



CHANNEL FOUR TELEVISION COMPANY LIMITED  
REPORT AND ACCOUNTS FOR THE YEAR ENDED 31st MARCH 1987

# C4 ARCHIVE PRESS OFFICE

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## CHAIRMAN'S STATEMENT



I am retiring on 30th June 1987 after more than seven years as Chairman of Channel 4. It was in February 1980 that Lady Plowden, then Chairman of the Independent Broadcasting Authority, invited me to undertake the chairmanship subject to the passage of the Broadcasting Bill then before Parliament.

I would prefer in this final statement to say more about the future than about the past. About the past let me simply record that during my chairmanship the channel has spent something of the order of £600 million on programmes and that, although I have never regarded it as my role to be an uncritical admirer of all that has appeared on Channel 4, I believe that, as a whole, the money has been well spent for the benefit of the British television viewer. The competition for television audiences is very strong and progress in building Channel 4's audience has, recently, been slow. However, as the figures I give below show, remarkable progress has been made in covering Channel 4's costs. Today, as I write, there may well be no net cost to the independent television industry or the taxpayer of Channel 4's current operations. We have averaged about an 8% audience share. Our share of the commercial television audience has increased to about 16%, sometimes more. But that is due in great part to the varying fortunes of ITV in its battle with the BBC. In my, anecdotal, experience, Channel 4 continues to enjoy a high appreciation index. It has added substantially to the variety and interest of British television. No doubt mistakes have been made; but the right to take risks and to make mistakes was written into the design of Channel 4 from the beginning.

An important matter which bridges the past and the future is the contract into which Channel 4 has entered with the Open College under which it will broadcast programmes made in agreement with the Open College. The Open College appeared to the Board an important initiative and one which we should support. We are doing so with time and resources currently valued at £1 million per year. Since the very early days of the channel we have been pressing the Government and the Manpower Services Commission to co-operate with us in the use of some Channel 4 time for training purposes. The method by which this is now being done, the creation of the Open College, is that chosen by the Government but it is one with which we are very ready to co-operate.

### ■ Looking Forward

The future for the channel will certainly be different and may be more difficult than the past. Channel 4 started with three considerable advantages. First, we had a remit from Parliament, a remit elaborated in the Programme Policy Statement as a result of discussion between the channel's original Board and the IBA. That remit required of us distinctiveness, innovation, and the service of interests not adequately catered for in television as it then was. Secondly, we have had a secure income recently calculated on the basis of not less than 80% of 17% of the previous year's Net Advertising Revenue of the ITV companies including time sold on Channel 4. We have thus benefitted from the remarkable buoyancy of television advertising revenue in recent years. For example, whereas our subscription income in 1986/87 was £135.9 million, in 1987/88 it will be £163.4 million. 1988/89 is likely to see a further 10% increase, or more.

Thirdly, we have been by far the principal outlet for the talents of the independent television production industry, an industry which has greatly increased in size because of the existence of Channel 4 and the encouragement which Channel 4 was instructed by Parliament to give to it. What was placed upon Channel 4 as a statutory duty became rapidly



the source of much of the innovative programming on the channel. The present character of independent production has been moulded by the channel's editorial policy. Some programmes produced by independents have commanded large audiences on the channel, others very much smaller. But independent producers have been responding to the particular requirements of the channel in discharge of its statutory purposes. I am sure that, if necessary, they can meet very different, and more popular, requirements.

### ■ **After Peacock**

This has been a period of intense re-examination in Government of the structure and funding of British television broadcasting. An early result was the Peacock Report. Although the Peacock Committee was established to report on the funding of the BBC, it found it impossible to discharge its remit without making recommendations which impinge very substantially on the future of Channel 4. In view of the present Channel 4 funding system, the proposal that ITV franchises should be allocated by tender could impact seriously on the resources available to Channel 4. More directly, the Peacock Committee's Recommendation 14 stated:

"Channel 4 should be given the option of selling its own advertising time and would then no longer be funded by a subscription from ITV companies."

The Peacock Report added that the implication of the recommendation was that Channel 4 would no longer be a subsidiary of the IBA and that the Committee would still wish to see Channel 4 offering services complementary to ITV.

The Channel 4 Board decided to consider this recommendation seriously and commissioned research from Professor Alan Budd of the London Business School and a commentary on that research from our auditors, Coopers & Lybrand. Both the Budd Report and the Coopers & Lybrand commentary have been published. I am grateful to both Professor Budd and to our auditors for their careful and helpful work.

The IBA was strongly against Recommendation 14. A substantial majority of the Channel 4 Board did not wish to be granted any such option as was recommended by Peacock but my own view was in favour of independence for Channel 4. I say that, while reaffirming my view that, whatever the future may hold for Channel 4, the basis on which it was originally established by Viscount Whitelaw was the best on which a channel of this kind could have been started.

### ■ **The Board's Resolution**

After lengthy discussion, and without prejudice to the views of any individual member, the Board passed the following resolution unanimously:

"The Channel 4 Board is content with the present funding arrangements based on 17% of NAR. If, however, Parliament should wish to alter the structure of broadcasting, the Board would not rule out in advance alternative structures for Channel 4, and would be prepared to discuss such changes on condition that any new arrangements ensured the maintenance of the existing remit."

In order to give the Government time to consider how it should respond to the proposals of the Peacock Report, the Broadcasting Act, 1987, has given authority for the extension until the end of 1992 of the current ITV franchises. For this purpose extended contracts will be negotiated between the IBA and the ITV companies. The resolution passed by the Board emphasises the importance to the channel that any continuation of the present funding system should be based on 17% of NAR. The 17% agreement was originally intended to operate during the current ITV contract period. It is now under reconsideration by the IBA in

respect of the period 1990-2. It is yet to be seen whether it will be confirmed for this three year extension. The argument for continuing the 17% agreement is strongly reinforced by the latest figures for advertising revenue invoiced on Channel 4, figures which were not known at the time the Board passed its resolution. In the year ended 31st March 1987 that sum was £155.2 million, an increase of 37.9% on the previous year. This £155.2 million exceeded the Channel 4 subscription income of £135.9 million by some £19.3 million.

If the present structure continues despite Peacock, and advertising revenue invoiced on Channel 4 continues to increase, the argument for a higher percentage of NAR will be very strong.

The Board's resolution also recognises that though the Channel 4 Board and the IBA, and indeed others, can give advice, the future structure and funding of Channel 4 is a matter for Parliament, not for either the IBA or the Channel 4 Board. What action will be taken by Parliament is yet to be seen but a future in which Channel 4 is required to earn its own living by selling its own advertising time must be envisaged. There are many who consider that such a change would make the maintenance of the present remit difficult or even impossible. I hope that it would be Parliament's intention, as it was that of the Peacock Committee, that the present remit should continue. If the change is proposed, Channel 4 should enter into discussions with the IBA and the ITCA with the purpose of agreeing how the present remit can be substantiated. It would be defeatist simply to conclude that it will be impossible.

### ■ Independence Must Remain

Channel 4, though a subsidiary of the IBA, has built for itself an important degree of independence. Irrespective of any change in the structure or funding of the channel, there are certain crucial respects in which that independence must be retained. Channel 4 has won independence in the purchasing and commissioning of British programmes, free of any guidelines or parameters other than the statutory encouragement to sourcing from independent producers, and does so on the basis of its judgement of merit and price. That must continue. Channel 4 attempts to schedule in a manner complementary with ITV. But it must enter the discussions leading to complementary scheduling as an independent entity, not one subject to an overlord as proposed in certain sections of the advertising industry. The channel must also retain its independence in deciding for itself how far and for how long it will accommodate transfers from ITV. Channel 4 has accepted the transfer of schools programming for five years. It contracted to take over racing from ITV. Such decisions, whether they are public service decisions as in the case of the schools, party conferences, and Open College agreements, or programming decisions as in the case of racing, were and must remain decisions for Channel 4.

### ■ The Market for Independent Production

Following the Peacock Report, the Government is strongly pressing the use of independent production on both the BBC and ITV. In a matter of four or five years Channel 4 may well have ceased to be the principal outlet for independent production. Having developed their experience, creative and commercial, on the basis of Channel 4 commissions, independent producers will now frequently be producing for other channels in competition with Channel 4's own schedules. It may make it more difficult for Channel 4 to retain its distinctiveness when independent production is appearing in quantity on other channels. Distinctiveness combined with quality is always a difficult objective. Good distinctive ideas are soon copied on other channels. In the new, more competitive environment there will be no reason why the good new distinctive ideas of the independent sector should come to Channel 4 other than the considerable reputation the channel has built up among creative people and its own continuing skill in specifying the right programme targets and providing the right

encouragement. But those with good distinctive ideas may understandably seek in the first place the larger audiences to be expected on BBC1 and ITV. There may, moreover, be an effect on the price at which independent production is available to the channel. From a narrow Channel 4 point of view, therefore, this extension of the market for independent production could be a matter for concern. Despite these potential costs, it would have been wrong to have attempted to deny to the other channels the benefits that have come to Channel 4 as a result of our commitment to independent sourcing. The independent sector can now become truly independent. The constraints imposed on it by the requirements of Channel 4's remit will, in the new situation, be substantially relaxed.

Hereto its independence has been too largely a dependence on Channel 4's resources, purchasing terms, and editorial judgements. The obverse of this has been too great a responsibility on Channel 4 for the maintenance of the independent sector. It is, in my view, right that independent producers should be free to supply a more popular market if they feel that that is where their talents lie. It is right that Channel 4's power and responsibility in its relations with the independent sector should both be reduced. The only practical way is to extend the market opportunities of the independent sector. In the future, if Channel 4 does not like a proposal or a programme, its originators can take it elsewhere.

### ■ Personal

When I speak of a future that will be different and may be more difficult, I have also in mind that the top executive echelons of the channel are changing. Paul Bonner, our Controller of Programmes, has already left to take up an important appointment with the ITCA, and Jeremy Isaacs himself will soon be leaving to become General Director of the Royal Opera House. I congratulate both on their new appointments and wish them well.

George Russell, formerly a member of the IBA, took up appointment as Deputy Chairman from 1st January 1987. In January 1987 the Board of the channel lost one more of its founder members, Dr Glyn Tegai Hughes. Originally appointed when it was expected that Channel 4 would also supply services in the Welsh language in Wales, he continued both in a liaison capacity with S4C and because of the great wisdom and experience he brought to the Board. He is replaced by Mrs Eleri Wynne Jones. Lord Blake retired at the end of 1986 on reaching the age of 70 and was replaced by Professor David Vines. To those who have left, my deep thanks, and a warm welcome to those who have arrived.

My penultimate word must be of thanks to the Board and staff of Channel 4. That an independent chairman has occasionally disagreed with professional Board colleagues is simply part of the rich tapestry of life and has in no way impaired personal relationships or working efficiency. The channel has been served with great skill and dedication by its executives headed by Jeremy Isaacs and Justin Dukes. If, on this occasion, I single out David Rose, our Senior Commissioning Editor for Fiction, it is partly because of the considerable contribution his creative judgements have made to the British film industry, which was recently recognised by BAFTA, and others, but above all because of the outstanding success of *Film on Four* in the still brief annals of this channel.

Finally, I wish my successor, Sir Richard Attenborough, and the Board and staff of Channel 4 success, and at least as much luck as has been enjoyed so far.

Edmund Dell

CHAIRMAN  
23rd June 1987



## CHIEF EXECUTIVE'S REVIEW: CHANGE & CONTINUITY



CHANNEL 4, asked by Parliament to be innovative, has now been broadcasting for four and a half years. Our earliest innovations have lasted well; five strands of programmes scheduled on the opening night are still flourishing.

We began with *Countdown* from Yorkshire Television, a game which audiences can play, adapted from the French *Des Chiffres et Des Lettres*. *Countdown* has grown to be among our most popular programmes, enlivening the late afternoon for many older viewers, and regularly achieving audiences of several millions.

On that first evening of 2nd November, 1982, we showed the first episode of a new soap opera, *Brookside*. We wanted one programme whose audience might grow with the channel and, given the success of twice-weekly soaps in other schedules, it seemed sensible to have one of our own. But *Brookside* was a soap with a difference; it came from a Liverpool housing estate, was made by independents, and set out to catch the texture of Liverpool life. Phil Redmond's *Brookside* is one of the Channel 4 programmes that appeals most to younger viewers. It has fulfilled all we hoped for from it.

So has *Channel 4 News*, also an original offering. It is odd to reflect now that the attempt to provide British viewers with an hour-long television news programme was laughed to scorn when we started, sometimes by television professionals who ought to have known better. The programme started badly; its ambition was evident, but the execution insecure. Now, four years later, *Channel 4 News* from ITN is widely regarded as the best of Britain's television news programmes, and was this year awarded BAFTA's prize. Its start was bedevilled by jargon- 'analysis' and 'context'. But in fact the programme's main virtue was simply that it was able to devote three or four times as much space to any of its items as were its competitors. This meant, in turn, more time for anyone interviewed in it to put a point of view with care and precision, rather than in simplicities measured in seconds. We also set a different and more serious agenda for the news which its editor, Stewart Purvis, now moving on to higher things, has admirably executed.

The centrepiece of our first evening was *Walter*, a *Film On Four* directed by Stephen Frears, in which Ian McKellen movingly portrayed a mentally retarded man. The Board of Channel 4 had determined that our principal contribution in fiction would be feature films, to be seen in the cinema before being shown on television. We called them *Film On Four*. David Rose's title was not Head of Drama but Senior Commissioning Editor for Fiction.

Channel 4 has produced more than 100 feature films now, and *Film On Four* is seen by viewers to be one of our greatest successes. At the Cannes Film Festival this year, with our films selling well, eight films officially selected, two the official British entries in competition, the channel was honoured to be awarded, by a distinguished jury, the first Rossellini Prize, in memory of the great Italian film-maker, for our contribution to cinema.

On our first evening too we showed *Five Go Mad In Dorset*, by the Comic Strip, the first of a brand of rude and anarchic comedies that we have made our own. These talents too have burgeoned over the years. Most of the people in that first programme now have shows of their own. And late night, with programmes like *Who Dares Wins* and *Saturday Live*, we continue to pull younger viewers in with comic talents that other channels envy.

The hard bit for an innovative channel, of course, is not just to start strong, but to keep it up.





Brookside



Countdown



Who Dares Wins

But, recently we have successfully launched a critique of media, *The Media Show*; a new programme at Sunday lunch time, *Network Seven*; and we have found three new late night programmes which mix ideas, argument, entertainment; *The Last Resort* with Jonathan Ross, Ruby Wax in *Don't Miss Wax* and *After Dark*, Britain's first open-ended conversation programme in which there is always time to say your piece, and at length.

Later this year, we shall add programmes for pre-school children. For those investing in the Stock Market, we shall provide a daily financial news to add to the success of *The Business Programme*. This autumn there will be a daily hour of programmes for the new venture in training for skills and jobs, the Open College.

People change too; we have lost Paul Bonner, Controller of Programmes, who made a critical contribution to our success. We wish him well. Liz Forgan, Deputy Director of Programmes, and Mike Bolland, Assistant Director of Programmes, are promoted to head a new editorial structure in his place. This summer too we lose our founder Chairman, Edmund Dell. It is under his Chairmanship that we have prospered; we owe him a great deal.

This has been for us another year of continuing growth, in which ITV has earned a substantially higher income from selling airtime on Channel 4 than it contributed, at least directly, to our funding.

In that sense, the channel has, therefore, precisely as was hoped by Parliament, paid its way in its fourth year on the air. And we have done so by providing, as we were bid, a distinctive service.

The next few years will bring further changes in broadcasting. Confidently, on.

Jeremy Isaacs

CHIEF EXECUTIVE  
23rd June 1987



Saturday Live



The Media Show



The Last Resort with Jonathan Ross



## PROGRAMME TRANSMISSIONS

### Sources and Costs

In the year to 31st March 1987 the channel transmitted for 4,160 hours (1986: 3,913 hours) – an average of 80 hours per week (1986: 75 hours per week). Channel 4 commissions programmes from the ITV companies and independent producers and purchases programmes in the international markets. The sources and costs of the programmes transmitted were as shown in the chart below.

The programme policy statement promulgated by the IBA in December 1980 stated that, in order to achieve an appropriate balance of output, the channel would need to observe a balance between different sources of supply. The statement welcomed the positive injunction given by Parliament to encourage the work of independent producers. It also expected the regional companies within ITV to make a due contribution to the channel's programme schedules. Though a national network, the channel is charged to reflect regional diversities.

In the year to 31st March 1987, the ITV companies and ITN provided 30% (1986: 30%) of Channel 4's hours of programme transmissions for 36% (1986: 39%) of the channel's programme transmission costs. Independent producers provided 25% (1986: 25%) of the hours of programme transmission for 48% (1986: 43%) of the channel's programme transmission costs.

The programme policy statement requires the channel, in making its financial arrangements, to ensure that so far as possible the same terms apply to all programme

### Cost and analysis of programme transmissions

- Acquired material & Feature Films
- Independent Producers
- ITN
- Commissioned Programmes (including repeats)  
Independent Television Companies
- Programme related costs

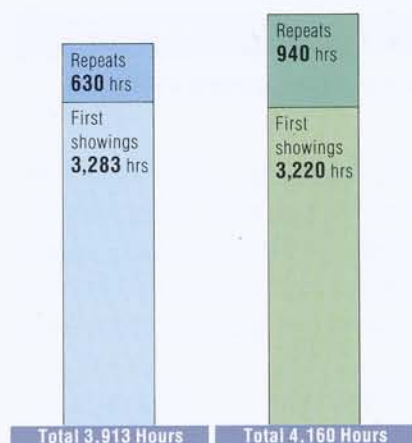
### Hours of programme transmission



### Costs of programme transmission

£m





(B)

suppliers. The overall cost per programme hour from the ITV companies appears to be less than for programmes from the independent producers, because the former produce the majority of the channel's cheaper studio based programmes and the independent producers provide the majority of the drama programmes and the more expensive location productions.

The audience watching Channel 4 continues to grow. The relationship between the audience and the total cost of the channel may be analysed as follows:

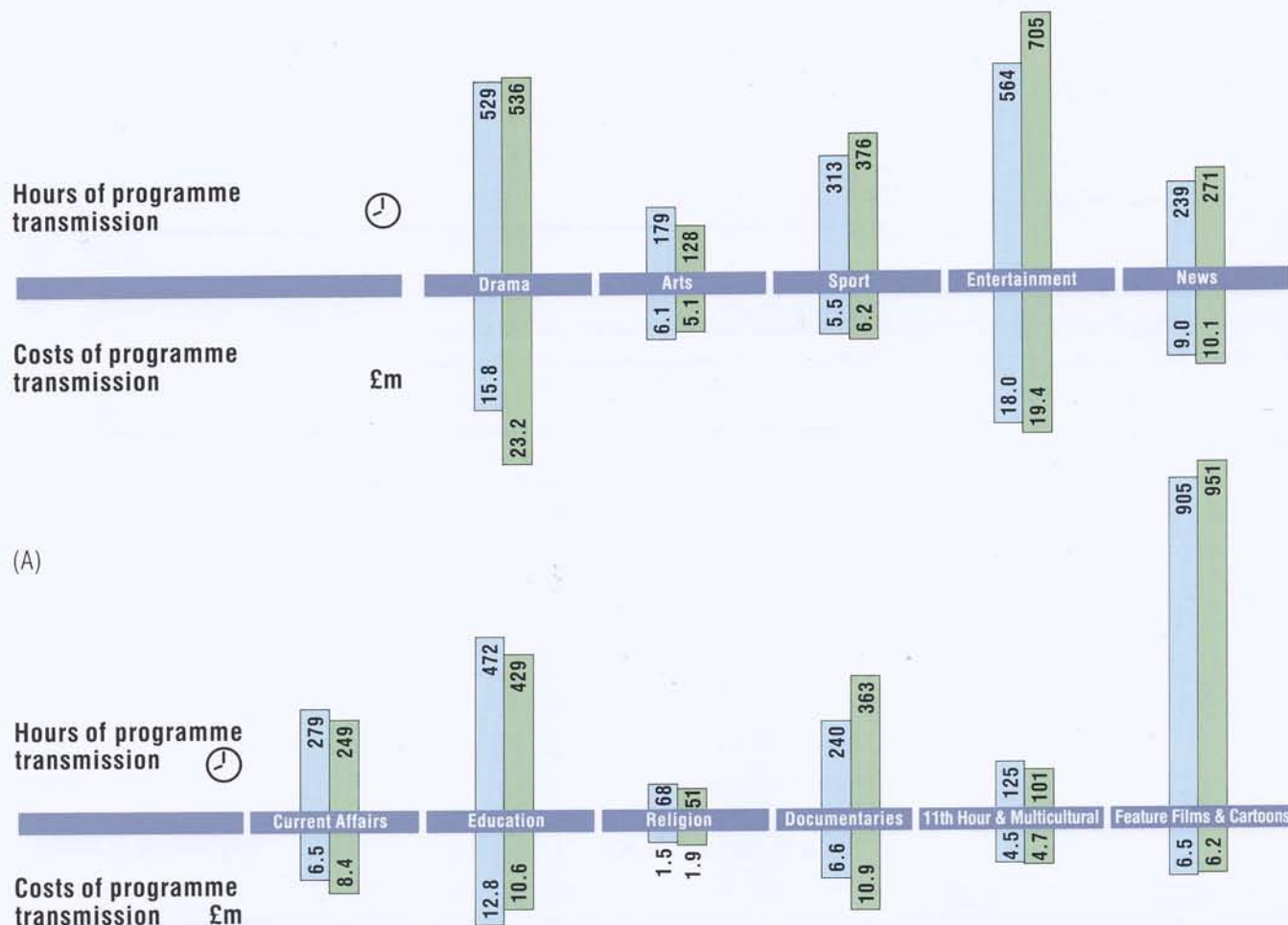
Year to 31st March	1985	1986	1987
Total number of viewer hours for Channel 4 programmes (millions)	4,331	5,178	5,368
Total cost of Channel 4 (£m)	111.0	129.1	135.9
Cost per viewer hour (pence)	2.56	2.49	2.53

## Categories

The channel transmits a wide range of programmes, analysed in chart (A) below. These programmes divide between first showings and repeats as shown in chart (B).

Programmes repeated on the channel may either be programmes which were first shown on the channel or first shown on ITV. In the year to 31st March 1987, 299 hours (1986: 136 hours) of the repeated programmes were programmes first transmitted on ITV. Repeat hours exclude Feature Films and other acquired material which might have been broadcast previously on either ITV or the BBC.

Year ended 31st March 1986  
Year ended 31st March 1987



(A)



## INCOME FROM THE IBA & PROGRAMME PAYMENTS

### To the Independent Television Companies and Independent Producers

THE funding arrangements are referred to in the Chairman's statement and in the Directors' Report. The subscriptions derived by the IBA from the ITV companies (less certain amounts relating to loan repayments), are set out below. The ITV companies have the right to sell advertising on Channel 4 and retain the proceeds. The ITV companies also produce programmes for Channel 4 – for which the channel pays negotiated market prices.

Year ended 31st March 1987	Subscription Received by the IBA £000	Programme Payments by Channel 4 £000
Anglia	10,187	140
Border	150	446
Central	25,193	2,706
Channel	57	—
Grampian	520	331
Granada	20,303	2,070
HTV	11,817	893
London Weekend	18,673	3,973
Scottish	10,984	546
Television South	18,408	557
Television South West	3,060	100
Thames	26,504	3,493
Tyne Tees	7,476	2,867
Ulster	650	126
Yorkshire	15,768	4,175
ITN	—	9,837
ITV Sport	—	3,449
	169,750	35,709
Less amount paid by the IBA to the Welsh Fourth Channel Authority	(33,880)	—
Channel 4's subscription received from the IBA, and programme payments made to ITV companies	135,870	35,709

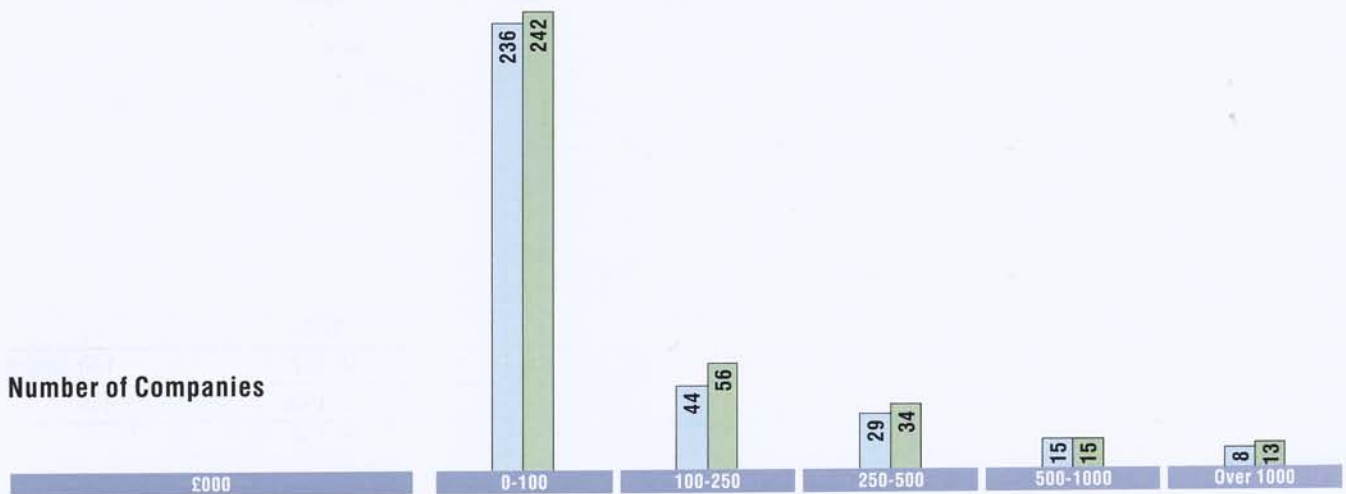
The figures for payments from Channel 4 to the ITV companies for programmes include payments made to those companies' subsidiaries.

The table below shows the amounts of subscriptions and Net Advertising Revenue (NAR) in recent years:

Year to 31st March	1985	1986	1987
Total NAR on ITV and Channel 4 (excluding TV-am) (£m)	903.3	1,034.0	1,212.7
NAR on Channel 4 (£m)	75.2	112.6	155.2
Channel 4 subscription (£m)	111.0	129.1	135.9
Channel 4 subscription as a proportion of total ITV & Channel 4 NAR (%)	12.3	12.5	11.2
Channel 4 audience as a percentage of the total commercial television audience	12.2	13.9	14.8

Source: The division of the subscription payments made by each of the ITV companies, and the net advertising revenue for the year, have been advised by the IBA.



In the year to 31st March 1987, Channel 4 made programme payments to 360 independent production companies (1986: 332 companies). The table sets out the number of companies which received programme payments from the channel in each of the following bands:



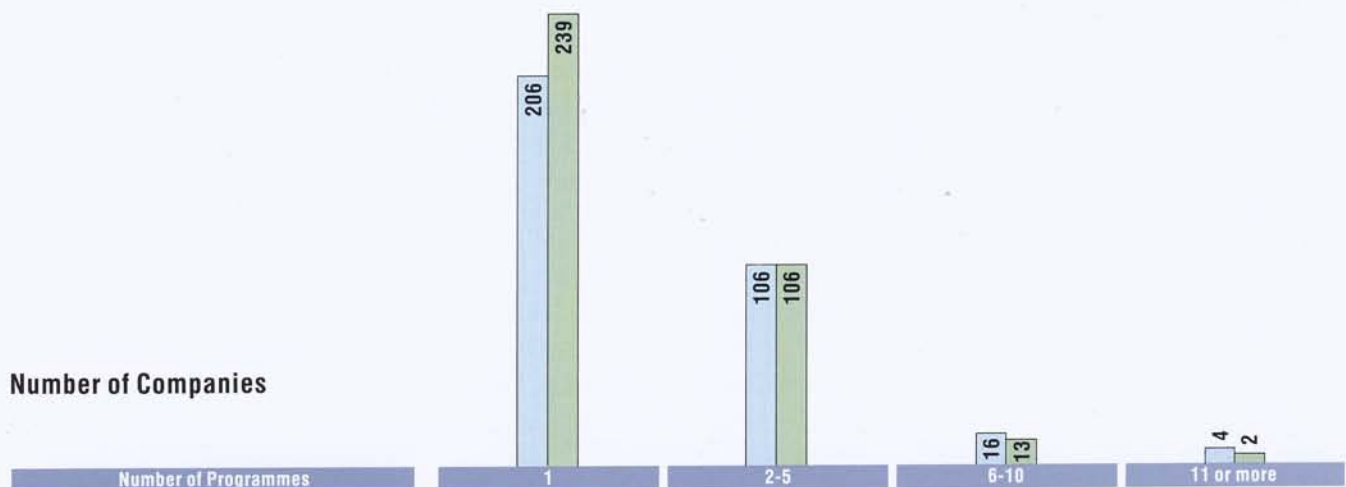
In the year ended 31st March 1987 the following independent production companies received programme payments in excess of £1 million:

Bandung Productions	Jam Jar Brond
Brook Productions (1986)	Limehouse Productions
Brookside Productions	Picture Partnership Productions
The Callender Company	Skyline Film & Television Productions
Cheerleader Productions	Strongbow Film & Television Productions
Diverse Productions	Who Dares Wins
Insight Productions	

The channel trades with a large number of small independent production companies, many of which produce only one programme or series at a time.

 Year ended 31st March 1986  
 Year ended 31st March 1987

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





## AUDIENCE: "FOR ALL OF THE PEOPLE SOME OF THE TIME"

"FOR all of the people some of the time": this was how Jeremy Isaacs used to encapsulate the target audience of the new Channel 4 in the months before and after it came on air. In applying that phrase so clearly to the new channel, he was doing three things: he was dispelling some myths about a 'minority' channel; he was expressing an attitude that dovetailed with all the aspects of the remit placed upon the channel by the 1981 Broadcasting Act and the IBA; and he was issuing a prediction that has been consistently confirmed by the audience response to the channel's programme schedule, not least in the size and composition of the channel's audience in 1986-7.

The channel is for "all of the people": despite its requirement to serve minorities, to "cater for tastes and interests not served elsewhere", there was no suggestion that it should serve a cultural ghetto like the old Third Programme on radio, or have the somewhat restricted image and audience of the early years of BBC2. For one thing, the channel does seek at some points in the week to attract a very large audience, often with feature films but also with the twice-weekly soap opera, *Brookside*, which continues to be the channel's most consistently popular series, appearing high in the channel's Top 10 every single week.

SOME OF THE PROGRAMMES  
THAT ATTRACTED SOME OF THE PEOPLE



Equinox—Prisoner of Consciousness



Disputation



Upline



Hail the New Puritan



Mind's Eye—The Madness Museum

For another thing – and more important – everyone belongs to a minority in some way or another, and it is the channel's commitment to serving the widest range of such minorities that guarantees it is for "all of the people" – even for those who do not watch the highest-rated mass entertainment programmes or who watch relatively little ITV, such as young people and the professional and white-collar people.

"For all of the people *some of the time*": the second part of the phrase emphasises that the channel does not need to address a mass audience all of the time. Other channels devote much of their airtime to seeking a family audience, inevitably involving a compromise of tastes and interests; by contrast Channel 4 is consciously addressing individuals for much of the time, often with programmes geared to those tastes and interests unserved on other channels. One or two members of a household may really like a programme; others may strongly dislike it, and many Channel 4 programmes attract divergent passionate responses





Moneyspinner



Imaginary Women



The Pocket Money Programme



Commodities

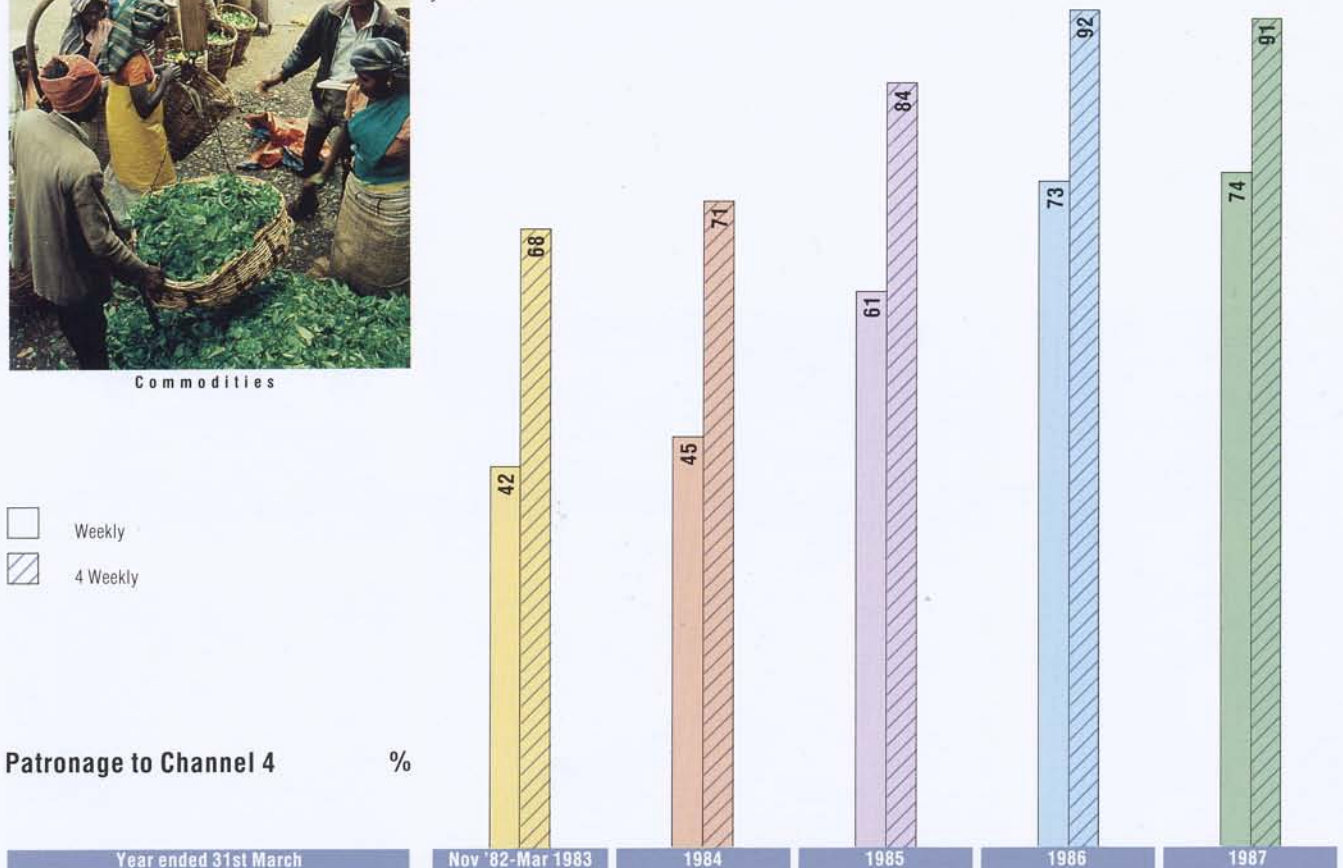
from different viewers. And that familiar rubric also underpins the channel's commissioning policy, which is certainly to aim for popular quality, but not to be afraid of alienating some viewers in order to engage the interests of others.

In 1986-7, Channel 4 managed to attract virtually all of the people for a little more of the time. Over 91% on average viewed the channel each month, and viewing to the channel increased by 3.7%: the average viewer watched 2 hours 1 minute of Channel 4 each week during the financial year ended 31st March 1987 against 1 hour 57 minutes the previous year.

□ Weekly  
▨ 4 Weekly

Patronage to Channel 4

%







Sputniks, Bleeps and Mr Perry



Consuming Hunger



The Trial of Lee Harvey Oswald



Blood Red Roses

SOME OF THE PROGRAMMES  
THAT ATTRACTED SOME OF THE PEOPLE

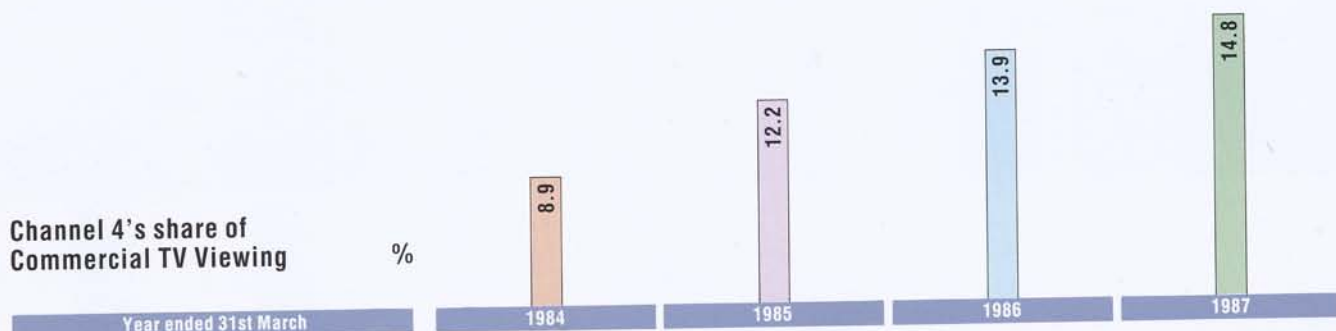
But over the same period total viewing to all channels declined by an average of 25 minutes a week – from 26 hours 15 minutes each week during the previous financial year to 25 hours 50 minutes a week in 1986-7.

The increase in viewing to Channel 4 and the decline in the amount of time the average person spends watching all TV channels produced an increase in Channel 4's share of that viewing, from 7.4% to 7.8%. The growth in share has continued each year since the channel has been on air; after four years, it is inevitably starting to slow down.

The channel's share of viewing among all adults, but excluding children, was somewhat higher, at 8%. Children have previously tended to view rather less Channel 4, but this gap is beginning to narrow as more programmes directed at younger viewers come into the schedule. *Worzel Gummidge* and *The Waltons* on Sunday mornings have helped in bringing younger children to Channel 4. Previously they have only been part of the audience to more general interest programmes like *American Football* and the US comedies scheduled early on weekday evenings.

Channel 4's share of  
Commercial TV Viewing

%



Channel 4's share of  
Total TV Viewing

%







She'll be Wearing Pink Pyjamas



Baseball



Bandung File—President Nyrere



My Beautiful Laundrette

This has been the most successful year so far for *Film on Four*. When it returned to the screen in the middle of February 1987, audiences were higher than during any previous season. Also the season of *Film on Four, Take Two*, transmitted at the beginning of 1987, once again demonstrated that the second showing of *Films on Four* can achieve higher viewing even than the first.

From the new series of *Films on Four*, *She'll Be Wearing Pink Pyjamas* gained the highest viewership with an audience of 7.6 million; *The Company of Wolves* reached 5.8 million, *No Surrender* 5.4 million and *The Chain* 5.3 million.

Programmes such as *Brookside*, *A Woman of Substance* and *Treasure Hunt* have all succeeded in getting relatively large audiences because of their wide appeal. Most tend to attract younger audiences and it is the relative lack of older viewers that stops them getting even higher viewing figures.

American series such as *St. Elsewhere*, *Hill Street Blues*, *Cheers* and *The Cosby Show* have contributed well to the overall viewing of Channel 4, with critical acclaim to match their popularity. Athletics also gets high audiences whenever it is shown.

Some of the programmes commissioned to cater for minority interests have also produced substantial audiences. Series such as the gardening programmes, usually shown at 9.30 on Friday evenings, and the consumer affairs programme, *4 What Its Worth*, regularly get audiences of over 2 million viewers. The first season of *Equinox*—the science strand—also appealed to a relatively large number of people, as did the *Worldwise* season, *Pets in Particular*, *Moneyspinner*, *Life's Cycle* and others.

Other strands of programming are commissioned in the knowledge that they will attract small but specific audiences. Series such as *Bandung File*, *A Week in Politics*, *About Time*, *Commodities*, *Dance on Four* and *Mind's Eye* were commissioned and scheduled for particular groups of people. They received critical acclaim, often created great interest from viewers, but would never have been expected to produce audiences of over 1 million viewers.

However, to attract mass audiences of over 4 million viewers, a programme must—almost by definition—appeal to a wide cross-section of the British public; this would inevitably exclude the majority of specialist programmes which the channel commissions in fulfilling its commitment to appeal to “all of the people some of the time”.



State of the Art



Court Report—Australia



Year ended 31st March 1987

Channel 4's share of audience to Commercial TV (ITV & Channel 4)

%



Channel 4's share of total TV audience

%

Year ended 31st March 1987

Channel 4's share of audience to Commercial TV (ITV & Channel 4)

%



Channel 4's share of total TV audience

%

*Channel 4 News* consistently gets half its viewers from professional, business and white-collar people in the ABC1 socio-economic groups. Over 60% of the audience to *American Football*, and to the late-night comedy sketch show *Who Dares Wins*... is under 35 years of age.

SOME OF THE PROGRAMMES THAT ATTRACTED SOME OF THE PEOPLE

*The Business Programme* has a very 'upmarket' audience with 60% of its viewers in the ABC1 socio-economic group. Among the many other programmes appealing to this group



Chasing Rainbows



Paintability



The A-Z of C&W with Hank Wangford



particularly have been *The A – Z of C & W with Hank Wangford*, *State of the Art*, a series about modern art and *Held in Trust*, profiling stately homes that are preserved by the National Trust.

Programmes during the year that have been of particular interest to viewers under 35 have included the documentary series about technology, *Equinox*, and the comedy series *Tickets for the Titanic* and *Relative Strangers*.

All these commissioned programmes, designed for particular audiences, have had a marked effect on the overall profile of the channel's audience. Younger people may be relatively light viewers of TV in general, but they devote a notably larger share of their viewing time to Channel 4 than older people do: the channel's share among the 16-24 group is 9.2%, but by contrast 7.4% among the over-65s.

Channel 4's share of total viewing (to all four channels) is fairly consistent among all the socio-economic groups, but these social groups display more clearly diverging responses in their preference for the two channels that carry advertising, ITV and Channel 4. As much as 19% of the AB audience to commercial TV during the year was delivered by Channel 4. That percentage share changes across the social groups until it is only 14.6% amongst those in the DE group who are heavy ITV viewers.

The effect across the age groups is also very marked, ranging from 18.1% of the commercial audience for the light viewing 16-24s to only 13.9% among retired people.

Overall, Channel 4's share of the commercial audience was 14.8% (15.4% for adults). This has increased from 8.9% in the first full financial year of operation, with 12.2% in the second and 13.9% in 1985-6. This share refers of course to viewing not only of the programmes but of the commercials which sustain the whole system, so this share of commercial audience can be directly compared to the revenue that ITV earns in selling airtime on both channels.

In 1986-7 ITV's Net Advertising Revenue from the sales of airtime on ITV (excluding TV-am) and Channel 4 was £1,212.7 million. During the year the ITV companies' contribution to Channel 4 was £135.9 million.

The ITV companies therefore contributed 11.2% of their net revenue to Channel 4 while the channel provided 14.8% of the viewing to the commercials that generated that revenue.



Harrison Birtwistle Season—  
Yan Tan Tethera



The Work They Say is Mine



Tickets for the Titanic



The New Enlightenment



Steelchest, Nail in the Boot  
and the Barking Dog



## AWARDS FOR CHANNEL 4 PROGRAMMES

For the year ended 31st March 1987

### Brookside

Brookside Productions.

Judge's Award: Royal Television Society Awards 1986. Samuelson Award for original treatment of city experience (shared with **Mona Lisa**): Birmingham Film & TV Festival, UK 1986.

### Channel 4 News

ITN.

The Best News and Outside Broadcast Coverage – Stewart Purvis: British Academy of Film and Television Arts Production and Performance Awards, London, UK 1987.

### Chasing a Rainbow: The Life of Josephine Baker

Csaky Ltd.

Gold Medal: International Film & TV Festival of New York, USA 1986.

Documentary Award: 14th Annual International Emmy Awards, Los Angeles, USA 1986.

### Christmas Present

Telekation.

Best Children's Production, feature length: International Television Movie Festival Inc; New Jersey, USA 1986.

### Coming up Roses

S4C/Red Rooster.

Pierrot d'Or: International Festival of Comedy Films, Vevey, France 1986.

### Comrades

Skreba Productions.

British Film Institute Award for most original and imaginative film: London International Film Festival, UK 1986.

### Eat the Peach

Strongbow.

Bronze Award: Taormina International Film Festival, Italy 1986.

### Girl Zone (Turn it up Series)

Birmingham Film Workshop.

City of Birmingham Award for significant and original contribution to cultural life of the city: Birmingham Film & TV Festival, UK 1986.

### Hail The New Puritan

Best Endeavours.

Special Mention: International Festival of Films on Art, Montreal, Canada 1986.

### Heavenly Pursuits

Island Films.

Gold Award for Best Actor – Tom Conti: Taormina International Film Festival, Italy 1986.

### The Hidden Curriculum

Ulster Television.

Samuel G Engel International Drama Award: 5th International Conference of Television Drama, Michigan State University, USA 1986.

### Lamb

Flickers Productions.

Bronze Leopard – Main Competition; 1st Prize Ecumenical Section; 1st Prize Youth Section: Locarno International Film Festival, Switzerland 1986.

### A Language for Ben

Tyne Tees Television.

Best Education Production, feature length: International Television Movie Festival Inc, New Jersey, USA 1986.

### A Little Bit of Magic Realised

HTV.

Gold medal: International Film & TV Festival of New York, USA 1986.

### Maids and Madams

Associates Film Productions.

Special Jury Award: Banff Television Festival, Canada 1986.

Villy de Luca – Documentary Prize: Prix Italia, Italy 1986.

### Max Headroom

Chrysalis Visual Programming.

Original Programme Award; Design Award: Royal Television Society Awards, London, UK 1986.

### Mona Lisa

Handmade Films.

Best Actor – Bob Hoskins: Cannes International Film Festival, France 1986.

Samuelson Award for original treatment of city experience (shared with **Brookside**):

Birmingham Film & TV Festival, UK 1986.

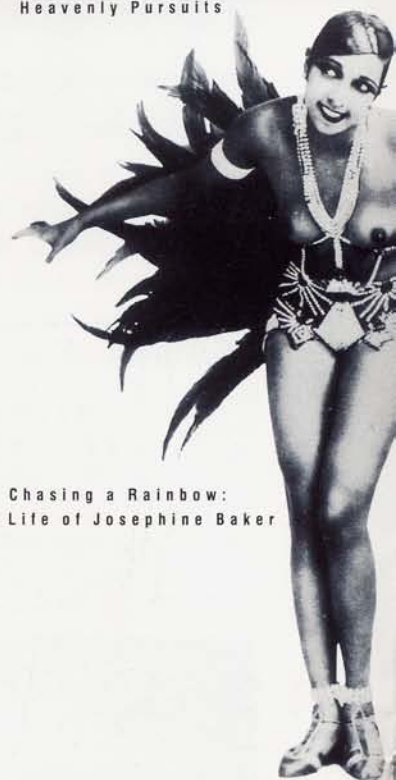
Best Actor – Bob Hoskins: British Academy of Film and Television Arts Production and Performance Awards, London, UK 1987.



Channel 4 News



Heavenly Pursuits



Chasing a Rainbow:  
The Life of Josephine Baker



Maids and Madams





Same Game, Different Rules



The Street of Crocodiles



Sweet Disaster—Dreamless Sleep



Zina

### Murrow TVS.

Gold Award; Gold medal: International Film & TV Festival of New York, USA 1986.

### My Beautiful Laundrette Working Title Ltd.

Gold Toucan: International Film, TV & Video Festival, Rio de Janeiro, Brazil 1986.  
Best Screenplay; Best Supporting Actor – Daniel Day Lewis (and for **Room With A View**);  
Runner Up for Best Foreign Film by Los Angeles Film Critics: New York Film Critics Award, USA 1986.

### Path of the Rain God – The River Valleys Partridge Films.

Bronze Medal: International Film & TV Festival of New York, USA 1986.

### Return to Waterloo Waterloo Films.

Gold Medal – Music Programme Category:  
International Film & TV Festival of New York, USA 1986.

### Right up the Zipper HTV.

Silver Medal: International Film & TV Festival of New York, USA 1986.

### Rocinante

Cinema Action.

CICAE Annual Award: 17th International Forum of Young Cinema, Berlin, Germany 1986.

### A Room With a View

A Room With a View Productions.

Best Supporting Actor – Daniel Day Lewis (and for **My Beautiful Laundrette**): New York Film Critics Award, USA 1986.

Best Film; Best Actress – Maggie Smith;  
Best Actress in a supporting role – Judi Dench:  
British Academy of Film and Television Arts Production and Performance Awards, London, UK 1986.

### Sacred Hearts

Reality Productions.

Performance Award – jointly to David Suchet and Anna Massey for 'a range of brilliant performances', (also see **A Song For Europe**):  
Royal Television Society Awards, London, UK 1986.

### The Sacrifice

Swedish Film Institute.

Special Grand Prix of the Jury; Best Artistic Contribution – Sven Nykvist, cinematographer;  
International Critics Prize: Cannes International Film Festival, France 1986.

### Same Game, Different Rules

Interface.

Silver Medal: International Film & TV Festival of New York, USA 1986.

### Seacoal

Amber Films.

European Film Prize: Munich Film Festival, Germany 1986.

### The Skin Horse

Central Television.

George Foster Peabody Award, Georgia, USA 1986.

### A Song For Europe

Stern Television.

Performance Award – jointly to David Suchet and Anna Massey for 'a range of brilliant performances', (also see **Sacred Hearts**):  
Royal Television Society Awards, London, UK 1986.

### The Street of Crocodiles

British Film Institute.

1st prize in section: World Festival of Animated Films, Zagreb, Yugoslavia 1986.

### Sweet Disaster – Dreamless Sleep

Occam.

1st prize in Section: World Festival of Animated Films, Zagreb, Yugoslavia 1986.

### Well Being – Doctors: A Breed Apart?

Holmes Associates.

Certificate of Merit: Medical Journalists Award, UK 1986.

### Who Cares – Keeping the Beat

Meditel.

Certificate of Merit: Medical Journalists Award, UK 1986.

### Zina

Looseyard Ltd.

Citation of Merit: Banff Television Festival, Canada 1986.

### David Rose, Channel 4 Television

The Desmond Davis Award for outstanding creative contribution to television: British Academy of Film and Television Arts, London, UK 1986.



## DIRECTORS' REPORT

The Directors present their report for the year ended 31st March 1987.

### Principal Activities

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

A review of the business for the year is set out in the Chairman's statement on pages 2 to 5.

### Results

The company derives its income from the IBA and in the year ended 31st March 1987 received £135.9 million. The amounts paid by the IBA are funded from subscriptions received by the IBA from the ITV companies.

This income is used to acquire the company's programme and film rights for transmission, and to finance capital and overhead expenditure. The balance of this income after costs of programme transmissions and administrative expenses thus represents the principal means of financing the capital employed by the company, and is treated as deferred income in the accounts.

Funding of £163.4 million for the year to 31st March 1988 has been agreed with the IBA. Funding for the remainder of the current ITV contract period will be not less than 13.6% of the Net Advertising Revenue of the ITV companies in the previous year.

### Directors

The present directors of the company are listed on page 36. Three directors were appointed to the Board since 1st April 1986 as shown on that page. Paul Bonner was an Executive Director and Controller of Programmes until his resignation on 31st May 1987. Lord Blake and Dr. Glyn Tegai Hughes were directors until the completion of their terms of appointment on 31st December 1986 and 21st January 1987 respectively. All other directors served throughout the year.

### Directors' Interests

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

As indicated in the list on page 36, a number of directors are also directors of companies which supply programmes to the company, and to that extent are also interested in the contracts of the company. In addition, note 19 to the accounts gives the information required to be disclosed in relation to material interests of one director in contracts with the company.

### Fixed Assets

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

### Research and Development

During the year the computerised transmission system has been developed further and sales of that software to other broadcasters have continued at a modest level. The results of this activity are included in note 5 to the accounts. The company also devoted substantial resources to the development of scripts and programme outlines for possible commissioning. Development expenditure incurred in the year, on scripts and programmes not commissioned for production by 31st March 1987, amounted to £887,000 (1986: £1.5 million).

### **Employee Involvement and Consultation**

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

a) through normal collective bargaining with trade unions. Approximately half of the company's employees are in membership of one of four recognised trade unions:

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

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

c) biannual staff meetings, where the Chief Executive and the Managing Director give presentations on the company's progress and future and all staff are encouraged to ask questions; and

d) departmental presentations on their activities, open to all staff.

### **Employment of disabled persons**

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

### **Auditors**

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

By Order of the Board

David Scott

SECRETARY  
23rd June 1987, London

## **REPORT OF THE AUDITORS**

To the members of Channel Four Television Company Limited

We have audited the accounts on pages 22 to 34 in accordance with approved Auditing Standards.

In our opinion the accounts give a true and fair view of the state of affairs of the company at 31st March 1987 and of its results and source and application of funds for the year then ended and comply with the Companies Act 1985.

Coopers & Lybrand

CHARTERED ACCOUNTANTS  
23rd June 1987, London



## INCOME AND EXPENDITURE ACCOUNT

Year ended 31st March	Notes	1987 £000	1987 £000	1986 £000	1986 £000
Income from the IBA	1(c)	135,870		129,100	
Cost of Programme Transmissions	1(c)	<u>(114,158)</u>		<u>(101,265)</u>	
		21,712		27,835	
Operational and Administrative Expenses	2	<u>(15,989)</u>		<u>(13,306)</u>	
			5,723		14,529
Other Income less Expenditure Less Taxation Thereon	1(c), 5 6	<u>1,307</u> <u>(450)</u>		<u>53</u> <u>—</u>	
Other Income less Expenditure After Taxation			<u>857</u>		<u>53</u>
			6,580		14,582
Net Transfer to Deferred Income	1(c)		<u>(6,580)</u>		<u>(14,582)</u>
			<u>NIL</u>		<u>NIL</u>
<b>Statement of Deferred Income</b>					
Deferred income at the beginning of the year			72,765		58,183
Net transfer from income and expenditure account			<u>6,580</u>		<u>14,582</u>
Deferred income at the end of the year			<u>79,345</u>		<u>72,765</u>

The notes on pages 25 to 34 form part of these accounts  
Report of the auditors – page 21

## BALANCE SHEET

As at 31st March	Notes	1987 £000	1987 £000	1986 £000	1986 £000
<b>Fixed Assets</b>					
Tangible Assets	1(d), 7		9,130		9,308
Investments and Loans	8		—		75
			9,130		9,383
<b>Current Assets</b>					
Programme and film rights	1(c), 1(e), 9	69,097		62,684	
Debtors	10	10,960		9,254	
Cash at bank and in hand		869		168	
		80,926		72,106	
<b>Creditors</b>					
Amounts falling due within one year	12	(10,711)		(8,724)	
<b>Net Current Assets</b>			70,215		63,382
<b>Net Assets</b>			79,345		72,765
<b>Capital</b>					
Called up share capital £100	14		—		—
<b>Deferred Income</b>	1(c)		79,345		72,765
			79,345		72,765

Edmund Dell  
Jeremy Isaacs  
DIRECTORS

These accounts were approved by the Board of Directors on 23rd June 1987.  
The notes on pages 25 to 34 form part of these accounts.  
Report of the auditors – page 21.



## SOURCE & APPLICATION OF FUNDS

Year ended 31st March	1987 £000	1987 £000	1986 £000	1986 £000
<b>Source of Funds</b>				
Income from the IBA, less cost of programme transmissions and administrative expenses	5,723		14,529	
Surplus on other income less expenditure before taxation	<u>1,307</u>		<u>53</u>	
		7,030		14,582
Adjustment for items not involving the movement of funds:				
Depreciation of fixed assets	2,066		1,846	
Provision against loans (see note 8)	425		—	
Net profit on sale of fixed assets	<u>(29)</u>		<u>(4)</u>	
		2,462		1,842
<b>Total from Operations</b>		9,492		16,424
<b>Funds from Other Sources</b>				
Sale proceeds of fixed assets		<u>136</u>		<u>48</u>
<b>Total Sources of Funds</b>		9,628		16,472
<b>Application of Funds</b>				
Tax paid	(22)		—	
Purchase of fixed assets	(1,995)		(1,521)	
Investments and loans	<u>(350)</u>		<u>(75)</u>	
		(2,367)		(1,596)
		<u>7,261</u>		<u>14,876</u>
<b>Change in Working Capital</b>				
Increase in programme and film rights		6,413		7,605
Increase in debtors		1,706		4,465
(Increase)/Decrease in creditors, excluding taxation		<u>(1,559)</u>		<u>3,140</u>
		6,560		15,210
Movement of net liquid funds:				
Increase/(Decrease) in bank and cash balances		<u>701</u>		<u>(334)</u>
		<u>7,261</u>		<u>14,876</u>

Report of the auditors – page 21.

## NOTES TO THE ACCOUNTS

**Year ended 31st March 1987**

**Note 1 Principal Accounting Policies**

**(a) FORMAT OF THE ACCOUNTS**

The format of the accounts is in accordance with that prescribed by the Companies Act 1985, except in the following respects where, due to the nature of the company's activities and the consequent accounting treatment as explained in (c) below, to conform would be impracticable or misleading:

- (i) There is no surplus or deficit to be shown in the income and expenditure account.
- (ii) In the light of the nature of deferred income, the balance on the deferred income account is shown below capital and reserves in the balance sheet.

**(b) ACCOUNTING CONVENTION**

The accounts have been prepared under the historical cost convention.

**(c) INCOME AND EXPENDITURE ACCOUNT**

**(i) INCOME:**

- a) Income from the IBA: Income from the IBA is credited to the income and expenditure account when it is received.
- b) Other Income: Programme and film sales are recognised in the income and expenditure account when the sales are confirmed to the company.

**(ii) COST OF PROGRAMME TRANSMISSIONS:**

The direct cost of films and programmes is wholly written off on first transmission, except as indicated in (iv) below.

**(iii) INCOME RECEIVED IN ADVANCE OF RELATED EXPENDITURE:**

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



(iv) COST OF NON UK BROADCAST RIGHTS:

In general, costs charged against sales of non UK broadcast rights exclude any amount for the production costs of the film or programme exploited because of the difficulty of allocating total production costs between UK broadcast and other forms of exploitation. However, where before the programme or film is put into production a co-finance offer, geared to non UK broadcast rights, is received or was available, but was not accepted, the amount of such available co-finance is taken to represent the cost of non UK broadcast exploitation. This cost is charged against sales income in the proportion of sales to date compared with estimated total sales. The amount not charged against sales is carried forward in programme and film rights unless the balance is not covered by estimated future sales.

(d) FIXED ASSETS

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

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

Assets held by the company:

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

Technical equipment and office furniture: 20%.

Motor cars: 25%.

Assets held by third parties:

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

Technical equipment: 20% or 33%.

(e) PROGRAMMES AND FILM RIGHTS

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

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

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

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

Note 2 **Operational and Administrative Expenses** **1987** **1986**  
**£000** **£000**

These may be analysed as follows:

Employee and freelance staff costs	6,391	5,540
Establishment costs	1,841	1,648
Legal and professional fees	567	468
Advertising and promotion	2,318	2,246
Travel and subsistence	696	499
Repairs and maintenance	444	361
Computer costs	336	171
Depreciation of fixed assets (note 7)	2,066	1,846
Provision against loans (note 8)	425	—
Other general expenses	905	527
	<u>15,989</u>	<u>13,306</u>

and include:

Auditors' remuneration	20	18
Directors' remuneration:		
Directors' fees	73	63
Remuneration for management including pension contributions	190	177
Equipment hire	43	44
Operating lease rentals – company premises	<u>566</u>	<u>513</u>

Note 3 **Directors' Remuneration** **1987** **1986**  
**£000** **£000**

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

Chairman's remuneration	27	24
Highest paid director's remuneration	<u>62</u>	<u>57</u>

Other directors	Number	Number
£0 — £ 5,000	14	15
£5,001 — £10,000	1	1
£40,001 — £45,000	—	1
£45,001 — £50,000	1	—
£50,001 — £55,000	—	1
£55,001 — £60,000	1	—

No director waived emoluments during the year ended 31st March 1987 (1986: one director waived emoluments of £2,022).



Note 4	Employee Information	1987 £000	1986 £000
(a)	The employment costs for all employees, including executive directors, were as follows:		
	Aggregate gross salaries	4,903	4,251
	Employers NI contributions	394	287
	Employers pension contributions	692	602
	Total direct costs of employment	<u>5,989</u>	<u>5,140</u>
(b)	There were 26 employees (1986: 14), excluding directors, who earned in excess of £30,000 in the following ranges:	Number	Number
	£30,001 — £35,000	15	9
	£35,001 — £40,000	9	5
	£40,001 — £45,000	<u>2</u>	<u>—</u>
(c)	The average number of employees, including executive directors, during the year was	<u>267</u>	<u>246</u>
(d)	At 31st March 1987 the company employed	<u>283</u>	<u>256</u>

Note 5	Other Income Less Expenditure	1987 £000	1987 £000	1986 £000	1986 £000
	PROGRAMME AND FILM SALES				
	Films	3,336		1,706	
	Programmes	964		788	
	Other	<u>462</u>		<u>140</u>	
		4,762		2,634	
	Less Costs of Sales:				
	Direct costs	(1,667)		(959)	
	Share of income due to independent producers and third parties	(1,165)		(767)	
	Cost of non UK broadcast rights of programmes and films exploited (note 1(c)(iv))	—		(150)	
	Overhead cost of sales	<u>(715)</u>		<u>(675)</u>	
			1,215		83
	COMPUTER SOFTWARE SALES				
	Computer software sales and consultancy	94		107	
	Costs of computer software sales	<u>(64)</u>		<u>(145)</u>	
			30		(38)
	OTHER INCOME				
	Interest receivable and similar income		<u>62</u>		<u>8</u>
			<u>1,307</u>		<u>53</u>

Programme and film sales, and costs of sales, exclude £601,000 (1986: £335,000) which was integral to the funding of certain productions and therefore is in the nature of co-finance. In addition to that amount, substantial further sums of co-finance have been paid by co-financiers directly to production companies and hence do not appear in these accounts.

Note 6 **Taxation**

**1987**                      **1986**  
**£000**                      **£000**

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

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

UK corporation tax based on other net income for the year at 35%	450	—
Double tax relief	(53)	—
	<u>397</u>	—
Overseas taxation	53	—
	<u>450</u>	—

The tax charge benefited by £1,032 as a result of tax losses brought forward. No tax losses are available for carry forward. There are no timing differences that would give rise to deferred taxation.

Note 7 **Fixed assets**

(a) **TANGIBLE ASSETS:**

	Leasehold Properties £000	Furniture and Equipment £000	Motor Vehicles £000	Total £000
<b>COST</b>				
At 31st March 1986	5,596	8,962	111	14,669
Additions	180	1,757	58	1,995
Disposals	—	(393)	(51)	(444)
At 31st March 1987	<u>5,776</u>	<u>10,326</u>	<u>118</u>	<u>16,220</u>
<b>DEPRECIATION</b>				
At 31st March 1986	764	4,559	38	5,361
Charge for year	233	1,803	30	2,066
Disposals in year	—	(302)	(35)	(337)
At 31st March 1987	<u>997</u>	<u>6,060</u>	<u>33</u>	<u>7,090</u>
<b>NET BOOK VALUE</b>				
At 31st March 1987	<u>4,779</u>	<u>4,266</u>	<u>85</u>	<u>9,130</u>
At 31st March 1986	<u>4,832</u>	<u>4,403</u>	<u>73</u>	<u>9,308</u>



- (b) Certain of the fixed assets owned by the company are utilised by programme makers in the independent production sector. The net book value at 31st March 1987 was located as follows:

	Leasehold Properties £000	Furniture and Equipment £000	Motor Vehicles £000	Total £000
Held by the company	4,462	4,085	85	8,632
Held by third parties	317	181	—	498
	<u>4,779</u>	<u>4,266</u>	<u>85</u>	<u>9,130</u>

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

The leasehold properties held by third parties relate to 13 houses in Liverpool which are used as a permanent location set for the *Brookside* programme. The company has a 999 year lease from 1982 on each of these properties.

#### Note 8 Investment in and Loans to British Screen Finance Limited

The company holds 6 ordinary £1 and 1,842,141 B class deferred £1 shares in British Screen Finance Limited ("British Screen"), equivalent to 35.3% of the total capital, received for nil cost.

The company has entered into a financing commitment under which, at 31st March 1987, it had advanced to British Screen £425,000, in exchange for 10% unsecured loan stock redeemable at par on 1st January 2016, for the financing of British films. Further advances of £1,075,000 (£300,000 per annum for the next three years, £175,000 thereafter) will be made and the loans are repayable out of the exploitation proceeds of the films produced — subject to the reinvestment of all income arising in British Screen until 31st December 1988.

The ability of British Screen to pay dividends out of any profits is restricted by its present policy to reinvest all available funds in further films, and by its undertaking to the Government not to pay any dividends for three years.

Accounts for British Screen for the year to 31st December 1986 indicate losses to that date. The company has recognised its share of those losses made by British Screen by making full provision against the loans referred to above. The provision at 31st March 1987 amounted to £425,000 (1986: Nil) and will be released in future years to the extent that British Screen records profits or if the advances are repaid.

#### Note 9 Programme and Film Rights

	1987 £000	1986 £000
Programmes and films completed but not transmitted	41,213	35,268
Programmes and films in the course of production	12,057	11,121
Purchased film rights	15,827	16,295
	<u>69,097</u>	<u>62,684</u>

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

Note 10	<b>Debtors</b>	<b>1987</b>	<b>1986</b>
		<b>£000</b>	<b>£000</b>
	Amount due from the IBA (note 11)	4,999	4,306
	Other debtors	762	371
	Prepayments and accrued other income	5,199	4,577
		<u>10,960</u>	<u>9,254</u>

All the above amounts are receivable within one year.

Note 11 **Amount due from the IBA**

The company maintains a current account with the IBA principally for the administration of value added tax, as the company was a member of the IBA group VAT registration until 31st March 1987. The amount due to the company from the IBA at 31st March 1987 arises from VAT recoverable by the IBA from H.M. Customs and Excise.

Note 12	<b>Creditors</b>	<b>1987</b>	<b>1986</b>
		<b>£000</b>	<b>£000</b>
	Creditors including taxation and social security	2,255	1,064
	Accruals	8,456	7,660
		<u>10,711</u>	<u>8,724</u>

All the above amounts will fall due within one year.

Note 13 **Pensions**

The company operates a contributory pension plan which undertakes to provide all employees with a pension on retirement based on final salary and taking into account years of service. Other related benefits are also provided.

The plan is managed by Legal & General Assurance (Pensions Management) Limited and the first valuation by their actuary indicates that the plan was adequately funded at 6th April 1985. The next valuation will be at 6th April 1988.

Note 14 **Share Capital**

The authorised and allotted share capital consists of 100 ordinary shares of £1 each, fully paid.



**Note 15 Company Status**

The company is a wholly owned subsidiary of the Independent Broadcasting Authority, a body incorporated under Act of Parliament.

**Note 16 Programme and Film Commitments**

At 31st March 1987, the company had committed and approved future expenditure for programmes and films amounting to £84 million (1986: £73 million), of which £75 million (1986: £62 million) is estimated to fall due for payment in the year ending 31st March 1988 and £9 million (1986: £11 million) thereafter.

**Note 17 Other Commitments**

<b>1987</b>	<b>1986</b>
<b>£000</b>	<b>£000</b>

(a) Capital Expenditure:

Amounts contracted for but not provided for in the accounts were:

578	155
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Amounts authorised but not contracted for were:

1,812	1,298
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(b) Investment in British Screen Finance Limited:

The company has agreed to make certain advances to British Screen Finance Limited as detailed in note 8.

(c) Forward Foreign Exchange Contracts:

At 31st March 1987, the company had entered into commitments to purchase foreign currency amounting to £1,500,000 (1986: £2,144,000), maturing by 30th September 1987, which were entered into in order to fix the sterling cost of certain foreign programme and film purchase commitments.

(d) Operating Leases:

The company has financial commitments in respect of operating leases for its premises, which will terminate in 1996 or thereafter. The amount payable under these leases in the next year will be £634,000.

**Note 18 Contingent Liabilities**

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

Note 19 **Directors' Interests in Contracts**

John Gau is a director and principal shareholder of John Gau Productions Limited, an independent production company which was commissioned during the year to produce a total of 20 programmes (*Asha*, *Sputniks*, *Bleeps & Mr Perry* and 18 *Moneyspinner* programmes) with a cumulative running time of 11 hours. The total production costs for these programmes was £907,530 of which £10,000 was due to Mr Gau as executive producer. In addition, the Company has agreed production fees to the production company totalling £103,159 in respect of these programmes, of which £95,060 was paid in the year to 31st March 1987, and the balance is payable in subsequent years. *Asha* was transmitted in September 1986, *Sputniks*, *Bleeps & Mr Perry* in March 1987 and the *Moneyspinner* programmes were transmitted during the period from June 1986 to February 1987.

The company has also agreed to purchase 2 adventure documentaries from John Gau Productions Limited entitled *90 Degrees South* and *Bhutan Adventure* with a total running time of 2 hours. The company has agreed to pay a licence fee of £133,000 for these programmes of which £98,802 was paid in the year to 31st March 1987. The company has an interest in the distribution income from these programmes.

The company made further payments on other programmes commissioned from John Gau Productions Limited, *Acceptable Risk*, *Waste Not Want Not*, 4 *Other Faiths* programmes and 4 *In Hannibals Footsteps* programmes, the financial details of which were reported in last years accounts. The total payments made in the year to 31st March 1987 were £25,996, of which £23,078 was for production fees. The company also paid the final licence fees of £50,000 for the series of adventure documentaries from Goldcrest Films and Television Limited, made in association with John Gau Productions Limited.

John Gau is a non-executive director and 25% shareholder of Panoptic Productions Limited, also an independent production company, which was commissioned during the year to produce a total of 20 programmes (6 *Central Europe* programmes, 8 *Opinions* programmes, 6 *Sex With Paula* programmes), with a total running time of 13 hours, and a pilot programme for *UK Late*, a late night series. The total production costs of these programmes was £1,735,773, of which £5,000 is payable to Mr Gau as executive producer. The *Opinions* series were transmitted in August and September 1986, and January and February 1987. Further payments were made during the year to 31st March 1987 on *Christopher Hitchens' Britain*, *Jimmy Reid's Britain* and the *Comment* programmes, the financial details of which were reported in last years accounts. Mr Gau did not receive any fees from Panoptic Productions Limited for the year to 31st March 1987 and had no other interests in the revenues of that company in the year. Mr Gau intends to surrender his shareholding in Panoptic Productions Limited during the current year.

John Gau is a director and 50% shareholder of Who Dares Wins Limited, also an independent production company, which was commissioned to produce a series of 8 *Who Dares Wins* programmes, for a total cost of £881,920. Mr Gau received £2,000 for his service as executive producer on the programmes for the year to 31st March 1987. Mr Gau had no other interests in the revenues of that company in the year.

John Gau has acted as executive producer for a fee of £1,000, on a programme *The Hashish Connection* commissioned by the company from Testament Films Limited.



Note 20 **Subsidiary Companies**

The company owns the whole of the issued share capital of Sport on Four Limited and Film on Four Limited, being 2 £1 ordinary shares and 100 £1 ordinary shares respectively. Neither of these companies has traded since incorporation and both were dormant during the year ended 31st March 1987.

During the year, the company acquired the whole of the issued share capital of BFSC Films Limited, being 43 £1 ordinary shares. The accounts of BSFC Films Limited have not been included within the accounts of the company as, in the opinion of the directors, to do so would be of no real value to the members in view of the insignificant amounts involved.

## FIVE YEAR SUMMARY

Year ended 31st March	1983 £m	1984 £m	1985 £m	1986 £m	1987 £m
<b>Income and Expenditure</b>					
Income from the IBA	84.0	105.2	111.0	129.1	135.9
Cost of programme transmission	(37.5)	(89.3)	(95.4)	(101.3)	(114.2)
Operational & administrative expenses	(8.4)	(12.1)	(11.8)	(13.3)	(16.0)
Other income less expenditure after taxation	(0.1)	(0.2)	0.2	0.1	0.8
Net transfer to deferred income	38.0	3.6	4.0	14.6	6.5
<b>Balance Sheet</b>					
Fixed assets	8.2	9.7	9.7	9.4	9.1
Current assets	48.2	53.1	60.4	72.1	80.9
Current liabilities	(5.8)	(8.6)	(11.9)	(8.7)	(10.7)
Net assets	50.6	54.2	58.2	72.8	79.3
Capital: £100	—	—	—	—	—
Deferred income:					
At start of the year	12.6	50.6	54.2	58.2	72.8
Transfer during the year	38.0	3.6	4.0	14.6	6.5
At end of the year	50.6	54.2	58.2	72.8	79.3
<b>Advertising Revenue</b>					
Total ITV & C4 NAR (excluding TV-am)	722.1	850.3	903.3	1,034.0	1,212.7
NAR attributable to Channel 4			75.2	112.6	155.2
Percentage of total NAR attributable to Channel 4			8.3%	10.9%	12.8%
Channel 4 subscription as a percentage of total NAR in the current year	11.6%	12.3%	12.3%	12.5%	11.2%
<b>Audience</b>					
Channel 4 audience as a percentage of the total commercial television audience	7.6%	8.9%	12.2%	13.9%	14.8%



## GENERAL INFORMATION

Directors	Other related activities
* The Rt. Hon. EDMUND DELL (Chairman)	—
* GEORGE RUSSELL (Deputy Chairman) (appointed 1st January 1987)	—
JEREMY ISAACS (Chief Executive)	Director of Jeremy Isaacs Productions Limited
JUSTIN DUKES (Managing Director and Deputy Chief Executive)	—
* Sir RICHARD ATTENBOROUGH	Film Director and Producer, and Chairman of Goldcrest Films Limited
Sir BRIAN BAILEY	Chairman of Television South West plc
* CARMEN CALLIL	—
JENNIFER D'ABO	—
PAUL FOX	Managing Director of Yorkshire Television plc, Chairman of Independent Television News Limited
JAMES GATWARD	Chief Executive of Television South plc
JOHN GAU	Independent Producer and Director of John Gau Productions Limited
ELERI WYNNE JONES (appointed 22nd January 1987)	Member of Welsh Fourth Channel Authority
ANTHONY PRAGNELL	—
* PETER ROGERS	Director of Finance, Independent Broadcasting Authority
MICHAEL SCOTT	Director of Programmes, Granada Television Limited
Professor DAVID VINES (appointed 1st January 1987)	—

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

### Secretary

DAVID SCOTT

### Bankers

National Westminster Bank plc  
21 Lombard Street  
London EC3P 3AR

### Registered Office

70 Brompton Road  
London SW3 1EY

### Auditors

Coopers & Lybrand  
Chartered Accountants  
Plumtree Court  
London EC4A 4HT



CHANNEL FOUR TELEVISION