



CHANNEL FOUR TELEVISION COMPANY LIMITED
REPORT AND ACCOUNTS FOR THE YEAR ENDED 31 MARCH 1986

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CHANNEL 4 continues to win friends among audiences with a selective attitude to television viewing. We now have over three full years of transmission behind us. It is true that we cannot yet claim to have achieved, in other than exceptional weeks, the 10 per cent audience share which was taken as our target at the beginning. On the other hand the size of our audiences, the appreciation of the channel, and the advertising revenue invoiced on the channel, are on an ascending curve.

The size of our audiences is now frequently in the same bracket as that of BBC-2, and our share of the total audience is occasionally ahead. Our share of the Independent Television audience is comparable to the share of net advertising revenue which comes to us, in the form of the subscription, to sustain the channel.

It has always been our firm purpose not to sacrifice the distinctiveness of our schedule or our programme quality to a race for ratings. We rejoice in the fact that a programme schedule, generally recognised as meeting the very special remit laid down by Parliament and elaborated by the Independent Broadcasting Authority, has attracted large and growing audiences. We will proceed on the same path, with distinctiveness and programme quality our prime criteria for selection.

During the year an important change was made in the system for funding Channel 4 and the Welsh Fourth Channel. In October 1981, the Independent Broadcasting Authority had decided in consultation with us and with the ITV companies that for three years the total subscription, including that part that goes to the Welsh Fourth

Channel, should be levied within the bracket of 14-18 per cent of the net advertising revenue (NAR) in the previous year of the whole of Independent Television, apart from TV-am. This system worked out entirely satisfactorily for us as the IBA each year determined the subscription towards the top end of the 14-18 per cent bracket. Thus Channel 4's subscription increased from £101.5 million in 1983/84, our first full year on air, to £111 million in 1984/85 and to £129.1 million in 1985/86, increases of 9.3 and 16.3 per cent respectively. The subscription to Channel 4 and the Welsh Fourth Channel together represented 18, 16.7 and 17.6 per cent of the relevant NAR.

We were, however, aware that this favourable treatment could not be expected to continue, and that we had in future to expect a more stable level of subscription in real terms. We had, therefore, already made plans that contemplated a rather lower rate of increase in the level of subscription. As a result of discussions involving the Authority, the ITV companies, the Welsh Fourth Channel and ourselves, it has been decided that, for the remainder of the current ITV contract period, the total subscription should be levied at a rate of 17 per cent of NAR in the previous year, and that Channel 4 should receive not less than 80 per cent of that 17 per cent, i.e. not less than 13.6 per cent of the relevant NAR. Certain transitional arrangements were made to help the Welsh Fourth Channel but, owing to the renewed buoyancy of advertising revenue in the second half of the year, it has not been necessary to bring them into effect. As a result of these new arrangements the subscription coming to Channel 4 during the financial year 1986/87 will be £135.8 million, which represents 80.04 per cent of the 17 per cent of net advertising revenue agreed, or an increase of 5.2 per cent on the previous year. The first year of the new system has thus justified our prudence in basing our plans on a percentage increase somewhat lower than that we had obtained under the previous dispensation. Despite this, the new system has advantages for us as well as for the ITV companies. It relates the subscription firmly to net advertising revenue and makes its level much more forecastable. We can live with the small increase we are receiving this year and, if advertising revenue remains buoyant as now seems probable, we can look forward to satisfactory increases in the



remaining years of the present ITV contract period.

Channel 4 has always taken very seriously its commitment to the independent production sector. That sector continues to rely for its living very substantially on the resources available to Channel 4, and on Channel 4 editorial decisions. If our resources are, for any reason, constrained, as they will be in the current year, or if editorial decisions go against it, there is no major alternative source of commissions for which the independent sector can compete. Fears are frequently expressed that pressures from other suppliers will lead to a contraction in our commissioning in the independent sector. While understandable in current circumstances, these fears are not justified by experience. An analysis of Channel 4's transmissions from various categories of supplier during the three full years, 1983/84, 1984/85, and 1985/86, that we have been on the air is included on page 22 of this Report.

From that analysis it will be seen that sourcing from the independent sector taken as a whole has been remarkably stable: independent producers provided 47, 41 and 45 per cent of the channel's hours of transmitted commissioned programmes in each of the three years respectively. It is our view that the independent sector can best protect itself, in the future as in the past, by the quality of its offerings. It is on the basis of the quality of its offerings to Channel 4 that it has achieved such a marked and, compared with early anticipations, such an unexpected success. On the other hand the independent sector will have to accept that, in the resources it can deploy, Channel 4 has itself reached a point of relative stability. It cannot be expected that Channel 4 will again provide a major increment in the funds available for commissioning. If the independent sector is to become less reliant on Channel 4, and if it is to expand further, other outlets for its work will have to be found.

I wrote last year that the Government had recognised the channel's contribution to the British film industry, by inviting us to participate in the formation of British Screen Finance Limited. We did so, and that company took over the task of the National Film Finance Corporation at the end of December 1985 and is already investing in British film productions.

Channel 4's continuing contribution to the success of the British film industry has helped to achieve an important relaxation in

the arrangements governing the showing on television of films enjoying theatrical exhibition. A bar has operated under which no film enjoying theatrical exhibition could be shown on television for three years.

Although some flexibility has been permitted where a film is judged largely to have exhausted its commercial possibilities in the cinema, this situation was not satisfactory to Channel 4 whose contribution to film making is motivated primarily by the needs of the television audience. It has now been agreed that no such bar shall operate in respect of films costing £1.25 million or less, a figure that will be indexed to the RPI. This relaxation will cover the great majority of the films in whose production Channel 4 invests.

Justin Dukes, Managing Director and Deputy Chief Executive, and Ellis Griffiths, Chief Engineer, were, during the year, awarded Fellowships of the Royal Television Society. The Board welcomed this distinguished recognition of their contribution to launching and managing Channel 4. Detta O'Cathain had to relinquish her membership of the Channel 4 Board shortly after her appointment owing to the pressure of other responsibilities. We wish her well. The Authority has appointed to replace her Jennifer d'Abo who with her varied and successful business experience will add much to our deliberations. The appointments to the Board of Sir Richard Attenborough and of Anthony Pragnell expire on 30th June 1986. In both cases the appointment is being renewed. Sir Richard Attenborough will continue to serve as Deputy Chairman until the end of 1986. I am glad to say that, despite his other and heavy commitments, he has agreed to continue thereafter for two years as an ordinary member of the Board. Lord Blake's appointment expires on 30th June 1986, but I am glad to say he has accepted an extension to the end of the year, when he reaches his 70th Birthday. The Board will also benefit from the fact that Anthony Pragnell has agreed to serve for a further two years.

Once more I pay tribute to the 260 members of the staff of the channel. The policy of restricting staff numbers continues. This has only been possible because of the exceptional quality and devotion of those we employ.

EDMUND DELL
Chairman
24th June 1986

MOST television measures its audience in millions. At Channel 4 we prefer to think of our viewers as individuals.

By telephone, in writing, in our videobox, individual viewers take the trouble to let us know what they have thought about particular programmes. Nothing is so satisfying as the knowledge that something we have shown has given someone pleasure.

It is right that we should seek to please individuals, since Channel 4 was brought into being to add to viewers' choice. Parliament asked us to cater for interests that others neglected, and to provide a 'distinctive service'. We are happy to do just that.

The notion that we should do so entails recognising a simple truth, that individual viewers like and dislike different things, have different preferences, are free to make and do make different viewing choices.

It is a fundamental assumption of our liberal democracy that each of us, provided we cause no harm to others, should be free to make such choices. That is why Channel 4 was asked to provide not more of the same, but, if we could, something different. We set out, therefore, to satisfy individual viewers with particular programmes at particular times. If we can do so, we are

content, even if at any one time what we provide is disliked or ignored by others.

Mass television sets out to satisfy mass audiences, and is content to ignore, or must ignore, the few. Channel 4 at least some of the time, seeks to satisfy a discriminating few, an endless succession, that is, of changing groups of selective viewers who enjoy something of what they see on our screen, but do not expect to enjoy all of it.

Of course, if we pleased too few, we should fail, and deservedly. Television is expensive, needs to use its revenues wisely, and must be seen to do so. But there is no difficulty for Channel 4, secure in the structure that protects our purpose and guarantees our revenue, in bidding fair to pay our way. The 'individuals' who watch our programmes are numbered in millions and in hundreds of thousands. The audiences we serve are substantial. We are there to serve them; they depend on us to do so. In a democracy, their tastes, even if not preponderant, are not to be ignored. Minorities have rights also. So, above all, has the individual.

No-one is expected to enjoy everything that is seen on Channel 4. It would be surprising if anyone did so. It is possible to enjoy *Channel Four News* and not the Friday late night film, the *Business Programme* and not *Brookside*, the *Eleventh*



Hour and not *Gardener's Calender*, *American Football* and not *Treasure Hunt*, *Sinfonietta* and not *The Tube*. Channel 4, deliberately, caters to a variety of tastes, drawing on a variety of inputs to catch individual preferences. It is of the essence of broadcasting practice in a liberal democracy that we should do so, allowing as many voices as possible to be heard, offering options to discriminating viewers.

*'Tis with our judgements as our watches, none
Go just alike, yet each believes his own.*

Alexander Pope

It is a necessary consequence of this that each of us may, at any time, dislike what Channel 4, or any other television channel, offers, yet must tolerate it because it pleases others. This truth is tested from time to time when something is broadcast which is thought by some to offend against good taste or public feeling, as in the row in the past year over our transmission of Derek Jarman's films *Jubilee* and *Sebastiane*. But public feeling is not, in matters of taste, indivisible. A million viewers saw each film. Only a handful protested, and as many indignantly insisted that the channel was right to show them, that their tastes counted also. Some said they hated what we did but defended our right to do it.

Democracy entails recognising that

individual choice matters. Public service broadcasting in a democracy exists to satisfy as many differing individual tastes as it practicably can.

Television does well to heed public concern over serious issues such as the likely dehumanising effects of repeated violent incident in mass produced entertainment. (Channel 4, with the possible exception of *Hill Street Blues*, shows no such programme.)

But in matters of taste there are no absolutes, only judgements. Television, seeking to satisfy differing preferences, must make responsible judgements. What it must not do, in a free society, is allow only one set of preferences to determine what viewers may freely choose to view.

All television, it has been said, tends towards the norm. Channel 4, at least, will continue, as Parliament intended, to offer an alternative.

JEREMY ISAACS
Chief Executive

24 June 1986

The Business Programme

Channel Four News



The Eleventh Hour: Video



Sinfonietta



Treasure Hunt



CATERING for "tastes and interests not generally catered for by ITV": that is one of the key requirements which the 1981 Broadcasting Act placed upon Channel 4 – or specifically upon "a suitable proportion" of its programming. And indeed, across its output, the channel does strive to serve specialised tastes and interests which in many cases are unserved by British TV as a whole, not just by ITV.

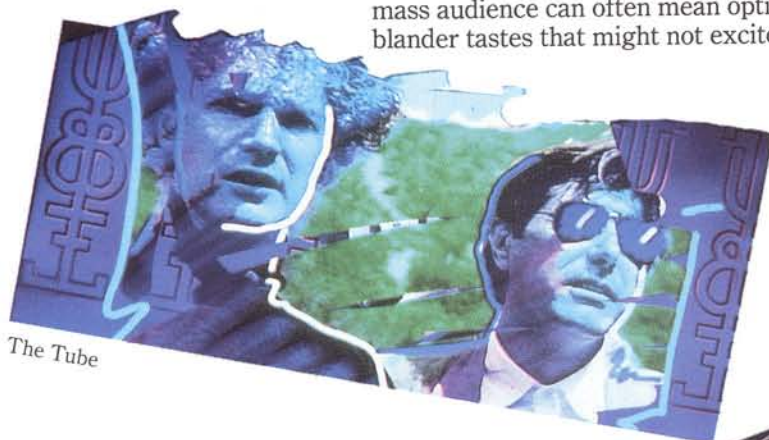
In addressing a particular target audience – social or interest group – the channel never seeks to exclude other viewers. Its multicultural programming, significantly, does not include programming in ethnic languages – any speech that is unavoidably in Urdu or other languages is subtitled, so that the programme is accessible to a wider audience. However, any programme must start from a strong commitment to serve its particular target audience first: programmes do attempt to speak to a wider audience, but not at the expense of those in the audience who have a particular interest in a subject.

Similarly, the tastes which the channel serves are often strong ones. Appealing to a mass audience can often mean opting for blander tastes that might not excite every

viewer's palate but will not appal either. The result is family viewing that does not arouse any intense feelings of like or dislike. Channel 4 characteristically presents programmes with a stronger flavour that will attract and satisfy some viewers very much, while repelling others. It helps if these programmes are scheduled when individuals within a household can watch on their own – outside conventional peak hours – so that they do not have to compete with parents, spouses or friends who have other tastes, or simply dislike what's on offer.

Television can do more than merely serve existing tastes and interests of course. It can actually create interests where they scarcely existed before. Had Channel 4's commitment to *American Football* merely served existing fans of the sport – and American emigres – it would indeed have fulfilled the Channel's brief, but would scarcely have guaranteed one of the channel's greatest successes, with weekly audiences peaking at over four million and some 12 million tuning into some of the live *Superbowl* coverage by satellite. Channel 4 has created a cult following for the sport which has not only delivered audiences comparable with many for British football, but has also fostered the growth of home-grown leagues to play the game.

6



The Tube

Blue Suede Shoes



Soul Train



Max Headroom



SPHERES OF MUSIC

Nothing better illustrates the diversity of tastes on Channel 4 than its range of music programmes, not just embracing pop, folk, classical and modern music, but also committing considerable airtime to very specialised kinds of music, from Motorhead to Monteverdi. In 1985/86, besides its well-established rock programme *The Tube*, the channel presented the first British TV series devoted to soul music, *6.20 Soul Train* and probably the first series anywhere devoted to that most anarchic and (to non-devotees) threatening of pop cults, heavy metal, *E.C.T.*, which supposedly stood for *Extra Celestial Transmission* and appeared to be transmitted from an inter-planetary disco, with a studio audience chosen for their outlandish costumes.

Less rarefied popular tastes were served in *The Max Headroom Show*, and in an outstanding New Year's Day reunion of Carl Perkins and friends in *Blue Suede Shoes*. And *Individual Voices* provided the channel's most ambitious coverage of live jazz, in a series of commissioned films from the Camden Jazz Festival with Archie Shepp, John Surman, Dollar Brand and the late Alexis Korner.

Folk and folk-inspired music was covered, from South American pipes in *Incantation – Music of the Andes* to the Scottish fiddle. While *The Scottish Fiddle Orchestra in Concert* attracted Scottish aficionados with its showbiz transmutation of traditional music, *Down Home* traced the path of that Scottish tradition across the Atlantic to the Appalachians and back in the company of one of the music's greatest living exponents, Aly Bain, who interviewed and played with many other fine natural musicians.

But the most extensive survey of folk music was provided in *Beats of the Heart*, a series of films about the relationship between music and society from Thailand to Texas; apart from a new film in Shanghai, the series brought together all the films Jeremy Marre had made over a decade, whether for BBCtv, LWT's *South Bank Show* or latterly for Channel 4.

Opera ranged from *Così fan tutte* at Drottningholm, through two *Toscas* (from Verona and the Met), Franco Zeffirelli's versions of *Cavalleria Rusticana* and *I Pagliacci* and a remarkable film of Strauss's *Elektra*, to The Opera Factory's production of Tippet's *Knot Garden*. Composers featured in special documentaries ranged



Così fan tutte



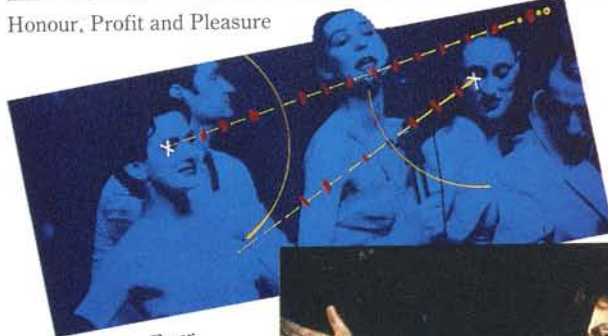
Beats of the Heart

Knot Garden





Honour, Profit and Pleasure



Dance on Four

Fonteyn and Nureyev:
The Perfect Partnership

Swank



Nature in Focus

from Philip Glass and Alan Bush to Handel, whose tercentenary was marked by two contrasting drama documentaries: Tony Palmer's *God Rot Tunbridge Wells!* (written by John Osborne) and the late Anna Ambrose's *Honour, Profit and Pleasure*, with Handel impersonated by Trevor Howard and Simon Callow respectively. And Channel 4's dance coverage continued to reflect a similar range between the classical and modern, with *Fonteyn and Nureyev: The Perfect Partnership*, a major and profusely-illustrated Christmas Day profile, and Pina Bausch's version of *Bluebeard's Castle*, as one of the highlights of the *Dance on 4* season.

YOUNG AT HEART

One way of identifying tastes and interests is by age. Young people have traditionally been very light viewers of television: whether this is because there is very little specifically to attract them, or whether there is little to attract them because they tend to get out of the house and be less available to view, the result is the same: a self-perpetuating circle. Channel 4 has made special efforts to break the circle and address this young audience with a particular commissioning editor dedicated to their needs and an attempt to schedule programmes outside peak times – when competition for the family set is less, and particularly later in the evening, when young people are likelier to be around and older people less likely to object. *The Tube* has been the flagship of youth programmes, though this year *E.C.T.* and *6.20 Soul Train* have addressed more specialised musical tastes.

But programmes for young people go far beyond music and have included *Swank*, examining young fashion with the pace and style of the best videos, *Ever Thought of Sport?* about sporting activities young people might get involved in, *BMX Championship* about an activity they certainly do get involved in, and *I Could Do That* in which some young people sought advice about establishing their own businesses from some successful young entrepreneurs. For the majority of young people who cannot so readily or profitably get on their bikes, *How Did We Get to Here?* and its successor *Where Do We Go From Here?* examined the problems of youth unemployment, and the possible solutions, with contributions from key ministers and opposition politicians but in a format designed to offer positive help to young people and their parents.

Ever Thought of Sport?



Chips Comic



The channel's provision for young people goes still further than these educational programmes and the youth programmes commissioned by John Cummins. Much of the channel's entertainment output – such as *Saturday Live*, *Who Dares Wins*, and *The Comic Strip* – has a particular appeal for young people and consequently can prove extremely successful when scheduled later at night. Similarly many late movies also prove particularly attractive to young people.

Channel 4 has not yet devoted substantial resources in cash or airtime to children's programmes, precisely because they are one group which has *not* been ignored by British TV, and the channel has put its priorities elsewhere. However, it generally has at least one series in the schedule at any time, which is often designed to fill a gap perceived elsewhere, as with *Chips' Comic*, *Pobs' Programme*, or *Nature in Focus*, a



How Did We Get to here?

Years Ahead



highly original amalgam of drama and clever microphotography to show children how they can explore the flora and fauna in their own back-yards.

THE OLDER GENERATION

While the channel clearly seeks – and has won – a young profile, by comparison with other channels, it does not neglect the other end of the age range. Older people tend to watch the most television – certainly on other channels – but no other channel targets programmes precisely at them. Channel 4's *Years Ahead*, however, has proved as robust a survivor as many of its viewers, as the only regular British TV programme for the over-60s, mixing features, advice, and entertainment for pensioners under the aegis of its presenter, retired newsreader Robert Dougall. During this year the programme celebrated its own

Ten Million



century by interviewing some game centenarians. And, while the programme took a breather, *Ten Million* brought the journalistic acerbity of consumer programmes to bear on the services available to those ten million who are over 60. In addition, many other programmes attract older viewers, including the archive movies from the '30s and '40s, which please not only movie buffs but also those viewers nostalgic for their pasts, particularly with seasons like *Yesterday's Britain* and *Allies at War*, mixing feature films and documentaries.

MEN AND WOMEN

In its early days, Channel 4 was ridiculed by some prejudiced critics for constant pandering to feminism. Evidence to support this view was scant, but the channel marked 1985 as International Women's Year with a long and ambitious season under the umbrella *The Time of our Lives*, which included feature films by and about women, and an internationally-produced series about women in countries around the world, *Female Focus*. But how far should Channel 4 be attempting to make programmes specifically for women? This question provoked one of the greatest controversies of the channel's year with *Watch the Woman*, Carol Sarler's formula for a 45-minute weekly TV equivalent of a young working-woman's glossy, topical magazine. Other channels have had women's programmes of various kinds over the year, but scheduled them in the afternoons for housewives: *Watch the Woman* was purposely screened in the evening when working women would be at home and when it could be watched by their men too. The programme aroused conflicting responses and has not finally laid the question to rest.

Nor has it redressed the channel's slight bias towards men in its audience profile, compared with other channels (despite all that alleged feminism). It is a distinction shared by no other channel, for elsewhere the audience is weighted towards women and older people, just as Channel 4's is slightly weighted towards young people and men. Scheduling strongly late at night – when men figure more prominently in the available TV audience – may help to explain that balance. And in any case the phenomenon would suggest the channel is succeeding in appealing to a different mix of tastes.



Watch the Woman

Heritage:
Civilisation
and the Jews

Tandoori Nights

ALL OUR COMMUNITIES

Another of the channel's fundamental commitments has always been to reflect our developing multicultural society and allow those communities to express their own concerns and cultures through particular programmes. This means in particular programmes on Black and Asian subjects including a series of *Bandung File* documentaries (with the production team limbering up for a weekly magazine format in April 1986); *Club Mix*, a Black entertainment magazine set in a night-club; *Mosaic*, a series on Black and Asian arts; and a comedy series that attracted a wide audience to its Indian restaurant setting, *Tandoori Nights*. But the channel acknowledges other groups as well: Jewish viewers had a particular, but by no means exclusive, interest in the American-based series *Heritage: Civilisation and the Jews*

with Abba Eban. And Chinese Broadcasting, a group within Britain's Chinese community whom the Channel linked up with an experienced independent company (RPM), delivered two more fascinating films about the Chinese in our midst: *Oriental Expressions* about Chinese artists in Britain, and *Vote for Wong* about the community's involvement in British politics. The channel has also maintained a commitment to covering Irish affairs, for Irish emigres and other viewers, through the weekly *Irish Angle*; *A Sense of Place*, a remarkable series about three Ulster poets and their roots; and *The Other Emerald Isle* about the little-known links between the Irish and the Caribbean island of Montserrat.

Through *People to People*, Channel 4 has always encouraged communities to communicate their own concerns for the benefit both of their own esteem and their



A Sense of Place

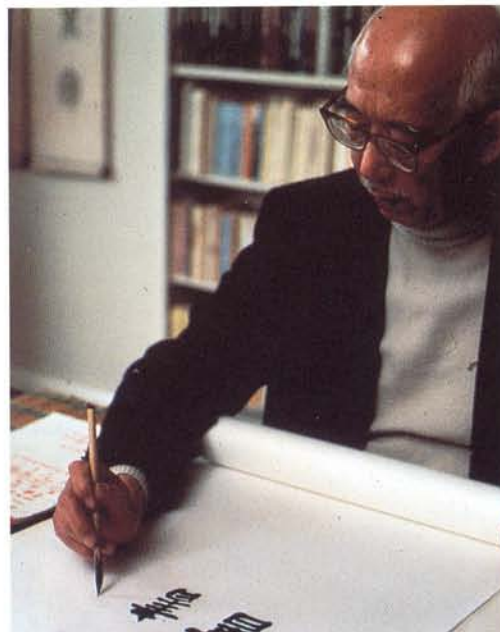


Bandung File

Vote for Wong



The Other Emerald Isle





Assembled in Britain



12 Huts



The Business Programme

Farming on 4



audience's understanding. Examples this year included *Huts*, about the valiant efforts of residents on the Edinburgh estate of Wester Hailes to compensate for the total lack of community meeting-places; and *To Be a Yellowbelly*, a series about those living on the land in Lincolnshire.

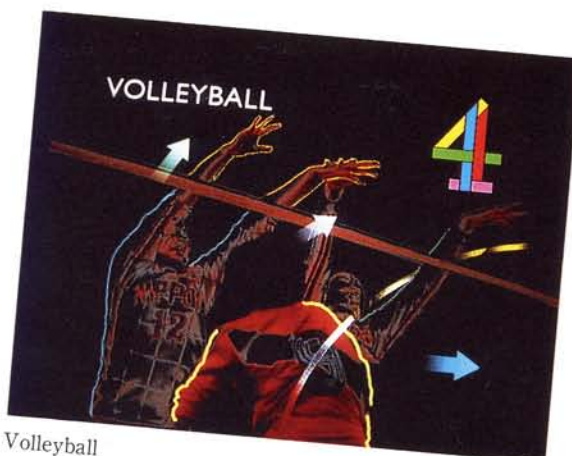
WORLD OF WORK

Farmers are one occupational group whose needs the channel has sought to address through the first networked farming programme on an independent channel, *Farming on 4*, which drew on the expertise of two of the many regional units (Anglia and Tyne Tees) who provide ITV programmes for local farmers. While farmers have already received some attention on TV, the channel has pioneered programmes addressed particularly to business people or union members. *The*

Business Programme has swiftly consolidated its authoritative position as a programme which businessmen both watch and – if they become the centre of topical controversy – will readily appear in: a programme that does not repel non-businessmen, but speaks directly and knowledgeably like the city pages of a newspaper. Other programmes reflecting the world of business included *Multinationals*, *Assembled in Britain*, a polemic about the state of British industry timed to launch Industry Year, and *Roy and Bob*, a documentary about the fraught attempts of two men to manufacture and market a particular product. Those on the shop-floor meanwhile have *Union World* to reflect everyday issues in trades unionism, while *From the Inside – The Unions* (made in association with the TUC) examined grassroots activity to establish how unions operate and why.



Athletics



Volleyball

Lakeland Rock



Tour de France



SPECIAL NEEDS

As always, Channel 4 continues to reflect the interests of those with special needs, and Interface Productions, a company largely formed by physically disabled people delivered *No Faith in Us*, exploring the church's approach to disability, and *Gold*, a report on the European Special Olympics 1985. For the deaf, more of the channel's programmes are now subtitled on Oracle (though the choice is limited by resources and the need to share the subtitle transmission facility with ITV), and *A Language for Ben* looked at the education of one deaf boy.

SPORT

Since fans of football and cricket are – contracts willing – amply served elsewhere on TV, Channel 4 has always dedicated its

sports time to promoting other lesser known sports: *Basketball*, *Badminton*, *Curling*, *International Volleyball* and *Australian Rules Football* were among the sports featured the past year, besides *American Football* and *Golf*. Channel 4 gave particular prominence to *Athletics*, as it shared with ITV the first year of a new exclusive contract to cover British athletics.

Channel 4 has given special attention to cycling with the annual *City Centre Cycling* championships: in 1985 cycling fans also welcomed daily reports on Channel 4 from the *Tour de France*, an enterprising use of the channel's flexibility that is now set to become an annual fixture.

And on the borderland between sport and pastimes, *Lakeland Rock* provided remarkable observation – aided by technical feats of filming – of great climbers recreating past conquests that opened up many Lakeland crags.

HOBBIES

Apart from sport, gardening must be one of the most popular leisure interests and it has certainly proved the most popular of the many leisure interests covered on Channel 4. Gardening is no stranger to TV, though it is not covered nationally by ITV. *Gardeners' Calendar* and its alternative spin-offs in the Friday-night slot, *Gardeners' Calendar Roadshow* and *The Great Plant Collections* have proved one of the channel's most consistently popular factual strands.

Wheeltracks served motorists with a magazine programme; *Take Six Cooks* (or rather a dozen cooks in two series of that name) found an entertaining way to inspire everyday cooks through the examples of some outstanding chefs. For individuals skilled with their hands, *Model Magic* featured some of the finest model-makers in the country, *All Stitched Up* used a studio version of the roadshow format to tackle knitting on TV for the first time in recent memory; *As Good as New* advised on how to select second-hand furniture and renovate it, or how to improve decrepit heirlooms; and *Make It Pay* actually suggested that this skill with one's hands could be used to make money. And apart from these

individual talents, *Print It Yourself* explored the printing skills that can underpin many community activities. *Every Window Tells a Story* (on stained glass) and *Looking at Paintings* provided information to encourage viewers' own explorations.

CONCERNS

Channel 4 provides many other programmes that can lead to action that is practical, if not quite so physical as those programmes on hobbies. *Pets in Particular* gave specific advice on the animals we look after. *Citizen 2000* is a very long-term project, following a number of British children of varied geographical and ethnic backgrounds through from their birth in 1982 to coming of age in the year 2000; the resulting documentaries each Christmas-time do not offer the same practical advice as *Pets in Particular*, but they do raise interesting questions about the way we bring up our children, while proving fascinating studies of individual children and their families, including this past Christmas, two contrasting studies of Irish-born three-year-old girls, a catholic now living in London and a protestant in Belfast.

Looking Into Paintings



Model Magic



Gardeners' Calendar



Take Six Cooks



As Good as New

The Single Life was the first-ever series to address the experience of living on one's own – a social form that is still ignored in many debates on social policy, let alone as a subject for TV. *Adultery* examined the experience of an increasing number of people through a quartet of programmes alternating documentary and drama. *How to Survive the 9 to 5* looked at the medical problems of stress involved in our everyday work in the office or on the shop floor. All these programmes featured in the Friday-night slot that is perhaps still best known for the *Well Being* programmes about health. *How Much is Too Much?* and *From the Horse's Mouth* both tackled the problems of addiction and possible solutions. And *Who Cares?* used an international perspective to examine some controversies in public health policy.

Railway buffs and other transport fans were certainly fascinated by *Losing Track*, but the series was not merely concerned with technological nostalgia, but also with a polemical history of our transport policy over the past century or so. And the remarkable *Worldwise* season did more than unite a range of outstanding individual documentaries about animals, our ecology and the future of our planet. The season's

final evening-long marathon programme *The Longest Running Show on Earth*, reported on many practical ways in which people can affect the future of their immediate environment and acted as a spur to further involvement.

The Planets responded to widespread fascination with the stars by providing a coherent introduction to the planetary system we observe, supported by the outstanding TV presence of astronomer Heather Couper, the president of the British Astronomical Association. And the International Broadcasting Trust's latest series, *The People Trade*, informed viewers' understanding about certain Third World issues.

DOCUMENTARIES & OPINIONS

Documentary series satisfied many other interests too – whether retracing the steps of Hannibal in a mixture of history and geography with Bernard Levin (*Hannibal's Footsteps*), revealing the continuity of British rural history (*This Land of England*), looking at the context of archive newsreel (*The March of Time*) or observing some small cultures and linguistic groups that still survive and thrive in the lee of much larger

Citizen 2000



The Planets

This Land of England



Worldwise:
The Longest
Running Show
on Earth

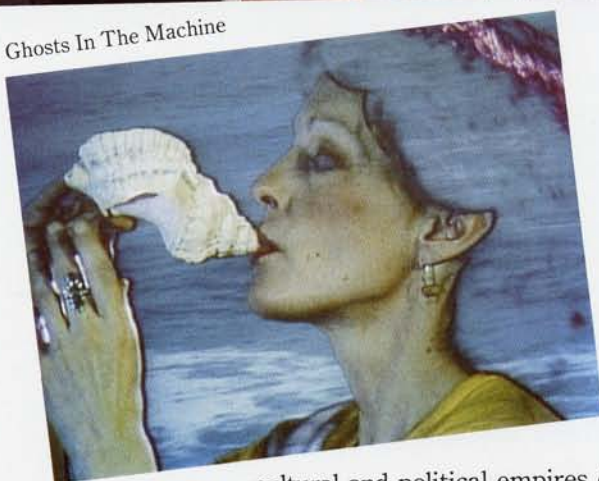
A Week in Politics



A Love Affair with Nature



Ghosts In The Machine



Voices



16

cultural and political empires (*Small World*).

Those interested in politics have always been able to turn to Channel 4 for *A Week in Politics*, *Channel 4 News* and the extensive conference coverage. This year they could also reflect on British political history of the 1970s in an outstandingly authoritative series *The Writing on the Wall*.

The 40th anniversary of Hiroshima was marked by a season of nine special documentaries and other programmes, including a new documentary about nuclear waste in a US town, *Acceptable Risk*, and a chilling Japanese *Prix Italia*-winning programme *The Nuclear Holocaust - A Scientific Forecast* which used special effects and the research of over 100 scientists worldwide to suggest the devastating consequences of nuclear war. But besides these programmes and a series of polemical documentaries in *The Eleventh Hour*, Channel 4 also mounted a 90-minute special, *Waste Not? Want Not?* which allowed various parts of the nuclear industry to present their own case about the problems of nuclear waste and be cross-examined by Peter Sissons.

In tackling ideas, *Opinions* continued to pay interested viewers the privilege of half-

an-hour uninterrupted and unmediated screen time for a speaker to develop a thesis, while *My Britain* put the techniques of documentary filming at a speaker's disposal to illustrate a particular thesis about our society today.

CULTURAL IDEAS & PERFORMANCE

Channel 4's arts coverage has been marked not only by its commitment to new works in the arts; but also to a wide discussion of ideas about the arts and the state of our culture today, embodied in *Voices*, which is now well-established as a forum for discussion, whether directly between contemporary writers - Salman Rushdie and Günter Grass, or Kurt Vonnegut and Heinrich Böll - or in the latest series, between academics and thinkers under the moderation of Michael Ignatieff.

About Time tackled ideas in a different way through an invigorating film series using a quirky and imaginative montage structure to combine and intercut ideas on the subject from academics, thinkers, astrologers and workers in a way that provided a new outlook on old problems.

And besides ideas, Channel 4 surveyed a diversity of arts and crafts, from *English*

Silk and *Pottery Ladies* to the way the best international artists are exploiting video, in an anthology series *Ghosts in the Machine*. *A Love Affair With Nature* traced a theme in the history of English painting, and *Another America* brought together documentaries about contemporary American artists, from Ezra Pound (*American Odyssey*) and the New York action painters (*Painters Painting*) to New York graffiti experts (*Style Wars*) and Los Angeles' Hispanic mural painters (Agnes Varda's *Mur Murs*). But perhaps the year's highlight – both in the channel's arts and its religious output – was the TV version of the National Theatre's remarkable production of *The Mysteries* cycle.

DRAMA

In satisfying viewers' desire for fiction, the channel has ranged from popular, entertaining series such as *Quo Vadis* to some strong and quirky visions of the world, in the 1920s social comedy of *Mapp and Lucia*, the dark ironic fantasy of Mervyn Peake's *Mr Pye*, a special *Film on Four* called *Christmas Present*, and the gripping Italian thriller (co-produced by C4) *Octopus – Power of the Mafia*.

Amidst Channel 4's purchased series, it is no accident that the channel should have had such success with the long-running series from America's MTM Productions, *Hill Street Blues* (now receiving its first coherent nationwide screening on the channel after transfer from regional outings on ITV), *Lou Grant* and (resting until its return in April 1986) *St Elsewhere*. For in their social commitment and narrative complexity these shows never won a mass audience in the US, but survived there because they attracted a particular demographic audience, young urban and upmarket, like few other networked programmes. And translated to an English context, that makes them a natural for Channel 4 as well.

Channel 4's boldest – and most consistently successful – bid to meet popular desire for involvement with a continuing group of characters is *Brookside*. The series offers many of the same satisfactions as other soaps, though with a closer relationship than some of them to contemporary reality. And its loyal audience shows a marked difference in profile to that of longer-established ITV soaps: its fans tend to be younger, and women do not dominate the audience quite so much.



Brookside



Hillstreet Blues

Mr Pye



Mapp and Lucia

The Comic Strip Presents



Chance in a Million



18

Who Dares Wins



COMEDY

Channel 4 is most successful with comedy when it again addresses a particular taste, either for the sophistication of *Cheers* or *Chance in a Million* or the anarchy of *The Comic Strip Presents* and other sketch shows involving so-called alternative comedians, *Coming Next...*, *Who Dares Wins...* and *Saturday Live*.

MOVIES & TASTE

These comedies raise the question of taste in its more controversial sense, in which taste is assumed to be an entity whose clear definitions and boundaries are not in dispute and should not be transgressed at any cost.

Nowhere did this debate arise more than about a handful of the hundreds of movies from around the world which Channel 4 schedules each year. Channel 4 retains an



Cheers

unchallenged catholicity in the purchasing and scheduling of its movies from the best of Hollywood, through reclaimed silent classics such as *The Thief of Bagdad* and late-night horror seasons, to films from around the world, including this year a season of quite difficult and polemical later works by Jean-Luc Godard and a screening over four weeks of Fassbinder's monumental 15-hour epic *Berlin Alexanderplatz*.

But Channel 4 also pioneered a season called *Robinson's Choice* in which *The Times'* highly-respected film critic David Robinson was invited to choose freely his 20 favourite films from the hundreds that Channel 4 had purchased from around the world (and from outside the Hollywood system).

The controversy surrounded just two of the three films by the highly individual British director Derek Jarman: *Jubilee*, for

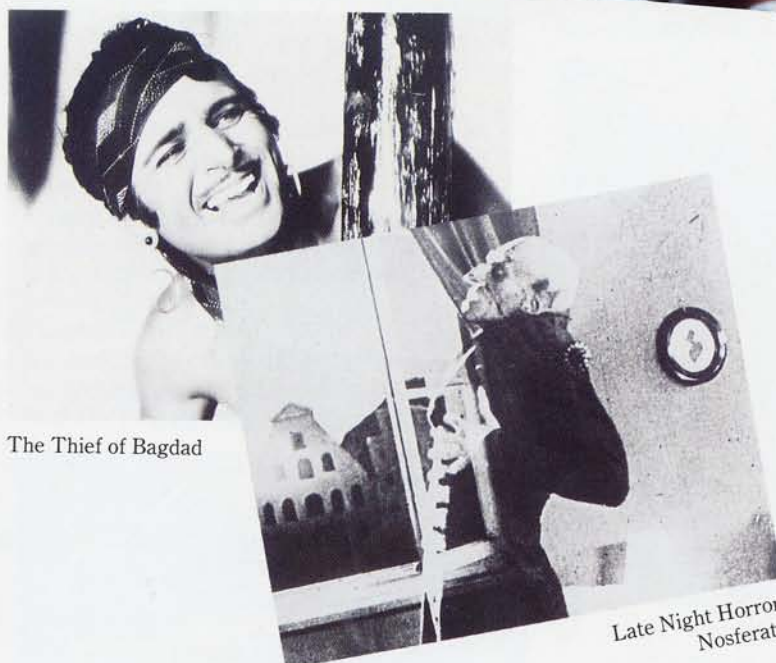
Saturday Live



Robinson's Choice: YOL



Jean Luc Godard: Slow Motion



The Thief of Bagdad

Late Night Horror:
Nosferatu

the violence of its parable about the decline of punk Britain in the second Elizabethan age, and *Sebastiane* for its sexual explicitness. The decision to transmit was not taken lightly, and only after extensive discussions within Channel 4 and with senior officials of the IBA.

Channel 4 has a prejudice against violence, avoiding most of the kinds of programming (with the honourable exception of *Hill Street Blues*) which attract such criticism elsewhere. However, there are – and will continue to be – occasions when Channel 4 is committed to allowing an individual opportunity for viewers to see particular works of individual artistic vision, even though they may prove unattractive to many other viewers. The particular films were scheduled very late at night, with the minimum of publicity but with clear signposting (though that signposting may increase in future).

What was significant in the response to these two films was not just the low level of calls and letters of complaint. The channel would have taken them seriously whatever their scale – a larger response than to many programmes, but smaller than follows any invidious decision about an overrunning sports event, whether we choose to chop off coverage to preserve the schedule or stay with the sport and disrupt other viewers' expectations. What was more significant in the case of these two films was the equal level of correspondence from grateful viewers supporting the channel's decision to transmit them.

Tastes differ, but there will continue to be occasions when the channel will – within the Broadcasting Act and with careful scheduling and signposting and the IBA's support – continue to show programmes that will move and gratify some tastes, at the risk of affronting others.

AWARDS FOR CHANNEL 4 PROGRAMMES

FOR THE YEAR ENDED 31st MARCH 1986

Ancient Lives

Central Television;
Gold Hugo Award: Chicago Intl. Film Festival 1985

Caravaggio

Derek Jarman;
Silver Bear Award (Visual Conception):
Berlin Film Festival 1986

Chance in a Million

Thames Television;
Most Promising Writer Award: Pye Television Awards 1985
Writer Creating Best Male Comedy Role: Pye Television Awards 1986
Writer Creating Best Female Comedy Role: Pye Television Awards 1986

Channel 4 News

The Manchester Air Crash Enquiry
ITN;
News Award – Topical Feature: Royal Television Society Awards for Journalism 1986

Cheers

Paramount Television;
Best Imported Programme Award:
Broadcasting Press Guild 1986

Christmas Present

Telekation;
Best Original Screenplay: Monte Carlo 1986
Silver Nymph Award: Monte Carlo Intl. Film Festival 1986



Christmas Present

Cloudwalker

Goldcrest Film & Television, John Gau Productions
1st Prize: Banff Mountaineering Film Festival 1985

English Silk

David Shaw-Smith Productions;
Silver Harp Award: Golden Harp Festival 1985

4 What it's Worth

Thames Television;
Bronze Award: Food & Nutrition Section
Silver Award: Health Subjects Section: Intl. Consumer Film Festival 1986

The Ganges Gharial

Bedi Films;
Silver Award: New York Intl. Film & TV Festival 1985

Home Video

Limehouse Productions;
Jean D'Arcy Award: Jean D'Arcy Intl. Paris 1985

Jean Sibelius

Allegro Films;
Special Jury Award: Banff 1985

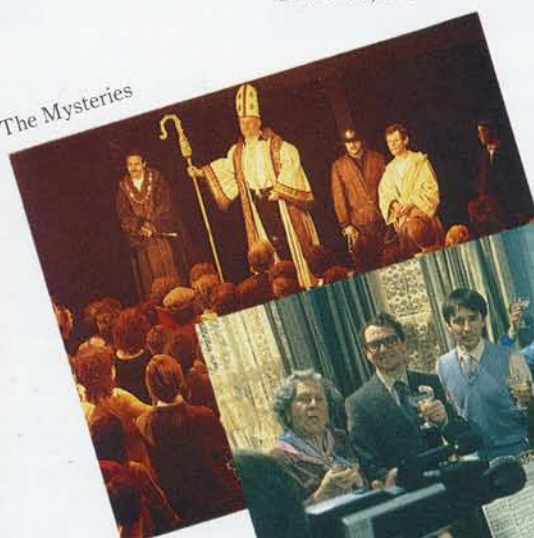
Karl Marx – The Spectre of Marxism

Thames Television;
Red Ribbon: 27th Annual American Film Festival, New York 1985



Relative Strangers

The Mysteries



Home Video

Lakeland Rock

Border Television;
The Golden Shot: Portoroz Sports Film
Festival 1985
Bronze Medal: New York Intl. Film & TV
Festival 1985

The Language of the New Music

Allegro Films;
Silver Award: New York Intl. Film & TV
Festival 1985

Letter to Brezhnev

Yeardream Ltd;
Most Promising Newcomer: Margie Clarke
& Alexandra Pigg
London Standard Film Awards 1986

Maids & Madams

Associated Film Productions;
1st Prize (Golden Squirrel) Documentary
Section: Festicon Holland 1985
Current Affairs, International award: Royal
Television Society Awards for Journalism
1986

Max Headroom

Chrysalis Visual Programming;
Graphics Award: BAFTA Craft Awards
1986

My Beautiful Laundrette

Working Title Ltd;
Best Film of 1985: London Standard
Film Awards 1986

The Mysteries

Limehouse Productions;
Best Director: London Standard Award
1986
Sound Supervisor (Nativity): BAFTA Craft
Awards 1986
Video Cameraman (Nativity): BAFTA Craft
Awards 1986

Orpheus and Eurydice

Persistent Vision Animation;
Winner: Music & Arts Category
Scottish Broadcasting Awards 1986

QAF

Delhavi Films;
Gentian Award (Best Mountain Film):
Trento Festival
Gold and Special Jury Prize – Best
Documentary: Houston Intl. Festival
Diable D'Or – Best Mountain Film:
Festival Intl. du Filmes Alpine et du
l'Environnement, Switzerland

Relative Strangers

Humphrey Barclay Productions;
Gold Award: New York Intl. Film & TV
Festival 1985

Skywhales

Animation City;
Prix UFOLEIS/Ligue de l'Enseignement:
Annecy 1985

The Tube

Tyne-Tees TV;
Gold Award (Tina Turner Interview): New
York Intl. Film & TV Festival 1985
Silver Award: New York Intl. Film & TV
Festival 1985

Vagabonde

Agnes Varda;
Golden Lion: Venice Film Festival 1985

The Victor

Animation City;
Mari Kuttner Award (Best British
Animation): London Film Festival 1985

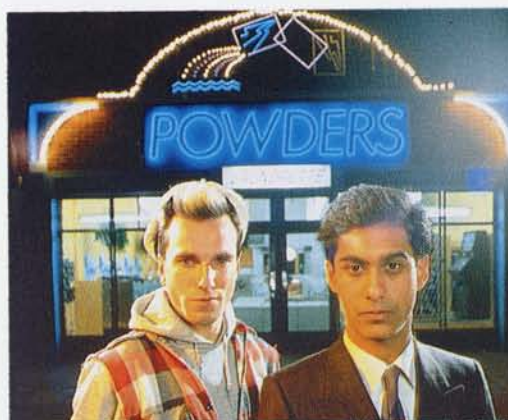
Young Visitors

James Hill Productions;
1st Prize Live Action Full Length TV
Feature: Chicago Children's Festival 1985

Maids and Madams



My Beautiful Laundrette

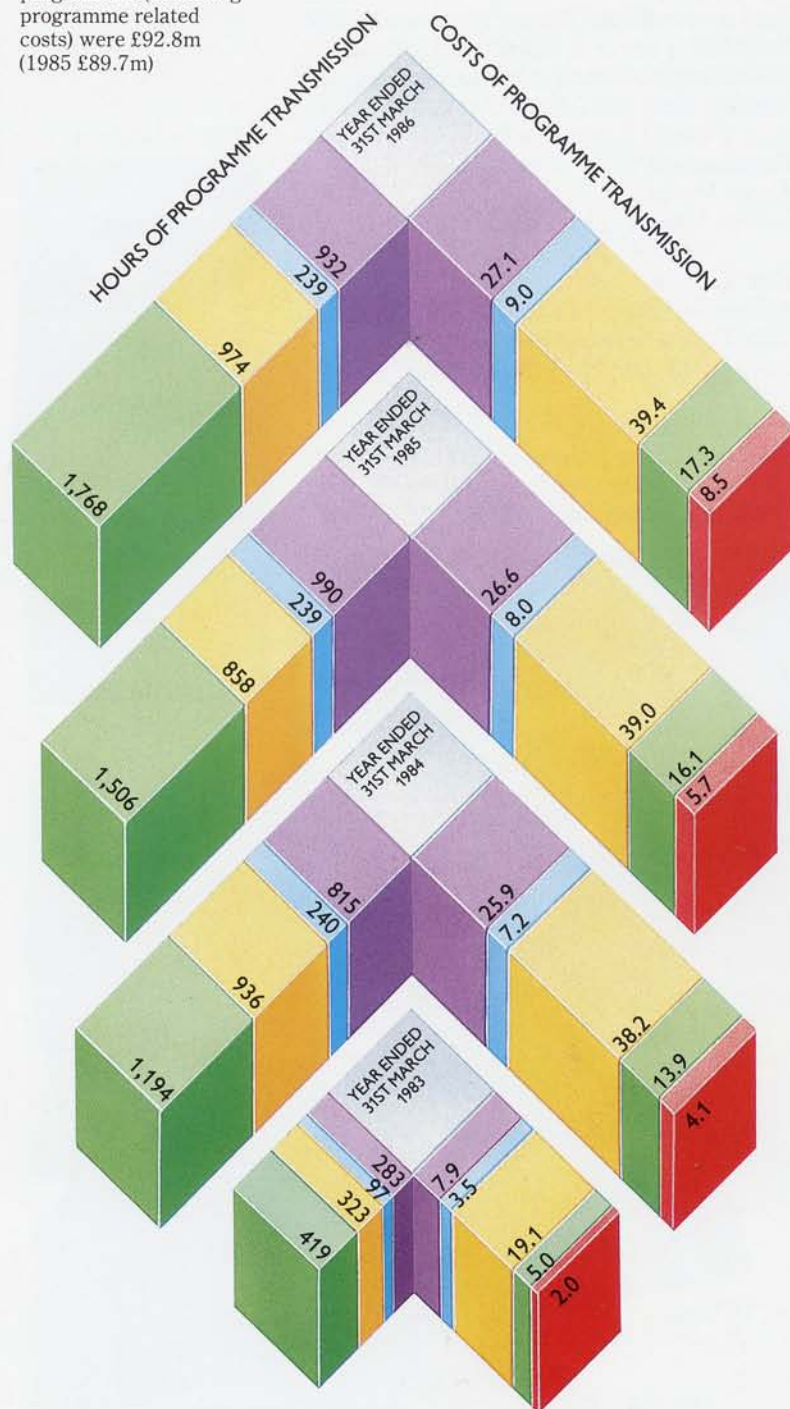


Skywhales

PROGRAMME TRANSMISSIONS

IN the year to 31st March 1986 Channel 4 transmitted for 3,913 hours (1985: 3,593 hours) – an average of 75 hours per week (1985: 69 hours per week). Channel 4 commissions programmes from the ITV companies and independent producers and purchases programmes in the international markets.

Cost of programme transmissions
In 1986 cost of programmes (excluding programme related costs) were £92.8m (1985: £89.7m)



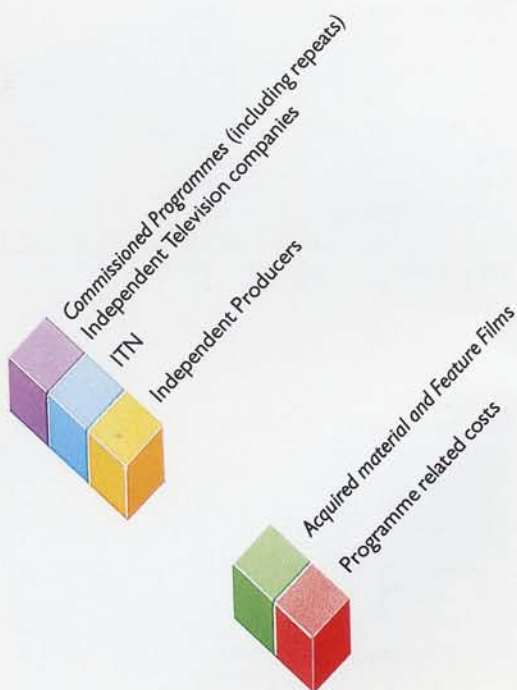
SOURCES AND COSTS

The sources and costs of the programmes transmitted were as shown in the chart below.

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

In the year to 31st March 1986, the ITV companies and ITN provided 30 per cent (1985: 34 per cent) of Channel 4's hours of programme transmissions for 39 per cent (1985: 39 per cent) of the channel's programme costs. Independent producers provided 25 per cent (1985: 24 per cent) of the hours of programme transmission for 43 per cent (1985: 43 per cent) of the channel's programme costs.

The programme policy statement requires the channel, in making its financial arrangements, to ensure that so far as possible the same terms apply to all programme suppliers. The overall cost per programme hour from the ITV companies



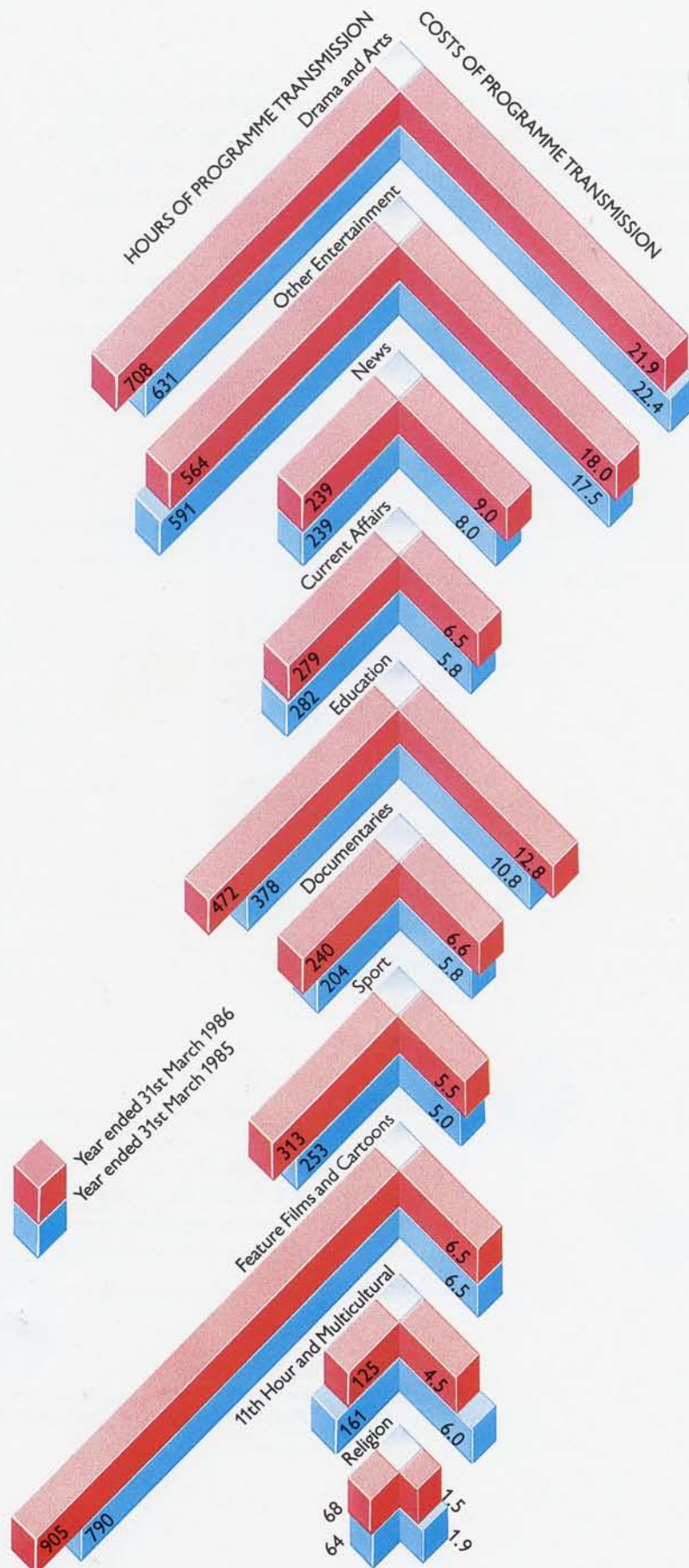
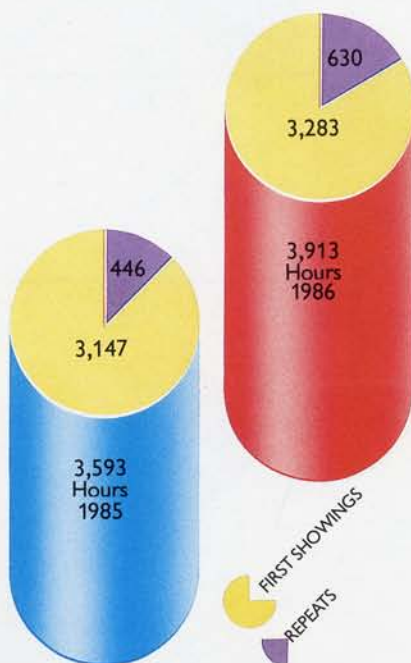
appears to be less than for programmes from the independent producers but this is because the former produce the majority of the channel's cheaper studio-based programmes and the independent producers provide the majority of the drama programmes and more expensive location productions.

In the year to 31st March 1986 the channel's programmes were watched for 5,178 million viewer hours (1985: 4,331 millions). The total cost of the channel was £129.1 million. The cost was therefore 2.49 pence per viewer hour (1985: 2.56 pence).

CATEGORIES

The channel transmits a wide range of programmes, analysed as shown in the diagrams on this page.

Programmes repeated on Channel 4 may either be programmes which were first shown on the channel or first shown on ITV. In the year to 31st March 1986, 136 hours (1985: 141 hours) of the repeated programmes were programmes first transmitted on ITV. Repeat hours exclude acquired feature films which might have been broadcast previously on Channel 4, ITV or on the BBC.



INCOME FROM THE IBA & PROGRAMME PAYMENTS

TO THE INDEPENDENT TELEVISION COMPANIES AND INDEPENDENT PRODUCERS

THE funding arrangements are referred to in the Chairman's Statement and in the Directors' Report. The subscriptions derived by the IBA from the ITV companies (less certain amounts relating to loan repayments), are set out below.

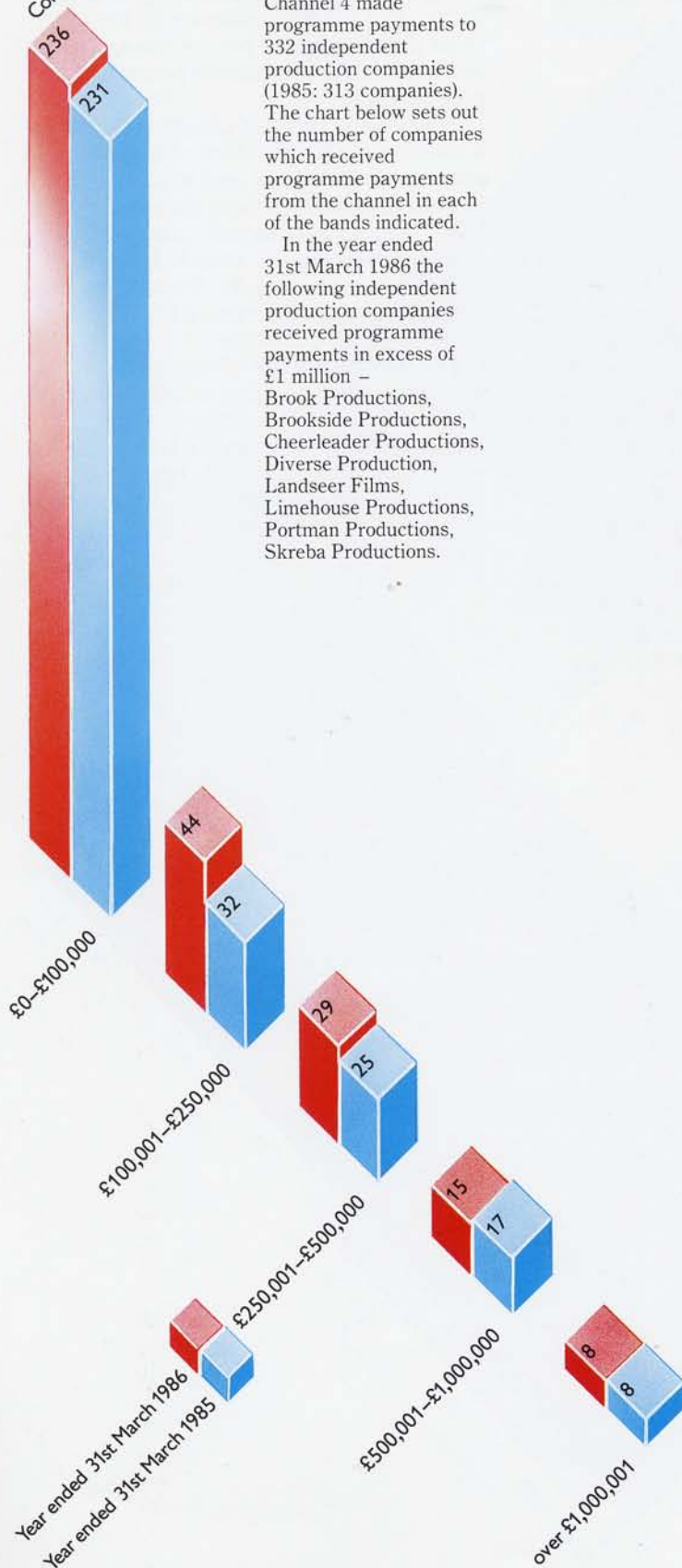
The ITV companies have the right to sell advertising on Channel 4 and retain the proceeds. The ITV companies also produce programmes for Channel 4 – for which the channel pays negotiated market prices.

The net advertising revenue obtained by the ITV companies for advertisements on Channel 4 in the year to 31st March 1986 was £112.6 million (1985: £75.2 million). Net advertising revenue on ITV (excluding TV-am) in the same year was £1,034 million (1985: £903.3 million). The subscription of £129.1 million paid to Channel 4 therefore represented 12.5 per cent of total ITV and Channel 4 advertising revenue for the year. (1985: 12.3 per cent)

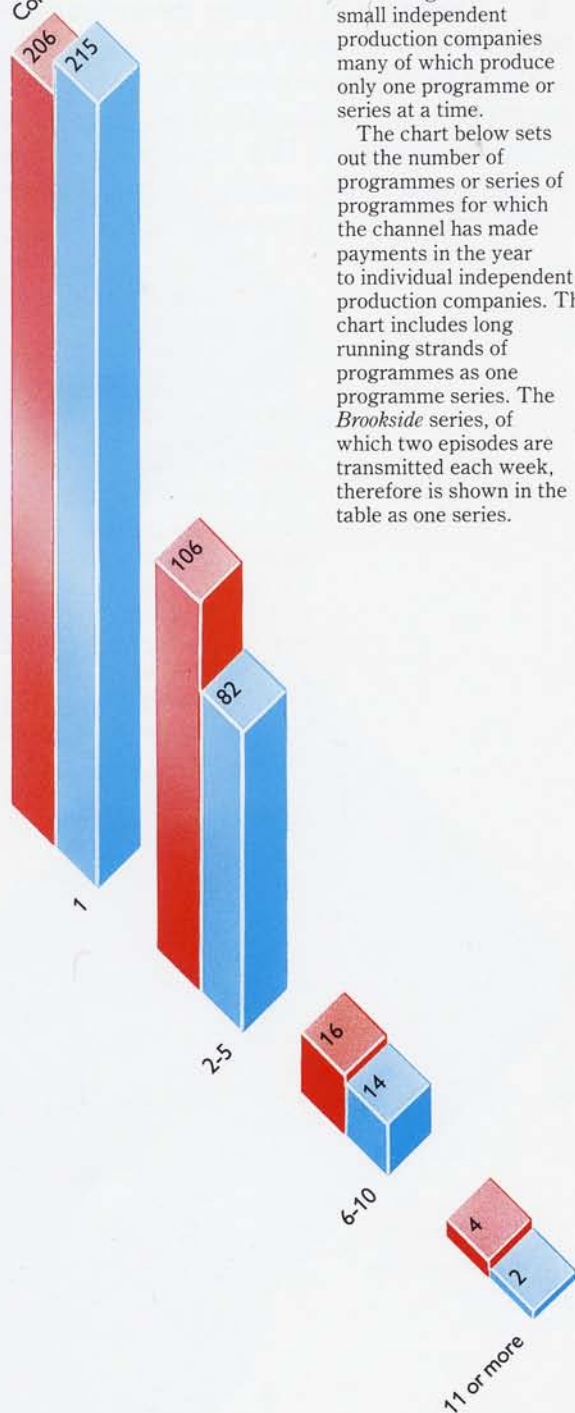
	Year ended 31st March 1986	
	Subscription Received by the IBA	Programme Payments by Channel 4
	£000	£000
Anglia	9,759	479
Border	145	488
Central	22,601	671
Channel	45	10
Grampian	554	—
Granada	20,009	3,247
HTV	10,952	950
London Weekend	18,387	7,136
Scottish	9,109	291
Television South	17,454	1,155
Television South West	2,635	150
Thames	25,231	5,640
Tyne Tees	7,997	3,997
Ulster	404	222
Yorkshire	15,718	3,816
ITN	—	10,616
ITV Sport	—	2,027
	161,000	40,895
Less amount paid by the IBA to the Welsh Fourth Channel Authority	(31,900)	—
Channel 4's subscription received from the IBA and programme payments made to ITV companies.	129,100	40,895

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

Number of
Companies



Number of
Companies



THE year 1985/86 was a successful one for Channel 4 in building its audiences. The number of viewers in total increased, as did the channel's share of television audiences as a whole. Nearly everyone now watches Channel 4 sometime, and its complementarity to ITV has been strengthened. Its viewers tune in for specific programmes which interest them and increasing numbers are doing so.

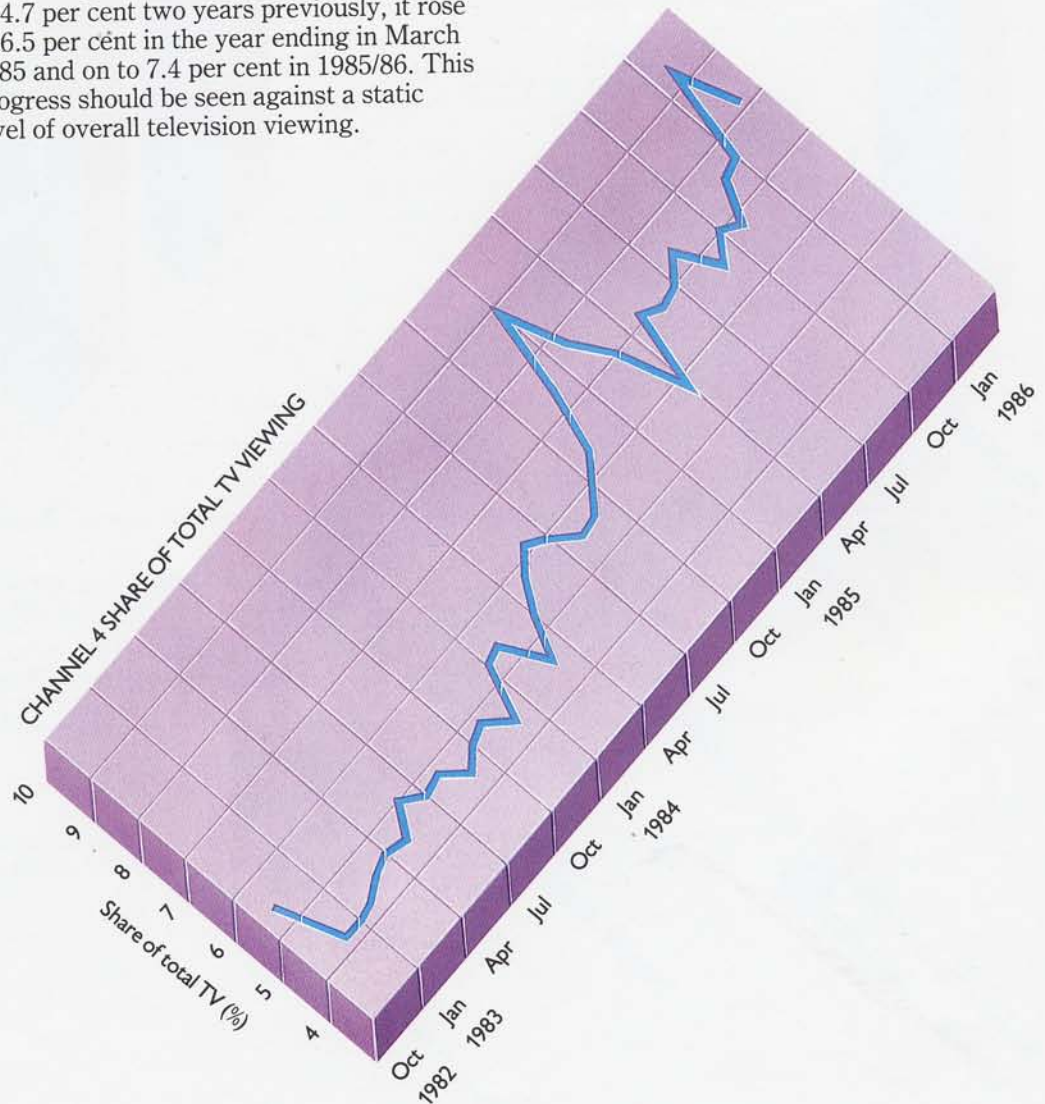
In February 1986, for example, 95 per cent of all viewers tuned in to Channel 4 at some time. This impressive monthly patronage figure is backed by a steady growth in weekly patronage over the year 1985/86 with levels of over 75 per cent being regularly achieved from October onwards.

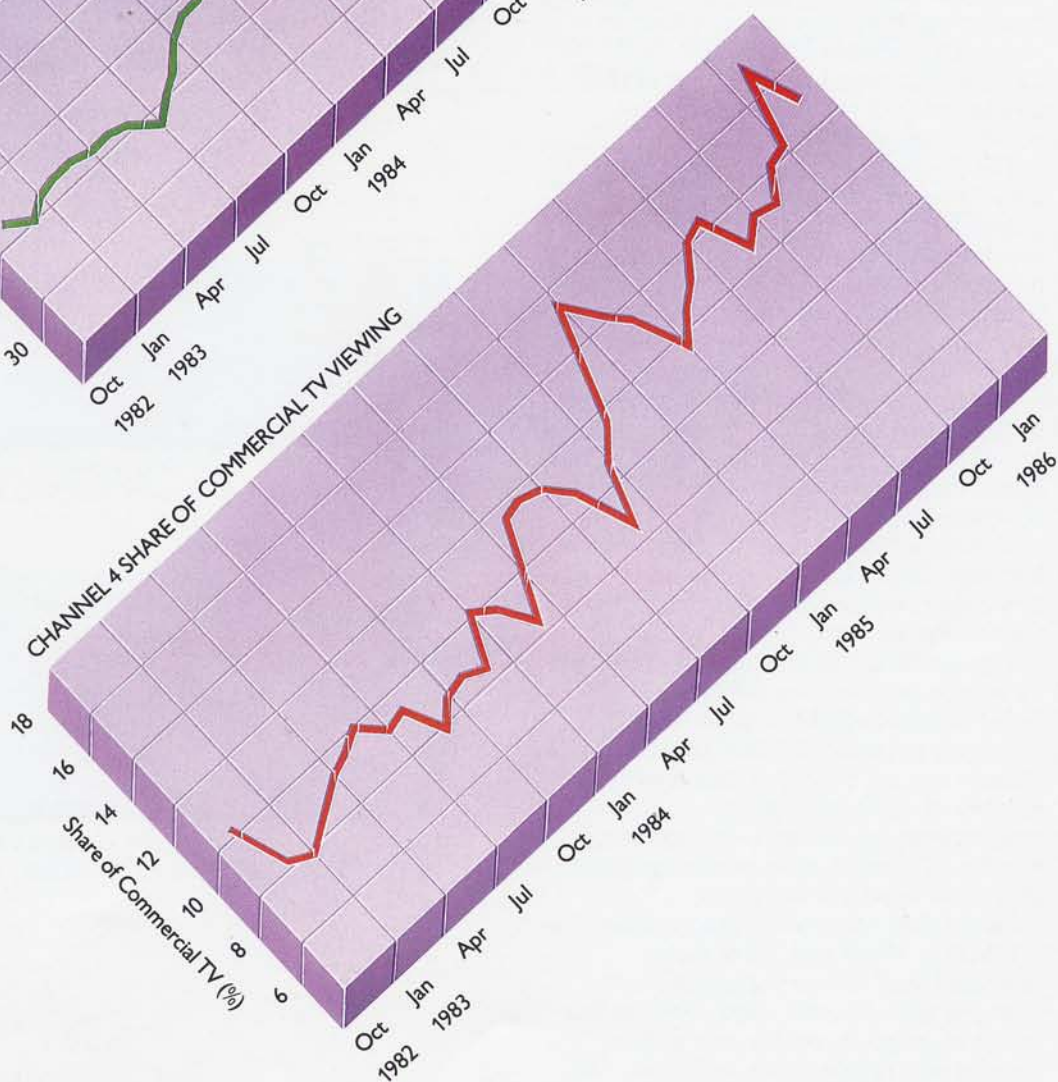
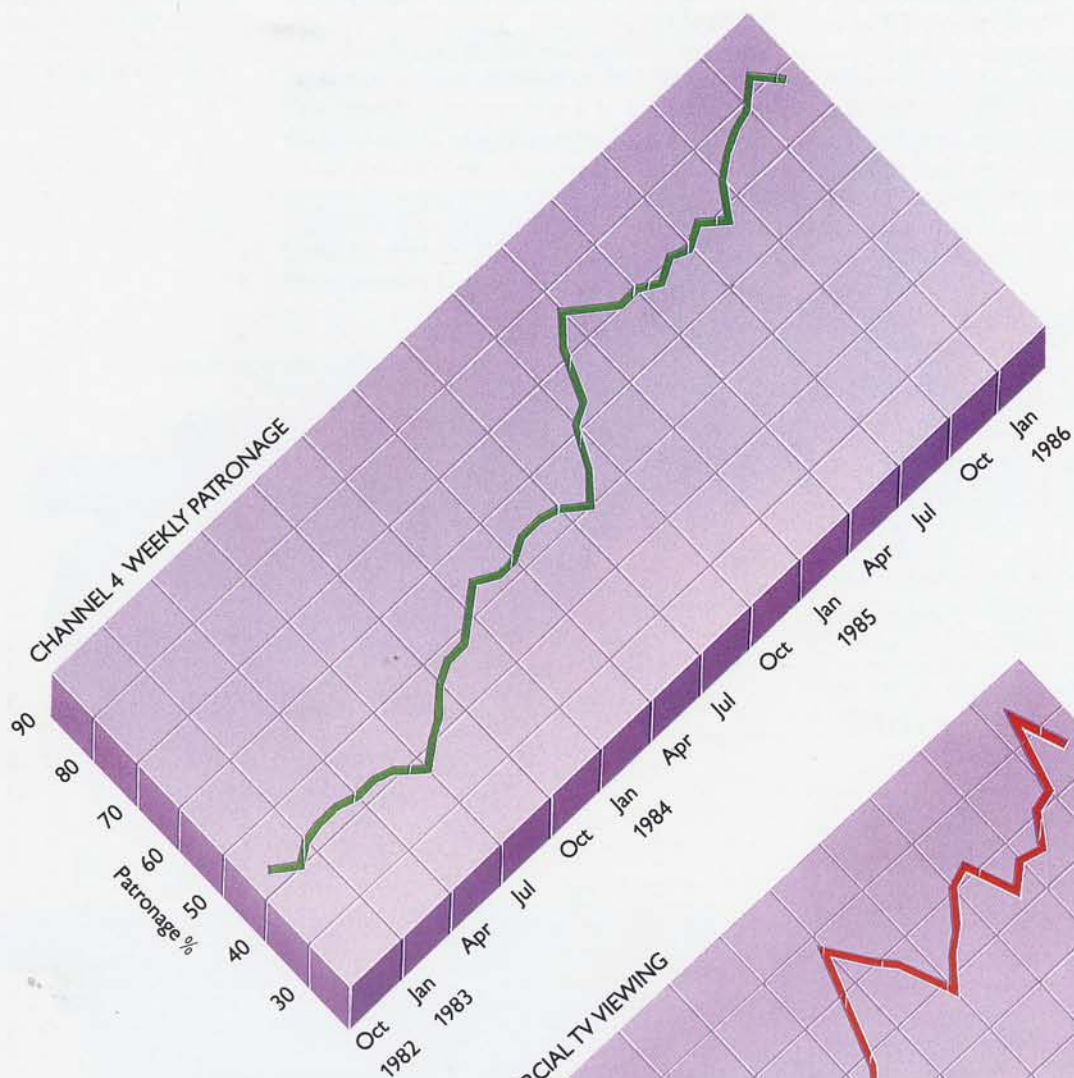
In the year 1985/86 Channel 4 consolidated its gains of the previous year as well as maintaining the steady growth of its viewing audience. From an annual share of 4.7 per cent two years previously, it rose to 6.5 per cent in the year ending in March 1985 and on to 7.4 per cent in 1985/86. This progress should be seen against a static level of overall television viewing.

Moreover, by the end of the financial year in question, Channel 4 was doing even better. The share of audience for the last three months was 8.4 per cent as against 7.9 per cent for the comparable period of the previous year.

In February 1986 the channel reached its highest ever monthly share of the television audience, with 9.4 per cent of all viewing. For the first time its share exceeded that of BBC2 over a whole month, although this had happened several times before for individual viewing weeks. For two weeks in February over 10 per cent of television viewing was to Channel 4.

The channel's share of commercial television viewing – that is, total viewing to ITV and Channel 4 combined – also continued to grow. From 8.9 per cent in 1983/84, it rose to 12.2 per cent the following year and attained 13.9 per cent for the year to March 1986.





In 1985/86 the ITV companies' Net Advertising Revenue – excluding TV-am but including revenue earned by the ITV contractors for their sales of both ITV and Channel 4 airtime – was £1,034 million. For the same year, the ITV companies' financial contribution to Channel 4 was £129 million. The ITV companies pay the IBA certain additional sums for the fourth channel transmitter network, and the IBA's regulatory functions.

These companies therefore contributed to Channel 4 some 12.5 per cent of their net revenue from advertising, while Channel 4 provided almost 14 per cent of their viewers.

As well as continuing to improve its overall position, the channel maintained its ability to attract, in particular, younger and 'up-market' viewers. Over the last three months of 1985/86, when the channel had 8.4 per cent of all viewing, its share of 16-24-year-olds was 9.8 per cent. Within the commercial television sector, where its share of all viewers was 15.6 per cent, Channel 4 attracted 18.3 per cent of the 16-24s and 20.2 per cent of AB socio-economic group viewers.

The channel's continuing overall growth arose from a balanced expansion of its different programming sectors, the higher number of viewers to its most popular programmes like *Brookside* and its feature films being supported by the ever-stronger position of sectors like its own *Film on Four* and its educational programmes.

The channel's *Film on Four* consolidated its reputation as one of the most significant forces in UK film production during British Film Year. Audiences for a second showing of some of the films – *Film on Four Take 2* – showed a considerable increase; several had more than four million viewers. Of the new *Films on Four*, *Sacred Hearts* had over five million viewers.

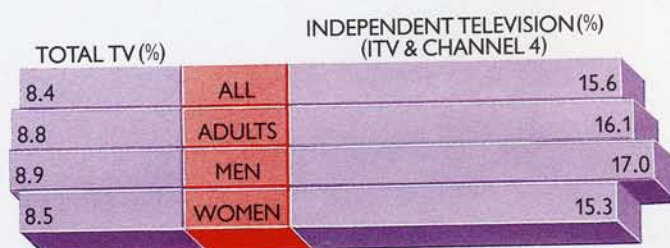
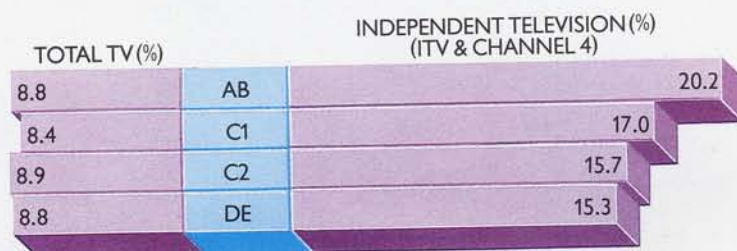
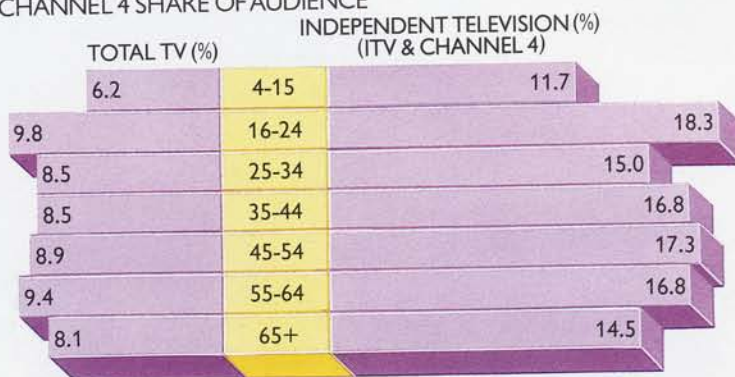
The significant growth in the number of viewers to programmes falling within the broad realm of education is particularly gratifying in that it indicated that the channel can not only attract an appropriate number of viewers to specialist programmes but also an ever-increasing number of general viewers to programmes of broader appeal in this sector.

Established educational programmes like *4 What It's Worth* and *Years Ahead* increased their viewership significantly from the previous year. New series in this sector often got more than one million viewers on a regular basis – *Starting Out*,

As Good As New, *Make It Pay* and *All Stitched Up*.

An increasing number of people are coming to turn to the channel for specific programmes of a more serious though still entertaining nature, not just in the field of education but also in the sectors to which Channel 4 has a particular responsibility – programmes on or for youth or particular ethnic groups, community or experimental programmes, contemporary arts and music.

CHANNEL 4 SHARE OF AUDIENCE



GENERAL INFORMATION

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

Directors	Other related activities
*The Rt. Hon. Edmund Dell (Chairman)	—
*Sir Richard Attenborough (Deputy Chairman)	Film Director and Producer and Chairman of Goldcrest Films Limited
Jeremy Isaacs (Chief Executive)	Director of Jeremy Isaacs Productions Limited
Justin Dukes (Managing Director and Deputy Chief Executive)	—
Paul Bonner (Controller of Programmes)	—
Sir Brian Bailey (appointed 1st July 1985)	Chairman of Television South West plc
Lord Blake	—
*Carmen Callil (appointed 1st July 1985)	—
Jennifer d'Abo (appointed 1st April 1986)	—
Paul Fox (appointed 1st July 1985)	Director of Yorkshire Television plc Chairman of Independent Television News Limited
James Gatward	Managing Director of Television South plc
John Gau	Independent Producer and Director of John Gau Productions Limited
Dr. Glyn Tegai Hughes	Member of Welsh Fourth Channel Authority
Anthony Pragnell	—
*Peter Rogers	Director of Finance, Independent Broadcasting Authority
Michael Scott	Director of Granada Television Limited

Secretary

David Scott

Registered Office

70 Brompton Road
LONDON SW3 1EY

Bankers

National Westminster Bank plc
21 Lombard Street
LONDON EC3P 3AR

Auditors

Coopers & Lybrand
Chartered Accountants
Plumtree Court
LONDON EC4A 4HT

The Directors present their report for the year ended 31st March 1986

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.

A review of the business for the year is set out in the Chairman's statement on pages 2 and 3.

2. Results

The company derives its income from the IBA and in the year ended 31st March 1986 received £129.1 million. The amounts paid by the IBA are funded from subscriptions received by the IBA from the ITV companies.

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

Funding of £135.8 million for the year to 31st March 1987 has been agreed with the IBA. Funding for the remainder of the current ITV contract period will be not less than 13.6 per cent of the net advertising revenue of the ITV companies in the previous year.

3. Directors

The present directors of the company are listed on page 29. Four directors were appointed to the Board since 1st April 1985, as shown on that page. Roger Graef, David McCall, Sara Morrison, and Brian Tesler were directors until the completion of their terms of appointment on 30th June 1985. Detta O'Cathain was appointed as a director on 1st July 1985 and resigned on 1st December 1985. All other directors served throughout the year.

4. Directors' Interests

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

As indicated in the list on page 29, a number of directors are also directors of companies which supply programmes to the company, and to that extent are also interested in the contracts of the company. In addition, note 19 to the accounts gives the information required to be disclosed in relation to material interests of one director in contracts with the company.

5. Fixed Assets

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

6. Research and Development

During the year the computerised transmission system has been developed further and sales of that software to other broadcasters have been achieved. The results of this activity are included in note 5 to the accounts. The company also devoted substantial resources to the development of scripts and programme outlines for possible commissioning. Development expenditure incurred in the year, on scripts and programmes not commissioned for production by 31st March 1986, amounted to £1.5 million (1985: £1.0 million).

7. Employee Involvement and Consultation

In June 1985 the company carried out a survey which asked staff whether they were satisfied with the amount and frequency of information they received and put forward a number of options for increasing the effectiveness of communication and employee consultation within the company. The results of the survey revealed that most staff appeared satisfied that they received sufficient information about the working of the company and did not feel that the establishment of a consultative committee was necessary. The suggestion that there be twice-yearly gatherings of all staff with opportunities to ask questions of the Chief Executive and the Managing Director was, however, welcomed. The first of these was held in February 1986.

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

- a) The company informs and consults through normal collective bargaining with trade unions. Approximately half of the company's employees are in membership of one of three recognised trade unions:
 - BETA (for clerical and studio staff)
 - ACTT (for engineering and presentation staff)
 - EETPU (for plumbers and electricians);
- b) regular departmental meetings where information is disseminated and staff have an opportunity to air views;
- c) the staff meetings referred to above, where the Chief Executive and the Managing Director give presentations on the company's progress and future and all staff are encouraged to ask questions; and
- d) departmental presentations on their activities, open to all staff.

8. Employment of disabled persons

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

9. Auditors

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

By Order of the Board

D. R. A. SCOTT
Secretary

24th June 1986
London

To the Members of Channel Four Television Company Limited

We have audited the accounts on pages 32 to 40 in accordance with approved Auditing Standards.

In our opinion the accounts give a true and fair view of the state of affairs of the company at 31st March 1986 and of its results and source and application of funds for the year then ended and comply with the Companies Act 1985.

COOPERS & LYBRAND
Chartered Accountants

24th June 1986
London

INCOME & EXPENDITURE ACCOUNT

FOR THE YEAR ENDED 31st MARCH 1986

	Notes	Year ended 31st March 1986 £000	Year ended 31st March 1985 £000
Income from the IBA	1(c)	129,100	111,000
Cost of Programme Transmissions	1(c)	(101,265)	(95,393)
		27,835	15,607
Operational and Administrative Expenses	2	(13,306)	(11,817)
		14,529	3,790
Other Income and Expenditure	1(c), 5	53	160
		14,582	3,950
Net Transfer to Deferred Income	1(c)	(14,582)	(3,950)
		NIL	NIL
Statement of Deferred Income			
		Deferred income at the beginning of the year	58,183
		Net transfer from income and expenditure account	14,582
		Deferred income at the end of the year	72,765
			54,233
			3,950
			58,183

The notes on pages 35 to 40 form part of these accounts

Report of the auditors – page 31

BALANCE SHEET

AS AT 31st MARCH 1986

	Notes	31st March 1986		31st March 1985	
		£000	£000	£000	£000
Fixed Assets					
Tangible Assets	1(d), 7		9,308		9,677
Investments and Loans	8		75		—
			9,383		9,677
Current Assets					
Stocks of programmes and film rights	1(c), 1(e) 9	62,684		55,079	
Debtors	10	9,254		4,789	
Cash at bank and in hand		168		502	
		72,106		60,370	
Creditors					
Amounts falling due within one year	12	(8,724)		(11,864)	
Net Current Assets			63,382		48,506
Net Assets			72,765		58,183
Capital					
Called up share capital £100	14		—		—
Deferred Income	1(c)		72,765		58,183
			72,765		58,183

EDMUND DELL
JEREMY ISAACS *Directors*

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CHANNEL FOUR TELEVISION COMPANY LIMITED

These accounts were approved by the Board of Directors on 24th June 1986.

The notes on page 35 to 40 form part of these accounts.

Report of the auditors – page 31.

STATEMENT OF SOURCE & APPLICATION OF FUNDS

FOR THE YEAR ENDED 31st MARCH 1986

CHANNEL FOUR TELEVISION COMPANY LIMITED

		Year ended 31st March 1986 £000 £000		Year ended 31st March 1985 £000 £000	
Source of Funds	Income from the IBA, less cost of programme transmissions and administrative expenses	14,529		3,790	
	Surplus on other income and expenditure	53		160	
			14,582		3,950
	Adjustment for item not involving the movement of funds:				
	Depreciation of fixed assets		1,846		1,652
Total from Operations			16,428		5,602
Application of Funds	Purchase of fixed assets, less disposals	(1,477)		(1,623)	
	Investments and Loans	(75)		—	
			(1,552)		(1,623)
			14,876		3,979
34 Change in Working Capital	Increase in stocks of programmes and film rights		7,605		8,484
	Increase/(Decrease) in debtors		4,465		(1,305)
	(Increase)/Decrease in creditors		3,140		(3,227)
			15,210		3,952
	Movement of net liquid funds:				
	Increase/(Decrease) in bank and cash balances		(334)		27
			14,876		3,979

NOTES TO THE ACCOUNTS

FOR THE YEAR ENDED 31st MARCH 1986

1. Principal Accounting Policies

(a) Format of the Accounts

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

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

(b) Accounting Convention

The accounts have been prepared under the historical cost convention.

(c) Income and Expenditure Account

- (i) *Income*
 - a) Income from the IBA: Income from the IBA is recognised in the income and expenditure account when it is received.
 - b) Other Income: Programme and film sales are recognised in the income and expenditure account when the sales are confirmed to the company.
- (ii) *Cost of programme transmissions:*

The direct cost of films and programmes is wholly written off on first transmission, except as indicated in (iv) below.
- (iii) *Income received in advance of related expenditure:*

As a result of the above policies, income from the IBA is received in advance of the costs of films and programmes being charged in the income and expenditure account. To recognise this, the income in advance (after taking account of operational and administrative expenses and other income and expenditure) is transferred to deferred income. As programmes are transmitted, there is a corresponding transfer of the relevant income back into the income and expenditure account. The income and expenditure account therefore contains a net transfer to or from deferred income comprising these two transfers.
- (iv) *Cost of non UK broadcast rights:*

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

(d) Fixed Assets

- (i) Fixed assets are stated at cost, together with any incidental expenses of acquisition, less depreciation.
- (ii) Depreciation is calculated so as to write off the cost of the asset on a straight line basis over its estimated useful life. The principal annual rates used for this purpose are as follows:

Assets held by the company:

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

Technical equipment and office furniture	20%
Motor cars	25%

Assets held by third parties:

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

Technical equipment	20%-33%
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NOTES TO THE ACCOUNTS
FOR THE YEAR ENDED 31st MARCH 1986

*(e) Stocks of
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.
- (iii) Stocks of non UK broadcast rights are determined in accordance with the policy set out in 1c.(iv) above.

**2. Operational and
Administrative
Expenses**

	Year ended 31st March 1986 £000	Year ended 31st March 1985 £000
These may be analysed as follows:		
Employee and freelance staff costs	5,540	4,809
Establishment costs	1,648	1,473
Legal and professional fees	468	386
Advertising and promotions	2,246	2,046
Travel and subsistence	499	463
Repairs and maintenance	361	280
Other general expenses	698	708
Depreciation of fixed assets (note 7)	1,846	1,652
	13,306	11,817
and include:		
Auditors' remuneration	18	18
Directors' remuneration:		
Directors' fees	63	57
Remuneration for management including pension contributions	177	166
Equipment hire	44	46
Operating lease rentals – company premises	513	435

**3. Directors'
Remuneration**

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

	Year ended 31st March 1986 £000	Year ended 31st March 1985 £000
Chairman's remuneration	24	21
Highest paid director's remuneration	57	53
	Number	Number
Other directors		
£0 – £5,000	15	14
£5,001 – £10,000	1	1
£10,001 – £15,000	1	1
£15,001 – £20,000	—	1
£20,001 – £25,000	1	—

One director (included in the above bands) waived emoluments of £2,022 during the year ended 31st March 1986 (1985: one director waived emoluments of £2,140).

NOTES TO THE ACCOUNTS
FOR THE YEAR ENDED 31st MARCH 1986

4. Employee Information

(a) The average number of employees, including executive directors, during the year was 246 (1985: 230). At 31st March 1986 the company employed 256 (1985: 238).

(b) The employment costs for all employees, including executive directors, were as follows:

	Year ended 31st March 1986 £000	Year ended 31st March 1985 £000
Aggregate gross salaries	4,251	3,753
Employers NI contributions	287	197
Employers pension contributions	602	524
Total direct costs of employment	5,140	4,474

(c) There were 14 employees (1985: 7), excluding directors, who earned in excess of £30,000 in the following ranges:

	Year ended 31st March 1986 Number	Year ended 31st March 1985 Number
£30,001 – £35,000	9	6
£35,001 – £40,000	5	1

5. Other Income and Expenditure

Programme and Film Sales

	Year ended 31st March 1986 £000	Year ended 31st March 1985 £000
Sales	2,510	1,809
Less Cost of Sales:		
Direct costs	(959)	(686)
Share of income due to independent producers and third parties	(767)	(345)
Cost of non UK broadcast rights of programmes and films exploited (note 1(c) (iv))	(150)	(100)
Overhead cost of sales	(551)	(528)
	83	150

Computer Software sales and other income

Computer software sales	107	113
Costs of computer software sales	(145)	(104)
Interest receivable and similar income	8	1
	(30)	10
	53	160

Programme and film sales, and costs of sales, exclude £335,000 (1985: £715,000) which was integral to the funding of certain productions and therefore is in the nature of co-finance. In addition to that amount, substantial further sums of co-finance have been paid by co-financiers directly to production companies and hence do not appear in these accounts.

6. Taxation

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

UK Corporation Tax is payable on other net income. No tax liability arises on other income for the two years to 31st March 1986, because of tax losses brought forward.

NOTES TO THE ACCOUNTS
FOR THE YEAR ENDED 31st MARCH 1986

7. Fixed Assets

(a) Tangible Assets:

	Leasehold Properties £000	Furniture and Equipment £000	Motor Vehicles £000	Total £000
<i>Cost</i>				
At 31st March 1985	5,495	7,666	104	13,265
Additions	101	1,375	45	1,521
Disposals	—	(79)	(38)	(117)
At 31st March 1986	5,596	8,962	111	14,669
<i>Depreciation</i>				
At 31st March 1985	528	3,016	44	3,588
Charge for year	236	1,585	25	1,846
Disposals in year	—	(42)	(31)	(73)
At 31st March 1986	764	4,559	38	5,361
<i>Net Book Value</i>				
At 31st March 1986	4,832	4,403	73	9,308
At 31st March 1985	4,967	4,650	60	9,677

(b) Certain of the fixed assets owned by the company are utilised by programme makers in the independent production sector. The net book value at 31st March 1986 was located as follows:

	Leasehold Properties £000	Furniture and Equipment £000	Motor Vehicles £000	Total £000
Held by the company	4,508	4,120	73	8,701
Held by third parties	324	283	—	607
	4,832	4,403	73	9,308

(c) 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 are leased for 25 years from 1981.

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

8. Investment in and Loans to British Screen Finance Limited

The company holds 1,842,105 ordinary £1 shares in British Screen Finance Limited ("British Screen"), equivalent to 35.3 per cent of the total capital, received for nil cost.

The company has entered into a financing commitment under which, at 31st March 1986, it had advanced £75,000 to British Screen for the financing of British films. Further advances of £1,425,000 (£300,000 per annum for the next four years, £225,000 thereafter) will be made and the loans are repayable out of the exploitation proceeds of the films produced – subject to the reinvestment of all income arising in British Screen in the first 3 years.

No accounts have been issued by British Screen since its formation, but its results will not be material to the company's accounts. The ability of British Screen to pay dividends out of any profits is restricted by its present policy to reinvest all available funds in further films, and by its undertaking to the Government not to pay any dividends for 3 years. The company will recognise its share of any losses which may be made by British Screen by making provision against the loans referred to above.

NOTES TO THE ACCOUNTS
FOR THE YEAR ENDED 31st MARCH 1986

9. Stocks of Programmes and Film Rights

	31st March 1986 £000	31st March 1985 £000
Programmes and films completed but not transmitted	35,268	20,652
Programmes and films in the course of production	11,121	17,108
Purchased film rights	16,295	17,169
Cost of non UK broadcast rights in programmes and films for future exploitation	—	150
	62,684	55,079

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

Stocks of programme and film rights have increased in value in the year to 31st March 1986 due to the company's policy decision to hold back from transmission before that date certain major drama films and series. This decision partly arises from the desire to provide certain *Films on Four* with theatric exhibition prior to transmission.

10. Debtors

	31st March 1986 £000	31st March 1985 £000
Amount due from the IBA (note 11)	4,306	1,002
Other debtors	371	661
Prepayments and accrued other income	4,577	3,126
	9,254	4,789

All the above amounts are receivable within one year.

11. Amount Due from the IBA

The company maintains a current account with the IBA principally for the administration of value added tax, as the company is a member of the IBA group VAT registration. The amount due to the company from the IBA at 31st March 1986 arises from VAT recoverable by the IBA from H.M. Customs and Excise.

12. Creditors

	31st March 1986 £000	31st March 1985 £000
Creditors including taxation and social security	1,064	883
Accruals	7,660	10,981
	8,724	11,864

All the above amounts will fall due within one year.

13. Pensions

The company operates a contributory pension plan which undertakes to provide all employees with a pension on retirement based on final salary and taking into account years of service. Other related benefits are also provided. The plan is managed by Legal & General Assurance (Pensions Management) Limited and the first valuation by their actuary indicates that the plan was adequately funded at 6th April 1985.

14. Share Capital

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

15. Company Status

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

16. Programme and Film Commitments

At 31st March 1986, the company had committed and approved future expenditure for programmes and films amounting to £73 million (1985: £85 million), of which £62 million (1985: £71 million) is estimated to fall due for payment in the year ending 31st March 1987 and £11 million (1985: £14 million) thereafter.

NOTES TO THE ACCOUNTS
FOR THE YEAR ENDED 31st MARCH 1986

17. Other Commitments

(a) Capital Expenditure:

	31st March 1986 £000	31st March 1985 £000
Amounts contracted for but not provided for in the accounts were:	155	297
Amounts authorised but not contracted for were:	1,298	1,520

(b) Investment in British Screen Finance Limited:

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

(c) Forward Foreign Exchange Contracts:

At 31st March 1986, the company had entered into commitments to purchase foreign currency amounting to £2,144,000 (1985: nil), maturing on 21st May 1986, which were entered into in order to fix the sterling cost of certain foreign programmes and film purchase commitments.

(d) Operating Leases:

The company has financial commitments in respect of operating leases for its premises, which will terminate in 2005 or thereafter. The amount payable under these leases in the next year will be £555,000.

18. Contingent Liabilities

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

19. Directors' Interests in Contracts

John Gau is a director and principal shareholder of John Gau Productions Limited, an independent production company which was commissioned to produce a total of ten programmes (four *In Hannibal's Footsteps* programmes, four *Other Faiths* programmes, *Acceptable Risk* and *Waste Not? Want Not?*) with a cumulative running time of 8.5 hours. The total production costs of these programmes was £628,256 of which £7,500 is payable to Mr. Gau for his services as Executive Producer. In addition, the company has agreed production fees to the production company totalling £69,633 in respect of these programmes. Of that amount, £19,857 was paid in the year to 31st March 1986, and the balance is divided between the preceding and subsequent years. John Gau Productions Limited is entitled to 30 per cent of the relevant net sales revenues. The *In Hannibal's Footsteps* programmes were transmitted in October and November 1985, *Acceptable Risk* was transmitted in August 1985, and *Waste Not? Want Not?* was transmitted in December 1985.

The company has agreed to acquire thirteen 52-minute adventure documentaries from Goldcrest Films and Television Limited in association with John Gau Productions Limited. Ten programmes were received and transmitted in the year to 31st March 1986. The company has agreed to pay a licence fee of £25,000 on delivery of each of them. The company has no interest in distribution income from these programmes.

John Gau is a non-executive director and 25 per cent shareholder of Panoptic Productions Limited, also an independent production company, which was commissioned to produce a total of 18 programmes (15 *Opinions* programmes, and a series of three programmes looking at Britain through the eyes of different people, *Christopher Hitchens*, *Jimmy Reid* and *Miles Copeland*), with a cumulative running time of 10.5 hours. Panoptic Productions Limited was also commissioned to make programmes for the *Comment* slot. The total production costs of these programmes was £502,451. Eleven of the *Opinions* programmes were transmitted in July and August 1985, and January and February 1986, and *Christopher Hitchens' Britain*, *Jimmy Reid's Britain* and *Miles Copeland's Britain* were transmitted in February and March 1986. Mr. Gau received consultant's fees of £5,000 from Panoptic Productions Limited for the year to 31st March 1986, and had no other interests in the revenues of that company in the year.

20. Subsidiary Companies

The company owns the whole of the issued share capital of Sport on Four Limited and Film on Four Limited, being 2 £1 ordinary shares and 100 £1 ordinary shares respectively. Neither of these companies has traded since incorporation and both were dormant during the year ended 31st March 1986.



CHANNEL FOUR TELEVISION