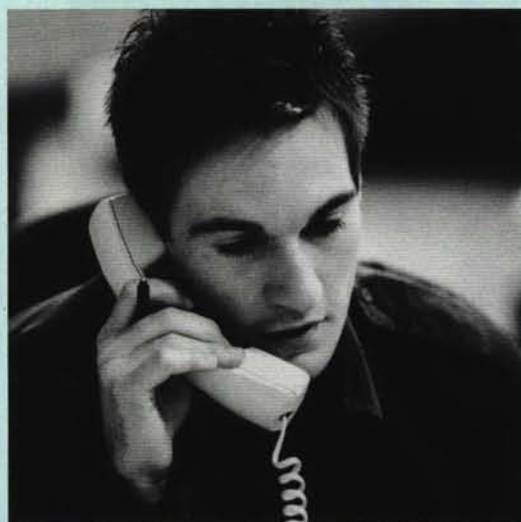
Channel 4 owns the whole of the issued share capital of the following companies, each of which is incorporated in England:

	Issued ordinary £1 shares
<b>Trading</b>	
Channel Four International Ltd	1,000
FilmFour Ltd	1,000
124 Facilities Ltd	1,000
Channel Four Learning Ltd	1,000
<b>Dormant</b>	
Channel Four Television Company Ltd	100
Film on Four Ltd	100
Sport on Four Ltd	2
Channel Four Racing Ltd	2

### Associated companies

#### Digital 3 and 4 Ltd

Channel 4 holds 1,000 A class ordinary £1 shares in Digital 3 and 4 Ltd, representing 50% of the share capital. ITV Network Ltd owns the other 50%. This company, incorporated in England, has been granted by the ITC a licence to operate the Channel 3 and Channel 4 digital terrestrial multiplex. At 31 December 1999, Channel 4's share of the net assets of Digital 3 and 4 Ltd amounted to £1,000.



## 9. Subsidiary and associated companies continued

### British Screen Finance Ltd (British Screen)

Channel 4 has agreed, if requested by the Secretary of State, to sell its holding of 1,800,030 ordinary £1 and 1,842,141 B class £1 shares in British Screen (representing 43% of the ordinary share capital and 39% of the total capital) to the new Film Council for a nominal price of £1, by 31 December 2000. Channel 4 has previously recognised its share of the accumulated losses of British Screen and these shares are held in the balance sheet at nil value.

British Screen and the Film Council are currently in detailed discussions regarding British Screen's future role. The intention is that British Screen will play a significant role in the Film Council's activities in commercial film production.

## 10. Stock and work in progress

	1999 Group £m	1998 Group £m	1999 Channel 4 £m	1998 Channel 4 £m
Programmes and films completed but not transmitted	39.2	68.5	23.8	44.0
Purchased programme and film rights	62.7	53.5	48.2	47.5
Programmes and films in the course of production	70.4	41.8	53.3	32.7
Assets acquired for resale	13.1	3.8	13.1	3.8
	<b>185.4</b>	<b>167.6</b>	<b>138.4</b>	<b>128.0</b>

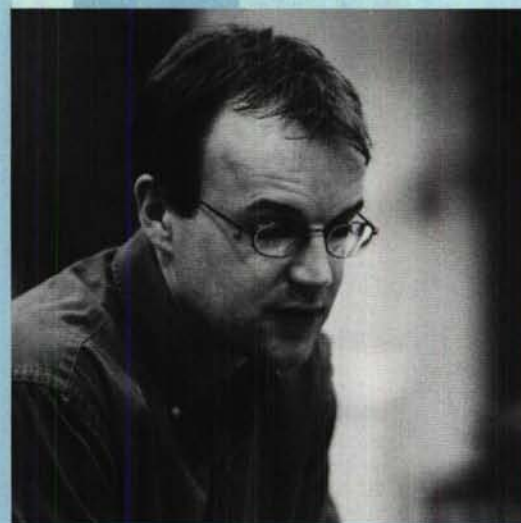
Depending on programme scheduling certain of the above programme and film rights may not be realised within one year.

## 11. Debtors

	1999 Group £m	1998 Group £m	1999 Channel 4 £m	1998 Channel 4 £m
Trade debtors	62.3	76.6	54.3	70.4
Prepayments and accrued income	15.0	11.5	10.3	9.7
Value added tax	1.6	2.8	1.5	2.9
Amounts due from subsidiaries	—	—	49.1	42.5
	<b>78.9</b>	<b>90.9</b>	<b>115.2</b>	<b>125.5</b>

## 12. Investments

	1999 £m	1998 £m
<b>Channel 4 and group</b>		
Short term cash deposits:		
Deposited for fewer than three months	10.1	35.6



### 13. Creditors – amounts falling due within one year

	1999 Group £m	1998 Group £m	1999 Channel 4 £m	1998 Channel 4 £m
Trade creditors	14.0	9.8	12.4	9.0
Accruals	56.4	42.8	50.8	36.7
Social security	1.3	1.2	1.2	1.1
Other creditors	3.0	3.3	1.3	1.7
Amounts due to subsidiaries	–	–	2.0	7.1
	<b>74.7</b>	<b>57.1</b>	<b>67.7</b>	<b>55.6</b>

Channel 4 supports the Confederation of British Industry's prompt payment code and endeavours to pay all invoices in accordance with contract terms and, unless agreed payment terms specify otherwise, within 30 days of the date of the invoice. Any complaints about failure to pay on time should be addressed to the Director of Finance and Business Affairs who will ensure that they are investigated and responded to appropriately. In 1999, the average number of days to pay suppliers of services other than programmes was 28. Programme suppliers are generally paid more quickly as the channel's cash advances are usually required promptly to meet production needs.

### 14. Provisions for liabilities and charges

	Deferred taxation £m	Provision for rental deficits £m	Total £m
<b>Channel 4 and group</b>			
At 1 January 1999	4.2	4.9	9.1
Utilised in the year	–	(0.9)	(0.9)
<b>At 31 December 1999</b>	<b>4.2</b>	<b>4.0</b>	<b>8.2</b>

#### Deferred taxation

The amounts of deferred taxation provided and the full potential liability at 31 December were as follows:

	1999 £m	1998 £m
Accelerated capital allowances	4.2	4.2

#### Provision for rental deficits

The provision relates to rental deficits on two buildings which Channel 4 used to occupy in Charlotte Street, London W1. It is based on a calculation of the future net rental commitments to the end of the current leases in 2006 and 2014, based on current market conditions.



## 15. Cashflow

### Reconciliation of continuing operating profit to net cash inflow from operating activities

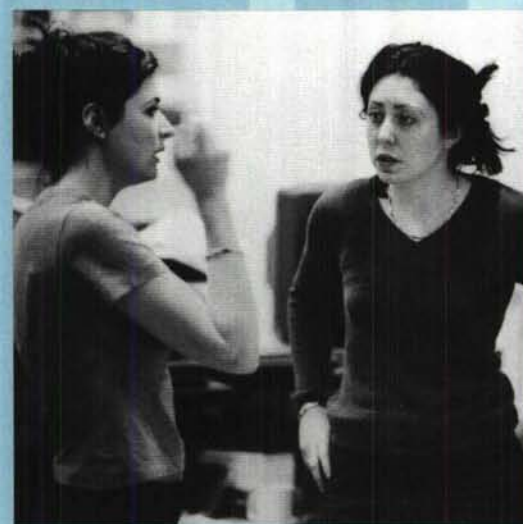
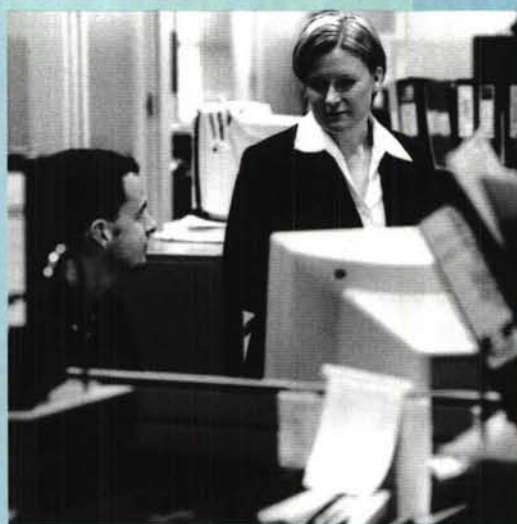
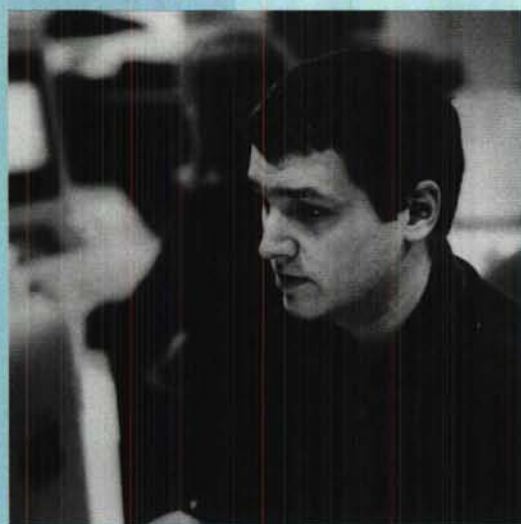
	1999 £m	1998 £m
Operating profit	44.9	88.5
Depreciation	8.7	8.9
Increase in stock and work in progress	(17.8)	(3.6)
Decrease/(increase) in debtors	12.0	(14.2)
Increase in creditors and provisions	16.7	4.7
Profit on disposal of fixed assets	(0.1)	(0.1)
<b>Net cash inflow from operating activities</b>	<b>64.4</b>	<b>84.2</b>

### Reconciliation of net cashflow to movement in net funds

	1999 £m	1998 £m
(Decrease)/increase in cash for the year	(17.0)	4.8
Decrease in liquid resources	(25.5)	(29.9)
Decrease in money market borrowings	15.8	3.2
Decrease in net funds	(26.7)	(21.9)
Net funds at 1 January	70.8	92.7
<b>Net funds at 31 December</b>	<b>44.1</b>	<b>70.8</b>

### Analysis of changes in net funds

	1 January 1999 £m	Cashflow 1999 £m	31 December 1999 £m
Current account balance	51.0	(17.0)	34.0
Money market borrowings	(15.8)	15.8	-
Cash at bank and in hand	35.2	(1.2)	34.0
Current assets: investments	35.6	(25.5)	10.1
	<b>70.8</b>	<b>(26.7)</b>	<b>44.1</b>



#### 16. Derivatives and other financial instruments

The currency and interest rate profile of the group's financial assets and liabilities at 31 December 1999 were:

	Cash at bank and in hand £m	Investments £m	Total £m
Currency profile			
Sterling	32.1	10.1	42.2
US dollar	1.9	–	1.9
	34.0	10.1	44.1
Interest rate profile			
Floating rate	34.0	–	34.0
Fixed rate	–	10.1	10.1
	34.0	10.1	44.1

There were no significant foreign currency denominated short-term debtors and creditors at 31 December 1999 and hence they are excluded from the above disclosure.

The floating rate short-term deposits and investments all bear interest based on relevant national LIBOR (London Inter-Bank Offer Rate) equivalents.

Fair value equates to the book value for Channel 4's assets and liabilities disclosed above.

#### Gains and losses on hedging contracts

Channel 4 purchases forward foreign exchange contracts to hedge exposure on commitments in dollars for programme and film purchases. The objective is to minimise the currency fluctuation between the commitment made and the future purchase price.

The fair value of undelivered forward foreign exchange contracts held at 31 December 1999 was £43.4 million. There were no significant net unrealised gains or losses on hedging contracts as at the balance sheet date.

#### Borrowing facilities

Details of Channel 4's UK syndicated loan facility are disclosed in the Operating and Financial Review on page 44.



## 17. Reserves

	Profit and loss account £m	Statutory reserve £m	Revaluation reserve £m	Total £m
<b>Group</b>				
At 1 January 1999	178.2	84.8	6.2	269.2
Retained profit for the year	32.9	-	-	32.9
Surplus on revaluation of property	-	-	5.3	5.3
<b>At 31 December 1999</b>	<b>211.1</b>	<b>84.8</b>	<b>11.5</b>	<b>307.4</b>
<b>Channel 4</b>				
At 1 January 1999	174.8	84.8	6.2	265.8
Retained profit for the year	32.3	-	-	32.3
Surplus on revaluation of property	-	-	5.3	5.3
<b>At 31 December 1999</b>	<b>207.1</b>	<b>84.8</b>	<b>11.5</b>	<b>303.4</b>

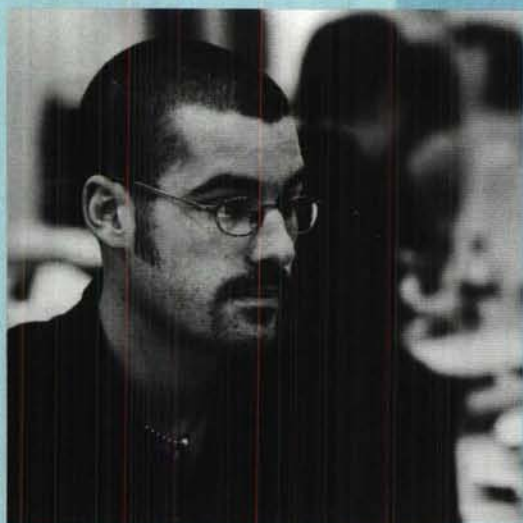
The statutory reserve was established under the terms of the 1990 Broadcasting Act, as amended by subsequent Parliamentary Orders.

The revaluation reserve arises on the revaluation of freehold property, details of which are disclosed in note 8.

## 18. Programme and film commitments

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

	1999 Group £m	1998 Group £m	1999 Channel 4 £m	1998 Channel 4 £m
Within one year	243.3	213.1	224.5	200.1
After one year	137.6	159.1	137.4	158.5
	<b>380.9</b>	<b>372.2</b>	<b>361.9</b>	<b>358.6</b>



## 19. Other commitments

### Capital expenditure

	1999 £m	1998 £m
Channel 4 and group		
Amounts contracted but not provided for in the financial statements	0.2	1.1
Amounts authorised for expenditure but not contracted at 31 December	13.8	5.3

### Forward foreign exchange contracts

At 31 December 1999, Channel 4 had entered into commitments to purchase foreign currencies amounting to £43.4 million (1998: £24.5 million), maturing in January, March, May and August 2000, in order to fix the sterling cost of certain foreign programme and film purchase commitments.

### Digital 3 and 4 Ltd

Under the terms of the shareholder agreement for Digital 3 and 4 Ltd, Channel 4 is committed to meeting its share of contracted costs entered into by that company. Digital 3 and 4 Ltd has contractually committed £18 million per annum over the next 11 years for digital transmission and distribution. The exact annual monetary commitment will be dependent upon the time and coverage of roll-out of the new digital transmission network. Channel 4's share is estimated to amount to £9 million per annum.

## 20. 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 Channel 4, being invested through Legal & General Assurance (Pensions Management) Ltd. 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 December 1999. 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 pension. It has been assumed that investment returns will outstrip salary increases by 1.75% per annum and that present and future pensions will increase at the rate of 3.75% per annum.

The pension charge for 1999 was £3.9 million (1998: £3.1 million).

The actuarial valuation at December 1999 showed that the market value of the scheme's assets was £74 million and that the actuarial value of those assets represented 118% 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.

## 21. Related party transactions

Details of transactions in which members have an interest are disclosed on page 46.

Details of arrangements with associated companies are disclosed in notes 9 and 19.



## Corporate governance

Channel 4 is committed to high standards of corporate governance throughout the group.

The Combined Code – Principles of Good Governance and Code of Best Practice ('the Combined Code') consolidated and replaced the previous Cadbury, Greenbury and Hampel Reports. On 27 September 1999 the Turnbull Committee published its final guidance to assist directors in complying with the internal control requirements of the Combined Code.

The Board has full responsibility for good corporate governance. The information and statements below describe how the principles identified in the Combined Code and where possible the Turnbull Committee, relevant to a statutory corporation without shareholders, were applied by Channel 4.

Channel 4's corporate governance procedures, adopted by the Board, have been designed to enable the group to comply with the Combined Code and the Turnbull Committee recommendations. These procedures define the duties and constitution of the Board and the various Board committees and, as appropriate, specify responsibilities and levels of responsibility.

### Statement of compliance

The Board has reviewed the effectiveness of the group's internal financial controls for the year ended 31 December 1999. The Board confirms that they have established the procedures necessary to implement the new guidance 'Internal Control: Guidance for Directors on the Combined Code', published in September 1999, with effect from 1 January 2000. For 1999 reporting purposes the transitional arrangements permitted by the London Stock Exchange have been followed. Accordingly, the review referred to above was performed pursuant

to the guidance issued by the Rutterman Working Group in December 1994.

Additionally, based on the information below, together with the statements and procedures relating to internal financial control on page 67 and referred to in the Report on Members' Remuneration on page 68, the Board believes that the group has, throughout the accounting period, complied with the provisions set out in Section 1 of the Combined Code. The only exception is detailed below.

Given its constitution, Channel 4 cannot sensibly have a formal nomination committee. However, the following formal nomination procedures are in place:

- non-executive members are appointed for fixed terms by the ITC following consultation with Channel 4's Chairman and the approval of the Secretary of State for Culture, Media and Sport.
- the Chief Executive is appointed by the Board.
- other executive members are appointed to the Board after nomination by the Chief Executive and the Chairman acting jointly.

In 1998, the Channel 4 Board initiated a group-wide, internal control and business risk evaluation process. This process is designed to identify and ensure effective management of significant business, operational and financial compliance risks.

The Board believes that with effect from 1 January 2000, this business risk evaluation process will have been comprehensively embedded throughout the group and as a result Channel 4 will be able to report that throughout the year ending 31 December 2000 it will have complied with the full recommendations issued by the Turnbull Committee on 27 September 1999.

Channel 4's principal corporate governance procedures are summarised as follows:

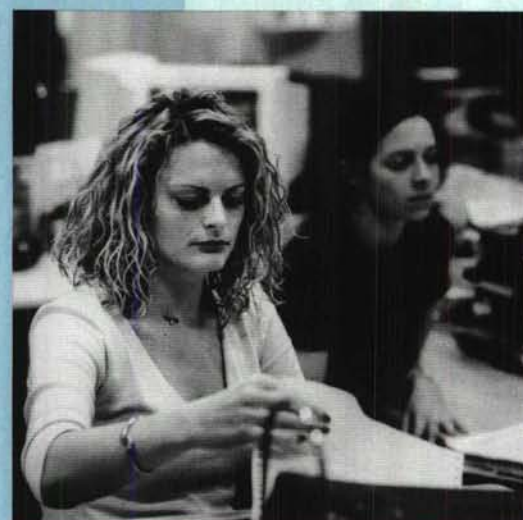
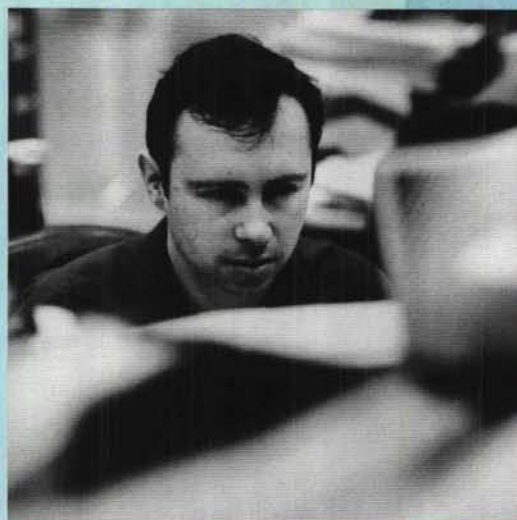
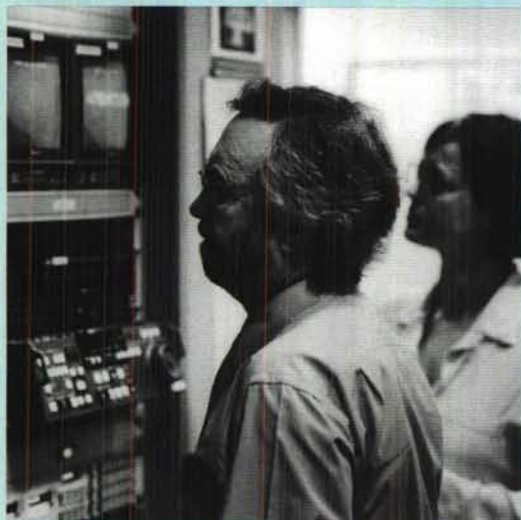
### The Board

The members, who constitute the Board, 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 meets regularly and consists of no more than 15 members of whom the majority are required to be non-executive. The roles of Chairman and Chief Executive are separate with a clear division of responsibilities between them. The division of these roles and the presence of a non-executive Deputy Chairman as senior independent director ensure there is a strong independent element on the Board and no one individual has unfettered powers of decision. All other non-executive members are of equal standing. Biographical details of the present members are given on page 70.

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

On appointment, all members are advised that they have access to advice and the services of the Corporation Secretary and, additionally, that they are entitled to seek independent professional advice in the furtherance of their duties, if necessary, at the channel's expense.



## Corporate governance continued

As a statutory corporation certain principles and provisions of the Combined Code in respect of relations with shareholders are not directly applicable. However, for those principles and provisions disclosed in Section C of the Combined Code that are relevant to Channel 4, the following procedures are in place:

- the ITC publishes an annual review of Channel 4's performance and compliance with the provisions as laid out in the broadcast licence.
- Channel 4's Annual Report is sent to the Secretary of State who lays copies of it before each House of Parliament.
- the terms of employment of the executive members are subject to the approval of the remuneration committee.

### Statement of members' responsibilities

Channel 4 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 in a form as directed by the Secretary of State for Culture, Media and Sport with the approval of the Treasury. The members therefore prepare financial statements in compliance with this direction and, 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 Channel 4 and the group as at the end of the financial year and of the profit or loss of the group for that year.

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 1999. 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 Channel 4 and the group, and to prevent and detect fraud and other irregularities.

### 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 review the scope, results and cost effectiveness of the audit, the objectivity and independence of the auditors, and additionally the nature, extent and value for money of non-audit services supplied by the auditors.
- to discuss with Channel 4's external auditors any matters of concern arising out of their audit.
- to review the draft Annual Report and financial statements before presentation to the full Board.
- to monitor and ensure compliance with the Turnbull Committee's guidance on internal control.

Three non-executive members, Vanni Treves (Chairman), Robin Miller and Joe Sinyor form the membership of the audit committee. At the Chairman's invitation, Michael Jackson, David Scott, Janet Walker and the PricewaterhouseCoopers audit partner attend meetings of the committee. The audit partner has direct access to the Chairman at all times. The audit committee is satisfied with the policies and controls applied during the year,

and with the measurement and presentation of financial information in the 1999 Report and Financial Statements.

### Budget committee

The budget committee's purpose is to examine and discuss the details of the group's annual budget 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: Vanni Treves (Chairman), Robin Miller, Joe Sinyor, Michael Jackson, David Scott and Janet Walker.

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 employees of Channel 4 and its subsidiary companies:

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

Fees payable to the non-executive Board members are determined by the ITC.

The remuneration committee consists entirely of non-executive members. Its members are Vanni Treves (Chairman), Barry Cox, Andrew Graham and Robin Miller. Michael Jackson, David Scott and Janet Walker attend meetings as appropriate.

No executive member attends meetings of the remuneration committee at times when



any aspect of his or her remuneration or terms of employment are being discussed. The report on members' remuneration is provided on pages 68 and 69.

#### **Pension plan**

There are six trustees of the Channel 4 Pension Plan who meet with the Plan's investment managers, Legal & General Assurance (Pensions Management) Limited, several times each year. The Chairman of the trustees is Vanni Treves. The trustees include an independent member, Louise Botting; two of Channel 4's executive members, David Scott and Janet Walker; and two employee representatives, Julie Bunn and Andrew Brenson.

#### **Reporting**

The Board believes that the 1999 Report and Financial Statements present a true and fair view of the state of affairs of Channel 4 and the group as at the end of the financial year and of the profit of the group for that year.

#### **Internal financial control**

The Board has introduced a group-wide internal control and business risk evaluation process in the light of the recommendations issued by the Combined Code and, where possible within the current year, the Turnbull Committee. The Board has continued to report on its review of internal financial control for the current year and believes that with the introduction of the comprehensive risk evaluation process referred to on page 65, Channel 4 will be able to report compliance for the year ending 31 December 2000 with the recommendations made by the Turnbull Committee in September 1999.

Members of the Board are responsible for Channel 4's system of internal financial control and have reviewed its effectiveness. The key procedures that they have established, which are designed to provide reasonable but not absolute assurance against material misstatement or loss, may be summarised under the following headings:

#### **Control environment**

Clear management responsibilities are established for the executive members. These are laid down in Channel 4's manual of operating procedures and terms of reference.

#### **Risk management**

Management has a clear responsibility for the identification of risks facing the business and for putting in place procedures to mitigate and monitor such risks. The executive members, together with the rest of the Board, monitor this process.

#### **Information systems**

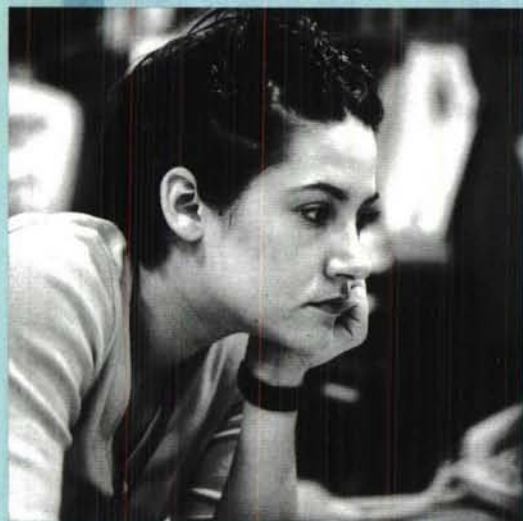
A detailed annual budget is prepared for each area of the business, and is approved by the budget committee and the Board. Detailed monthly management reports are produced, comparing actual income and expenditure with budget; these are monitored by the members, and explanations are provided for significant variances from budget.

#### **Control procedures**

All expenditure has to be authorised in line with limits set out in a comprehensive authorisation manual. Authorisation and payment duties are strictly segregated, and bank signatory limits are clearly defined by bank mandate.

#### **Monitoring system**

The financial controls are monitored by management review and by the audit committee.



## Report on members' remuneration

### Remuneration policy for executive members of the Board

The remuneration of executive Board members is determined by the remuneration committee, the membership and terms of reference of which are detailed on page 66. In framing its remuneration policy, the committee has given full consideration to the best practice provisions of the Combined Code.

Channel 4 aims to attract, motivate, and retain high calibre staff and executive Board members by rewarding them with competitive salary and benefit packages. These are established by reference to those salaries and benefit packages prevailing for executives of comparable status elsewhere in the television industry (albeit without any of the share option schemes available elsewhere).

Any bonus payments made to executives are based on performance and recommended and approved by the remuneration committee.

Andy Barnes participates in the advertising sales bonus scheme, which is linked to advertising revenue targets. These targets are agreed by the remuneration committee before the start of each financial year.

### Service contracts

Michael Jackson was appointed Chief Executive on 1 July 1997. He has a contract for three years from that date.

David Scott, Andy Barnes, David Brook, Tim Gardam and Janet Walker have service contracts subject to one year's notice.

### Taxable benefits

Executive members are eligible for a range of taxable benefits which include the provision of a company car and payment of its operating expenses; membership of a private medical insurance scheme, which is open to all staff; and the provision of a television and video for home use. These benefits are not pensionable.

### Remuneration policy for non-executive members of the Board

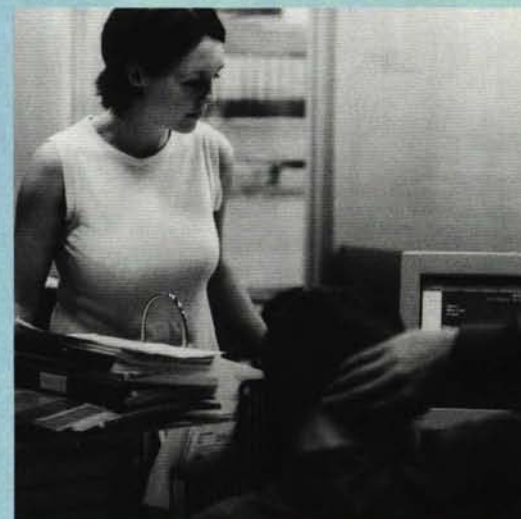
The ITC appoints non-executive Board members for fixed terms and determines their fees. They are entitled to the provision of a television and video for home use, and to reimbursement of travelling and accommodation expenses incurred in connection with attending Board meetings.

### Board members' remuneration

	1999 Salary and fees £000	1999 Bonus £000	1999 Benefits £000	1999 Total £000	1998 Total £000
<b>Executive members</b>					
Michael Jackson	440	40	14	494	478
David Scott	311	30	16	357	330
Andy Barnes	221	150	14	385	325
David Brook	225	30	14	269	229
Tim Gardam	208	10	9	227	8
Frank McGettigan	205	-	18	223	210
Janet Walker	209	10	2	221	179
<b>Non-executive members</b>					
Vanni Treves	61	-	-	61	57
Barry Cox (11 months)	17	-	-	17	-
Andrew Graham	14	-	-	14	10
Murray Grigor	14	-	-	14	13
Robin Miller (11 months)	13	-	-	13	-
Usha Prashar	14	-	-	14	13
Sarah Radclyffe	14	-	-	14	13
Joe Sinyor	14	-	-	14	10
Bert Hardy	-	-	-	-	18
	1,980	270	87	2,337	1,893

The 1998 remuneration for Tim Gardam, Janet Walker, Andrew Graham and Joe Sinyor was from their date of appointment to the Board which was part way through that year.

Frank McGettigan left the company on 31 January 2000. The value of compensation received by him for loss of office amounted to £206,000. After ceasing to be a member of Channel 4 he entered into a consultancy agreement with the channel, as disclosed on page 46.



### Pension

Executive members are eligible for membership of the Channel 4 Pension Plan on the same basis as all other members of staff. The plan is contributory, at 6%

of pensionable salary, and provides members with a pension based on 1/50th of final pensionable pay for each year of service up to a maximum of two thirds of final pensionable earnings.

Non-executive members are not eligible for membership of the Channel 4 Pension Plan.

The executive members of the plan during 1999 were as follows:

	Age at 31 December 1999	Month of start of pensionable service	Members' contributions during 1999 £000	Increase in accrued pension entitlement during 1999 £000	Total accrued pension entitlement at 31 December 1999 £000
Michael Jackson	41	July 1997	9	3	8
David Scott	45	November 1981	19	8	113
Andy Barnes	44	December 1991	9	4	61
David Brook	39	December 1997	9	3	6
Tim Gardam	43	January 1999	9	3	3
Frank McGettigan	48	July 1981	12	4	76
Janet Walker	46	May 1998	9	3	5

- the pension entitlement shown is that which would be paid annually on retirement from the age of 60 but based on service to the end of 1999.

- the increase in accrued pension during the year excludes any increase for inflation.

- the accrued benefits for Michael Jackson, Andy Barnes, David Brook, Tim Gardam and Janet Walker, each of whom joined the scheme after June 1989, have been restricted as a result of the impact of the Inland Revenue's 1989 'earnings cap'.

- members who are not subject to the earnings cap have the option to pay Additional Voluntary Contributions (AVCs) to a separate scheme. Neither the AVCs made nor the resulting benefits accrued have been included in the above table.

The benefits provided to all members of the Channel 4 Staff Pension Plan are as follows:

- normal retirement age is 60.

- there is a spouse's pension of one half of a scheme member's pension in the event of death in retirement and of one half of a scheme member's present expected pension in the event of death in service. There is an additional benefit equal to one half of the benefit payable to the spouse in respect of each child up to the age of 18, or 23 if in full time education, subject to a maximum of two children.

- pensions in course of payment, in excess of the Guaranteed Minimum Pension, increase at 5% per annum compound, or the increase in the retail prices index if lower.

- scheme members who leave before completing two years' service receive a refund of their own contributions. Scheme members who leave having completed at least two years' service receive a benefit from normal retirement date preserved within the scheme, calculated as above, but relating to pensionable service and pensionable earnings up to date of leaving.

- an early retirement option exists from the age of 50. Any scheme member taking an early retirement option receives a pension at a discounted rate.

- there is a provision for a member to exchange part of the retirement pension for cash.



Non-executive members – from left: Ian Ritchie, Robin Miller, Millie Banerjee and Joe Sinyor

## Members and advisers

### Non-executive members

#### Chairman

**Vanni Treves** (age 59)

Appointed Chairman in January 1998. His appointment runs to the end of 2001. He is a partner in the city solicitors, Macfarlanes and Chairman of two listed companies and of the London Business School.

#### Deputy Chairman

**Barry Cox** (age 57)

Succeeded Bert Hardy as Deputy Chairman in February 1999. His appointment runs until 31 January 2003. He is a former Director of the ITV Association. He is currently a consultant with ITN and United News and Media and chair of the Advisory Board on DTT Frequency Planning.

**Millie Banerjee** (age 52)

Joined the Board in January 2000. Her appointment runs until the end of 2003. She is Senior Vice President of ICO Global Communications, and non-executive director of the Management Board of the Cabinet Office and of Focus.

**Andrew Graham** (age 57)

Joined the Board in April 1998. His appointment runs until 31 March 2001. He is Acting Master of Balliol College, Oxford.

**Robin Miller** (age 59)

Joined the Board in February 1999. His appointment runs until 31 January 2003. He is Chairman of EMAP plc, and a director of the Horserace Totalisator Board and the Moss Bros Group.

**Ian Ritchie** (age 49)

Joined the Board in January 2000. His appointment runs until the end of 2003. He is the non-executive Chairman of four technology start-up companies and serves on the board of Scottish Enterprise. He is the immediate past-President of the British Computer Society.

**Joe Sinyor** (age 42)

Joined the Board in April 1998. His appointment runs until 31 March 2001. He is Managing Director of Sony United Kingdom Ltd.

### Executive members

**Michael Jackson** (age 41)

Chief Executive since July 1997. He is Chairman of Channel Four International Ltd and FilmFour Ltd and a non-executive director of EMI Group. Prior to joining Channel 4 he was an independent producer (1981 to 1989); with the BBC as: editor of The Late Show (1989); Head of Music and Arts (1991); Controller of BBC 2 (1993); and Director of Television and Controller of BBC 1 (1996).

**David Scott FCA** (age 45)

Managing Director since January 1997, having been Director of Finance since 1988. He is Chairman of 124 Facilities Ltd, a director of Channel Four International Ltd, FilmFour Ltd, and British Screen Finance Ltd and a member of the British Screen Advisory Council. He joined Channel 4 as Controller of Finance in 1981. Prior to that he was with Peat Marwick Mitchell (1972 to 1981).

**Andy Barnes** (age 44)

Commercial Director since July 1997. He is a director of British Audience Research Bureau Ltd (BARB). He joined Channel 4 in 1991 as Head of Advertising Sales. Prior to that he was Deputy Sales Director of TVS.

**David Brook** (age 39)

Director of Strategy and Development since November 1997. Prior to joining Channel 4 he was Director of Marketing and Communications at Channel 5 (1996 to 1997) and Marketing Director at the Guardian Media Group (1990 to 1996).

**Tim Gardam** (age 43)

Director of Programmes since December 1998. He is a director of Channel 4 International. Prior to joining Channel 4 he was Controller, News and Current Affairs and Documentaries for Channel 5 (1996 to 1998) and Head of Current Affairs for the BBC (1993 to 1996). He is a former Editor of Newsnight and Panorama and Executive Producer of Timewatch.

**Janet Walker ACA** (age 46)

Director of Finance and Business Affairs since April 1998. She is a director of Channel Four International Ltd, a governor of the National Film and Television School and a director of Skillset.

She was Deputy Director of Finance at Channel 4 between 1990 and 1994. Since then, she has been Financial Controller, BBC Regional Broadcasting (1994 to 1996) and Finance Director of Granada Media Group (1996 to 1998).

*The ages shown above are at 31 December 1999.*

### Secretary

Andrew Brann

### Advisers

#### Solicitors

D J Freeman  
43 Fetter Lane  
London EC4A 1NA

Olswangs  
90 Long Acre  
London WC2E 9TT

### Auditors

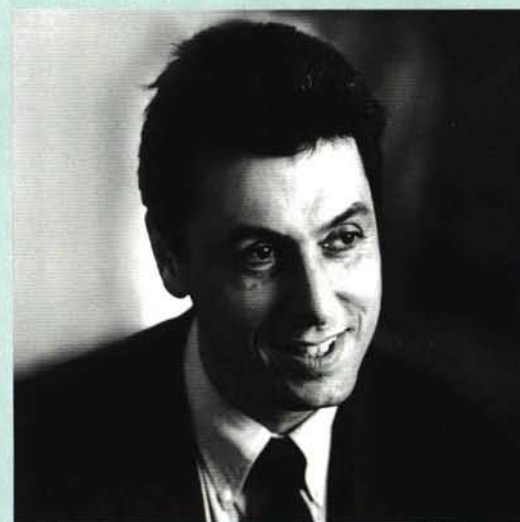
PricewaterhouseCoopers  
Chartered Accountants  
1 Embankment Place  
London WC2N 6NN

### Bankers

HSBC plc  
27/32 Poultry  
London EC3P 2BX



Non-executive members – from left: Andrew Graham and Barry Cox



Secretary – Andrew Brann

## Historical record

### Profit and loss account

For the year ended 31 December

	1993 £m	1994 £m	1995 £m	1996 £m	1997 £m	1998 £m	1999 £m
<b>Turnover</b>	343.9	408.4	464.0	518.6	552.7	590.5	<b>642.1</b>
Cost of transmissions and sales	(278.4)	(285.7)	(309.0)	(358.1)	(406.9)	(467.4)	<b>(564.1)</b>
<b>Gross profit</b>	65.5	122.7	155.0	160.5	145.8	123.1	<b>78.0</b>
Administrative expenses and depreciation	(21.1)	(25.5)	(26.8)	(28.2)	(29.1)	(34.6)	<b>(33.1)</b>
Exceptional relocation expenses	–	(9.4)	–	–	–	–	–
<b>Operating profit</b>	44.4	87.8	128.2	132.3	116.7	88.5	<b>44.9</b>
Net interest	(5.5)	(4.2)	(0.1)	2.0	2.4	3.8	<b>1.1</b>
<b>Profit before ITV subsidy and taxation</b>	38.9	83.6	128.1	134.3	119.1	92.3	<b>46.0</b>
Subsidy payable to ITV	(38.2)	(57.3)	(74.0)	(87.1)	(89.9)	(66.0)	–
<b>Profit before taxation</b>	0.7	26.3	54.1	47.2	29.2	26.3	<b>46.0</b>
Taxation	0.6	(4.4)	(19.3)	(17.9)	(10.7)	(8.6)	<b>(13.1)</b>
<b>Retained profit for the year</b>	1.3	21.9	34.8	29.3	18.5	17.7	<b>32.9</b>

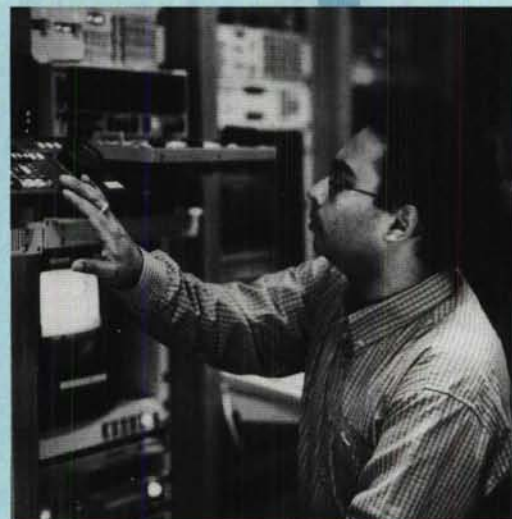
### Advertising and sponsorship revenue

	1993 £m	1994 £m	1995 £m	1996 £m	1997 £m	1998 £m	1999 £m
Channel 4	330.1	393.9	448.0	490.4	513.4	559.6	<b>600.5</b>
ITV, GMTV, S4C and Channel 5	1,483.1	1,602.7	1,693.4	1,762.2	1,876.8	2,023.0	<b>2,176.9</b>
	1,813.2	1,996.6	2,141.4	2,252.6	2,390.2	2,582.6	<b>2,777.4</b>
	%	%	%	%	%	%	%
Channel 4	18.2	19.7	20.9	21.8	21.5	21.7	<b>21.6</b>
ITV, GMTV, S4C and Channel 5	81.8	80.3	79.1	78.2	78.5	78.3	<b>78.4</b>
	100.0	100.0	100.0	100.0	100.0	100.0	<b>100.0</b>

### Audience share

	1993 %	1994 %	1995 %	1996 %	1997 %	1998 %	1999 %
BBC1	32.7	32.4	32.2	32.5	30.8	29.5	<b>28.4</b>
BBC2	10.2	10.6	11.1	11.5	11.6	11.3	<b>10.8</b>
ITV and GMTV	40.0	39.5	37.3	35.1	32.9	31.7	<b>31.2</b>
<b>Channel 4 and S4C</b>	<b>11.0</b>	<b>10.7</b>	<b>10.9</b>	<b>10.7</b>	<b>10.6</b>	<b>10.3</b>	<b>10.3</b>
Channel 5	–	–	–	–	2.3	4.3	<b>5.3</b>
Satellite and cable	6.1	6.8	8.5	10.2	11.8	12.9	<b>14.0</b>
	100.0	100.0	100.0	100.0	100.0	100.0	<b>100.0</b>

Source: BARB all individuals



## General information

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