CHANNEL FOUR TELEVISION COMPANY LIMITED
Report and Accounts year ended 31st March 1983
covering the first five months of broadcasting
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Chairman’s Statement

Channel Four came on the air on our target date of 2nd November 1982, within budget, and without any major technical hitches. After long years of debate, Channel Four has arrived.

A great many people over many years, both inside the television industry and outside, have contributed to the formation of Channel Four. It would, I think, be right at this point to mention three names: William Whitelaw who, as Home Secretary, was responsible for the Broadcasting Act which established the Channel; and Lady Plowden and Sir Brian Young who led and supervised the work of the IBA and its staff in planning for the Channel, in prescribing within the terms of the Act what its programme prospectus should be, and in establishing the transmission system which enabled us to go on the air with 87% coverage of the United Kingdom population.

My statement last year discussed the objectives of the Channel, and the planning that was in progress in order to fulfil those objectives. This present statement must be more concerned with what has actually been achieved during the eight months we have been on the air, and with the problems we still confront.

We are now scheduling over sixty hours of programmes each week. It is a varied schedule much of which has been innovative. By commissioning films for our Film on Four slot we have provided entertainment for our audiences as well as assistance and encouragement to the British film industry. A number of these films have already won awards. The Arts have taken a prominent place in our schedules, both the presentation of great works of the imagination such as Nicholas Nickleby and Rigoletto, and aids to understanding and appreciation such as Tom Keating on Painters and Shakespeare Lives.

Current affairs have been covered by programmes such as A Week in Politics, and major public enterprises have been persuaded to participate in a remarkable exercise in open government, Report to the Nation. In Comment, Voices and Opinions, we have published a wide variety of statements and ideas across the political spectrum.

Block on Black and Eastern Eye represent the first networked series made for the Black and Asian communities in Britain and by members of those communities. In Eleventh Hour and People to People, we have extended television’s range by showing work from makers new to the medium. Entertainment has figured with increasing prominence and in many forms including drama, older but much remembered films, quiz shows and Brookside. Brookside is innovative in a technological sense. It is the first television soap opera produced entirely using electronic cameras on location.

This is perhaps enough to give an impression of the scope of programming which Channel Four has brought together as a result of the detailed planning of the previous two years.

Channel Four, if it is to thrive, has to take risks: but risk-taking is not undertaken carelessly, without proper debate and consideration. Film on Four is an example of a sizeable risk which we have taken and which has succeeded. Quality and imagination have been rewarded by encouragingly rising audiences. Perhaps the greatest risk we have taken has been with our hour-long daily Channel Four News. This news service has so far attracted only a small number of followers. The messages we receive press us to persevere. Without having ever expected a massive audience, we know that there is a long way to go if this experiment is to become a success.

Channel Four is instructed to give encouragement to independent producers. This has been achieved in full measure, indeed in much fuller measure than was anticipated. Independent suppliers have reciprocated this encouragement by keeping close to budget. Of originated programmes made for Channel Four and transmitted up to 31st March 1983, 60% of our broadcast hours and 65% of the costs of such programmes were incurred on productions from the independent sector. Commissions have been given to about 150 independent production companies. Whilst this was justified in the early days of the Channel in order to identify the most likely long-term suppliers, it is probable that a rather
smaller number will become established as regular suppliers. However nothing will be done which excludes opportunities for newcomers with something exciting to propose.

With the approval of the IBA, Channel Four has taken a target of 10% as the share of the television audience it is attempting to achieve over three years. The target share which a programme prospectus such as that to which we operate can be expected to achieve is not susceptible to scientific calculation. Obviously we must work to ensure that good programmes command good audiences. However, in establishing the target we took account also of our desire not to be indefinitely a charge on the system. The Government has indicated that that is their wish also. On the other hand it has long been clear to experienced hands that carving out an audience for a new television service in what is now a four channel system, and may before long be a multi-channel situation, is not without problems. Some of the problems exist because of the strength of the competition. Some exist because, as a commissioning channel rather than a producing channel, we have only limited control over the quality of our output. Some no doubt exist because the programme prospectus, which nevertheless the Channel Four Board warmly endorses, is not one that was ever likely to command easy popularity.

Against this background, therefore, we have the dual task of living to our remit and improving our audience share. So far that share has been steady at about 4%, or 5% if the share is corrected for the hours during which Channel Four broadcasts. During the four weeks ending 29th May 1983, the share was 4.6% or 5.3% during Channel Four hours of transmission.

In the highly competitive situation that we face, we take encouragement from this achievement but are well aware that complacency would be entirely out of place. The rate of increase in audience share has been below what we would like and it is a matter for the Channel Four Board to consider what can be done, within our programming remit, to speed progress towards our target.

On the other hand it is not escaping the attention of our advertisers that even now the Channel Four audience has attractive characteristics. If one compares it with the ITV audience (and indeed with the audience on the two BBC channels), it is younger and a higher proportion comes from the ABC1 socio-economic group.

The Channel Four Board would have been delighted not to have had the additional problems created by the IPA-Equity dispute, a dispute to which we are not ourselves party. It has harmed the presentation of the Channel to its viewers. It has made it much more difficult for the ITV companies to market the advertising breaks. It will be a great relief when the dispute is settled and the marketing of Channel Four's advertising breaks can proceed without inhibition.

I would like to pay particular tribute to the assistance given to the Channel by the ITV companies. This has taken many forms, both moral and practical. It is evident that these companies which finance the Channel are determined, as is the Board of Channel Four, to make it a success both financially and in terms of its attractions for selective viewers. The funding of Channel Four and of S4C is related to the Net Advertising Revenue of the system as a whole. It is therefore a matter of satisfaction that NAR continues to increase, thus providing some leeway to the IBA which determines, within agreed parameters, both the total subscription and its division between Channel Four and S4C. So far the division has been in the proportion of 80:20%. This relationship, we believe, should not be altered to the disadvantage of the large majority of British viewers whose access is to Channel Four.

The staff of Channel Four has carried a major part of the burden of the day. Our objective throughout has been to spend the largest practical proportion of our income on programmes, and to keep overheads and our establishment to the lowest manageable level. We now directly employ only 186 people out of an establishment of 216. Our staff are keenly motivated and has worked very hard indeed. Although, as a commissioning channel, we cannot make direct comparisons with other television companies on the proportion of our income absorbed by overheads, I do not think we would be shamed by any comparisons that are made.

Finally I would like to express our gratitude to Mrs. Anne Sofer whose appointment to the Board expires at the end of June 1983. Her contribution to our deliberations has been outstanding and will be missed by her colleagues.

EDMUND DELL Chairman

15th June 1983
Achievements so far

In its first few months Channel Four has:

Got on air on schedule, and stayed on air.

Presented a muster of new television programmes, and revived some old favourites.

Transmitted unedited opinion from every shade of the political spectrum.

Provided a full range of educational programming, complete with accompanying books, pamphlets and printed information.

Started Britain's first hour-long television news.

Encouraged innovation by nurturing new sources of programmes, outside of conventional broadcasting.

Celebrated the arts, music, dance and theatre.

Catered for Britain's ethnic minorities, and encouraged them to entertain us.

Made a particular appeal to a younger viewing audience.

Delighted viewers by its selection of films from all over the world.

Put new life into the British film industry, by helping to fund twenty feature films a year.

Created new jobs and a new force in British Television, the independent production sector.

Enhanced TV's audience profile, and pushed ITV's share of viewing, on two channels, above the 50% mark.

Built a rapport with audiences.

Established a firm base for future growth.
The Opening Night 2nd November 1982

Walter

The Raving Beauties' In
The Pink

Book Four

Channel 4 News

Brookside

The Paul Hogan Show

The Body Show

Countdown

The Comic Strip Presents...Five Go Mad in Dorset

People's Court
Some of the programmes shown:

For What It's Worth "Splendidly clear and concise consumer watchdog programme" Daily Express

Remembrance "Highly praised when shown in a London cinema" Yorkshire Post

P'Tang, Yang, Kipperbang "The film was a delightful, glittering gem" Guardian

Tom Keating on Painters "Somehow he manages to be erudite and earthy at the same time" Daily Express

Nicholas Nickleby "As a piece of television drama, it has been every bit as compelling as the stage version obviously was" Birmingham Post

Years Ahead "Most successful of those minority programmes upon which I have intruded is Years Ahead" The Mail on Sunday

The Snowman "The show which seemed to come nearest to catching the mystery and magic of Christmas" Daily Mirror

Praying Mantis "I was crestfallen when the credits rolled—after an hour and a half's wholly engaged viewing. Superb. Bravo" Daily Mail
during the first five months

The Irish RM “The Irish RM is a rollicking great success”
The Standard

Veronica 4 Rose “This is another bold initiative from Channel 4”
Time Out

Mini Pops “The children, both those who act and those who watch, love it”
Sunday Times

Shakespeare Lives “This show is one of the few good turns TV has yet done the theatre”
Guardian

The Spanish Civil War “And for the general tone of the production one can have nothing but praise”
Guardian

Well Being “The good news is that this is one of the first C4 series to be offered a second season”
Sunday Times

The Other Side of the Tracks “This, in terms of television’s coverage of the pop business, is a step forward”
Daily Express

Gardener’s Calendar “Looks like being a systematic and indispensable guide to the 20 million of us with gardens or allotments”
Yorkshire Post
Some of the programmes shown

**Jazz on 4** "Boon to buffs, who claim mass starvation on the other three channels"  
*Daily Mail*

**The Tube** "The unusual mix that makes a rock show come alive"  
*Daily Mirror*

**Korup** "Provided a most beautiful and remarkable hour-long programme"  
*Birmingham Post*

**Pantanal** "Stunning film"  
*Daily Mail*

**Enterprise** "An energetic and ebullient series about that strange animal in modern egalitarian Britain—the unapologetic capitalist"  
*Daily Mail*

**A Week in Politics** "Continues to provide TV's most consistently intelligent, best balanced look at political affairs"  
*Daily Telegraph*

**20/20 Vision** "Worth catching every week"  
*Time Out*

**Broadside** "Almost all the programmes in the first half of the team's Channel 4 series have caused a stir"  
*Daily Telegraph*
during the first five months (continued)

Chips’ Comic “It reveals a remarkable ability to see the world from a child’s point-of-view”
Times Educational Supplement

Making Cars “Watch it, you’ll regret it otherwise”
Morning Star

Whatever You Want “Channel 4’s most aggressively refreshing programme”
Honey

Right to Reply “A hard, straight look at the questioning of its own output”
Glasgow Herald

The Friday Alternative “Can honestly be described as different and original”
Financial Times

Opinions “In one swift gesture justifies the entire raison d’être for Channel 4”.
The Mail on Sunday

Treasure Hunt “Extremely entertaining series that combines superb aerial filming with the excitement of a paper chase”
Daily Express

Report to the Nation “Cunning approach to public answerability”
Time Out
Some of the programmes shown

**Hot Gossip** “Playfully erotic dance group’s first show of their own”  
*The Times*

**Eastern Eye** “The importance of programmes like these can scarcely be exaggerated”  
*The Times*

**No Problem** “Takes a giant step towards filling a British cultural vacuum”  
*BM (Black Music) Magazine*

**Seven Days** “Warm and understanding”  
*Daily Mail*

**Everybody Here** “This multi-cultural mix looks like becoming one of the best children’s series around—packed with valuable information.”  
*Daily Mail*

**Union World** “Looks squarely at industrial problems from the workers’ angle, putting a case that is all too often distorted”  
*Time Out*

**St. Mark’s Gospel** “Two rewarding hours were allocated to Alec McCowen for his prodigious and mannered account”  
*Daily Telegraph*

**Black on Black** “What makes Black on Black one of the most attractive series on TV is that its mandate is so specific”  
*New Statesman*
during the first five months (continued)

**Basketball** “It’s early days, but the basketball bug seems infectious”  
*Sunday Times*

**Vi** **sions** “The most interesting and innovative series on cinema to date”  
*City Limits*

**Priestland—Right or Wrong** “Mr Priestland has grown more endearing as the series has progressed”  
*The Times*

**Go Fishing** “Makes you want to reach for a rod yourself”  
*The Daily Star*

**American Football** “One of the appreciable successes of Channel 4 has been the planners’ willingness to experiment with coverage of minor sport”  
*Derby Evening Telegraph*

**Voices** “We have seen and heard some extremely bright men and women talking to the ceiling of their intelligence without having to keep one nervous eye on the studio clock”  
*Financial Times*

**The Love of Three Oranges** “Looks even better on the box than in the opera house”  
*Daily Express*

**Year of the French** “Bringing history alive and giving it a hard political edge”  
*The Standard*
Efficiency is our objective

Channel 4 is innovative not only in its programming, but also in its management of the entire process of commissioning and overseeing the fulfilment of its programme contracts. The channel recognises the need to make the most efficient and economical use of its resources and has spent an average of only £29,000 per hour on programmes.

In this financial year, the channel attracted over £10 million in co-production finance to its projects. Few of those projects would have happened without Channel 4, and the British film and television industry gained the benefit of that added investment.

More than 150 independent production companies received work from Channel 4 within this financial year, the vast majority of them newly-created businesses. Never before has a British TV organisation had to deal with so many disparate suppliers and contracts — 286 to independent programme-makers alone. The channel's rigorous cost-control systems have kept expenditure well within budgets and have helped to establish the independent production sector as an efficient and competitive new industry to serve the home and world markets.
Efficiency is our objective continued

The channel has deliberately spread its commissions around the country. It has committed more than £2 million in this financial year to setting up the twice-weekly drama serial Brookeside, produced and shot on location on a Merseyside housing-estate and bringing more than 70 new jobs straight away to the area, a figure that is rising in the second year to over 100. In the year £642,000 has been allocated in grants to film and video workshops up and down the country, giving more experience to a range of groups who should bring a fresh approach to programming in the years to come. And no fewer than four of the Film on Four projects initiated in this financial year—Hero, Ill Fares the Land, Living Apart Together and Another Time, Another Place—were made in Scotland, representing an investment by the channel of over £1.2 million.

Channel 4 has been equally efficient in its deployment of resources for its own network centre at Charlotte Street, with a staff of less than 200 at the end of this financial year, but a major commitment to new technology. The whole operating process of the channel is controlled by in-house computer systems—the most sophisticated and advanced TV automation system in Europe. Once a precise schedule has been inserted into the system, the computer automatically starts videotape machines, calls up digital slides, operates the main presentation mixer, cues the announcer, and cues the regional companies to insert commercials.
Directors' Report

The Directors present their second report, for the year ended 31st March 1983.

1. 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.

The company's principal activities are the acquisition and transmission of programmes, either commissioned or purchased, for the fourth television channel. A full account of the company's activities is given in the Chairman's Statement.

The company commenced transmissions on 2nd November 1982.

2. Results
The company derives its income from the IBA. The amounts paid by the IBA are funded from subscriptions received by the IBA from the Independent Television Companies and, at present, by borrowings which will be recovered from future subscriptions of the Independent Television Companies.

This income has been used to acquire the company's stock of films and programmes for transmission, and to finance capital and overhead expenditure. The surplus of this income less costs of programme transmissions and overhead expenditure thus represents the principal means of financing the capital employed by the company, and has been treated as deferred income in the accounts.

The funding for the year to 31st March 1984 has been agreed with the IBA. Future funding will be determined by the IBA having regard to the overall condition of the Independent Television industry and the defined requirements of the company.

3. Directors
The present directors of the company are listed on page 15. With the exception of Mr. Peter Rogers who was appointed on 1st October 1982, all served throughout the year.

4. Directors' Interests
None of the directors has any interest in the shares of the company. In the year to 31st March 1983 the following director had material interest in a contract with the company.

Mrs. Joy Whitby is the director and principal shareholder of Grasshopper Productions Limited, an independent production company, which was commissioned by the company to produce a 90 minute drama programme. The total production cost of the programme was £400,000 of which £7,500 was paid to Mrs. Whitby for the screenplay and for her services as executive producer. Grasshopper Productions Limited will be entitled to retain the first £30,000 of net overseas sales revenue from the programme and then will receive 50% of additional net sales revenue.

As indicated in the list on page 15, a number of the directors are also directors of companies who supply programmes to the company, and to that extent are also interested in the contracts of the company.

5. Fixed Assets
Details of fixed assets acquired by the company during the period are set out in note 8 to the accounts.

6. Employees
During the period the average number of employees was 125. Their aggregate remuneration was £1,774,000. At 31st March 1983 the number of employees was 176.

7. Auditors
Coopers & Lybrand have expressed their willingness to continue in office in accordance with Section 14 of the Companies Act 1976. A resolution proposing their reappointment as auditors will be put to the members at the Annual General Meeting.

By order of the Board

D. R. A. SCOTT  Secretary

15th June 1983
London
General Information

1. Directors

*The Rt. Hon. Edmund Dell (Chairman)
*Sir Richard Attenborough (Deputy Chairman)
Mr. Jeremy Isaacs (Chief Executive)
Mr. Justin Dukes (Managing Director)
Mr. William Brown
Mr. Roger Graef
Dr. Glyn Tegai Hughes
Mr. David McCall
*The Hon. Mrs. Sara Morrison
*Mr. Peter Rogers
Mr. Anthony Smith
Mrs. Anne Sofer
Mr. Brian Tesler
Mrs. Joy Whitby

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

Other related activities

Film Director & Producer and Director of Goldcrest Films Limited
Director of Scottish Television Limited
Independent Producer
Member of Welsh Fourth Channel Authority
Director of Anglia Television Limited
Director of Finance, Independent Broadcasting Authority (appointed 1st October 1982)
Director of British Film Institute
Director of London Weekend Television Limited
Head of Children's Programmes, Yorkshire Television Limited and director of Grasshopper Productions Limited, an independent production company

2. Secretary
Mr. David Scott

3. Registered Office
70 Brompton Road
London SW3 1EY

4. Bankers
National Westminster Bank PLC
21 Lombard Street
London EC3 3AR

5. Auditors
Coopers & Lybrand
Chartered Accountants
Abacus House
Gutter Lane
Cheapside
London EC2V 8AH
Report of the Auditors

To the Members of Channel Four Television Company Limited

We have audited the accounts on pages 17 to 24 in accordance with approved Auditing Standards. The accounts have been prepared under the historical cost convention.

In our opinion the accounts give a true and fair view of the state of affairs of the company at 31st March 1983 and of its results and source and application of funds for the year ended on that date and comply with the Companies Acts 1948 to 1981.

Coopers & Lybrand
Chartered Accountants

15th June 1983
London
# Income and Expenditure Account

For the year ended 31st March 1983

<table>
<thead>
<tr>
<th>Notes</th>
<th>Year ended 31st March 1983</th>
<th>15 month period to 31st March 1982</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>£000</td>
<td>£000</td>
</tr>
<tr>
<td>Income From The IBA</td>
<td>1(b)</td>
<td>84,000</td>
</tr>
<tr>
<td>Cost of Programme Transmissions</td>
<td>1(b)</td>
<td>(37,242)</td>
</tr>
<tr>
<td>Overhead Expenditure</td>
<td>2</td>
<td>(8,719)</td>
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<tr>
<td></td>
<td></td>
<td></td>
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<tr>
<td>Other Income And Expenditure</td>
<td></td>
<td></td>
</tr>
<tr>
<td>(Deficit)/surplus before taxation</td>
<td>5</td>
<td>(43)</td>
</tr>
<tr>
<td>Taxation</td>
<td>6</td>
<td>—</td>
</tr>
<tr>
<td>(Deficit)/surplus after tax</td>
<td></td>
<td>(43)</td>
</tr>
<tr>
<td></td>
<td></td>
<td>37,996</td>
</tr>
<tr>
<td>Transfer To Deferred Income</td>
<td>1(b),7</td>
<td>(37,996)</td>
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<tr>
<td></td>
<td></td>
<td>NIL</td>
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The notes on pages 20 to 24 form part of these accounts.

Report of the auditors - page 16.
# Balance Sheet

As at 31st March 1983

<table>
<thead>
<tr>
<th>Notes</th>
<th>1983</th>
<th>1982</th>
</tr>
</thead>
<tbody>
<tr>
<td>Capital Employed</td>
<td>£000</td>
<td>£000</td>
</tr>
<tr>
<td>FIXED ASSETS</td>
<td>1(c),8</td>
<td>8,238</td>
</tr>
<tr>
<td>CURRENT ASSETS</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Programmes and Film Rights</td>
<td>1(d)</td>
<td>39,434</td>
</tr>
<tr>
<td>Debtors and Prepayments</td>
<td></td>
<td>1,939</td>
</tr>
<tr>
<td>Amount due from the IBA</td>
<td>9</td>
<td>5,338</td>
</tr>
<tr>
<td>Cash at bank</td>
<td></td>
<td>1,447</td>
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<tr>
<td></td>
<td></td>
<td>48,158</td>
</tr>
<tr>
<td>CURRENT LIABILITIES</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Creditors and accruals</td>
<td>(5,782)</td>
<td>(1,621)</td>
</tr>
<tr>
<td>NET CURRENT ASSETS</td>
<td></td>
<td>42,376</td>
</tr>
<tr>
<td>NET ASSETS</td>
<td></td>
<td>50,614</td>
</tr>
<tr>
<td>Financed by</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Share Capital (£100)</td>
<td>10</td>
<td></td>
</tr>
<tr>
<td>SHAREHOLDERS' EQUITY</td>
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</tr>
<tr>
<td>DEFERRED INCOME</td>
<td>1(b),7</td>
<td>50,614</td>
</tr>
<tr>
<td></td>
<td></td>
<td>50,614</td>
</tr>
</tbody>
</table>

EDMUND DELL
J. I. ISAACS

Directors

These accounts were approved by the Board of Directors on 15th June 1983.

The notes on pages 20 to 24 form part of these accounts.

Report of the auditors - page 16.
Statement of Source and Application of Funds
For the year ended 31st March 1983

<table>
<thead>
<tr>
<th>Source of Funds</th>
<th>Year ended 31st March 1983</th>
<th>15 month period to 31st March 1982</th>
</tr>
</thead>
<tbody>
<tr>
<td>Income from the IBA less cost of programme transmissions and overhead expenditure</td>
<td>38,039</td>
<td>12,525</td>
</tr>
<tr>
<td>(Deficit)/surplus on other income</td>
<td>(43)</td>
<td>93</td>
</tr>
<tr>
<td></td>
<td>37,996</td>
<td>12,618</td>
</tr>
<tr>
<td>Adjustment for item not involving the movement of funds:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Depreciation of fixed assets</td>
<td>712</td>
<td>67</td>
</tr>
<tr>
<td>TOTAL SOURCE OF FUNDS</td>
<td>38,708</td>
<td>12,685</td>
</tr>
</tbody>
</table>

| Application of Funds                                                            |                             |                                   |
| Purchase of fixed assets less disposals                                          | (6,150)                     | (2,867)                           |
|                                                                 | 32,558                      | 9,818                             |

| Change in Working Capital                                                       |                             |                                   |
| Increase in programmes and film rights                                          | 29,182                      | 10,252                            |
| Increase in debtors and prepayments                                            | 1,795                       | 144                               |
| Increase in amounts due from IBA                                               | 4,392                       | 946                               |
| Increase in creditors                                                          | (4,161)                     | (1,621)                           |
|                                                                 | 31,208                      | 9,721                             |
| Movement of net liquid funds:                                                   |                             |                                   |
| Increase in bank and cash balances                                             | 1,350                       | 97                               |
|                                                                 | 32,558                      | 9,818                             |
Notes to the Accounts

For the year ended 31st March 1983

1. Principal Accounting Policies
   (a) Accounting Convention
       The accounts have been prepared under the historical cost convention.
   (b) Income and Expenditure Account
       (i) Income from the IBA:
           Income from the IBA is recognised in the income and expenditure account when it is received.
       (ii) Cost of programme transmissions:
           The direct cost of films and programmes is wholly written off on first transmission.
       (iii) Income received in advance of related expenditure:
           As a result of the above policies, income from the IBA is received in advance of the costs of films and programmes being charged in the income and expenditure account. To recognise this, the surplus or deficit on income less the cost of programme transmissions and overheads is transferred to or from deferred income. The balance of deferred income represents the amount required to finance the fixed assets and working capital of the company.
   (c) Fixed Assets
       (i) Fixed assets are stated at cost, together with any incidental expenses of acquisition.
       (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
               Motor cars
           Assets held by third parties:—
               Leasehold properties are amortised on a straight line basis over 50 years.
               Technical equipment

   (d) Programmes and Film Rights
       (i) Programmes 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 programmes 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 costs 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 released.
## Notes to the Accounts continued

For the year ended 31st March 1983

### 2. Expenditure

This may be analysed as follows:—

<table>
<thead>
<tr>
<th>Item</th>
<th>Year ended</th>
<th>15 month period to</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>31st March 1983</td>
<td>31st March 1982</td>
</tr>
<tr>
<td></td>
<td>£000</td>
<td>£000</td>
</tr>
<tr>
<td>Salaries and related costs</td>
<td>2,609</td>
<td>804</td>
</tr>
<tr>
<td>Legal and professional fees</td>
<td>984</td>
<td>401</td>
</tr>
<tr>
<td>Establishment costs</td>
<td>1,072</td>
<td>579</td>
</tr>
<tr>
<td>General expenses</td>
<td>3,779</td>
<td>916</td>
</tr>
<tr>
<td>Programme development costs provision</td>
<td>275</td>
<td>675</td>
</tr>
<tr>
<td></td>
<td><strong>8,719</strong></td>
<td><strong>3,375</strong></td>
</tr>
</tbody>
</table>

and includes:—

<table>
<thead>
<tr>
<th>Item</th>
<th>Year ended</th>
<th>15 month period to</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>31st March 1983</td>
<td>31st March 1982</td>
</tr>
<tr>
<td></td>
<td>£000</td>
<td>£000</td>
</tr>
<tr>
<td>Auditors' remuneration</td>
<td>13</td>
<td>8</td>
</tr>
<tr>
<td>Depreciation</td>
<td>712</td>
<td>67</td>
</tr>
<tr>
<td>Directors' remuneration:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Directors' fees</td>
<td>43</td>
<td>50</td>
</tr>
<tr>
<td>Remuneration for management</td>
<td>97</td>
<td>87</td>
</tr>
<tr>
<td>Interest paid</td>
<td>8</td>
<td>—</td>
</tr>
<tr>
<td>Equipment hire</td>
<td>87</td>
<td>29</td>
</tr>
</tbody>
</table>

### 3. Directors' Remuneration

The following information is given in accordance with Sections 6 and 7 of the Companies Act 1967 and excludes pension contributions:—

<table>
<thead>
<tr>
<th>Item</th>
<th>Year ended</th>
<th>15 month period to</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>31st March 1983</td>
<td>31st March 1982</td>
</tr>
<tr>
<td></td>
<td>£000</td>
<td>£000</td>
</tr>
<tr>
<td>Chairman's remuneration</td>
<td>16</td>
<td>20</td>
</tr>
<tr>
<td>Highest paid director's remuneration</td>
<td>46</td>
<td>45</td>
</tr>
<tr>
<td>Other directors</td>
<td></td>
<td></td>
</tr>
<tr>
<td>£0 – £5,000</td>
<td>10</td>
<td>9</td>
</tr>
<tr>
<td>£5,001 – £10,000</td>
<td>1</td>
<td>1</td>
</tr>
<tr>
<td>£10,001 – £35,000</td>
<td>—</td>
<td>1</td>
</tr>
<tr>
<td>£40,001 – £45,000</td>
<td>1</td>
<td>—</td>
</tr>
</tbody>
</table>
Notes to the Accounts continued

For the year ended 31st March 1983

4. Employees' Remuneration
There was one employee who earned in excess of £30,000 in the year ended 31st March 1983 in the range of £30,001 to £35,000 (15 months to 31st March 1982, one in the same range).

5. Other Income and Expenditure
This may be analysed as follows:

<table>
<thead>
<tr>
<th></th>
<th>Year ended 31st March 1983</th>
<th>15 month period to 31st March 1982</th>
</tr>
</thead>
<tbody>
<tr>
<td>Interest received</td>
<td>112</td>
<td>68</td>
</tr>
<tr>
<td>Rent received on sublet accom</td>
<td>103</td>
<td>239</td>
</tr>
<tr>
<td>Sales of programmes</td>
<td>76</td>
<td></td>
</tr>
<tr>
<td></td>
<td>291</td>
<td>307</td>
</tr>
<tr>
<td>Less: Rent paid on sublet</td>
<td>(82)</td>
<td>(214)</td>
</tr>
<tr>
<td>Accommodation</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Costs of programmes sales</td>
<td>(252)</td>
<td></td>
</tr>
<tr>
<td></td>
<td>(43)</td>
<td>93</td>
</tr>
</tbody>
</table>

6. Taxation
On the basis of discussions with the Inland Revenue, it has been agreed that taxation will not be levied on the subscription net surplus which has been transferred to deferred income. UK corporation tax at 52% is payable on other net income. The corporation tax loss for the year to 31st March 1983 will be carried forward. In the period to 31st March 1982 the tax charge on net income was offset by group relief which was made available free of charge by the IBA.

7. Deferred Income
In accordance with the accounting policy set out in note 1(b) (iii) the movement on the deferred income account has been as follows:

<table>
<thead>
<tr>
<th></th>
<th>£000</th>
</tr>
</thead>
<tbody>
<tr>
<td>Transfer for 15 month period to 31st March 1982</td>
<td>12,618</td>
</tr>
<tr>
<td>Transfer for year ended 31st March 1983</td>
<td>37,996</td>
</tr>
<tr>
<td></td>
<td>50,614</td>
</tr>
</tbody>
</table>
Notes to the Accounts continued

For the year ended 31st March 1983

8. Fixed Assets

(i) Leasehold properties £000 Furniture and equipment £000 Motor vehicles £000 Total £000

Cost
As at 31st March 1982 1,985 835 47 2,867
Additions 1,669 4,244 46 6,159
Disposals — — (16) (16)
As at 31st March 1983 3,854 5,079 77 9,010

Depreciation
As at 31st March 1982 6 51 10 67
Charge for year 127 571 14 712
Disposals in year — — (7) (7)
As at 31st March 1983 133 622 17 772

Net book value
As at 31st March 1983 3,721 4,457 60 8,238
As at 31st March 1982 1,979 784 37 2,800

(ii) 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 1983 was located as follows:

<table>
<thead>
<tr>
<th></th>
<th>Leasehold properties £000</th>
<th>Furniture and equipment £000</th>
<th>Motor vehicles £000</th>
<th>Total £000</th>
</tr>
</thead>
<tbody>
<tr>
<td>Held by the company</td>
<td>3,376</td>
<td>3,878</td>
<td>60</td>
<td>7,314</td>
</tr>
<tr>
<td>Held by third parties</td>
<td>345</td>
<td>579</td>
<td>—</td>
<td>924</td>
</tr>
<tr>
<td></td>
<td>3,721</td>
<td>4,457</td>
<td>60</td>
<td>8,238</td>
</tr>
</tbody>
</table>

(iii) The leasehold properties held by the company represent work carried out on the company’s offices and transmission centre at 60 Charlotte Street, London W1 which were leased for 25 years from 5th May 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 May 1982 on each of these properties.

9. 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 is a member of the IBA group VAT registration. The amount due to the company from the IBA at 31st March 1983 arises principally from VAT recoverable by the IBA from H.M. Customs and Excise.

10. Share Capital

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

11. Company Status

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

For the year ended 31st March 1983

12. Pension Scheme
The company started a new employee pension scheme on 1st November 1982. During the period to 1st November 1982, the company's employees contributed to the IBA pension scheme. The new pension scheme has received a transfer from the IBA pension scheme of contributions for the period during which the company's employees were members of that scheme.

The amount contributed by the company to the pension schemes for the year ended 31st March 1983 was £235,000 (1982 £86,000).

13. Capital Expenditure

<table>
<thead>
<tr>
<th>Amounts contracted for but not provided for in the accounts at 31st March 1983 were</th>
<th>As at 31st March 1983 £000</th>
<th>As at 31st March 1982 £000</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>133</td>
<td>4,103</td>
</tr>
</tbody>
</table>

| Amounts authorised but not contracted for at 31st March 1983 were | 1,131 | 456 |

14. Programme and Film Commitments
At 31st March 1983, the company had committed and approved future expenditure for programmes and films amounting to £76 million (1982 £50 million), of which £63 million (1982 £27 million) is estimated to fall due for payment in the year ending 31st March 1984 and £13 million (1982 £23 million) thereafter.

15. 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.

16. Preparation of Accounts
These accounts have been prepared in compliance with Section 149A of and Schedule 8A to the Companies Act 1948.