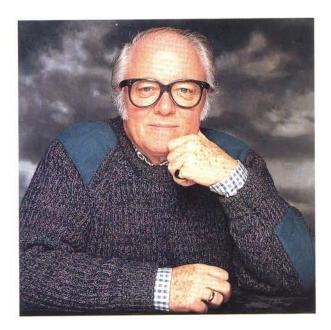


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CHAIRMAN'S STATEMENT



The past year has been one of particular significance in our brief history. Our programmes have grown ever more popular and accomplished and we have put in place many exciting plans for the future enjoyment of our viewers.

Planning for the changes that 1993 will bring has been the Board's main pre-occupation these past twelve months. Work is well in hand to prepare the channel for the smoothest possible transition from its present status as a limited company owned by the Independent Television Commission (ITC) to that of becoming a statutory corporation. New internal terms of reference for the Board are accordingly being prepared for its eventual approval.

The 1990 Broadcasting Act requires the future Channel Four Television Corporation to take responsibility for the transmission of its own programmes as the ITC changes from being a broadcasting to a regulatory authority. Although the programme remit, so admirably drafted in the 1981 Broadcasting Act, remains unchanged, a broader statement of programme policy will need to be approved by the corporation in due course. In our view, it is essential that such a statement continues to allow Channel 4 sufficient flexibility for future generations to

re-interpret and refresh the remit in order to provide viewers with an ever-changing range of programme output.

The future corporation will broadcast under a licence granted by the ITC with whom it will share statutory obligations under the 1990 Act. It is therefore crucial that the licence and programme policy statements are prepared in a way that will minimise any potential disagreement between the two bodies. With evident goodwill on both sides, I feel certain this can be achieved and that we will be able to maintain the close relationship which has existed between us over the last 10 years. The key to our future, as the Broadcasting Act recognises, is continuity. The ITC's past support and encouragement has been invaluable to the channel; I am personally most grateful and also confident that we shall continue to work in harmony for the benefit of our viewers.

The corporation will, of course, be raising its revenue for the first time by selling its own airtime and inevitably our new sales department will be engaged in fierce competition with ITV and others. However, in the interests of viewers, the Broadcasting Act still requires us to complement ITV's service and to co-operate with them actively in areas such as the cross-promotion of programmes. The important foundations of this co-operation have been laid over the last twelve months during bilateral conversations with their contractors and through the establishment of a regular liaison meeting between ITV and Channel 4. It is particularly encouraging that the initial suspicion voiced by some ITV licensees is now turning to a realisation that the Broadcasting Act creates a common interest. Channel 4's funding provisions give ITV a financial stake in our success, as well as requiring it to support our downside. Mutual co-operation is therefore of benefit to both - and to our millions of viewers.

The channel's financial and legal status may be changing, but our editorial policy remains the same. This year produced a particularly distinguished range of programming, all the more remarkable for being made on a reduced programme budget the first experienced by the channel. It is a real tribute to Liz Forgan, her commissioning colleagues and our producers that the standards and range of our output were not only maintained but improved despite the fall in advertising revenue.

The Board remains fully committed to ensuring the fulfilment of the special programme remit Parliament has given us. Indeed, as we look forward to 1993 and the selling of our own airtime, our view is that the remit will prove to be a considerable asset. In ITV the United Kingdom already has the television equivalent of a successful high quality supermarket which has captured about 82% of the commercial terrestrial audience. Our future lies not in trying to be a pale imitation of Channel 3 but in pursuing our own particular course. We will continue to be a mix, as always, of the popular and the recherché. Our remit attracts audiences who have great appeal to advertisers; audiences not easily identified on ITV. The remit is therefore our great commercial strength as well as our mission.

The Board's decision to acquire a freehold site in Horseferry Road, Victoria, on which to build our own headquarters has been an important part of the long term financial strategy of the company. Although we have had to borrow in order to achieve this aim, it means that from 1994 the channel will be able to live rent free in one efficient building, rather than the present six, and also that we will own a very considerable financial asset.

In September we invited Viscount Whitelaw to lay the foundation stone for the new building and I am pleased to say that progress on the site is most satisfactory: indeed we expect to move in, as planned, in 1994. The Richard Rogers Partnership, which won the competition to design our new building, has produced a major piece of architecture which will not only be ultimately economical but a pleasure to occupy. It will, I feel sure, also make an enduring and significant contribution to the London landscape.

I should now like to address the question of the contracts offered to our management team. I firmly believe that securing their services was an absolute prerequisite for the future success and stability of the channel. Major rewards were on offer to virtually all of them - and most particularly so in the case of Michael Grade. I am certain that the decision of the Board's non-executive members to retain their much-coveted expertise will, in the long run, prove to be absolutely correct. The whole of the executive senior staff are now committed to the channel with Michael Grade having signed a contract running for five years.

Subsequent experience at less senior staff levels, where recruitment pressure from Channel 3 licensees has also been intense, has confirmed that this was the right policy and we have been extremely fortunate in being able to keep our management team in place.

The Board was sad to say farewell to Carmen Callil at the end of 1991. She had been a non-executive member for six years and her wisdom, allied to her passionate defence of the programme makers and their maximum freedom of expression, was of immense value in our debates. We were greatly pleased during the year to welcome as Deputy Chairman, Sir Michael Bishop. His acumen will be particularly valuable during the forthcoming period of change - as his already considerable contribution has amply demonstrated.

Finally, my own term of office, following some ten years firstly as Deputy Chairman and then as Chairman, sadly comes to an end in 1992. I shall be in my 70th year and it is totally appropriate that the reins should be handed over to another.

Helping Channel 4 to grow from the enfant terrible of British broadcasting to an accepted, albeit uniquely different, part of the television scene has been both exciting and fulfilling. For me, the transition has been made even more rewarding by virtue of the massive contributions made by so many; staff and Board alike. I would wish, therefore, to place on record my thanks, not only for that contribution but also for the unswerving loyalty shown to me throughout my period of tenure. I know I speak for all the Board when I say that we are dedicated to passing on to the new corporation in January 1993 an efficient, deeply effective and flourishing concern. In the end, I believe the only long term guarantee of security for the remit is security of funding, free of subsidy.

On the eve of my departure and with the ability to look back over the past ten years, I am profoundly confident that Channel 4's second decade will be every bit as remarkable and exhilarating as its first.

RICHARD ATTENBOROUGH Chairman 24 March 1992

CHIEF EXECUTIVE'S REVIEW



The most gratifying achievement of 1991 has been the substantial increase in viewing to Channel 4's programmes year over year. Our share of the total television audience (including satellite and cable) for 1991 was 9.8% - a record for the channel and a 10% increase on 1990's 8.9% share. We are well on course, therefore, to achieving the Board's stated target of 10.5% of total viewing as we move towards selling our own advertising in competition with ITV and BSkyB for the first time from 1 January 1993.

The increase has been achieved without distorting the range or scheduling of our special programme mix. We continue to offer viewers a distinctive and clear choice, particularly in the peak, mid-evening hours. Education, documentaries, arts, drama and home-grown comedy, current affairs and news continue to dominate the heaviest viewing period between 6 pm and 11 pm.

The overall standard of our output continues to improve and I believe we compare favourably with the best of BBC and ITV. The output is backed up by the very careful scheduling of programmes, exploiting the gaps in the other channels' schedules,

and by highly professional on-air promotion and press and publicity. Our budgeting process has also been refined to ensure the right mix of programmes is available at the right moment in the year.

A comprehensive review of our programme successes can be found in later pages. It remains for me to congratulate Liz Forgan, Director of Programmes, John Willis, her deputy and Andrea Wonfor, Controller of Arts and Entertainment and all the commissioning team. Their flair and imagination, and dedication to quality and innovation, have been recognised by the viewers they serve in record numbers. They have demonstrated that the distinctive Channel 4 programme remit will be an asset to our airtime sales team from 1993. Not only are we attracting ever growing audiences, but the quality of those audiences, from a demographic point of view, is rich in the target groups most valued by advertisers.

One of the pleasing side-benefits of a successful programme year is an increase in the profitability of our overseas sales operation. Under the guidance of Colin Leventhal, Director of Acquisition, our exports had a record year, producing a profit, before tax, of £1.8 million. In addition, the investment in programmes benefited from £27.5 million worth of co-production deals - a most satisfactory result.

Stewart Butterfield joined us from advertising agency McCann Erickson to become Director of Advertising Sales and Marketing. His brief is clear, to maximise our advertising revenue from the start of 1993. He is well ahead in his preparations. Recruitment is on schedule and Andy Barnes has joined him as Head of Sales, from TVS. They are a formidable and experienced team who are relishing the task of capitalising on the end of the ITV airtime sales monopoly.

Their prospects for success are good. Channel 4's share of terrestrial commercial viewing (ITV, TV-am and Channel 4, but excluding the BBC which is not available to advertisers) was 18.7% in 1991, up from 17.1% in 1990. This is a very healthy trend since it is reasonable to expect that our share of actual advertising revenue will be closely related to this key statistic.

Our Director of Finance, David Scott, has successfully completed a syndicated bank loan of £75 million, which will be

repaid between 1995 and 1999. The purpose of the loan is to provide sufficient working capital to see us through the transition from fixed annual subscription to revenue earning. It will also provide finance for our new freehold headquarters building in Horseferry Road, which we expect to complete early in 1994. The syndication was handled for us by Samuel Montagu and we were pleased that the offer was well over-subscribed.

Channel 4 remains one of the most cost effective and efficient broadcasting operations in the world. Staff numbers have increased over the last few years, in line with increased transmission hours. We now transmit from 6am until approximately 3am each day. The recruitment of a sales department and the new responsibility for the actual transmission of commercials (ITV's responsibility until the end of 1992) will further increase the staff numbers. Once those people are in post we would not expect staff numbers to increase. I am confident that when we have completed our move to Horseferry Road we will be able to achieve even greater efficiency.

At the start of 1991 we contracted with National Transcommunications Limited for the transmission of our signal until the end of 1996. The 1991 subscription of £255.2 million included an amount of £23.2 million to cover these charges for the first time. The 1992 subscription will include a similar amount.

Apart from planning the new building, we are in the middle of a major update of our existing computer systems and are installing the necessary equipment and software for the selling and transmitting of commercials. Our Director and General Manager, Frank McGettigan, is responsible for these enormous tasks. He is supported by a most dedicated team in the Engineering and Information Systems departments and we expect these major projects to be on time and on, or under, budget.

Channel 4 is a national channel and exists to serve all British viewers. Although we are based in London, we continue to make strenuous efforts to encourage production outside London. For example, we have a number of initiatives dedicated to stimulating production in Scotland. We feel a particular responsibility to Scotland where there is a nucleus of very creative and entrepreneurial producers. In addition, we are proud of the fact that Channel 4's programmes are even more popular in Scotland

than they are in the rest of Britain.

The general economic recession caused a 2% drop in television advertising revenue in 1991. This factor, plus uncertainty over the ITV licence renewals, has made it a particularly tough year for independent producers. Despite these difficult circumstances, independent producers, who supplied 52% of our commissioned first run programmes this year, have surpassed even their own high standards of excellence and enabled Channel 4 to maintain both its reputation for innovation and its growth in popularity. In a year when, for the first time in the channel's history, the programme budget failed to increase in real terms they have, in many cases, also displayed a degree of resourcefulness and ingenuity in reducing the unit costs of many of our long-running programme series.

The management of the channel is committed to maintaining a harmonious working relationship with independent producers and their new representative body PACT. There will be periods of tension; but if we maintain close ties and regular consultation and communication I am sure we can overcome any difficulties.

We have the best possible management team for the challenges ahead. The staff have worked with great dedication to meet the objectives that the Board has set. I am indebted to each and every one of them for their efforts.

We face an exciting and independent future. The programme remit can only be secure in the long term if it is self-financing. All our efforts are focused on that objective which I am certain we will achieve.

MICHAEL GRADE Chief Executive 24 March 1992



5 & M

PROGRAMMES



Whatever the forthcoming changes in Channel 4's constitution and financial arrangements, the 1990 Broadcasting Act preserved intact the channel's heart and soul - its remit, the strong but flexible formula which governs its programming policy. This formula has always supported its desire to be distinctive, innovative and complementary, without prescribing any specific interpretations, providing a flak jacket rather than a straitjacket.

In 1991, as throughout its history, those commitments underpinned every aspect of the channel's programming.

DISTINCTIVENESS

Film on Four remains one of the channel's most distinctive strands, but GBH was probably the year's most memorable and controversial drama on any channel. Writer Alan Bleasdale and the leading cast were well-established; what made the project distinctive was its audacity and scale. Committing around £6 million to seven episodes of at least 75 minutes - without any guarantee of overseas sales - was a major gamble, especially with its controversial political setting and what were initially mistaken for specific contemporary references. But as the serial developed, it became clear that its theme of political conspiracy masked a deeper but equally challenging story about the inner lives of the two protagonists.

Seasons, clustering a group of programmes around a specific theme over a few intense weeks, refresh Channel 4's schedule and offer the viewer rather more than the sum of the individual programmes. With over 70 hours of programmes and films concentrated into just three weeks, the Banned season provided television's most extensive exploration of censorship in the 20th century - the control of public information, political opinion and artistic and sexual expression. Specially commissioned documentaries included a three-part series The Truth about Lies, and an International Emmy-winning British film about recent artistic controversies in America, Damned in the USA. The season premiered several previously untransmitted films, W.R.Mysteries of the Organism (in which electronic stars and goldfish ingeniously obscured the parts that were still deemed untransmittable); a remake of Secret Society: Cabinet, a

programme in the BBC series which the BBC has never shown, but refused to sell to Channel 4; and Mother Ireland, whose interview with Mairead Farrell had made it difficult for the channel itself to transmit earlier. The season surveyed the persecution of journalists in the third world (Censorship by Death) and neo-Stalinist repression in Eastern Europe (a miniseason of long-banned Czech movies). The A to Z of Censorship ran through the season in the nightly three-minute Comment slot.

Among shorter seasons: Down Under brought together the best of recent Australian documentary and feature films for the summer; A Night in Japan marked the eve of the country's Japan Festival - a ten hour anthology of representative programming from Japanese networks; and Four-Mations found a way of showcasing some of the world's greatest animation.

Channel 4 meets its commitment to education with a host of distinctive programming across the schedule that is strongly supported by back-up print materials but is otherwise determinedly integrated with the rest of the programme output. These range from archaeology, Down to Earth, and the history of the English Civil War to an anthology of documentaries about heart disease, Affairs of the Heart. The most original, Tim Hunkin's The Secret Life of Machines was honoured by a Japan Prize, the most prestigious set of international awards for educational broadcasting.



The "Savage" Strikes Back



W.R.Mysteries of the Organism



4 Play: Deptford Graffiti

INNOVATION

In some parts of the schedule innovation can be provided by promoting new talent both behind the camera and in front of it. New writers and drama directors had a number of opportunities in the year, in the Short and Curlies season of 11-minute short films, intended for cinema as well as television, in the He Play and She Play strands of 11-minute videos (part of the youth output), in the video plays, 4 Play, and in Small Stages which brought five outstanding fringe theatre projects to the small screen. For emerging documentary makers, Short Stories provided a half-hour format for them to develop - and often realise - their potential.

In front of the camera, entertainment refreshed itself by offering series to some of the performers it had nurtured through Whose Line is it Anyway?: Josie Lawrence (Josie), Paul Merton (Paul Merton - The Series) and Tony Slattery and Mike McShane (S&M). But the most successful home-grown comedy of the year - and the freshest - was the second series of Drop the Dead Donkey which grafts highly topical one-liners onto its sitcom roots - a wittily plotted and convincingly characterised television newsroom setting.

Some programme areas introduced new subjects; after pioneering American Football, Sumo and Cycling, Channel 4 sport this year brought the Indian game Kabaddi and wheelchair basketball (The Big 8) to television screens for the first time, Documentary makers also charted new territory, with a study of worldwide tribal peoples ironically titled The "Savage" Strikes Back, and the first examination of the British Jewish experience, A Sense of Belonging (a notable contribution to the religious output), while Secret History yoked documentary craft and investigative journalism to explore some obscure or controversial aspects of recent history, from Bloody Sunday to the Ratlines down which former Nazi war criminals evaded justice.

News and current affairs is led by Channel 4 News and its weekly journalistic flagship, Dispatches, nourished by the diversity of independent companies who contribute. But the channel continues to pioneer new formats for its journalism. One of the most significant innovations in covering the Gulf



GBH



Kabada



Drop the Dead Donkey



Whose Line is it Anyway?



Dispatches: Sizewell B



Short Stories: A Little Vicious



She Play: The Necklace

Channel 4 News





L'Acques Citizen Kane







Family Pride



War was Channel 4 News Midnight Special, whose two hours each week-night coincided with some of the war's near dawn action and also provided ample time for analysis and studio discussion of the issues. Europe Express returned with its original format applied to a European agenda. As the year ended, the channel piloted four models for analytical programming under the umbrella title 4-Thought, two of which - The Big Picture Show and The Knowledge - are being developed further.

After two decades of access programming, Free For All redefined the concept with its half-hour magazine format, still inviting outside authors to make their statements with the help of sympathetic professionals, but providing a range of opportunities - from 30-second commercials, through tenminute reports, to special investigations occupying the entire half-hour slot.

Manhattan Cable not only eavesdropped on the moral and stylistic anarchy of New York's public access cable channels, but demonstrated new talent in the series' makers and presenter Laurie Pike, which yielded one brave late-night attempt to make phone-ins work televisually (Ring My Bell), and will prompt further innovations in reporting the underbelly of American media life.

One of Channel 4's consistent contributions to British television has been to widen horizons beyond Western Europe and Hollywood, to reflect the concerns of the developing world, from their own perspectives, including the first-ever television season of films from Vietnam. By far the most ambitious project to date is **South** with its radical, pioneering approach to panglobal documentary coverage. Film makers - from Latin America to India, Africa to China - challenge the conventional assumptions that confine coverage of 'southern' issues to natural disasters, with subjects ranging from Cameroon's obsession with football to a poetic essay on the role of the bicycle in China.

Refreshing internationalism also distinguishes the arts on Channel 4. Rear Window is commissioned as part of the multicultural output, but surveys cultural issues within the widest historical and international framework - from the history of

Spanish Christianity's conflicts with Jews and Muslims, to a portrait of two remarkable Russian *émigré* artists, Komar and Melamid.

A variety of combative and innovative approaches to the arts are linked in Without Walls only by its mascot armadillo in its title sequence. J'Accuse counters any celebratory tendency in arts television with iconoclastic attacks on many sacred cows, from Virginia Woolf to Benjamin Britten, from Coronation Street to Citizen Kane. But the most contentious project was Art is Dead, Long Live TV - Muriel Gray's cheeky (and for some journalists, deeply annoying) profile of what were revealed at the end of the series to be four spoof artists, in order to attack the pervasive hyping of contemporary art.

The channel also found a highly original way of popularising classical music through the inspired duetting of Dudley Moore and Sir Georg Solti in Orchestra!

DIFFERENT TASTES AND INTERESTS

Channel 4 has always striven to serve the widest range of tastes and interests, but two areas to which it has devoted specific attention - and a designated commissioning editor have been multicultural and youth programming. Besides its rich contribution to arts programming and the established sitcom success of Desmond's, the lives and interests of Britain's ethnic communities have been reflected in a new investigative format, The Black Bag and the first British Asian soap, Family Pride.

Programming for young people has included the Friday night show that fosters a love-hate relationship with so many defiantly loyal viewers, **The Word**; a successful sitcom version of a health guide for teenagers, **Teenage Health Freak**; and **Love Talk** a follow-up to 1990's **Sex Talk**.

Other interests reflected on our screens range from motoring - served this year with a rare series on Classic Cars - to gardening, whose Friday night strand ranged from the most popular Garden Club to the most innovative Dig, an off-the-trellis approach to the subject, jointly commissioned with the Youth Department.



Garden Club

COMPLEMENTARITY

As ITV concentrates more on drama and entertainment in peaktime, so Channel 4 has fulfilled its commitment to complementing ITV by scheduling its factual programming documentaries, current affairs and arts features - at 9pm every week-night (except for Fridays, when there is gardening at 9.30pm). But as documentary programming is increasingly marginalised in ITV, Channel 4 has moved to supplement its range of factual programming with Cutting Edge, a strand of professionally crafted documentaries reflecting life in Britain today, ranging from an exposé of brutality in a Northern special hospital to portraits of Eton and Cowes. Its highly popular studies of pools winners (Winning Fortunes) and life in a real casualty ward (Casualties), attracted 4.7 million and 6.6 million viewers, among the largest audiences Channel 4 has ever attracted for factual programmes.

The Independent Film and Video Department, while maintaining its Eleventh Hour slot on most Mondays also has access to 9pm for another series reflecting gay life, Out, and a range of trenchant Critical Eye documentaries. One of them, Great Britain United, a study of black footballers, provoked one of the year's bitterest controversies arising out of Crystal Palace Chairman Ron Noades' criticisms of black players.

These strands complement True Stories, the continuing showcase for personal feature-length documentaries, including Werner Herzog's Echoes from a Sombre Empire, Juris Podnieks' Homeland (Baltic nationalism expressed through its songs) and Nick Broomfield's The Leader, His Driver and The Driver's Wife.

CONCLUSION

1991 represented stage one of a two-year plan to build the channel's audience share gradually in preparation for 1993. It was essential to achieve this without impairing the primary editorial obligations to maintain the range, mix and innovation of the output. That slow and gradual enhancement has been satisfactorily begun.



True Stories: Police Chiefs



Cutting Edge: Volvo City



Rear Window: Iron in the Soul



Critical Eye: Sound of Thunder



South: The Whole Story



Eleventh Hour: Mseleni Tales



Without Walls

Desmond's



AUDIENCE

TOTAL TELEVISION VIEWING

In 1991, the average level of television viewing in the United Kingdom was 25 hours and 6 minutes per week per person, up from 23 hours and 58 minutes in 1990.

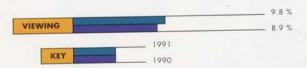
Some of this increase is attributable to the new audience measurement system: as of August 1991 the system has been able to include viewing to satellite channels as well as viewing to programmes which have been video recorded from the television and watched later. These changes in audience measurement reflect an increasingly competitive and sophisticated viewing environment. (At the end of 1991 one in ten homes had access to satellite television and nearly two-thirds had a VCR).

VIEWING TO CHANNEL 4

In 1991's competitive viewing environment, Channel 4 took its highest share of total TV viewing to date: 9.8%. This is a considerable growth on the previous year when the channel's share stood at 8.9%.

Channel 4's Share of Total TV Viewing

(BBC, ITV, TV-am, Channel 4 and satellite/cable as from 5 August 1991)



Likewise, Channel 4's share of the terrestrial commercial TV audience reached an all time high of 18.7%.

Channel 4's Share of Terrestrial Commercial Viewing

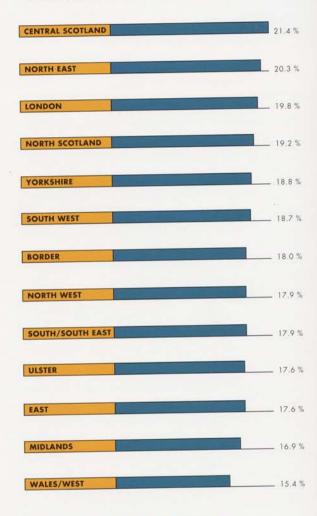
(ITV, TV-am and Channel 4)



The appeal of Channel 4's varied programme mix is further reflected in its levels of partronage: 93% of the population tuned in to Channel 4 in the course of an average month and 79% in the course of an average week in 1991.

Channel 4's Share of Viewing by Region

Terrestrial commercial audience (ITV, TV-am and Channel 4) 1991



REGIONAL VIEWING TO CHANNEL 4

Channel 4's share of viewing differs slightly across the regions with particularly strong areas being London, the North of England and Scotland.

TOP CHANNEL 4 PROGRAMMES IN 1991

Some of the largest audiences Channel 4 attracted in 1991 were for GBH (commissioned drama), Cutting Edge (documentary series), Hope and Glory (Film on 4) and The Life of Brian (the Monty Python film premiere on terrestrial television). Established series such as Crystal Maze, Desmond's, Brookside, Countdown, The Cosby Show and Roseanne continue to perform well.

CHANNEL 4: AUDIENCE STRENGTHS

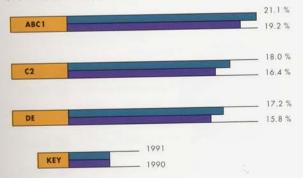
Along with Channel 4's overall success in 1991, the channel continued to do well within upmarket and young audience groups. Both groups are lighter than average viewers of television and therefore much sought after by advertisers.

UPMARKET ADULTS

Upmarket (ABC1) adults spent 10.2% of their total viewing time with Channel 4. Importantly, Channel 4 delivered over a fifth (21.1%) of this group's viewing to the terrestrial commercial channels.

Socio-Economic Groups

Channel 4's share of adult audience to terrestrial commercial television (ITV, TV-am and Channel 4).



YOUNG ADULTS

Young adults (16-24-year-olds) are the age group amongst which Channel 4 takes its highest share of total viewing. A strong appeal to this age group has been maintained with a mixture of chat (Tonight with Jonathan Ross), youth magazine (The Word), discussion (Love Talk), commissioned comedy (Vic Reeves, S&M), American comedy (The Cosby Show, Roseanne), music (Friday Night at the Dome) and sport (American Football).

Age Groups

Channel 4's share of audience to terrestrial commercial television (ITV, TV-am and Channel 4).



SPECIAL INTEREST PROGRAMMING

Channel 4 continues its commitment to cater for tastes not fully served by ITV. In many cases, commissioned audience research is the only way to assess the reception of such programming by its target audience. Areas that have formed subjects for special research during 1991 have included the deaf, the elderly and, most recently, the Asian, communities.

Asian adults were surveyed in Autumn 1991 and were asked about their overall levels of TV viewing as well as their viewing to some of Channel 4's specifically targeted programmes. This survey confirmed the special position of Channel 4 amongst Asians: Channel 4 was the clear leader when people were asked which channel had the best reputation for Asian programming.

Extremely high levels of Asian viewing were measured for the Hindi movies, **The Sword of Tipu Sultan** (historical drama) and **Family Pride** (Asian soap opera). There was also a clear demand for more Asian programming.

Channel 4 will continue to assess the performance of its programmes both by continuous audience measurement and specially commissioned analysis. These will be fed into the commissioning process and will, increasingly, provide examples of Channel 4's unique advantages for the new advertising sales team.

PROGRAMME TRANSMISSIONS

SOURCES

The channel broadcast for 7,066 hours in 1991 - an average of 136 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 charts below.

In 1991, the ITV companies and ITN provided 48% of Channel 4's hours of commissioned first run programme transmissions for 22% of the channel's commissioned programme transmission costs.

Independent producers provided 52% of the hours of commissioned first run programme transmissions for 78% of the channel's commissioned programme transmission costs.

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

CATEGORIES

The channel transmits a wide range of programmes, as analysed on the charts on page 13.

Programmes repeated on Channel 4 may be either programmes which were first shown on the channel or first shown on ITV. Repeat hours exclude feature films and other acquired material which might have been broadcast previously on either ITV or the BBC.

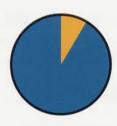
Hours of Programme Transmissions Year ended December 31 1991 1,551 475 1.671 7,066 667 238 303 Nine months ended December 31 1990 1,163 1,046 369 177 349 382 326 226 Costs of Programme Transmissions including repeats (£ million) Year ended December 31 1991 126.9 195.2 37.6 6.0 10.8 Nine months ended December 31 1990 138.1



Average Programme Cost Per Hour of Transmission

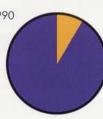
Year ended 31 December 1991

£27,600



Nine months ended 31 December 1990

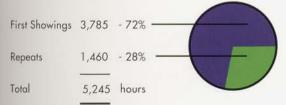
£26,300

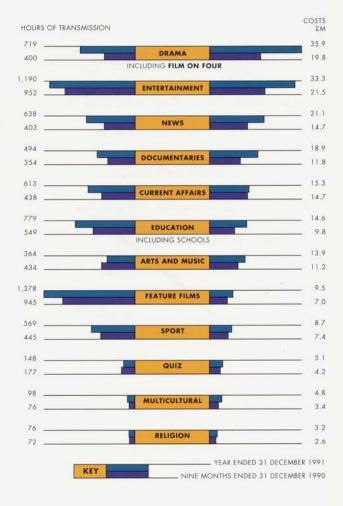


First Showings and Repeats



Nine months ended 31 December 1990





TRANSACTIONS WITH ITV AND INDEPENDENT PRODUCERS

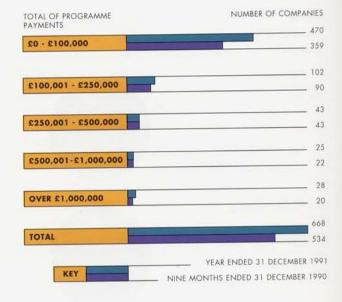
ITV COMPANIES

The channel's subscription funding arrangements with the ITC and ITV are described in the Directors' Report on page 24.

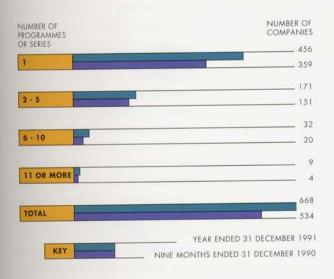
The ITV companies produce programmes for Channel 4 for which the channel pays negotiated market prices. In 1991 the ITV companies received £37.1 million for programmes sold to Channel 4.

INDEPENDENT PRODUCERS

In 1991, Channel 4 made programme payments to 668 independent production companies. The table sets out the number of companies which received programme payments from the channel in each of the following bands.



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 three episodes are transmitted each week, is therefore shown in the table as one series.



The majority of these are small companies which produce only one programme or series at a time. However, in 1991 the 28 independent production companies listed below received payments from Channel 4 for a variety of programmes totalling more than £1 million:

24 Hour Productions **Bandung Productions** Barraclough Carey Productions Clark Production British Film Institute Brook Productions (1986) **Brookside Productions Business Television** Carnival (Films & Theatre) Channel X Chatsworth Television Cheerleader Productions Diverse Production GBH (Films) Hat Trick Productions Initial Film & Television Juniper Communications Mentorn Films Open Media Palace Productions Portman Productions Regent Productions Skreba Films South Productions TVF Wall to Wall Television Yo Yo Films

Zed





During 1991, Channel 4 maintained and expanded its involvement in a wide spectrum of initiatives which complement its on-screen work.

Channel 4 has been broadcasting for nearly ten years; it has forged a vital position within the industry and is increasingly looked towards for involvement in all aspects of the industry's life and development. The channel is also involved in many activities designed to back up its programmes in the public arena.

PRODUCTION FUNDING

Grants totalling £2.0 million were made to a variety of organisations, including the British Film Institute, British Screen Finance Limited, the Arts Council, the Scottish Film Production Fund and a number of independent film and video workshops around the United Kingdom.

The channel welcomes its involvement with this diverse and innovative range of initiatives.

CO-FINANCE

Channel 4 values its close contacts with broadcasters and co-financiers world-wide. It is an active member of the European Co-production Association and is taking steps to develop relationships with the democracies emerging in Russia and Eastern Europe.

The total contribution of third party production finance to the channel's programmes during 1991 was £27.5 million.

INDUSTRY EVENTS AND ASSOCIATIONS

Channel 4 plays a major part in funding industry events and associations - some of which are: Birmingham Film Festival (Indian Cinema Section) Cardiff Animation Festival Edinburgh International Film Festival (New Film Makers' Award) Women in Film (Lifetime Achievement Award)
Leeds Film Festival
Newcastle Film Festival
Association of Film & Television in the Celtic Countries
European Film School (Annual Award)
Input
Royal Television Society (Educational Television Awards)

CHANNEL 4 AND INDEPENDENT PRODUCERS

Channel 4 launched a series of initiatives in 1991 designed to explain itself to its suppliers. In February at the British Academy of Film and Television Arts, Michael Grade reported, to a meeting of 200 producers, on the channel's plans for the future. Michael Grade, Liz Forgan, David Scott and the commissioning editors held their annual Scottish 'open day' in March when Scottish independent producers were invited to hear about specific programme needs from editors. Each commissioning department, factual, arts and entertainment and drama, held open days and surgeries in London for producers. In addition, visits were made to talk to producers based in

other parts of the United Kingdom, in all unding Bradford and



Belfast. The channel set up a regular liaison meeting between its senior executives and those of PACT (the independent producers' trade body) to discuss issues of joint concern.

NEW TECHNOLOGY

Once again, Channel 4 led the way on the frontiers of new television technology. Startext video programming has made its debut on Channel 4 and will remain exclusive to it for some time to come. With Startext technology it is now possible to gain easy access to programmes with a system which automatically follows any changes in scheduled timings, thus ensuring that viewers do not miss the beginnings or endings of their chosen programmes.

INDUSTRY TRAINING

Channel 4 is conscious of its responsibilities to support training in an increasingly fragmented television industry. It is committed to supporting a number of initiatives in this area. With the ITV companies, it has established a Freelance Training Fund which has already contributed towards training which would not otherwise have taken place.

It also supports the Industry Training Organisation and intends to use it to keep the whole of the industry focused upon the freelance skills problem.

For too long the television industry

has existed without an accepted framework of aualifications. The channel has, therefore, been pleased to support the National Vocational Qualifications Project, addressing this deficiency, and is very happy with the progress it has made.

Support has continued to be given to initiatives such as the National Film and Television School, the Actors Centre and the Jobfit Training Scheme. Channel 4 has also continued to fund production training targeted

at specific groups of people, such as the Fourfit Training Scheme for individuals from the ethnic minorities, the Deaf Training Scheme at the North East Media Training Centre and the Channel 4 Production

Training Scheme for people with disabilities.

TELETEXT AND SUBTITLING FOR THE DEAF

During the year, Channel 4 continued to fund the provision of the 4-Tel teletext service, produced by Intelfax Ltd. It consists of approximately 60 teletext main pages which provide programme listings, synopses, features and other back-up information on Channel 4 programmes.

Channel 4 underlined its commitment to help deaf people and those who are hard of hearing during 1991 by increasing the number of hours per week of programmes with teletext subtitles. Channel 4 News continues to carry subtitles which provide a precis of the programme's contents.

During 1991, Channel 4 commissioned new subtitles, averaging 11.5 hours per week for pre-recorded programmes. This is an increase of 1.5 hours per week over 1990 and covers a wide range of the channel's TRAINIA

CHANNEL 4 AND ITS STAFF

Channel 4 is proud of its for equal record opportunities. Two of the main objectives of the company's equal opportunities policy are to increase the

representation of people from ethnic backgrounds among the channel's staff, and to maximise the representation of women in the company's managerial grades.

Channel 4 has always led the broadcasting industry in its employment of women in senior positions. Currently over 30% of the channel's staff earning over £30,000 a year are women, and even at the top level - those earning more than £50,000 - 21% are female. Recognising, however, that there is still room for improvement, the channel has introduced measures to encourage mothers to return to work. This includes a monthly allowance to help towards the cost of child care (all single and/or disabled parents are also eligible) and additional leave for family emergencies. It also supports the Opportunity 2000 initiative.

Considerable efforts are made to maintain a recruitment policy of placing people from different ethnic origins in departments throughout the channel. Currently 8.4% of staff are of non-European ethnic origin. While this figure is better than the majority of broadcasting companies, the channel seeks to improve it further, along with the number of its disabled employees.

VIDEO BOXES AND RIGHT TO

The **Right to Reply** programme gives viewers a genuine opportunity to challenge those who make, commission and schedule television programmes - particularly, but not exclusively, those on Channel 4 itself.

During 1991, the newly launched Video Bus travelled as far north as Oban on the west coast of Scotland and as far south as Taunton, and complemented the input from the existing network of video boxes at STV in Glasgow, The Museum of Photography, Film and Television in Bradford, The Exploratory in Bristol, Central Television in Birmingham and Oxford and Channel 4 in London.

PUBLISHING

Channel 4 books have continued to make an impact on the bestseller lists during the year. Top titles included Anton Mosimann - Naturally, Birdscape, A Brush with Art and John Wilson's Go Fishing Year. Notable successes were also achieved with music licensing arrangements such as the compact disc of Orchestra! (still in the Classical Top Twenty after more than a year), The Ghosts of Oxford Street and the theme music for GBH. During 1991, the channel released a wide range of programmes on video cassette, including comedy, animation, wildlife and drama.

EDUCATIONAL BACK-UP

Two major innovations in this area during the year were the formation of Channel 4's Science Club and Gardening Club. In return for a modest subscription, members are offered benefits including advance notice and discounts on the channel's publications.

The channel produced 110 publications during the year; some highlights were The A-Z of the Elements (science and poetry brought together in support of an Equinox programme), Literary Island (Melvyn Bragg's explanation of topography and literature) and Every Child in Britain, the Channel 4 commission on education for Dispatches which was distributed to

every MP and secondary school in the country, plus 10,000 additional individuals.

EVENTS

During 1991, the channel was involved in a number of public and special interest events, link-ups and activities. They included a major exhibition at the Museum of the Moving Image on London's South Bank; participation in the Kellogg's Tour of Britain motor cavalcade; a presence at the first Sumo Wrestling weeklong Basho at the Royal Albert Hall; and hospitality for 300 visiting American Footballers and their entourage.

In late November, the channel's sponsorship of the Tate Gallery's prestigious Turner Prize culminated in a major public exhibition at the Tate with the awards presentation ceremony televised live from the gallery at a dinner hosted by the channel.

Also during the year, Channel 4 made a conscious effort to increase its activities outside London. In particular, two major seasonal launches of programmes were held simultaneously in London and the regions - the Christmas schedule was

launched in Birmingham and the Winter schedule by Michael Grade in Edinburgh.

DIRECTORS AND ADVISERS

Sir Richard Attenborough CBE* Chairman

Film producer/director. Chairman of the British Film Institute,

the British Screen Advisory Council, and Capital Radio plc.

Deputy Chairman

Sir Michael Bishop CBE*

Chairman of British Midland Airways Limited.

Executive directors

Michael Grade (Chief Executive) Non-executive director of ITN Limited and The Open College Limited and member of the British Screen Advisory Council.

Stewart Butterfield

(Director of Advertising Sales and Marketing)

Liz Forgan (Director of Programmes) Trustee of the Scott Trust.

Colin Leventhal

(Director of Acquisition)

Member of the British Screen Advisory Council.

Frank McGettigan

(Director and General Manager)

Governor of the National Film and Television School.

David Scott

(Director of Finance)

Non-executive directors

Anne Lapping

Independent producer and director of Brook Productions

(1986) Limited.

John McGrath

Independent producer and writer. Director of Freeway

Films Limited.

Usha Prashar

Peter Rogers*

Deputy Chief Executive and Director of Finance of the

Independent Television Commission.

Professor David Vines

Adam Smith Professor of Political Economy,

University of Glasgow.

Secretary

David Scott

Registered Auditor

Bankers National Westminster Bank plc

Coopers & Lybrand Deloitte

Chartered Accountants Plumtree Court

21 Lombard Street

London EC3P 3AR

London EC4A 4HT

Samuel Montagu & Co Limited 10 Lower Thames Street

London EC3R 6AE

Registered Office

70 Brompton Road London SW3 1EY

Company Registration

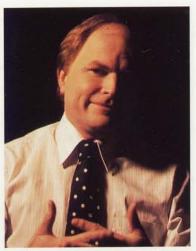
Registered in Cardiff as company number 1533774

^{*}Member of the audit committee

AWARDS FOR CHANNEL 4 PROGRAMMES Received in 1991



Creature Comforts



Clive Anderson Talks Back



Damned in the USA

BANNED SEASON CHANNEL FOUR TELEVISION

1991 Media Award - Campaign for Freedom of Information The Council for Freedom of Information, London

THE BEER HUNTER HAWKSHEAD TELEVISION

Television Programme of the Year Glenfiddich Awards, London

BLACK TRIANGLE

CENTRAL TELEVISION

Top Prize of Festival RIENA Environmental Film Festival, France

Honourable Mention: Television-Environmental Category

Golden Gate Awards, San Francisco.

Special Award, Gold Medal Certificate Medical Scientific Film Festival, Parma

BROKEN SKIN

IFTZ FILMS

Silver Plaque, Short Drama Section Chicago Film Festival, USA

CHANNEL 4 NEWS

ITN

Best News (or Outside Broadcast) Coverage BAFTA Performance & Production Awards British Academy of Film and Television Arts, London

CHANNEL 4 NEWS: IRAQI WEAPONS LINK

Winner: News, Topical Feature Royal Television Society Journalism Awards, London

CHANNEL 4 NEWS: SERIES OF REPORTS ON ANTARCTICA

ITN

1st Prize, National TV News British Environment and Media Awards, London

CLIVE ANDERSON TALKS BACK

HAT TRICK PRODUCTIONS

Top Entertainment Presenter British Comedy Awards, London

CLOSE MY EYES

BEAMBRIGHT PRODUCTIONS

Best Actor - Alan Rickman Seattle Film Festival, USA

Fipresci Prize Bergamo Film Festival, Italy

Best Film and Best Director Fort Lauderdale Film Festival, USA

Best Film and Best Actor - Alan Rickman Evening Standard Film Awards, London

THE COMB

KONINCK STUDIOS

One of six equal main prizes Oberhausen Animation Festival, Germany

CREATURE COMFORTS

NICK PARK FOR AARDMAN ANIMATION

Oscar for Best Animated Short Annual Academy Awards, New York

Special Jury Prize - Golden Cartoon (EEC prize for the best of all European prizewinning animation) Annecy Festival, France

CREDITS AND TITLE SEQUENCES

VARIOUS

Special Prize Prix Italia 1991, Urbino/Pesaro, Italy

CUTTING EDGE: ISLAND OF OUTCASTS

TWENTY TWENTY TELEVISION

Winner: Current Affairs International Royal Television Society Journalism Awards, London

CUTTING EDGE: SANCTUARY

PRIMAL PICTURES

Silver, Film & Video Production, Women's Issues Houston International Film Festival, USA

DAMNED IN THE USA

BERWICK UNIVERSAL PICTURES

International Emmy for Arts Documentary The International Council of the National Academy of TV Arts. New York

Silver Plaque, Documentary Film Social/Political Category Chicago International Film Festival, USA

DANCING WITH THE DEVIL

The Critic's Prize on behalf of the International Jury of Journalists Prix Danube, Czechoslovakia

DEAD MAN'S TALES

LEO DICKINSON

Le Prix Special du Jury 9th International Festival of Free Fall Films, France

DEADSY

REDWING PRODUCTIONS

Golden Plaque Chicago Film Festival, USA

Special Jury Prize Los Angeles Film Festival, USA

DEAR ROSIE

WORLDS END PRODUCTIONS

Best of Category: Film & Video - Short Narrative Golden Gate Awards, San Francisco

Gold Plaque, Short Drama Section Chicago Film Festival, USA

DECEMBER BRIDE

LITTLE BIRD PRODUCTIONS

Prix du Public Annonay Film Festival, France

Runner-up, Best New Director Seattle Film Festival, USA

Silver Camelia for Best Photography - Bruno de Sintra Film Festival, Portugal

DISPATCHES: APARTHEID'S ASSASSINS

GOLDHAWK FILM & TV PRODUCTIONS

Grand Award, Best News Programme Gold - Best News Documentary Special New York International Film & TV Festival, USA

DISPATCHES: RIVERS OF FIRE

MARSHALL HEALEY PRODUCTIONS

First Prize Network Award LWT/Broadcast 1st Timers Awards, London

DISPATCHES: LISTEN TO THE CHILDREN

BEA MOVIES

Runner-up: Network Award LWT/Broadcast 1st Timers Awards, London

DISPATCHES: MIRACLE MOLECULE

InCa

Certificate of Educational Merit British Medical Association Film and TV Awards, London

DISPATCHES: TAPPING INTO TOXNET

GOLDHAWK FILM & TV PRODUCTIONS

Winner

The Shell Cawston Prize, London

DOOR

KONINCK STUDIOS

McLaren Prize for Best British Animation Edinburgh Festival, Scotland

Critic's Prize Annecy Festival, France

Best Short Film Melbourne Festival, Australia

Best Experimental Film Belgium Short Film Festival, Namur

Silver Mikeldi Award Bilbao Film Festival, Spain

Silver Dove for Animation Leipzig Festival, Germany

DROP THE DEAD DONKEY

HAT TRICK PRODUCTIONS

Top ITV/Channel 4 Sitcom British Comedy Awards, London

Winner: Sitcom Category Writer's Guild of Great Britain, London

Best Entertainment Programme
Broadcasting Press Guild Awards, London

EQUINOX: THE GREENHOUSE CONSPIRACY

TVF

Runner-up The Shell Cawston Prize, London

FEET OF SONG

MALINKA FILMS

Special Jury Prize Odense Festival, Denmark

FOR LOVE OR MONEY

WALL TO WALL TELEVISION

Winner: Television Category BP Arts Journalism Awards, London



Cutting Edge: Island of Outcasts



Door

FRAGILE EARTH: CHILDREN OF CHERNOBYL

YORKSHIRE TELEVISION

The Prize for Journalistic Achievement Okomedia Television Festival, Germany

THE GRAVY TRAIN

PORTMAN ENTERTAINMENT

Silver Nymph Special Mention - Ian Richardson Festival de Television de Monte-Carlo

HELLO, DO YOU HEAR US?

CENTRAL TELEVISION

Winner: Documentary Series Royal Television Society Programme Awards, London

HIDDEN FACES

TWENTIETH CENTURY VIXEN

Best of Category: TV/Sociology Golden Gate Awards, San Francisco

First Prize: Documentary Section
Special Mention
Factival International de Film des Femmes, G

Festival International de Film des Femmes, Creteil,

HOMELAND - THE POSTSCRIPT

CENTRAL TELEVISION

Samuelson Award for Television Birmingham International Film & TV Festival, UK

Gold Medal - National/International Current Affairs Category New York International Film & TV Festival, USA

2nd Prize, Best Research Festival Dei Popoli, Florence



Equinox: The Greenhouse Conspiracy

HUNTERS AND BOMBERS

NEXUS/NATIONAL FILM BOARD OF CANADA

SDR Documentry Film Prize for Journalistically Outstanding Documentary Film Mannheim Film Festival, Germany

IN THE BORDER COUNTRY

LITTLE BIRD PRODUCTIONS

First Prize, Short Drama Section BANFF International Television Festival, Canada

THE JACK DEE SHOW

OPEN MIKE PRODUCTIONS

Stage Newcomer Award British Comedy Awards, London



The Jack Dee Show



Norbert Smith: A Life



Paper Mask

THE LEADER, HIS DRIVER AND THE DRIVER'S WIFE

LAFAYETTE FILMS

First Prize

International Festival of Social Documentary Films,

LESSONS OF EXILE

J B A PRODUCTIONS

First Prize

Geneva International Television Awards, Switzerland

First Prize

Recontres Medias Nord-Sud, France

LIFE IS SWEET

THIN MAN FILMS

Cariddi di Oro - Best Film Marchera di Polifemo - Best Acting Taormina Film Festival, Italy

Best Film of the Year Europa Film Festival, Italy

Best Actress - Claire Skinner Stars de Demain, Geneva

Best Supporting Actress - Jane Horrocks Los Angeles Film Critics Association, USA

Best Supporting Actress - Jane Horrocks Best Actress - Alison Steadman Best Film Award

US National Film Critics Association, USA

Best Picture Award 13th London Film Critics Circle Awards, UK



The Leader, His Driver and The Driver's Wife



Orchestra!

THE MAHABHARATA

LES PRODUCTIONS DU 3EME ETAGE/BROOKLYN ACADEMY OF MUSIC

Honourable Mention: TV Drama Category Golden Gate Awards, San Francisco

THE MEDIA SHOW

WALL TO WALL TELEVISION

Golden Plaque Houston International Film Festival, USA

MENUHIN: A FAMILY PORTRAIT

ISOLDE FILMS

Grand Award, Best Documentary Gold Medal, Best Culture and Arts Documentary Special Craft Award, Best Director - Tony Palmer New York International Film & TV Festival, USA

NORBERT SMITH: A LIFE

HAT TRICK PRODUCTIONS

Best of Category: TV Comedy Act Golden Gate Awards, San Francisco

ORCHESTRA!

INITIAL FILM & TELEVISION

2nd Prize, Music Category Post-Montreux Festival, Moscow

OUR OLYMPICS

BORDER TELEVISION

Special Award, Best Network Programme Royal Television Society North East Awards, UK

PAPER MASK

GRANADA FILMS

Main Prize - Trofeo di Categoria Salerno Festival, Italy

Best Actress - Amanda Donohoe Variety Club Awards, London

POETRY IN MOTION: JOHN BETJEMAN

LILYVILLE PRODUCTIONS

First Prize, Adult Education, Continuing Studies Section Royal Television Society Educational TV Awards, London

RA: THE PATH OF THE SUN GOD

PERSISTENT VISION

Grand Prix de la Recherche Festival International du Film d'Art, Paris

RIFF RAFF

PARALLAX PICTURES

European Film of the Year European Film Awards, Berlin

Fipresci Prize, (Critics) for film not in competition Cannes Film Festival, France

Prix du Public

Dinard Film Festival, France

Silver Spike - 2nd Prize, Best Film Category Valladolid Film Festival, Spain

Best Actress - Emer McCourt Vevey Comedy Film Festival, Switzerland

RIVERS OF SAND

CENTRAL TELEVISION

Premier Award: TV Network Category One World Broadcasting Trust, London

THE SECRET LIFE OF MACHINES: THE VIDEO RECORDER

ARTIFAX

Programme of Outstanding Excellence: Adult Education Category Minister of Posts & Telecommunications Prize The 18th Japan Prize, Tokyo



The Secret Life of Machines: The Video Recorder

THE SECRET LIFE OF MACHINES: THE WASHING MACHINE

ARTIFAX

Bronze Apple Award for Physical Sciences National Educational Film & Video Festival, USA

SHADOW ON THE CROSS

CTVC

Gold Award: Religious Programmes Category New York International Film and TV Festival, USA

SHORT STORIES: BEYOND THE BARRIER

UDEN ASSOCIATES

2nd Prize, Silver Screen Documentary Section US Industrial Film & Video Festival, Chicago

WorldFest Bronze Award 24th WorldFest, Houston

SHRIMP FEVER

CENTRAL TELEVISION TELEVISION TRUST FOR THE ENVIRONMENT

Runner-up: Premier Award, TV Network Category One World Broadcasting Trust, London

SIGNALS - THE DAY THE MUSIC DIES

HOLMES ASSOCIATES

Runner-up Television Category BP Arts Journalism Awards, London

SONG OF THE FOREST

JOHN WALKER PRODUCTIONS/CENTRAL TV

ENI - Scuola Prize for Best Film for Children Trofeo Stambecco D'Oro, Italy

SOUTH AFRICA: THE WASTED LAND

DEBONAIR PRODUCTIONS/TVE

Special Prize for Journalism International Okomedia Film Festival, Germany

SOUTH: THIS IS NOT YOUR LIFE

SOUTH PRODUCTIONS

Best Music Best Film, Critic's Prize Gramada Film Festival, Brazil



Vic Reeves & Bob Mortimer



The Mahabharata



Una Stravaganza dei Medici



Life is Sweet

SOUTH: WHOLES

SOUTH PRODUCTIONS

Best Film Best Editing Best Photography Gramada Film Festival, Brazil

THE STAIN

POSEIDON

Honourable Mention San Francisco Film Festival, USA

THE THATCHER AUDIT: KAMIKAZE CURE

JUNIPER COMMUNICATIONS

Mary Goldring: Television Industrial Journalist of the Year Industrial Journalist of the Year

Industrial Journalist of the Year
BP Industrial Journalism Awards, London

TICKETS FOR THE ZOO

CORMORANT FILMS

Public Prize Annonay Film Festival, France

TRAFFIK

PICTURE PARTNERSHIP PRODUCTIONS

Best of Festival Best Mini Series Umbriafiction Television Awards, Italy

Best Drama Series BAFTA Production and Performance Awards British Academy of Film and Television Arts, London

Best Television Cameraman - Clive Tickner Television Sound - David Hildyard, Ken Weston, David Old

Design - Martyn Hebert, Hans Zillman BAFTA Craft Awards British Academy of Film and Television Arts, London

A TV DANTE: CANTOS 3 & 4

DANTE BY IN ASSOCIATION WITH ELSEVIER-VENDEX, VPRO, YLE AND RTP

Special Prize Prix Italia 1991, Urbino/Pesaro, Italy

UNA STRAVAGANZA DEI MEDICI

THAMES TELEVISION AND THE FRAME STORE IN ASSOCIATION WITH LA SEPT AND ZDF

Best of Category: TV/Fine Arts & Musical Variety
Golden Gate Awards, San Francisco

First Prize - Costume Design: Myra Cowell Royal Television Society Design Awards, London

WHOSE LINE IS IT ANYWAY?

HAT TRICK PRODUCTIONS

Best Light Entertainment Programme BAFTA Production and Performance Awards British Academy of Film and Television Awards, London

THE WORLD THIS WEEK

TVF/ITN

Gold Award, Best News Magazine Series New York International Film and TV Festival, USA

VIC REEVES & BOB MORTIMER

CHANNEL X

Top Variety Act British Comedy Awards, London



A TV Dante

DIRECTORS' REPORT

PRINCIPAL ACTIVITIES

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

OWNERSHIP

The Broadcasting Act 1990 established the Independent Television Commission (ITC) which acquired the shares of Channel 4 from the IBA on 1 January 1991. Channel Four Television Company Limited will be a wholly owned subsidiary of the ITC until 31 December 1992.

The Broadcasting Act 1990 creates the Channel Four Television Corporation which will be established and will acquire the shares of Channel Four Television Company Limited from the ITC on 1 January 1993.

FUNDING

Channel 4 obtains funds from the ITC, which collects the fourth channel subscription from each of the ITV companies, who presently sell Channel 4's advertising time. This funding arrangement, which has operated since Channel 4 started, ceases at the end of 1992.

From 1 January 1993 Channel 4 will sell its own advertising time, which will become its principal revenue source.

The Broadcasting Act 1990 establishes a new funding relationship between Channel 3 (as ITV will be called from 1993) and Channel 4. Under the terms of that Act, Channel 4 will pay Channel 3, for 1993 and subsequent years, 50% of calendar year revenue in excess of 14% of qualifying revenue. The Act provides that Channel 3 will pay Channel 4, for 1993 and subsequent years, up to 2% of qualifying revenue if Channel 4's revenue is less than 14% of qualifying revenue. The qualifying revenue to which this formula relates is the total of advertising, sponsorship, subscription and barter income of Channels 3, 4 and 5 and S4C.

ACCOUNTING REFERENCE DATE

In 1990, Channel 4 changed its accounting reference date from 31 March to 31 December. These accounts include the results for the year to 31 December 1991, with the comparative figures for the nine months to 31 December 1990.

RESULTS

Channel 4 received subscription income of £255.2 million from the ITC in 1991. This income is used to acquire programme and film rights for transmission, and to finance capital and overhead expenditure. The balance of this income, after the cost of programme transmissions and operational and administrative expenses, thus represents the principal means of financing Channel 4's net assets and is treated as deferred income in the accounts.

In addition to the income from the ITC, Channel 4 has other trading activities and receives interest on cash balances. The surplus on these other activities, after tax, was £0.2 million in 1991.

FIXED ASSETS

Movements of fixed assets during the year are set out in note 8 to the accounts.

DIRECTORS

The present directors of Channel 4 are listed on page 19.

Three directors have joined the Board since 1 January 1991. Sir Michael Bishop CBE was appointed as Deputy Chairman on 1 March 1991. Stewart Butterfield was appointed to the Board as Director of Advertising Sales and Marketing on 2 January 1991. Usha Prashar was appointed to the Board, as a non-executive director, on 1 January 1992.

Four non-executive directors have left the Board since 1 January 1991. Sir Brian Bailey OBE, Richard Dunn and Greg Dyke resigned on 28 February 1991 and Carmen Callil completed her term of office on 31 December 1991.

All other directors served throughout the year.

DIRECTORS' INTERESTS

None of the directors has any interest in Channel 4's shares.

As indicated in the list on page 19, a number of directors are also directors of companies which supply programmes to Channel 4, and to that extent are also interested in the contracts with Channel 4. In addition, note 22 to the accounts gives the information required to be disclosed in relation to material interests of two directors in contracts with the company.

DIRECTORS' AND OFFICERS' LIABILITY INSURANCE

The directors consider that it is appropriate, with the increasing volume and complexity of legislation, that liability insurance should be available to directors and officers and a policy has been effected.

RESEARCH AND DEVELOPMENT

Channel 4 devotes substantial resources to the development of scripts and programme outlines for possible commissioning. Development expenditure incurred in 1991 on scripts and programmes not commissioned for production by the end of that year amounted to £4.0 million (nine months to 31 December 1990; £3.1 million).

EMPLOYEE INVOLVEMENT AND CONSULTATION

There are a number of ways in which Channel 4 informs and consults with its employees:

a) through normal collective bargaining with trade unions. Approximately 20% of the company's employees are in membership of one of three recognised trade unions:

BECTU (for engineering, presentation, clerical and studio staff)
EETPU (for plumbers and electricians)
Equity (for continuity announcers)

- b) regular departmental meetings where information is disseminated and staff have an opportunity to air views; and
- c) an annual staff meeting, where the executive directors give presentations on the company's progress and future and all staff are encouraged to ask questions.

EMPLOYMENT POLICY

Channel 4 is an equal opportunities employer. It does not discriminate on the grounds of race, sex, religion, physical handicap, marital status or political affiliation in its recruitment or other employment policies. Channel 4 has established an ethnic monitoring system for its recruitment and the ethnic composition of its staff.

Disabled people, whether registered as such or not, are fully and fairly considered for all vacancies arising within Channel 4 and are given equal opportunities with other staff in relation to training, career development and promotion.

AUDITOR

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

By order of the Board

D.R.A. SCOTT 24 March 1992

INCOME AND EXPENDITURE ACCOUNT

	Notes	Year ended 31 December 1991 £ million	Nine months ended 31 December 1990 £ million
Income from the ITC	1(c)	255.2	174.9
Cost of programme transmissions	1(c)	(195.2)	(138.1)
		60.0	36.8
Operational and administrative expenses	2	(33.4)	(18.9)
Transmitter costs		(23.2)	•
		3.4	17.9
Transfer to deferred income	1(c)	(3.4)	(17.9)
Other income less expenditure	1(c), 5	1.2	1.9
Less taxation thereon	6	(1.0)	(0.8)
Surplus for the year after taxation		0.2	1.1

The notes on pages 30 to 39 form part of these accounts

Report of the auditor - page 40

Statements of movements on the deferred income account and income and expenditure account are given in notes 14 and 15 on page 37.

BALANCE SHEET

		31 De	cember	31 Dec	ember
		1991	1991	1990	1990
	Notes	£ million	£ million	£ million	£ million
Fixed assets					
Tangible assets	1(d),8		43.1		36.6
Investments	7		-		-
			43.1		36.6
Current assets					
Programme and film rights	1(c),1(e),9	112.8		112.6	
Debtors	10	16.9		21.2	
Cash at bank and in hand		:20		0.4	
		129.7		134.2	
		1.000.00			
Creditors				2222	
Amounts falling due within one year	11	(21.4)		(27.5)	
Bank borrowings		(4.5)			
Net current assets			103.8		106.7
Total assets less current liabilities			146.9		143.3
Total assets less corrent habitines			14017		
Provision for liabilities and charges					
Deferred tax	12		-		
Net assets			146.9		143.3
Capital					
Called up share capital £100	13		-		
and the second s					
Deferred income	1(c),14		137.6		134.2
Income and expenditure account	1(c),15		9.3		9.1
					2
			146.9		143.3

SIR RICHARD ATTENBOROUGH

CHAIRMAN

These accounts were approved by the Board of Directors on 24 March 1992.

The notes on pages 30 to 39 form part of these accounts.

Report of the auditor - page 40

CASHFLOW STATEMENT

	Year		Nine mon	
8	31 Decem			ber 1990
Notes	£ million	£ million	£ million	£ million
Operating activities	(M)			
Cash received from the ITC	255.2		174.9	
Other cash receipts	17.3		5.0	
Cash payments to suppliers	(244.6)		(160.4)	
Cash paid to and on behalf of employees	(15.7)		(8.9)	
Net cash inflow from operating activities 1		12.2		10.6
Returns on investments and				
servicing of finance				
Interest received	0.5		1.7	
Interest paid	(0.3)		(0.3)	
marat para				
74		0.2		1.4
Taxation				
UK corporation tax paid	(1.0)		(1.3)	
Overseas tax paid	(0.2)		(0.1)	
		(1.2)		(1.4)
Investing activities				
Purchase of tangible fixed assets	(10.9)		(27.6)	
Sale of fixed assets	0.1		0.1	
Loans	(5.3)		(0.2)	
	#	(16.1)		(27.7)
Decrease in cash and cash equivalents 2		(4.9)		(17.1)

The notes on page 29 form part of the cashflow statement.

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NOTES TO THE CASHFLOW STATEMENT

1. Reconciliation of income and expenditure to net cash inflow from operating activities:

	Year ended 31 December 1991 £ million	Nine months ended 31 December 1990 £ million
Transfer to deferred income	3.4 1.2	17.9 1.9
Surplus for the year before tax	4.6	19.8
Depreciation charges	4.3	2.7 (0.1)
Profit on sale of tangible assets Provisions against loans	5.3 (0.2)	0.2
Net interest received Increase in programme & film rights	(0.2)	(19.2) (0.7)
Decrease/(increase) in debtors (Decrease)/increase in creditors	(5.9)	9.2 0.1
Exchange losses	12.2	10.6
Net cash inflow from operating activities		
2. Analysis of changes in cash and cash equi	valents during the year:	
Balance at 1 January 1991	0.4	17.6
Net cash outflow before adjustments for the effect of foreign exchange rate changes	(4.9)	(17.1)
Effect of foreign exchange rate changes		0.4
Balance at 31 December 1991	(4.5)	

3. Analysis of balances of cash and cash equivalents as shown in the balance sheet:

	1991	1990	Change in year
	£ million	£ million	£ million
Cash at bank and in hand	0.9 (5.4)	7.7	(6.8)
Bank overdrafts		(7.3)	1.9
	(4.5)	0.4	(4.9)

NOTES TO THE ACCOUNTS

For the year ended 31 December 1991

1. Principal accounting policies

(a) ACCOUNTING CONVENTION

The financial statements have been prepared in accordance with applicable Accounting Standards in the United Kingdom.

(b) ACCOUNTING POLICIES

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

(c) INCOME AND EXPENDITURE ACCOUNT

- (i) INCOME:
- a) Income from the ITC is credited to the income and expenditure account when it is received.
- b) Income from programme and film sales is recognised in the income and expenditure account when the sales are confirmed to the company.

(ii) COST OF PROGRAMME TRANSMISSIONS:

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

The balance of deferred income represents the principal means of financing the net assets of Channel 4, and accordingly is shown with capital and reserves in the balance sheet. This represents a departure from the normal presentation prescribed by the Companies Act 1985.

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

Assets held by Channel 4:

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

Assets held by third parties:

Freehold properties	2%
Technical equipment	20% or 33%

(e) PROGRAMME AND FILM RIGHTS

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

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

(ii) Development expenditure, consisting of funds spent on projects prior to a final decision being made on whether a programme will be commissioned, is included in programme and film rights but is fully provided for. Where development expenditure leads to the commissioning of a programme, such expenditure is transferred to programme cost and the provision is released. At such time as it is apparent that a development will not result in a programme, the development cost and the provision are written out of the accounts.

2. Operational and administrative expenses

Programme Programme Control of the C	Year ended	Nine months ended
	31 December 1991	31 December 1990
	£ million	£ million
These may be analysed as follows:		
Employee and freelance staff costs	15.4	9.7
Establishment costs	5.2	3.3
Depreciation of fixed assets (note 8)	4.3	2.7
Press office and promotion	1.7	1.5
Travel and subsistence	1.1	0.8
Provision against investment (note 7)	0.3	0.2
Provision against deposit with BCCI	5.0	
Other general expenses	0.4	0.7
	33.4	18.9
and include:		·——
	000£	000£
Auditor's remuneration	35	26
Directors' remuneration:		
to the non-executive directors	68	56
to the executive directors for management,		
(including pension contributions)	1,381	430
Operating lease rentals - company premises	2,398	1,337
Equipment hire	203	108

3. Directors' remuneration

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

Chairman's ren	nuneration rector's remunera	£000	£000	0003	£000
Chairman's ren				28	22
110 1 - 1 - 1 - 1 - 1 - 1 - 1 - 1 - 1 -	rector's remunero		495147420		108
Highest paid di		485	235	140	108
		Number	Number	Number	Number
£0 -	£5,000	4	4	8	8
£5,001 -	£10,000	5	5	1	1
£20,001 -	£25,000	180	=	=	1
£25,001 -	£30,000	(# C	-	1	177
£30,001 -	£35,000	1	1	+	(8)
£65,001 -	£70,000	= 1	-	+	3
£70,001 -	£75,000	3 4 7	=	-	1
£80,001 -	£85,000	127	2	3	183
£90,001 -	£95,000	3	3	1	
£100,001 -	£105,000	150	1	3	-
£105,001 -	£110,000	1	1	7	1
£130,001 -	£135,000	1	= =	-	
£140,001 -	£145,000		*	1	*
£180,001 -	£185,000	3	-	-	*
£230,001 -	£235,000	-	1	~	
£480,001 -	£485,000	1			200
		16	16	15	15

Directors' normal remuneration includes salary and contractual bonuses other than the additional remuneration specified below.

During 1991 five executive directors and two other key executives, critical to Channel 4's stability, entered into three or five year service contracts. In consideration, additional one-off remuneration was paid in 1991.

4. Employee information	Year ended 31 December 1991 £ million	Nine months ended 31 December 1990 £ million
The employment costs for all employees,	£ IIIIIIOII	2 million
including executive directors, were as follows:		
Aggregate gross salaries	11.9	7.7
One-off emoluments (note 3)	0.8	3.2
Employer's national insurance contributions	1.1	0.7
Employer's pension contributions	1.5	0.9
Total direct costs of employment	15.3	9.3
The average number of employees, including		
executive directors, during the year was:		
Full-time permanent employees	413	390
Short-term contract staff	33	20
	446	410

5. Other income less expenditure

	Year	ended	Nine mon	ths ended
	31 Decen	nber 1991	31 Decem	ber 1990
	£ million	£ million	£ million	£ million
PROGRAMME AND FILM SALES				
Income:				
Programme sales	5.0		3.5	
Film sales	3.0		1.2	
Co-finance	1.7		6.3	
Commission	1.1		0.6	
Investment income	0.4		0.1	
Publishing and merchandising	0.2		0.1	
	11.4		11.8	
Less costs of sales:				
Direct costs	(3.6)		(2.7)	
Share of income due to independent				
producers and third parties	(4.6)		(7.6)	
Operational and administrative expen	ses (1.4)		(1.1)	
			-	
		1.8		0.4
OTHER INCOME & EXPENDITURE				
TV Times copyright fees	1.1		0.8	
Interest receivable	0.5		1.7	
Sponsorship income	0.2			
Other income	0.1		0.1	
Less:				
Advertising sales department				
operating expenses	(2.1)		(0.8)	
Interest and finance charges	(0.4)		(0.3)	
		(0.6)		1.5
		1.2		1.9

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

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

	Year ended 31 December 1991	Nine months ended 31 December 1990
	£ million	£ million
Exports:		
USA	1.7	1.7
Rest of the world	6.9	8.2
	8.6	9.9
UK sales and other income	2.8	1.9
	11.4	11.8

6. Taxation

Taxation is not levied on the income from the ITC less related costs. UK corporation tax is payable on other net income as follows:

	Year ended 31 December 1991 £ million	Nine months ended 31 December 1990 £ million
UK corporation tax based on other net		
income for the year @ 33.25% (1990: 35%)	1.1	1.0
Double tax relief	(0.2)	(0.1)
Deferred tax		(0.1)
	0.9	0.8
Adjustment in respect of prior years	(0.1)	(0.1)
Overseas taxation	0.2	0.1
	1.0	0.8

7. Investment in British Screen Finance Limited

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

The ability of British Screen to pay dividends out of any profits is restricted by its present policy to reinvest all available funds in further films. Draft accounts for British Screen for 1991 show accumulated losses of £7.2 million and a loss for 1991 of £42,000. Channel 4 has recognised its share of the accumulated losses made by British Screen by charging the amounts advanced each year as an expense. The shares are therefore held in the balance sheet at nil value. Channel 4 has no commitment to advance any further funds to British Screen.

8. Fixed assets

(a) Tangible assets	Freehold properties £ million	Leasehold properties £ million	Furniture & equipment £ million	Motor vehicles £ million	Total £ million
COST					
At 1 January 1991	24.9	7.3	18.1	0.4	50.7
Additions	4.3	0.9	5.5	0.2	10.9
Disposals		i i	(0.2)	(0.1)	(0.3)
At 31 December 1991	29.2	8.2	23.4	0.5	61.3
DEPRECIATION					
At 1 January 1991	0.1	2.8	11.1	0.1	14.1
Charge for the year	4	2.0	2.2	0.1	4.3
Disposals	-	3.	(0.1)	(0.1)	(0.2)
At 31 December 1991	0.1	4.8	13.2	0.1	18.2
NET BOOK VALUE					
At 31 December 1991	29.1	3.4	10.2	0.4	43.1
At 31 December 1990	24.8	4.5	7.0	0.3	36.6

(b) Certain of the fixed assets owned by Channel 4 are utilised by third party programme makers in the independent production sector. The net book value at 31 December 1991 was located as follows:

	Freehold properties £ million	Leasehold properties £ million	Furniture & equipment £ million	Motor vehicles £ million	Total £ million
Held by Channel 4	28.8	3.4	10.1	0.4	42.7
Held by third parties	0.3		0.1	(5)	0.4
	29.1	3.4	10.2	0.4	43.1

(c) The freehold property held by Channel 4 is land and related costs at Horseferry Road, London SW1 which is being developed to become Channel 4's office and transmission centre in 1994.

The freehold properties held by third parties are 13 houses in Liverpool which are used as a permanent location set for the **Brookside** programme.

The leasehold properties mainly represent work carried out on Channel 4's offices and transmission centre at 60 and 76 Charlotte Street, London W1 which are leased for 25 years from 1981 and 1988 respectively.

9. Programme and film rights

7. Frogramme und mm rigins		
	31 December 1991 £ million	31 December 1990 £ million
Programmes and films completed		
but not transmitted	37.5	45.8
Programmes and films in the		
course of production	44.4	40.0
Purchased programme and film rights	30.9	26.8
	112.8	112.6

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

10. Debtors

10. 5651013	31 December 1991 £ million	31 December 1990 £ million
Prepayments and accrued other income	13.8	13.3
Value added tax	0.3	3.1
Other debtors	2.8	4.8
	16.9	21.2
		

All of the above amounts are receivable within one year.

11. Creditors

	31 December 1991 £ million	31 December 1990 £ million
Trade creditors	3.2	2.2
Accruals	17.1	23.5
Other creditors including taxation and social security:		
United Kingdom corporation tax	0.6	1.0
Social security	1/2	0.4
Other creditors	0.5	0.4
		
	21.4	27.5

All of the above amounts will fall due within one year.

12. Deferred tax

	31 December 1991 £ million	31 December 1990 £ million
At 1 January 1991		0.1
Transfer from income and expenditure account	-	(0.1)
At 31 December 1991		-

13. Share capital

The authorised and allotted share capital consists of 100 ordinary shares of $\mathfrak{L}1$ each, fully paid.

14. Deferred income

	31 December 1991 £ million	31 December 1990 £ million
At 1 January 1991	134.2	116.3
Net transfer for the year	3.4	17.9
At 31 December 1991	137.6	134.2

15. Income and expenditure account

	31 December 1991 £ million	31 December 1990 £ million
At 1 January 1991	9.1	8.0
Surplus for the year	0.2	1.1
At 31 December 1991	9.3	9.1

16. Company status

Channel 4 is a wholly owned subsidiary of the Independent Television Commission, which is a body incorporated under Act of Parliament.

17. Subsidiary companies

Channel 4 owns the whole of the issued share capital of the following companies - none of which has traded since incorporation and all of which were dormant during 1991. All are incorporated in England.

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

18. Programme and film commitments

At 31 December 1991, Channel 4 had committed and approved future expenditure for programmes and films amounting to £144 million (31 December 1990: £126 million), of which £123 million

(31 December 1990: £102 million) is estimated to fall due for payment in 1992 and £21 million

(31 December 1990 : £24 million) thereafter.

19. Other commitments

(a) CAPITAL EXPENDITURE:

	31 December 1991	31 December 1990
	£ million	£ million
Amounts contracted but not provided for		
in the accounts	0.4	0.1
Amounts authorised for expenditure in 1992		
but not contracted at 31 December 1991	30.3	31.0

(b) FORWARD FOREIGN EXCHANGE CONTRACTS:

At 31 December 1991, Channel 4 had entered into commitments to purchase foreign currencies amounting to £5.9 million (31 December 1990: £5.8 million), maturing between February and July 1992 which were entered into in order to fix the sterling cost of certain foreign programme and film purchase commitments.

(c) OPERATING LEASES:

Channel 4 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 1992 will be £2.9 million (31 December 1990: £2.8 million).

20. Pension costs

Channel 4 operates a contributory pension scheme providing benefits based on final pay. The assets of the scheme are held separately from those of the company, being invested through Legal & General Assurance (Pensions Management) Limited. Contributions to the scheme are charged to the income and expenditure account so as to spread the cost of pensions over employees' working lives with Channel 4. The contributions are determined by a qualified actuary on the basis of triennial valuations using the projected unit method. The most recent independent valuation was as at April 1991. The assumptions which have the most significant effect on the results of the valuation are those relating to the rate of return on investments and the rates of increase in salaries and pensions. It was assumed that the investment returns would be 9% per annum, that salary increases would average 7% per annum and that present and future pensions would increase at the rate of 5% per annum.

The pension charge for 1991 was £1.5 million (nine months to 31 December 1990: £0.9 million).

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

21. Contingent liabilities

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

22. Directors' interests in contracts

ANNE LAPPING

Anne Lapping is a director and shareholder of Brook Productions (1986) Limited, an independent production company which was commissioned during the year to produce 36 one-and-a-half-hour **A Week in Politics** programmes and a one-hour programme **In Context**. The production costs for these programmes are £1,064,221 of which £26,080 is due to Anne Lapping as executive producer and £88,715 is the production fee to the production company. £2,741 of the production fee was paid in 1991 with the balance being payable in 1992. Twice weekly transmissions of **A Week in Politics** began in October 1991. **In Context** was transmitted in September 1991. Brook Productions received £5,000 in 1991 for the development of a programme **The Golden Years**.

Brook Productions (1986) Limited was commissioned to produce a number of other programmes with executive producers other than Anne Lapping. That company received 25% of the production fees of £50,692 which were paid for those programmes in 1991, and to that extent Anne Lapping was interested in those contracts.

JOHN MCGRATH

John McGrath is a director and shareholder of Freeway Films Limited, an independent production company which was commissioned during the year to produce a four-minute programme End of a Campaign, which was transmitted in March 1991. The production cost for this programme was £5,000.

Channel 4 Report and Accou

Designed by Skidmore Turnkull Britandia

REPORT OF THE AUDITOR

To the members of Channel Four Television Company Limited

We have audited the financial statements on pages 26 to 39 in accordance with Auditing Standards.

In our opinion the financial statements give a true and fair view of the state of affairs of the company at 31 December 1991 and of its results and cashflows for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

Coopers & Lybrand Deloitte
CHARTERED ACCOUNTANTS AND REGISTERED AUDITOR
London

24 March 1992

