

Channel Four Television Corporation

Report and Financial Statements

1995



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Programme remit

Channel 4 is a public service for information, education and entertainment.

The Broadcasting Act 1990 requires that Channel 4 programmes shall:

- appeal to tastes and interests not generally catered for by ITV.
- encourage innovation and experiment.
- be distinctive.
- maintain a high general standard and a wide range.
- include a proportion which is educational.
- provide high quality news and current affairs.
- include proportions which are European and are supplied by independent producers.

Channel 4 has steadfastly maintained its commitment to this remit since the start of its transmission in 1982 and through many subsequent changes in the United Kingdom broadcasting industry.

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1995 results

1995 was an excellent year for Channel 4, with a continuation of our predicted pattern of revenue growth, underpinning the ability to deliver the programme remit with a wide and diverse range of new programmes. The channel's share of all television viewing for the year was 10.9% (1994:10.7%), and its programmes continued to win wide critical acclaim.

Turnover for the year was £464.0 million, a 13.6% increase over the previous year. The net profit before tax and the statutory levy to the ITV companies for the year ended 31 December 1995 was £128.1 million compared with £83.6 million in 1994. After a 29% increase in the payment to ITV of £74.0 million (1994: £57.3 million), the net profit before tax increased to £54.1 million from £26.3 million.

Funding formula

The vexed question of the funding formula (considered in detail on pages 8 to 10) remains unresolved at the time of writing. The Government's proposal to cap the reserve is helpful, and may add up to £17 million per annum to spend on programmes. But the central question remains the much larger sums – nearly £170 million thus far – which are being transferred to the ITV companies.



During the past year it has become ever clearer that no public purpose is served by the continuation of these rogue arrangements. They curtail Channel 4's investment in new British programmes, and they preclude the additional investment in British film production which we would otherwise have made. The ITV companies have argued unconvincingly that their own services, and especially their regional programmes, depend on an ongoing subsidy from Channel 4. That not only contradicts the clear purpose of the legislation, it also flies in the face of the ITV companies manifest and increasing financial strength. Between 1993 and 1995 ITV's annual profits increased from £150 million to £350 million; the market capitalisation of companies owning ITV licences increased from £4.6 billion at the start of 1993 to £11 billion early in 1996. The larger ITV owners, (who take the majority share of the transfers from Channel 4) are now actively involved in takeover activities inside and outside the television industry. The legislation currently before Parliament is likely to result in virtually the whole of the ITV network falling into the hands of just two or three owners within the next year or so.

The ITC, which has responsibility for the licences of both Channel 4 and ITV, has concluded that the funding formula payments should be set at zero from the end of 1997: in the light of ITV's burgeoning wealth and profitability we can see no reason why this objective assessment cannot be effected.

The Government has made a clear statement of policy (during consideration of the Broadcasting Bill in the House of Lords) that it wishes the formula to be subject to a two stage phased reduction from its present level (50% of Channel 4's income over the threshold of 14% of qualifying revenue), and leading in principle to a zero percentage for calendar year 1999. We appreciate that this is a statement of intent, but regret the need to make any payment to ITV in respect of 1998, the lack of any definitive indication of the quantum of that payment, or of an unequivocal commitment to the cessation of payments thereafter. Channel 4 has made major concessions in accepting that it should continue subsidising ITV until the end of 1997, and also in guaranteeing that no single ITV company will fail to receive the expectations it set out in its formal bid to the ITC in 1991. The Board has resolved that whatever funds remain with Channel 4 from the unwinding of the funding formula will be invested in British produced films and programmes and training.

Taxation of broadcasters

The issue of taxing broadcasters may well arise in the near future in the period when the ITV licensees may ask for their voluntary bids to be reviewed. Both ITV and Channel 5 are required to make payments to the Treasury (partly a fixed percentage of revenue, partly the bid) for the opportunity to exploit the public broadcasting spectrum for private shareholder gain. Channel 4 is clear that this is a proper

mechanism to tax the gains those private shareholders acquire from access to the public spectrum. We are equally clear that the public service broadcasters who do not operate to make gains for shareholders (the BBC and Channel 4) should pay only corporation tax. Their dividend to the public at large is made by turning revenue into programmes on screen. It would be counter-productive to the public interest to levy extra taxes on either the BBC licence fee, or the revenues of Channel 4.

Programmes

Channel 4's growing revenue and the funding formula have only one purpose – to sustain the channel's unique programme remit. Channel 4 is the only public service broadcaster in the world to rely entirely on commercial revenues and without any public subsidy or licence fee. So it is gratifying that the remit and the channel's programme policy are in such good shape, with record awards and critical response across the range of our schedule, from drama to schools programmes. The Board thanks all the executive directors and staff of the channel for the success achieved by the channel in 1995. John Willis, Director of Programmes and his commissioning colleagues and programme makers have again added lustre to the reputation of the channel. There is one caveat, which is supported by the executives and the ITC: we would all like to reduce the number of American programmes and repeats in the schedule, which only the relaxation of the funding formula can help to achieve.

Current trading

A good start has been made to trading in the current year with advertising revenues in the first quarter of 1996 recording increases ahead of inflation compared with the same period last year. In the absence of any circumstances materially affecting our business, I am hopeful that this year Channel 4 will achieve another satisfactory financial result.



Sir Michael Bishop CBE
Chairman
25 March 1996

Chief Executive's review

By any yardstick, 1995 has been the outstanding year in the channel's short, thirteen year history. Revenue, ratings and awards have been achieved in record measures.

Advertising sales success

The Chairman has commented fully in his annual statement on page 4 on the financial results. These were made possible by the delivery of an audience share of 10.9% (compared to 10.7% for 1994) and another outstanding performance by our advertising sales team. Gone are the days when Channel 4's airtime was sold at a double digit discount compared to ITV. The channel's financial success is founded on the elimination of this price discount since we first took over the selling of our own airtime from ITV.

It is self evident, therefore, that ITV never fully realised the revenue potential of Channel 4. It was the failure of the legislators to appreciate this fundamental pre-1993 weakness of ITV's sales ability, that has caused the funding formula to prove so costly to us in its application. In our evidence to Government and Parliament in the debate that led to Channel 4's 'separation' from ITV, we were confident that we would not need any safety net. We based our forecasts on our ability to improve on ITV's lacklustre sales performance. It is heartening to have been proved right – although the price the viewers are paying, in lost new British films and programmes, under the funding formula is punitive.



Funding formula

The lobbying effort to redress the cash drain of the formula has been a considerable distraction for the channel's management for over eighteen months. We have been heartened, however, in this long battle, by the overwhelming support we have received from producers, advertisers, unions, commentators, and members from all sides of both Houses of Parliament. Their voices have helped us to win the argument of principle – that our revenues are better spent on new British programmes and films for viewers than on swelling ITV's profits. Persuading the Government to reach a fair and timely settlement is now our objective and we are much encouraged by its statement that as a matter of policy it envisages that the payments may be subject to a phased reduction, and in principle cease altogether after 1998. Accordingly, we are planning to realise the promised increase in budgets for UK produced programmes and for the higher investment in British films, both of which will be achievable as a result of this policy.

Competition and awards

Our ratings performance has been achieved in the face of the toughest competition we have ever faced. The BBC's two channels are improving their share after a leanish period. ITV is systematically diluting its traditional peak time public service programming in favour of ratings certainty, and the increasing number of cable and satellite channels collectively are attracting more viewing.

We have proved that there is a growing appetite for the distinctive programming mix offered every night by Channel 4. John Willis, Director of Programmes, his editorial team and our producers, have excelled themselves. The range and choice of programmes offered to viewers this year has been of the highest overall quality we have ever achieved. The evidence to support this statement is provided by the record number of national and international prizes awarded to our own films and programmes. These are detailed on pages 20 to 24.

Channel 4's statutory programme remit, to provide a full public service of programmes with the accent on innovation and risk taking, has been fulfilled with great distinction. Even more important for our future, viewers are valuing this real choice in their viewing in sufficient numbers so that we are able to maintain our proud claim to be the only public service broadcaster which is entirely self sufficient – without any public subsidy.

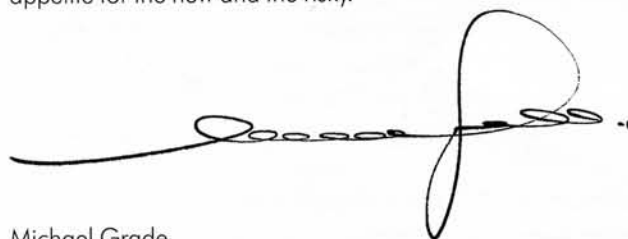
Developing talent

Channel 4's role in British broadcasting is now a vital one. It is to innovate, to risk and to be the nursery for new talent on and off the screen. ITV and the new channels on cable and satellite, need instant and predictable success and are therefore somewhat 'risk averse'. The BBC, with two channels to sustain, also needs its share of instant success, although it still manages to nurture new talent, particularly on BBC2.

No one can match Channel 4's record for spotting and developing talent. So many performers, from Chris Evans and Clive Anderson to Jack Dee and Jo Brand, so many directors, writers and young producers have been spotted and backed by Channel 4, that we have become a kind of electronic talent academy for the whole industry.

Our executives, too, are in demand. Dawn Airey, whom we recruited from ITV children's programming and promoted to run the whole of our arts, entertainment and sports departments, has been given the new Channel 5 programme output to run and Peter Salmon, our Controller of Factual Programmes, has followed Andrea Wonfor to join Granada as Director of Programmes.

We thrive on our talent spotting ability. It is our greatest strength and it serves the fulfilment of our remit by keeping the screen refreshed. Happily, viewers show a growing appetite for the new and the risky.



Michael Grade
Chief Executive
25 March 1996

Funding formula

'The present arrangements are not a subsidy to the ITV companies, but a form of insurance premium as a guarantee of Channel 4's long term future'.

Lord Inglewood 16 January 1996.

Throughout the past year we have continued to argue vigorously for the abolition of the funding formula arrangements which were set up in the 1990 Broadcasting Act. It is now entirely clear that the level of payments from Channel 4 to the ITV companies has far exceeded the sums which they calculated when making their bids in 1991. It is also now widely accepted that the channel will make no reciprocal call on ITV. The payments are therefore unnecessary, yet they continue to deprive viewers of hundreds of hours of programmes, with no beneficial effect or purpose.

In the course of 1995 two significant concessions were made in order to achieve a solution to the problem. Channel 4 agreed that – despite the excessive level of the transfers – the mechanism should continue in operation until the end of 1997, the date at which the 1990 Act foresaw a review. We also undertook to make good the shortfall of any ITV licensee which, at that date, had not yet received the full amount in payments which it predicted in its 1991 bid application to the Independent Television Commission (the ITC). Although the funding formula was imposed as an act of public policy, it has frequently and erroneously been represented as a 'deal' negotiated between Channel 4 and ITV: these two concessions fully meet even that revisionist interpretation.

In December 1995 the Government introduced a comprehensive Broadcasting Bill, including provisions to enable digital broadcasting, and to relax the regulations on cross-media ownership. It also included two clauses permitting wider discretion for the Secretary of State for National Heritage to reduce the percentage (currently 50%) of the channel's income over the set benchmark which is payable to ITV, and to revise the basis on which the benchmark itself is calculated. There was however no indication as to the amount of any such reduction, when it might be made, when it would become effective, or for what period it would be in force. In correspondence the Secretary of State indicated that the intention was to allow the channel to retain 'significantly more' of its own earned income for programme making.

In the same month the ITC issued a statement offering its own judgement that payments from Channel 4 to ITV should be set at zero from the end of 1997, but that the formula itself should stay in place.

In the absence of certainty about the timing, the quantum or the duration of changes to the existing formula, the channel continued to argue that abolition remains commercially the sounder option. Amendments to this effect were introduced by the Earl of Stockton, with all-Party support, in February 1996. In the course of the ensuing debate, the Government itself made a concession by indicating an intention to cap the channel's transfers to the statutory reserve at an as yet undisclosed level, releasing some income for production. The proposal does nothing itself to staunch the flow of money from the channel, and in the very week of the Lords' Committee debate the sum of £74 million was paid over to ITV.

At subsequent stages of the legislation in the Lords, the Government continued to resist the arguments for abolition, and declined to attach any detail to its own proposals.

Nevertheless, the three debates on the issue demonstrated strong support from all sides of the House of Lords for the proposition that the 1990 formula has gone badly wrong, and that early and radical changes are both appropriate and inevitable. Although he was unwilling to offer detailed clarification, the Minister (Lord Inglewood) said at the Third Reading on 19 March 1996:

'We propose to introduce reductions to Channel 4 payments to Channel 3 in two phases. The first reduction will take effect from 1998; the second will take effect from 1999. It is too early to say what the new levels would be, but we have indicated that we expect significant adjustment in Channel 4's favour, and we are taking powers which would in principle enable us – if we so judge nearer the time and Parliament agrees – to reduce Channel 4 payments to Channel 3 to zero from 1999'.

The allocation of the Channel 4 payments to ITV for the three years 1993 to 1995, together with a summary of those companies' most recently published annual television operating profits, is set out in the table below.

Latest published profit £m	Financial year end		1995 £m	1994 £m	1993 £m	Three year total £m
122.8	30 September	Carlton and Central	21.9	17.0	11.3	50.2
140.0	30 September	Granada and LWT	16.0	12.3	8.3	36.6
43.7	30 June	Meridian and Anglia	13.1	10.1	6.7	29.9
21.6	31 December	Yorkshire and Tyne Tees	8.1	6.3	4.2	18.6
12.2	31 December	HTV	4.9	3.8	2.6	11.3
1.0	31 December	GMTV	4.3	3.4	2.2	9.9
18.9	31 December	Scottish	4.1	3.1	2.1	9.3
3.7	31 December	Westcountry	1.4	1.1	0.7	3.2
6.4	31 December	Ulster	0.1	0.1	0.1	0.3
3.4	28 February	Grampian	0.1	0.1	—	0.2
1.9	30 April	Border	—	—	—	—
1.1	31 March	Channel	—	—	—	—
376.7			74.0	57.3	38.2	169.5

The ITV television operating profits shown are their profits after licence payments to the exchequer but before corporation tax for their financial years ending in 1995 except for Westcountry where 1994 results are shown as their 1995 results had not been published at the date that this report was printed. In some cases these ITV licences are owned by holding companies, in which case it is their television or media operating profits which are set out in the table.

The following is an indicative schedule of the additional volume and range of new British programmes which Channel 4 could have provided to UK viewers in 1995 if it had not been required to subsidise ITV:

		Hours	Total £m
Drama			
3	Drama series (e.g. The Rector's Wife, GBH)	15	10.5
12	Film on 4	20	10.0
2	Teenage drama series	100	8.0
1	Multicultural film (e.g. Bandit Queen, Salaam Bombay)	2	1.0
3	Low budget films	3	1.0
3	New film makers scheme	6	1.5
1	Drama serial	10	6.0
Additional drama		156	38.0
Factual			
5	Documentary series (e.g. Beyond the Clouds)	20	3.0
6	Education series (e.g. Time Team, Food File)	21	3.0
3	Current affairs specials/mini-series (e.g. Power and the People, The Falklands War)	12	2.0
2	Schools series	13	1.3
3	Experimental series	15	1.0
3	Regional series	18	1.5
2	Religious series (e.g. Witness)	10	1.0
1	Early evening science series	4	0.5
2	Science documentary series	8	1.0
3	Science specials	3	0.5
1	Youth documentary series (e.g. Moss Side)	4	0.5
1	Disability strand	5	0.5
3	All night zones	100	2.5
Additional factual		233	18.3
Arts & entertainment			
1	Multicultural arts series	12	1.0
1	Multicultural factual series	6	0.5
2	Late night discussion series (e.g. After Dark)	20	1.0
4	Childrens' series (e.g. Wise Up)	27	2.0
4	Comedy series (e.g. Drop the Dead Donkey)	24	4.0
3	Music & arts series (e.g. For Love or Money)	18	1.5
4	Arts events (e.g. Glyndebourne, Royal Ballet)	6	2.0
1	Christmas animation (e.g. The Snowman)	1	0.7
4	Daytime series	125	4.3
2	Youth sport/activity series	7	0.5
1	Saturday morning sport	—	0.2
Additional arts & entertainment		246	17.7
Total additional production		635	74.0



Programmes



It was a great year for Channel 4 programmes, with as many British Academy of Film and Television Arts awards at the main ceremony as for BBC and ITV combined, a record endorsed by the top international prizes for both entertainment (the Golden Rose for **Don't Forget Your Toothbrush**) and documentary (the Prix Italia for Clive Gordon's harrowing **True Stories** film about Chechnya, **The Betrayed**), an International Emmy for **The Politician's Wife**, plus the world's top award for secondary schools television at the Japan Prize for **The New Living Body**.

Nothing confirms our commitment to the remit better than our premiere transmission of **Four Weddings and a Funeral**. We were naturally delighted to attract our highest audience in a decade (over 12 million) for a film that depended crucially upon our financial and editorial contribution. We were equally proud to have attracted over six million people during the same week to a series of campaigning short films about sign language, **Four Fingers and a Thumb**, inspired by writer Richard Curtis' witty use of the hero's sign-language conversations with his deaf-mute brother, played by David Bower.

With ratings back to near-record levels, we still keep faith with our commitment to the most serious factual programming in peak-time slots. Alongside gardening and cookery (**Food File**, **Sophie's Meat Course**) our education output includes campaigning consumer programmes about education (**Hands Up**) and health (**The Pulse**), revisiting the short **Gimme Health** season about breast cancer, and relaunching the peaktime disability strand **People First** as **Inside Out**, with programmes about autism and self-mutilation.



Don't Forget Your Toothbrush



Food File



Witness

We remain the only channel to offer religious documentaries in peaktime.

Witness this year roamed from the chastity revival among American youth (**True Love Waits**) to Tony Harrison's powerful poem **The Shadow of Hiroshima**, marking the bomb's 50th anniversary. This strand was supported by **The Holylands**, a three-parter about current peace prospects there, and Pete McCarthy's survey of fringe religions at home, **Desperately Seeking Something**.



Africa Express

Similarly accessible, Channel 4's long-established science and technology strand **Equinox** ranged from avalanches to lifts, from fire fighting to the Second Law of Thermodynamics, with a special late slot for **Beyond Love**, a sober, unsensational account of paraphilia, the disturbing condition that finds sexual attraction in the dead and mutilated. **Reality on the Rocks** was an audacious attempt, deploying the bizarre comic talents of Ken Campbell, to explain quantum physics and the search for ultimate meaning in the universe.

Channel 4 News and our current affairs strands also remain at the heart of our peaktime schedule. ITN's relaunch of our news, with more headlines and a regular half-way news summary at 7.30 pm, has strengthened its reputation for breaking stories with its investigations and exclusive interviews, and an extended 15-minute Saturday bulletin now complements the witty analysis of **A Week in Politics**. Modelled upon **Europe Express**, **Africa Express** deploys a formula to make that most under-reported continent accessible and relevant, and the channel devoted several hours to its second pioneering exercise in deliberative polling, **Power and the People**. **Dispatches** won another Royal Television Society award for its exposé of British exports of torture equipment, and its campaigning re-examination of the Marchioness disaster was revised and repeated after it had helped to win the long fight of the victims' relatives for a full coroner's inquest.



CHANNEL FOUR NEWS

Seasons both refresh the schedule and deepen our treatment of a particular subject, whether light-heartedly with **Soap Weekend**, or **Sci-Fi Weekend** (complete with the controversial **Roswell Incident** documentary), or more seriously with **Pot Night** or the longer seasons **Lethal Justice** (about the death penalty) or **Battered Britain**, which probed the roots of contemporary violence and was associated with a major series by Roger Graef, **In Search of Law and Order**. And **Beastly Xmas** helped to combat the predictability of festive programming, examining man's inhumanity to animals – graphically in **The Turkey Business** and more reflectively in **The Great Ape Trial**, which ruled that the higher primate should be accorded human rights.

Brookside triumphed – in writing, acting and production as well as popularity – with two special weeks devoted to the climax of the Jordache story and the discovery of the body under the patio and, some months later, the trial of mother and daughter. It catapulted a social issue into national debate with a guilty verdict that honoured legal credibility at the expense of emotional reassurance and the natural justice that the audience craved.



Shallow Grave



Brookside

Battered Britain



Besides **Four Weddings and a Funeral** on the small screen, we released in cinemas **The Madness of King George** and **Shallow Grave** to great success. We gained a dozen Oscar nominations and won two Oscars, for Ken Adam's art direction on **The Madness of King George** and for the best animation, **Bob's Birthday**. There was critical and audience acclaim for all three of our new drama series, Jimmy McGovern's **Hearts and Minds** (winner of a Prix Europa), Paula Milne's **The Politician's Wife** (an International Emmy) and Alan Bleasdale's brilliant **Jake's Progress**. All three series made convincing arguments for our having the resources to make even more of that quality.

Our remit for innovation extends to entertainment too, confirmed by the BAFTA originality award for **Don't Forget Your Toothbrush** and the *Broadcast* magazine originality award for **Crapston Villas**, Spitting Image's scatological 10-part soap spoof, our most ambitious animation project ever – and one of our most popular. Channel 4 brought Lee Evans from stand-up comedy into his own world of non-verbal filmed sketches, **The World of Lee Evans**, and launched two promising new sitcoms, **Father Ted** (described by one critic as 'priests behaving badly') and **Dressing for Breakfast** ('girls behaving badly'). Rory Bremner remains the cleverest and most trenchant satirist on British television, matched only by his supporting stars, John Fortune and John Bird, whose comic duologues were repeated in their raw, unedited form as **The Long Johns**. And Andy Hamilton's feature-length topical satire about football, **Eleven Men Against Eleven**, proved one of the funniest programmes in years.

Jake's Progress





Secret Asia *The Dying Rooms*

The channel's eclectic arts and music policy is characterised by our continuing sponsorship of **The Turner Prize** and live coverage of both **Glyndebourne** and **Glastonbury**, supported this year by a series scrutinising modernism, **Hidden Hands**; an enterprising exploration of Russian musical archives, **Soviet Echoes**; and a stylish new rock show format, **The White Room**. **Without Walls** continues to broaden the definition and treatment of art on television, with the **J'accuse** format applied to vegetarians, natural history television, and the National Trust, and strands devoted to '60s rock music and car design. However, **Without Walls** also mounted an instant tribute to the executed Nigerian poet and activist Ken Saro-Wiwa. And alongside our catholic movie schedule, we commissioned an extensive British Film Institute **Century of Cinema** series of directors' personal accounts of cinema, launched this year with Martin Scorsese's three-part **Personal History of American Cinema** and Stephen Frears' **Typically British**, each with accompanying movie seasons.

Glyndebourne *Ermione*





The White Room *Blur*

Our most controversial innovation was undoubtedly **The Red Light Zone**, a Saturday late-night season of documentaries and shorts about sex, the sex industries and sexual tourism that attracted predictable tabloid attention until the dawning recognition that its outrageousness was necessarily circumscribed by the responsibilities of public service broadcasting. This zone launched a makeover for our long-established independent film and video department which lies at the heart of our remit. Underlying the zone's higher-profile scheduling and publicity were the same social commitments – to issues at the margins of our culture and to encouraging emergent producers from outside the mainstream – that have always driven the department. These characteristics were again visible in the new gay strand, **Dyke TV**, in the late-night series about cults around the world, **Tribe Time**, and the all-night festival for student and independent shorts, **The Shooting Gallery**. Maintaining the international tradition, **Secret Asia** commissioned the year's most disturbing documentary, **The Dying Rooms**, the exposé of Chinese orphanages, while **War Cries** provided a new forum for polemic, including Victor Schonfeld's attack on ritual circumcision.

Cutting Edge remains our premier peaktime documentary strand, with memorable films about accidents, road rage, asthma and revenge, supported by **True Stories**, **Short Stories** and **Undercover Britain**, Ken Burns' masterly history of the **Wild West**, and Paul Watson's mordant documentary soap, **The Factory**. Most controversially, **Secret Lives** examined such famous names as Walt Disney, Baden-Powell and **Edward VIII – The Traitor King**.

Among other factual innovations, **The Real Holiday Show** proved an instant hit as **Wish You Were Here** for the camcorder age, (or sometimes 'Wish We Weren't Here'), aided by Gaby Roslin's warm interviews; and **Takeover TV** provided a kind of **Opportunity Knocks** for off-the-wall amateur video makers.

Multicultural programming spans the whole range of the channel's output, including current affairs (Darcus Howe as **Devil's Advocate**), documentary (**Black Families**), and comedy, with **Get Up Stand Up** and **Porkpie**, the new sitcom to replace **Desmond's** following the death of Norman Beaton.



Cutting Edge – Road Rage

Youth programming, another cornerstone of the remit, withstood the controversial end of **The Word**, after a five-year run unequalled in this fast-moving area since **The Tube**. Friday nights and youth programming have scarcely lost their edge with **Eurotrash**, **Passengers** and the arrival of Ice-T with **Baadass TV**, plus **Lonely Planet** and **Moviewatch** elsewhere in the schedule.

We now serve children's interests with the same commitment to commissioning, marked this year with the launch of their own hard-nosed consumer show, **Wise Up**, which won a Prix Europa after just one series; **Quids In**, a pocket money show; the interactive show **Watch This Space**; and the launch of the teen soap, **Hollyoaks**.

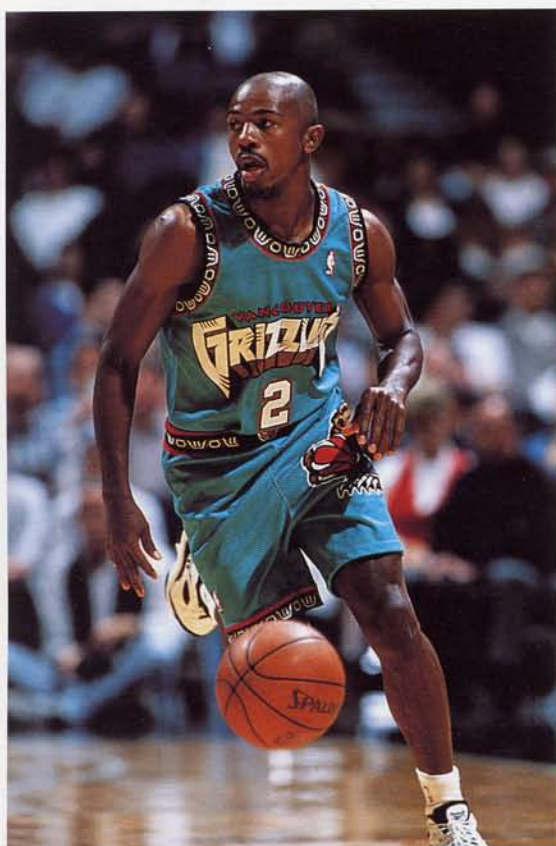
Sports coverage continues to seek out new activities, like snowboarding in **Board Stupid**, while **Channel 4 Racing** won Cheltenham from the BBC, and we covered the **McDonald's Championship** as a foretaste of the NBA basketball contract we won from BSkyB. And Greg Dyke's current affairs series **Fair Game** triggered one of the year's biggest rugby crises with Will Carling's unguarded reference to the '57 old farts' who ran the game.

Although regionalism was never specified in our remit as a national UK broadcaster, our independent film and video department champions regional production as part of its non-mainstream agenda. Scottish and regional film makers roam the world with major commissions for **The Red Light Zone** or **Tribe Time**, while for instance, other Scottish film makers work closer to home on films and a daily chat show for the **Battered Britain** season, or for the **Witness** film about sectarian conflict among Glasgow fans, **Football, Faith and Flutes**. Muriel Gray's Scottish company makes the international transport magazine **Ride On**; Scots producer Andrew Macdonald's team had such a hit with **Shallow Grave** that the channel commissioned **Trainspotting** for 1996 release. Mersey Television now has **Hollyoaks** in production alongside **Brookside**, and Channel 4 Schools continues to meet Scottish and Ulster educational needs with specific commissions as our spending outside London continues to rise. Channel 4 continues to regard giving access to voices from outside London and to unheard groups from minorities as a fundamental element in its commitment to diversity and plurality.

John Willis.

John Willis
Director of Programmes
25 March 1996

NBA basketball



Awards



Programme awards

Listed in the following pages (in alphabetical order) are just some of the major awards won by Channel 4 programmes and films in festivals around the world during 1995.

Annecy Festival (Animation)

Stressed

Special Jury Prize

Banff TV Festival

Equinox – Electric Skies

Best Popular Science Documentary

Broadcasting Press Guild TV and Radio Awards

Beyond the Clouds

Best Documentary Series

Without Walls – An Interview with Dennis Potter

Best Single Documentary

Four Weddings and a Funeral



BAFTA (Films)

Four Weddings and a Funeral – Best Film

Mike Newell – David Lean Award for Direction

Hugh Grant – Best Actor in a Leading Role

Kristin Scott Thomas – Best Actress in a Supporting Role

Lloyds Bank People's Vote for Best Film

Shallow Grave

Alexander Korda Award – Outstanding Film of the Year

BAFTA (Television & Craft)

Don't Forget Your Toothbrush

Television Award for Originality

Best Light Entertainment Programme

Beyond the Clouds

Best Factual Series

Phil Agland – Best Photography (Factual)

Cutting Edge – The Club

Richard Cox – Best Editing (Factual)

Rory Bremner ... Who Else?

Best Light Entertainment Performance

Without Walls: An Interview with Dennis Potter

Huw Weldon Award for Best Arts Documentary or Series

Coping with Grown Ups

Best Children's Programme (Fiction/Entertainment)

NYPD Blue

Best Foreign Programme

British Comedy Awards

Chris Evans

Top Channel 4 Presenter

Don't Forget Your Toothbrush

Best Entertainment Series

Guy Jenkins and Andy Hamilton

WGGB Award for Top British Comedy Writer

Ardal O'Hanlon

Top Television Newcomer

Rory Bremner

Best Comedy Show

Drop the Dead Donkey
Best Channel 4 Sitcom

Jo Brand
Top Stand-Up Comedian

Father Ted
Best New Television Comedy

John Bird and John Fortune
Top Male Comedy Performers

British Medical Association Awards

Living with Lesley
Silver Award – General Category
Silver Award – Medicine in the Media Category

Cannes International Film Festival

The Madness of King George
Helen Mirren – Best Actress

Edinburgh International Film Festival

Pib and Pog
Norman McLaren Prize for Best British Animation

Emmys (USA)

Beyond the Clouds
Best Music – George Fenton
Best Cinematography – Phil Agland
Special Contribution (Translation) – Charlotte Ashby

Baby It's You
Best Director – Leanne Klein

Emmys (International)

The Politician's Wife
Best Drama

Wise Up
Joint Winner – Children & Young People

Don't Forget Your Toothbrush 2
Winner – Popular Arts



Equinox – Electric Skies



Beyond the Clouds



The Politician's Wife

Evening Standard Film Awards

Four Weddings and a Funeral

Hugh Grant – Peter Sellers Award for Comedy
Kristin Scott Thomas – Best Actress
Richard Curtis – Best Screenplay

Backbeat

Ian Hart – Best Newcomer (Joint Winner)

Bhaji on the Beach

Gurinder Chada – Best Newcomer (Joint Winner)

George Foster Peabody Awards

Beyond the Clouds

Fourways Farm – Birth and Death
Tales of the City

Golden Rose of Montreux

Don't Forget Your Toothbrush

Golden and Silver Rose

The Madness of King George



London Film Critics Circle Awards

Four Weddings and a Funeral

British Film of the Year
Richard Curtis – Best British Screenwriter
Duncan Kenworthy – Best British Producer
Hugh Grant – Best British Actor
Mike Newell – Best British Director

Backbeat

Iain Softley – Best British Newcomer

Ladybird, Ladybird

Chrissie Rock – Best British Actress

Monte Carlo Television Festival

Closing Numbers

Red Cross Prize

Channel 4 News – Report from Goma

International Critics' Prize

The Rector's Wife

Lindsay Duncan – Best Actress

True Stories – The Unforgiving

Bronze – International Grand Documentary Prize

Oscars

The Madness of King George

Best Art Direction

Bob's Birthday

Best Animated Short – Alison Snowden and David Fine

Pact Indie Awards

Beyond the Clouds

Winner – Documentaries and Features

The Crying Game

Winner – Drama and Film

Drop the Dead Donkey

Winner – Light Entertainment and Radio Times
Readers' Choice

Cutting Edge – Shops and Robbers

Winner – News and Current Affairs

True Stories – Tales from a Hard City

Winner – Regional Category

Tour de France

Winner – Sports Category

Prix Europa

Hearts and Minds

TV Programme of the Year

Wise Up

TV Programme of the Year (Youth Category)

The Politician's Wife

Special Commendation

Prix Italia

True Stories – The Betrayed

Best Documentary

Royal Television Society Craft and Design Awards

True Stories – The Betrayed

Tape and Film Editing – Documentary and Factual

Don't Forget Your Toothbrush 2

Production Design – Any Other Programme

Screaming Reels

Camera – Documentary and Factual

Royal Television Society Education Awards

Gimme Health Season

Winner – Social Action Category

Beyond the Clouds – For the Sake of our Children

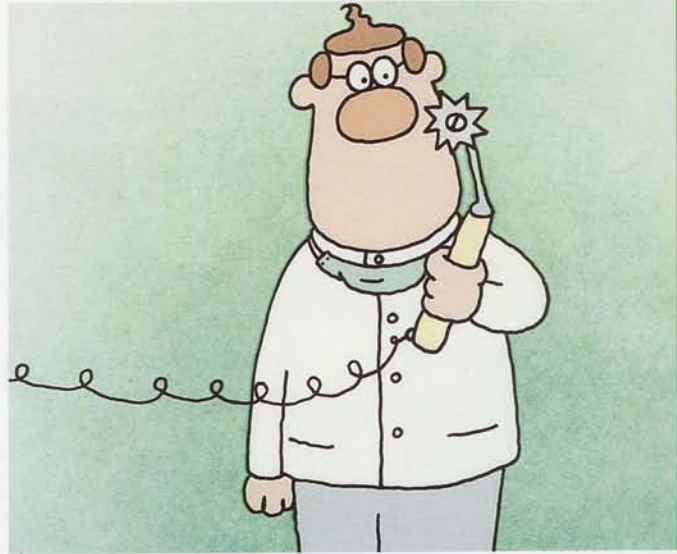
Winner – Educational Television – General

Off Limits – Sibling Rivalry

Michael Simons – Winner Schools Television –
Secondary Arts

**Eureka – Discovering Japan – Earthquakes and
Volcanoes**

Winner – Schools Television, Junior



Bob's Birthday



Wise Up



True Stories – The Betrayed

Royal Television Society Programme Awards

Drop the Dead Donkey

Winner – Sitcom and Comedy Drama

Desmond's

Team Award

Rory Bremner

Best TV Performance

Don't Forget Your Toothbrush

Winner – Entertainment

Jon Snow – Channel 4 News

Best Presenter

Royal Television Society – Sports Awards

Cutting Edge – Graham Taylor

Best Sports Coverage

Andy Norman – Channel 4 News

Best Sports News

Dispatches – Getting Away with Rape

Winner – Current Affairs – Home

San Sebastian International Film Festival

Shallow Grave

Danny Boyle – Concha de Plata for Best Director

The 22nd Japan Prize

The New Living Body – Bones and Joints

Minister of Posts and Telecommunications Prize

Venice Film Festival

Nothing Personal

Ian Hart – Best Supporting Actor (Joint Prize)

Writers' Guild Awards

The Politician's Wife

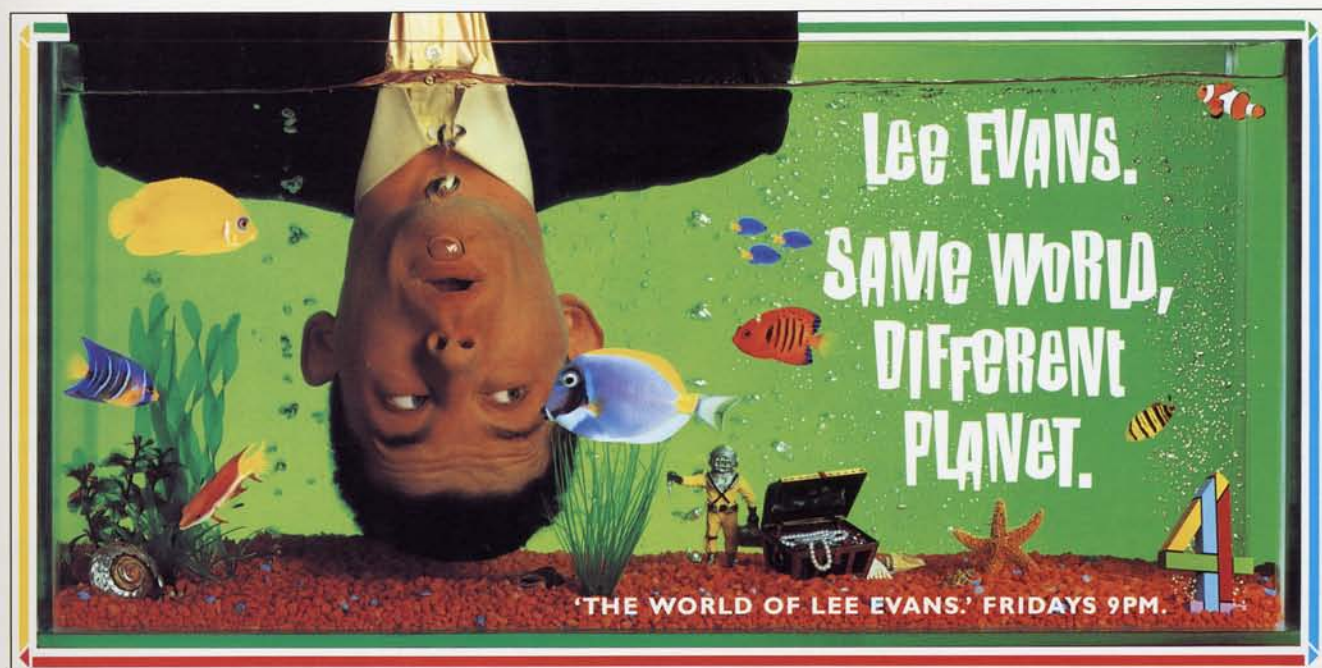
Paula Milne – Best Original Drama Serial

The Madness of King George

Alan Bennett – Best Screenplay



The New Living Body – Bones and Joints



Promax UK Awards

Best Outdoor Advertisement

Gold: **The World Of Lee Evans** (poster)

Best Press & PR Campaign

Bronze: Direct Mail Sales Promotion
(including **Pot Night** and **The Red Light Zone**)

Best Mixed Media Campaign

Bronze: **Brookside** Patio

Best Use of Graphics

Silver: **Don't Forget Your Toothbrush**
(Jon Harvey/Gary Keenan)

Best On air Ident (produced in-house)

Gold: **Chillers** (Mark Craig)
Silver: **Science 4** (Gary Keenan)

Best Graphic Sting (produced in-house)

Gold: **Spring Grabbers** (Rose James)

Best Sales/Marketing Tape

Gold: **My Generation** (Graham Jackson)
Silver: **Autumn 1994** (Phil Grace)

Best International Marketing

Silver: **The Politician's Wife** (Channel 4 International)

The Innovation Award

Bronze: **The Politician's Wife** CD-Rom (Sally Leonard)

Best Factual Promotion

Gold: **Secret Lives – Walt Disney** (Mark Everest)
Bronze: **Deadly Experiments** (Mark Everest)

Best Comedy Promotion

Bronze: **Lee Evans** (Jon Harvey)

Best Drama Promotion

Gold: **Brookside** Patio (Edmund James)
Silver: **Brookside** Trial (Mark Everest)

Best Entertainment Promotion

Gold: **Clive Anderson Talks Back** (David Rose)
Bronze: **Don't Forget Your Toothbrush** (Jon Harvey)

Best On air Campaign

Silver: **Brookside** Trial (Mark Everest)

Promotional International (USA)

Gold: **Don't Forget Your Toothbrush** – Gimmick
(Jon Harvey)

New York Festivals (USA)

Bronze: **Don't Forget Your Toothbrush** (Jon Harvey)

The licence

The wide range and diversity of programmes shows that the remit is central to Channel 4's programming policy. The channel takes pride and pleasure in the challenge of fulfilling it in different ways each year. Our licence from the ITC, in addition to stipulating the need to meet the remit, places certain specific programme obligations on Channel 4.

In 1995, as in all earlier years, Channel 4 met or exceeded all of the undertakings given to the ITC.

Principal programme requirements

	Compliance minimum	1995 Actual	1994 Actual
Average hours per week			
Education	7	16	14
Current affairs	4	5	5
News	4	4	4
Religion	1	1	1
Hours per year			
Schools	330	369	341
Percentage			
Independent production *	25	86	82
European origin	50	58	60
European independent *	10	40	46
Subtitling for the deaf and hard-of-hearing	50 by 1998	42	37

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

ITC annual performance review

The ITC performance review of Channel 4 for 1995 states that:

"Channel 4 provided a service in 1995 that met the Broadcasting Act requirement for 'high general standard'. The channel also retained a 'distinctive character of its own', and maintained a suitable proportion of programmes 'for tastes and interests not generally catered for by Channel 3'. These parts of the remit were especially well featured in peaktime. A number of individual programmes and series marking innovation and experiment appeared across the schedule. In the face of strong competition, Channel 4 sustained its audience share and increased its share of advertising revenue."

Regulatory authorities

The number of complaints to the three broadcasting regulators and those upheld during 1995 was as follows:

Regulator and remit	Number of complaints considered	Number upheld or partially upheld
Independent Television Commission observes compliance with the Broadcasting Act and entertains complaints about independent television	2,134	11 formal interventions, including 2 serious breaches of the Programme Code
Broadcasting Complaints Commission entertains complaints about unfair treatment and infringement of privacy	6	1 was upheld, 2 were partially upheld and 1 not yet adjudicated
Broadcasting Standards Council monitors standards of taste and decency	140	13 were upheld, 7 partially upheld

Programme transmissions

The channel broadcast 7,727 hours in 1995 – an average of 21 hours each day. The hours and costs of the channel's wide range of programme transmissions was as follows:

1995	1994		1995	1994
Hours	Hours		£m	£m
599	688	Drama (including Film on 4)	44.8	37.9
1,954	2,204	Entertainment	48.6	49.7
274	273	News	16.0	16.0
270	311	Documentaries	11.6	15.8
463	429	Current affairs	17.9	11.2
1,695	1,244	Feature films	13.7	12.3
177	163	Arts and music	7.9	7.5
1,209	1,129	Education (including schools)	38.3	35.5
714	641	Sport	15.8	10.4
64	58	Multicultural	3.5	5.7
238	250	Quiz	6.4	6.1
70	54	Religion	3.9	2.3
7,727	7,444		228.4	210.4

Originated programmes

Channel 4 is not required by the terms of its ITC licence to provide a minimum amount of original productions and commissions. Nevertheless, this is a measure which the Board monitors. The number of hours of originated programmes and their proportion of the total transmission output was as follows:

Transmission time	1995	1995	1994	1994
	Hours	%	Hours	%
0600 to 0900	624	67	626	69
0900 to 1800	1,422	44	1,428	44
1800 to 2230	1,089	67	1,107	68
2230 to 0559	694	37	810	50
All hours	3,829	50	3,971	54

As shown on page 10, it is estimated that a further 635 hours of originated programmes would have been provided in 1995 if Channel 4 were not required to subsidise ITV. That would have increased the proportion of originated output to 57.8% of total transmission hours.

Sources of programmes

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

The sources and costs of the programmes transmitted in 1995 are as shown in the tables below.

	1995 First run Hours	1995 Repeats Hours	1995 Total Hours	1994 First run Hours	1994 Repeats Hours	1994 Total Hours
Commissions						
Independent producers	1,826	834	2,660	1,838	933	2,771
Other	1,034	135	1,169	1,067	133	1,200
	2,860	969	3,829	2,905	1,066	3,971
Purchases						
US programmes	877	619	1,496	816	626	1,442
Other purchased programmes	218	489	707	282	505	787
Feature films	568	1,127	1,695	445	799	1,244
Total	4,523	3,204	7,727	4,448	2,996	7,444

	1995 Total £m	1994 Total £m
Commissions		
Independent producers	152.8	140.8
Other	40.7	38.3
	193.5	179.1
Purchases		
US programmes	18.6	16.1
Other purchased programmes	2.6	2.9
Feature films	13.7	12.3
	228.4	210.4

Independent production companies are the most important source of commissioned programmes. In 1995, Channel 4 made programme payments to 527 independent production companies (1994: 539).

The number of companies which received programme payments from Channel 4 was as follows:

		1995	1994
Programme payments		Number of companies	Number of companies
£0 –	£100,000	318	335
£100,001 –	£250,000	94	100
£250,001 –	£500,000	44	46
£500,001 –	£1,000,000	30	28
over	£1,000,000	41	30
		527	539

The number of programmes or series of programmes for which the channel made payments to individual independent production companies is shown below:

Number of programmes per company	1995	1994
1	346	374
2 – 5	152	131
6 – 10	21	26
11 or more	8	8
	527	539

Note:

The table above 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.



Behind the screens



The duty office

Channel 4 welcomes comments from viewers and attempts to respond to all of these – whether praise or complaint. The channel's duty office is available 24 hours a day with staff on duty from 8.30 am to midnight, when an answerphone service takes over.

In 1995 the duty officers answered 133,613 telephone calls (a 19% increase on 1994) of which 10% contained critical comment, and received 47,348 letters (an increase of 8.3%); of these, 14% were critical. A log of all calls from viewers is circulated to senior Channel 4 staff each day and all complaints are dealt with as a matter of policy at commissioning editor level or higher.

A leaflet – *How to Complain* – is available advising the public on how to take any grievances to the ITC, the Broadcasting Complaints Commission or the Broadcasting Standards Council. The channel makes a quarterly report to the ITC on the total number of complaints received.

Programme support

Channel 4's long-standing commitment to educational support for programmes continued throughout the year with a wide range of printed material and support services. A total of 51 printed publications was produced in 1995. The most popular titles included **Stand Still, Be Fit** about a centuries old Chinese exercise system (27,500 copies), the edited transcript of **Wild West** (19,500 copies) and the site reports from the award-winning archaeological series **Time Team** (12,000 copies).

Among the health related issues covered were breast cancer, arthritis, asthma, epilepsy, testing for Down's syndrome, men's health and X-rays. Channel 4's booklet on bereavement in childhood, **A Child's Grief**, published in November to support the **Short Stories** documentary of the same name, continues to be much in demand as a concise but comprehensive guide to this difficult subject.

Other titles ranged from a brief guide to British Sign Language, **Four Fingers and a Thumb** which is also being distributed by the British Deaf Association, to a full colour booklet supporting the popular **Garden Doctors** series. Two thousand copies of the booklet and video of **Consenting Adults**, a guide to mentoring broadcast during Adult Learners' Week 1995, were bought by the Department of Education which will now distribute free copies to interested groups and organisations.

Four Fingers and a Thumb

Sign language in Britain today



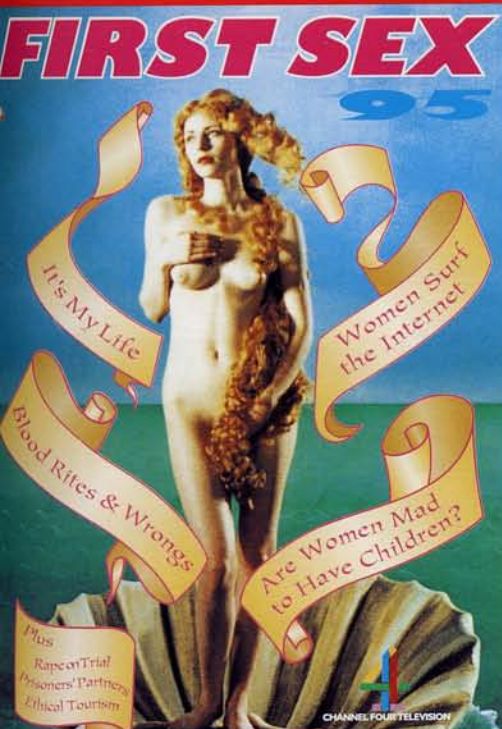
What matters deafness of the ears when the mind hears? The one true deafness, the incurable deafness, is that of the mind.
Victor Hugo

In the UK, the commonly accepted figure for the incidence of deafness is that one in ten of the population – a total of approximately 5.5 million people – has a hearing loss classifiable as a disability or as socially significant. Most deafness occurs naturally through age, when it can cause great distress. However, the 62,500 people who were born deaf or became deaf in early childhood share a common identity, a common life experience, a common heritage and a common language – British Sign Language (BSL) – and regard themselves as a cultural and linguistic minority.



THE MIND FIELD





Telephone support services were provided in 1995 for 19 programmes. These included staffed helplines on male rape, child abuse and drugs as well as dial-and-listen information lines on circumcision, domestic violence and hysterectomy. There was telephone support for the high profile Jordache storyline on **Brookside**, and staffed helplines after two programmes on self-harming attracted an enormous response from people disclosing this problem for the first time. Telephone lines offering free financial advice after the money magazine programme **Dosh** were hugely popular, with extra lines being added after the first two programmes to help cope with the demand.

The programme support internet site was developed and greatly improved in the second half of the year with a listings driven resource which is updated on a weekly basis. Whole publications are available through the web site including **Cybersecrecy (Equinox)**, **Hidden Hands**, **The Mind Field** and **First Sex**. The entire programme support catalogue is available on-line in *Paper Back-Up*, with on-line ordering facilities. Growing numbers of viewers now have access to the internet but, for those who don't, programmes supported by the internet also have back-up provided through 4-Tel.

Thanks are due to Channel 4's founding editor of programme support, Derek Jones, who left in September to pursue a new career after thirteen years dedicated to pushing back the boundaries of learning in the quest for life after programmes.

Subtitling for the deaf

Channel 4 continued to increase the number of its programmes accessible to those with hearing difficulties. In 1995 the channel commissioned new teletext subtitles averaging 40 hours a week of pre-recorded subtitles, an increase of eight hours per week over the previous year. News, repeats and subtitled foreign films pushed the weekly provision up to over 53 hours per week. During the year 42% of the channel's programme output was subtitled – well on target for 50% of the channel's output to be subtitled by 1998. In two months during 1995, more than 50% of the programme output was subtitled.

During the year, the subtitling of **Channel 4 News** was changed to a 'stenographic' method, designed to give deaf viewers more information. The service for deaf viewers was further enhanced with the subtitling of the news bulletins in **The Big Breakfast**.

Kurt's got the best

HOLLYOAKS

Public events

As part of a determined effort to meet as many of our viewers as possible in their own communities, the channel mounts a series of regional events each year.

During 1995, the channel had a public presence around the country – ranging from supporting the Educational Television Company at events such as the science conference in Lancaster, the Geographical Association in Leicester and activities in Wales, London and Birmingham. In May the channel supported the Friends of the Earth Family Cycling Day at Eton with a cycling roadshow, followed by a science and children's roadshow in Belfast. In June, the kids roadshow travelled to Newcastle, while the channel also had a presence at the Glastonbury Festival.

Later in the year, the roadshow visited Sheffield, Blackpool, Great Yarmouth, Chessington, Cornwall and Stoke on Trent. In August there was a strong presence in Edinburgh for the Film Festival and the stand up comedy event, *So You Think You're Funny* followed by the Leeds City Cycling Race and the World Sci-Fi Convention in Glasgow. In September and October the channel entertained politicians at a series of breakfasts at the party political conferences in Blackpool, Brighton and Glasgow and in October a **Basketball** roadshow took place at the London Arena and a **Brookside** and **Hollyoaks** exhibition was installed in the Museum of Liverpool Life. In November, we had a presence at the Plymouth Animation Festival and at the Theatre Museum in London.

The channel's marketing department organised events such as a five-a-side football match in aid of various charities including the Meningitis Research Trust appeal.

Belfast Roadshow



Channel 4 Schools Exhibition

London Film Festival



seat on the

bus.



New Soap. Mondays at 6.30pm.



Off-screen marketing

In addition to the promotion of programmes on air, the channel continues to invest in marketing off screen.

Poster campaigns continue to be a major strand of marketing for the channel's programmes, but other more targeted activities have been successfully implemented with outside partners. The campaign, for example, promoting **Blow Your Mind – See a Show** was supported in regional theatres with a month of activities; promotional games featuring **Channel 4 Racing**, **Big Breakfast** and **Brookside** were supported via national newspapers; and **Hollyoaks** was promoted in partnership with both a teen magazine and a national record retailer. In this way the channel seeks to introduce its programmes to viewers in a manner which is both innovative and relevant to their lifestyles.

Sponsorships and charities

Turner Prize

The channel tries to spread an inevitably limited sponsorship and grants budget as widely as possible – varying involvements from year to year and covering a diverse list of initiatives. We try to reflect the channel's programming and special interests in all the activities that we support and to ensure a fair geographical mix across the United Kingdom.

Support in 1995 ranged from the Tate Gallery's prestigious and ever higher profile **Turner Prize** to assistance for *The Big Issue*, and took in film and television festivals from Edinburgh to Leeds, the Glyndebourne Festival, disabled sports, deaf awareness, gay and lesbian events, race in the media, and various charity premieres of feature films in which the channel had an interest. The channel's 1995 Christmas card benefited the World Wildlife Fund, in keeping with the **Beastly Xmas** theme on screen.



Supporting the industry

Channel 4 continues as the largest and most consistent financier of British films and we back Channel 4 films by support for film events throughout the country. Support was also given to the Royal Television Society, British Film Institute, BAFTA, ABSA, Women in Film and Television, Edinburgh Television Festival, British Screen Finance, British Screen Advisory Council, the Arts Council, Scottish Film Production Fund, the Voice of the Listener and Viewer, European Film School, Northern Ireland Film Council, New Producers' Alliance and other industry related organisations.

The channel's marketing department supported the *Media Week Awards*, the British Television Advertising awards and two events for the National Advertisers Benevolent Society.

Working with suppliers

Channel 4 places the highest priority on its relationships with independent producers, whose ideas and talent are its lifeblood. Senior executives of the channel meet members of the Producers Alliance for Cinema and Television (PACT) on regular occasions during the year to discuss current industry issues. In addition, PACT open days take place both in London and regionally with each programme area outlining its philosophy and needs for the coming year. An annual *Producers Guide* is published giving details of the channel's operation and priorities and how to submit proposals most effectively.

Each year Michael Grade presents the channel's annual report to an open meeting of independent producers and the Producers' Forum holds one day events to discuss wider issues of programme making.

In 1995 the channel continued its commitment to developing ideas and talent from companies based outside London, through its Scottish/Irish and non-metropolitan development funds. Over 30 proposals were developed by each fund in 1995. In addition successful production schemes for new directors were implemented with several media agencies based in the regions.

Commissioning editors and the Director of Programmes hold annual open days in different parts of the country and certain commissioning editors act as liaison points for various parts of the United Kingdom. In 1995, under the award of the Bertelsmann Prize, commissioning editors ran workshops all over the United Kingdom for young people at the threshold of their careers in television.

Training – an ongoing commitment

Channel 4 is an active and enthusiastic supporter of the industry's efforts to ensure that it invests in technical and production training. Skillset, the industry training body for the broadcast, film and video sector, produced its triennial report and Channel 4 was pleased that it documented real progress in ensuring that the industry's increasingly freelance workforce has the necessary skills to sustain the United Kingdom's excellence in television and film production.

Channel 4 continued to contribute to the Freelance Training Fund, to which PACT (via its voluntary levy on its members), the BBC and the ITV companies also contribute. A total of 105 applications for funding were approved in 1995, including structured new entrant training, attachments and short courses which retrained and updated existing freelancers.

Channel 4 again supported the work of the National Film and Television School both financially and through its presence on the governing body, and welcomes the school's determination to continue to be a major provider of training excellence to the industry.

Channel 4 contributed to a funding appeal from the Royal Academy of Dramatic Arts (RADA).

Channel 4 and its staff

The channel's equal opportunities policy is an integral and important part of its employment practice. The representation of ethnic minorities amongst its permanent staff was 8.8% (1994: 8.4%). The channel wishes to increase this figure, particularly among senior staff.

Women form the majority of Channel 4's staff. The channel has continued to develop and promote its female staff. A childcare initiative, begun in 1992, provides additional benefits for working parents. In 1995, 11% of staff earning over £50,000 were female (1994: 20%), the corresponding figure for those earning over £30,000 was 40% (1994: 38%).

Like many other employers, Channel 4 has had difficulty in recruiting staff who are registered disabled. The design of its new building in Horseferry Road will enable more people with disabilities to be recruited in future.

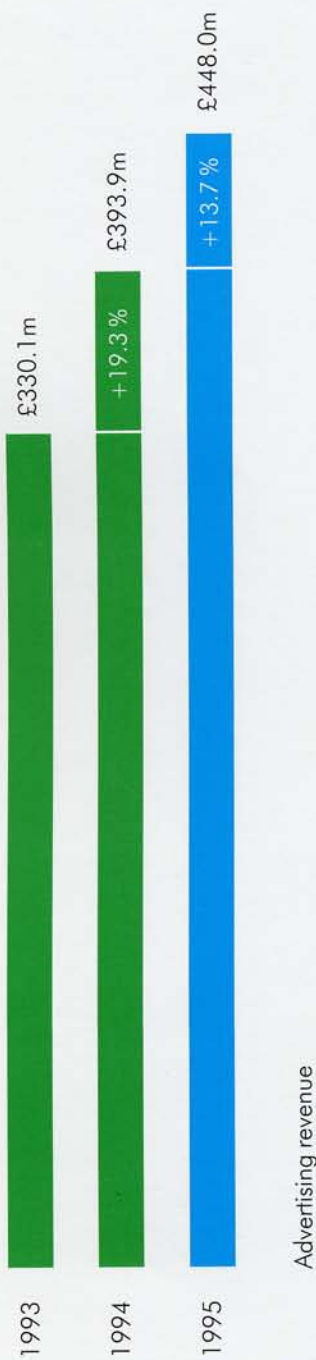
The image features a black background with three yellow geometric shapes. On the left, there is a large parallelogram. To its right, there is a smaller parallelogram. Further to the right, there is a triangle pointing towards the top right.

Advertising sales and audience

Advertising sales and audience

Revenue

Advertising delivers over 95% of the channel's revenue and television advertising remained a buoyant market in 1995 with advertising investment in all UK channels estimated to have grown at 8%. Channel 4 continues to out perform the market. Advertising and sponsorship revenue in 1995 was £448.0 million – an increase of 13.7% on 1994.



Growth in advertising and sponsorship revenue

The channel continues to gain revenue share from its terrestrial competitors: ITV, GMTV and S4C, by adding value to its product in a highly competitive marketplace.

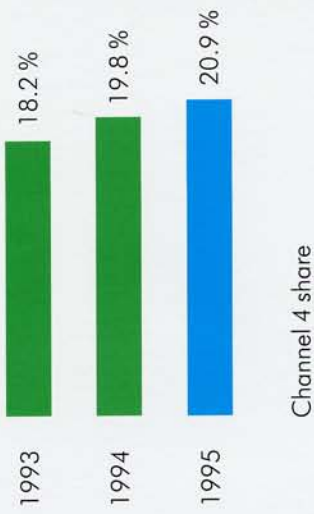
Despite increased competition from satellite and cable channels, now taking 6% of the television advertising market, Channel 4 continues to provide a product very attractive to advertisers – a national channel covering the whole population, with an audience biased to upmarket, younger and lighter viewers; plus the regional flexibility unable to be offered by satellite transmitted channels.

The success of the channel in attracting business from outside London to the channel's regional advertising facility is reflected in its continued sales growth from the business bases in Manchester (a revenue increase of 44.5% in 1995), Scotland (up 27.4%) and Ireland, through our sales offices in Dublin and Belfast (up 20.8%).

Much of the advertising revenue growth has come from categories away from the traditional television sectors of food and household goods. Major categories to increase spend in 1995 were: telecommunications, personal computers, records, the National Lottery, retailers and the growth of direct response television for insurance, home shopping catalogues and charities.

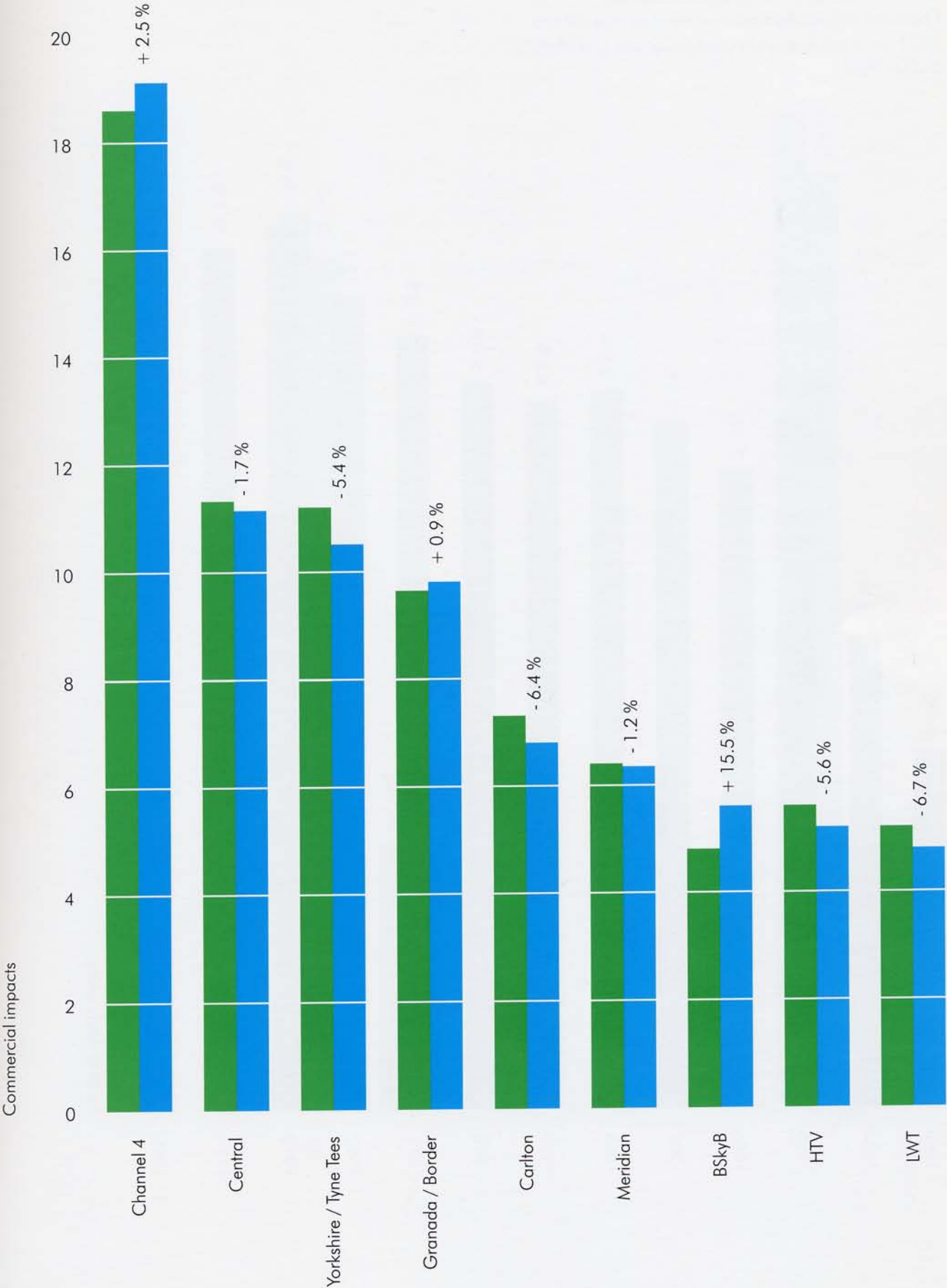
Advertisers remain concerned about the inflationary pressures on television advertising costs. This is partly fed by the increase in demand, but exacerbated by the fall in audience supply by some of our major competitors. Channel 4 remains committed to building audiences and therefore holding down industry inflation; the results for 1995 reflect this.

Channel 4 share of terrestrial net advertising revenue



Share of total commercial impacts and % change 1995 vs 1994

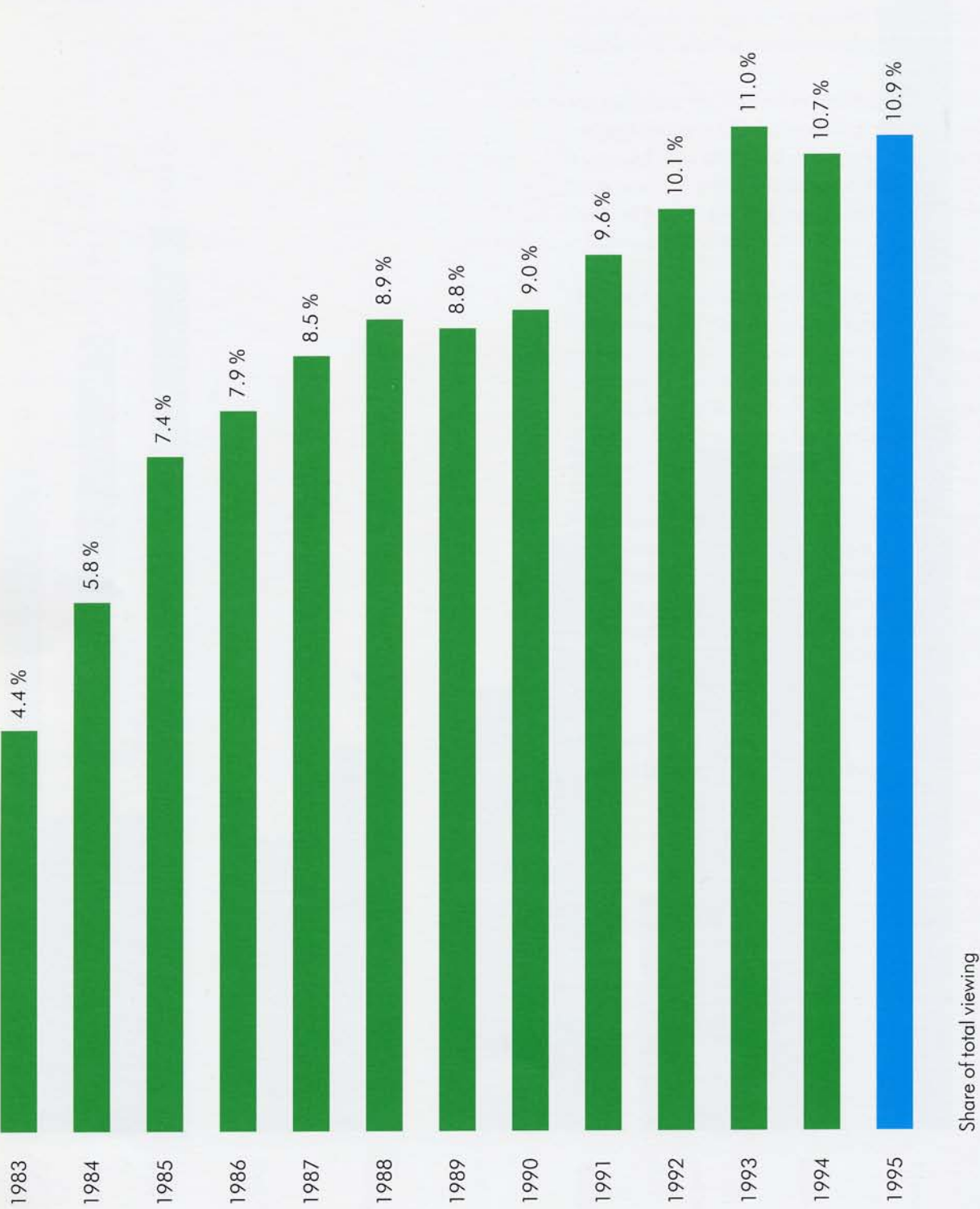
1994 1995



Channel 4 share of total TV viewing

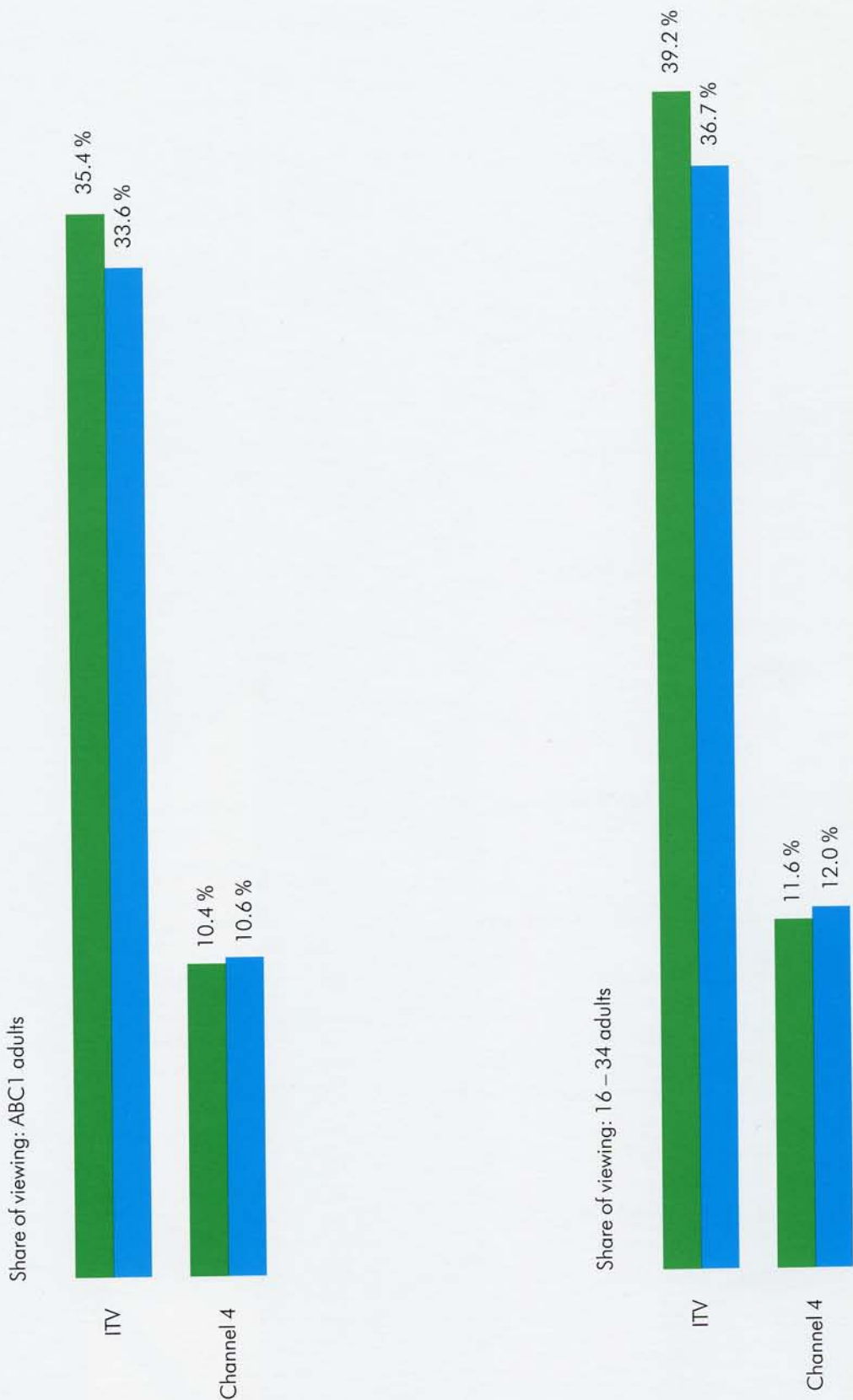
Source: BARB individuals (including S4C)

Channel 4 is building its share in multi-channel homes – homes receiving channels in addition to the four terrestrial stations. Despite a choice of over 20 channels, Channel 4 remains the third most watched after ITV and BBC1 and considerably ahead of BBC2, Sky 1, Sky Sports and UK Gold.



The channel continues to build audiences in areas of strong commercial value – upmarket and younger viewers.

1994 1995



The channel's programme diversity is a key part of its identity and even in a list of its most popular programmes the channel features drama, documentaries, light entertainment, quiz shows, films and American series.

Top programmes

Channel 4's top 20 programmes in 1995 were:

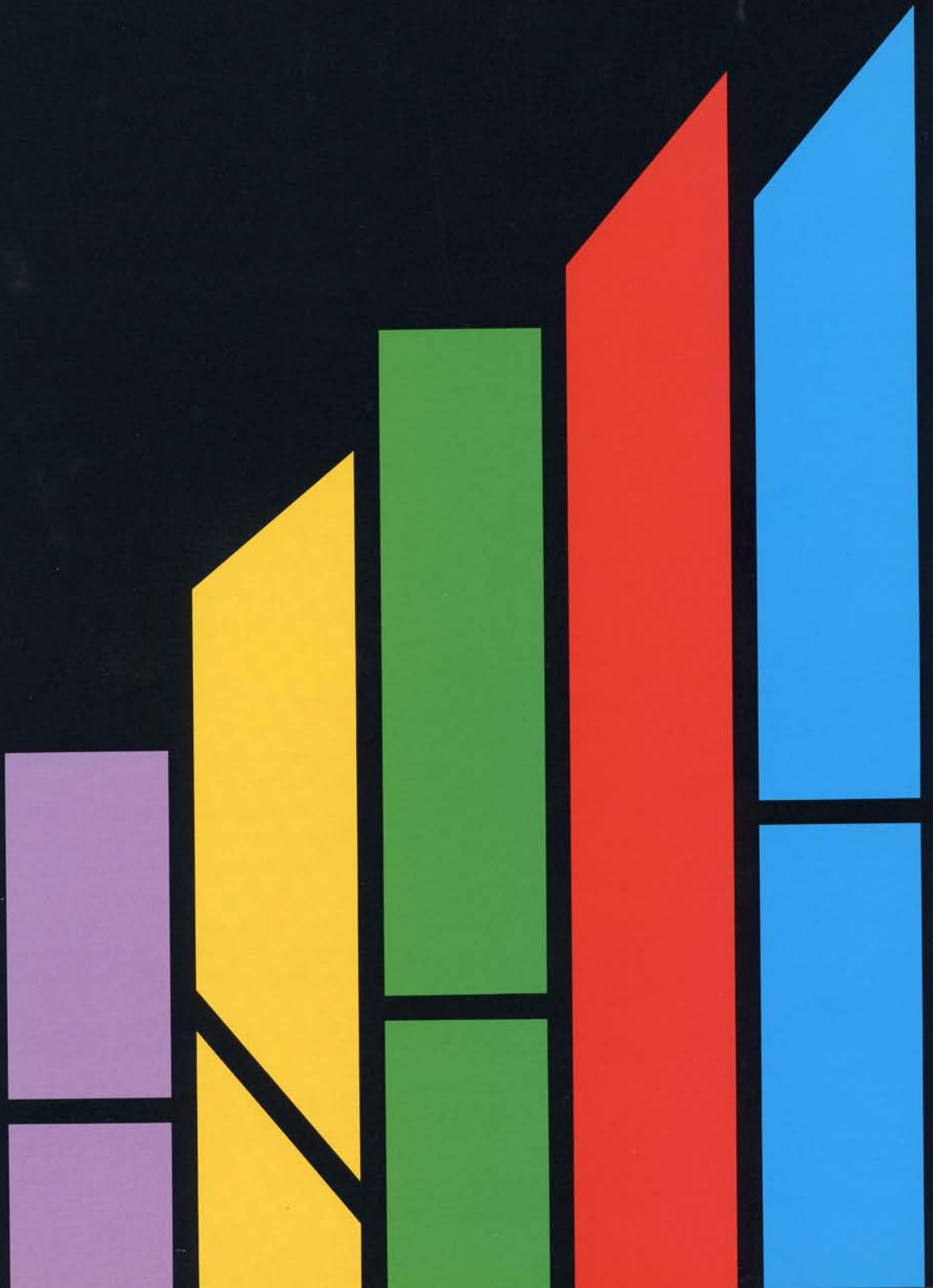
	Audience millions	
1 Four Weddings and a Funeral	12.4	Film on 4
2 Cutting Edge* (A is for Accident)	9.5	Documentary
3 Brookside* (31 Jan)	9.0	Weekly drama
4 Secret History (The Roswell Incident)	6.6	Documentary
5 Auf Wiedersehen Pet	6.4	Drama
6 Fried Green Tomatoes	6.0	Film
7 Blue Steel	5.9	Film
8 The Real Holiday Show	5.7	Magazine
9 Riverdance	5.6	Entertainment
10 The Politician's Wife	5.1	Drama
11 E.R.	5.1	US drama
12 Don't Forget Your Toothbrush*	5.0	Entertainment
13 Countdown	5.0	Quiz show
14 Heroes of Comedy (Tommy Cooper)	4.9	Entertainment
15 Encounters (Raise the Titanic)	4.8	Documentary
16 Secret Lives (Edward VIII)	4.7	Documentary
17 Vanished Without Trace	4.7	TV movie
18 Tommy Knockers	4.7	US series
19 Rita, Sue and Bob Too	4.6	Film on 4
20 Roseanne	4.5	US comedy

Notes:

1 *Including repeat

2 Top rating show only featured from each series

Financial review and statements



Turnover

Channel 4's third year selling its own advertising consolidated the success of 1993 and 1994. Our advertising and sponsorship revenue increased by 13.7%, whereas ITV's revenue increased by 5.8%. Channel 4's advertising prices are now virtually in line with ITV's. As a result, Channel 4's future advertising revenue will be dependent on the overall level of television advertising expenditure and our share of the commercial television audience.

Channel 4's success in the last three years is founded on an important structural factor which was not widely appreciated in 1990. The key commercial factor has been the effect of the transition at the beginning of 1993 from the previous sale of Channel 4's advertising as part of the ITV monopoly to its considerably more efficient sale as part of a free-standing commercial enterprise. In 1992 Channel 4's advertising airtime was sold at an artificial 29% discount by ITV: that price discount has now disappeared. This fact, anticipated by Channel 4 but unproven in 1990, accounts for the channel's consistent success. It has been achieved without any compromise to the programme remit, and it provides the lasting, structural strength which now obviates the need for future subsidy mechanisms.

Profit

Channel 4 made a profit before ITV subsidy and taxation in 1995 of £128.1 million (1994: £83.6 million). However, the subsidy payable to ITV increased by 29% to £74.0 million (1994: £57.3 million).

The profit for the year, after that payment to ITV and corporation tax was £34.8 million (1994: £21.9 million), almost fully funding the £37.0 million transfer to the statutory reserve required by the 1990 Broadcasting Act.

Taxation

Channel 4 is subject to corporation tax on profits. The tax charge for 1995 was £19.3 million, which equated to 36% of pre-tax profits. The tax charge for 1994 was low as Channel 4 had brought forward trading losses which have now all been utilised.

Cashflow

After the payment to ITV of £57.3 million in February 1995, Channel 4 generated cashflow from trading operations of £62.2 million during 1995.

The cash movements in 1995 left Channel 4 with net cash deposits at 31 December 1995 of £79.3 million, sufficient to fund the ITV subsidy payment which was made on 14 February 1996 without drawing down on Channel 4's borrowing facilities.

Foreign currency

Channel 4 buys and sells programmes in the international markets and is a net purchaser of US dollars. Exposure to fluctuations in exchange rates is managed by transactions in the forward foreign currency markets. Channel 4 never takes speculative currency positions.

Channel Four International

Channel Four International Limited, wholly-owned by Channel 4, manages the world-wide distribution and exploitation of the commissioned film and television rights acquired by Channel 4. It does this through the licensing of rights for theatrical exhibition, television, video, publishing and new media. In 1995 it made sales to more than 90 countries.

Net income is shared with independent producers and third parties, who received £3.5 million in 1995. Total net income retained by Channel 4 reduced from £6.4 million in 1994 to £5.2 million in 1995, mainly because 1994 had enjoyed a large contribution from the runaway success of **Four Weddings and a Funeral**. Channel 4's share of the profits from these sources flows back to the budget for the commissioning of new productions.

Film Four Distributors

Towards the end of the year a further wholly-owned subsidiary, Film Four Distributors Limited, was formed to handle the UK theatrical and video distribution of films in which Channel 4 has an interest. This new company also distributes some third party film productions. It is intended that this development will provide Channel 4 with improved control over these activities and a better financial return.

124 Facilities

124 Facilities Limited, also a wholly-owned subsidiary, was created at the end of the year. The company will offer Channel 4's production and post production facilities on a commercial basis.

David Scott.

David Scott
Director of Finance
25 March 1996

Principal activities

The Broadcasting Act 1990 (the Act) established Channel Four Television Corporation to secure the continued provision of the television broadcasting service known as Channel 4 which started transmissions in 1982.

On 1 January 1993 Channel 4 inherited, under the terms of the Act, the business, assets and liabilities of Channel Four Television Company Limited, which had provided the Channel 4 service from 1982 to 1992.

On 1 January 1993 the ITC issued a broadcasting licence under the terms of the Act for Channel 4 to broadcast for the ten calendar years 1993 to 2002.

Review of business and results

The Chairman's statement on pages 4 and 5 and the Chief Executive's and Director of Finance's reviews on pages 6, 7, 44 and 45 form part of this report and provide information on the development of Channel 4's activities during the year and outlook for the future. The group's results are set out on pages 57 to 69.

Funding

Under the terms of the Act, Channel 4 is required to pay ITV half of Channel 4's calendar year qualifying revenue in excess of 14% of total qualifying revenue. The total qualifying revenue to which this formula relates is the total of advertising, sponsorship, subscription and barter income of ITV, Channel 4 (and 5) and S4C.

The Act also provides that ITV would pay Channel 4 up to 2% of qualifying revenue if Channel 4's qualifying revenue, together with any balance on the statutory reserve account referred to in note 18 to the financial statements, were to be less than 14% of qualifying revenue for any calendar year. Channel 4 has stated consistently since 1989 that it has no wish or expectation of ever calling upon such a subsidy from ITV.

The Act enables the Secretary of State for National Heritage to amend the funding formula from 1997 by substituting different percentages for the 14% and 2% figures referred to in the two paragraphs above.

Members

The present members of Channel 4 are listed on page 54.

Members' interests

As indicated on page 54, certain members are also directors of companies which supply programmes to Channel 4, and to that extent are also interested in contracts negotiated on commercial terms with Channel 4. Murray Grigor's and Sarah Radclyffe's production companies received programme production cost payments in 1995 of £68,197 and £29,500 respectively for programmes commissioned by Channel 4.

Liability insurance

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

Research and development

Channel 4 devotes substantial resources to the development of scripts and programme outlines for possible commissioning. Script and programme development expenditure charged to the profit and loss account in 1995 amounted to £4.0 million (1994: £2.5 million).

Charitable donations

Channel 4 paid £500,000 in 1995 to RADA, in recognition of RADA's important role in training actors. £11,300 was donated to other charities.

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.

Employee involvement and consultation

Channel 4 informs and consults with its employees through:

- regular departmental meetings where information is disseminated and staff have an opportunity to air views;
- an internal teletext-based information service available to all members of staff;
- normal collective bargaining with trade unions. A minority of Channel 4's employees are in membership of one of two recognised trade unions:

BECTU (for engineering, presentation, clerical and studio staff);
Equity (for continuity announcers)
- an annual staff meeting, where the Chairman and the Chief Executive give presentations on Channel 4's progress and future and all staff are encouraged to ask questions.

Going concern

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

Auditors

Coopers & Lybrand have been appointed as auditors by Channel 4 with the approval of the Secretary of State for National Heritage in accordance with the requirements of paragraph 12(2) of schedule 3 of the Broadcasting Act 1990.

Coopers & Lybrand have expressed their willingness to continue in office.



By order of the Board
Andrew Yeates
Secretary
25 March 1996

Corporate governance

On 1 December 1992, the Cadbury Committee published its report on corporate governance, which contained a recommended Code of Best Practice (the Code). The Board is pleased to confirm that Channel 4 complies with those provisions of the Code relevant to a statutory corporation without shareholders.

The Board

The members have full responsibility for ensuring that, in a changing public service and commercial broadcasting environment, the statutory functions of Channel 4 are discharged in accordance with the broadcasting licence from the ITC and policies regulated by the Board and in accordance with arrangements and procedures which have, to the extent required, the approval of the ITC.

The Board consists of 14 members of whom the majority are non-executive. Accordingly, there is a strong independent element on the Board and no one individual has unfettered powers of decision. All members are of equal standing. Biographical details of the present members are given on page 54.

The Board normally meets once every month. Board meetings follow a formal agenda of matters specifically reserved for decision by the Board.

Non-executive members

The non-executive members carry significant weight in Board decisions. They bring an independent judgement to bear on issues of strategy, performance and resources. They are independent of management and free from any business relationship which could interfere with their independent judgement.

The non-executive members are appointed for fixed terms by the ITC following consultation with Channel 4's Chairman and the approval of the Secretary of State for National Heritage.

Executive members

Subject to periodic review and to the overall responsibility of the Board, the Board has delegated responsibility for the formulation and operation of detailed policy, in accordance with the Channel 4 remit and programme policy, and for the conduct of Channel 4's affairs to the Chief Executive and to the five other executive members. The executive members are responsible for ensuring that Channel 4's affairs are conducted in accordance with the operating procedures approved by the Board and applicable rules and regulations.

The terms of employment of the executive members are subject to the approval of the remuneration committee whose terms of reference are set out on page 49. Members' total emoluments (including bonus payments) are analysed on pages 53, 62 and 63.

Reporting

The Board believes that the 1995 Report and Financial Statements present a balanced and understandable assessment of Channel 4's position.

Board committees

The Board has established the following three committees which each meet at least once every year:

1. Audit committee

The audit committee's purpose is:

- to satisfy itself on all matters of financial propriety and procedure;
- to discuss with Channel 4's external auditors any matters of concern arising out of their audit; and
- to review the draft annual report and financial statements before presentation to the full Board.

Three non-executive members, Sir Michael Bishop (Chairman), David Plowright and Bert Hardy, form the membership of the audit committee.

Michael Grade, David Scott and the Coopers & Lybrand audit partner attend meetings of the committee. The audit partner has direct access to the Chairman at all times.

The committee is satisfied with the policies and controls applied during the year, and with the measurement and presentation of financial information in the 1995 Report and Financial Statements.

2. Budget committee

The budget committee's purpose is to examine and discuss the details of the group's annual budgets and any other significant financial matters which the full Board may wish to refer to the budget committee for detailed consideration.

The budget committee has six members: Sir Michael Bishop (Chairman), David Plowright, Bert Hardy, Michael Grade, David Scott and Frank McGettigan.

The budget committee reports to the Board, which retains the right of approval of the annual budget and business plan.

3. Remuneration committee

The remuneration committee's purpose is to approve in relation to the employees of Channel 4 and its subsidiary companies:

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

The remuneration committee consists entirely of non-executive members. Its membership consists of Sir Michael Bishop (Chairman), David Plowright, and Bert Hardy. Michael Grade and Frank McGettigan attend meetings as appropriate.

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

No executive member attends meetings of the remuneration committee at times when any aspect of his remuneration or terms of employment are being discussed.

The remuneration committee reports to the Board and its annual report is provided on pages 52 and 53.

Pension plan

The six trustees of the Channel 4 Pension Plan meet with the plan's managers, Legal & General Assurance (Pensions Management) Limited, several times each year. The Chairman of the trustees is Sir Michael Bishop. The trustees include an independent member, Louise Botting; two of Channel 4's executive members, Frank McGettigan and David Scott; and two employee representatives, Robin Hurley and Dawn Stanley.

Internal financial control

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

1. Control environment

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

2. Risk management

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

3. Information systems

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

4. Control procedures

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

5. Monitoring system

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

Report by the auditors to Channel Four Television Corporation (Channel 4) on governance matters

In addition to our audit of the financial statements, we have reviewed the members' statement on page 48 on Channel 4's compliance with the paragraphs of the Code of Best Practice specified for our review. The objective of our review is to draw attention to non-compliance with those paragraphs of the Code which is not disclosed.

Basis of opinion

We carried out our review in accordance with Bulletin 1995/1 *Disclosures relating to corporate governance* issued by the Auditing Practices Board. That Bulletin does not require us to perform the additional work necessary to, and we do not, express any opinion on the effectiveness of either the group's system of internal financial control or its corporate governance procedures, nor on the ability of the group to continue in operational existence.

Opinion

With respect to the members' statements on going concern and internal financial control on pages 47 and 50, in our opinion the members have provided the disclosures required by paragraphs 4.5 and 4.6 of the Code (as supplemented by the related guidance for directors) and such statements are not inconsistent with the information of which we are aware from our audit work on the financial statements.

Based on enquiry of certain members and officers of Channel 4, and examination of relevant documents, in our opinion the members' statement on page 48 appropriately reflects Channel 4's compliance with the other paragraphs of the Code specified for our review.

Coopers & Lybrand
Chartered Accountants
London
25 March 1996

Report of the remuneration committee

The Greenbury Committee on directors' remuneration published its report on 17 July 1995. Central to its recommendations was a Code of Best Practice, under which the following is reported:

Remuneration policy for executive members of the Board

The remuneration of executive Board members is determined by the remuneration committee, the membership and terms of reference of which are detailed on page 49. In framing its remuneration policy, the committee has given full consideration to the best practice provisions of the Greenbury Committee report.

Channel 4 aims to attract, motivate, and retain high calibre staff and executive Board members by rewarding them with competitive salary and benefit packages. These are established by reference to those prevailing for executives of comparable status elsewhere in the television industry (albeit without any of the share option or incentive schemes available elsewhere). Stewart Butterfield participates in the advertising sales bonus scheme, which is linked to advertising revenue targets. These targets are agreed by the remuneration committee before the start of each financial year.

Pension

All executive members are eligible for membership of the Channel 4 Pension Plan. The plan is contributory, at 6% of pensionable salary, and provides members with a pension based on 1/50th of final pensionable pay for each year of service (except for Michael Grade, whose pension will be based on 1/30th of final pensionable pay) up to a maximum of two thirds of final pensionable earnings. The plan also provides a lump sum death in service benefit, and pensions for dependants of members on their death in service, or following retirement.

Service contracts

During 1995 Michael Grade accepted a new five year contract to serve as Chief Executive. This new contract has a fixed annual salary and makes no provision for any bonus payments. The bonus paid to Michael Grade in 1995 was the final amount due under the terms of his previous contract.

David Scott, Colin Leventhal and Frank McGettigan have three year service contracts. John Willis has a four year service contract and Stewart Butterfield has a contract subject to 12 months notice.

Taxable benefits

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

Remuneration policy for non-executive members of the Board

Fees payable to non-executive Board members are determined by the ITC. They are appointed for fixed terms, and are not eligible for membership of the Channel 4 Pension Plan. They are entitled to the provision of a television and video cassette recorder for home use, and to reimbursement of travelling and accommodation expenses incurred in connection with attending Board meetings.

Board members' remuneration

	Current annual salary £000	1995 Salary £000	1995 Bonus £000	1995 Benefits £000	1995 Pension £000	1995 Total £000	1994 Total £000
Executive members							
Michael Grade	450	394	148	15	61	618	427
Stewart Butterfield	144	140	115	7	21	283	354
Colin Leventhal	144	140	–	12	21	173	164
Frank McGettigan	144	140	15	11	21	187	164
David Scott	144	140	–	12	21	173	164
John Willis	155	151	–	9	23	183	172
Non-executive members							
Sir Michael Bishop	36	36	–	–	–	36	35
David Plowright	17	17	–	–	–	17	16
Murray Grigor	8	8	–	–	–	8	–
Bert Hardy	8	8	–	–	–	8	8
Mary McAleese	8	8	–	–	–	8	8
Sir David Nicholas	8	8	–	–	–	8	8
Ushar Prashar	8	8	–	–	–	8	–
Sarah Radclyffe	8	8	–	–	–	8	–
Past members	–	–	–	–	–	–	16
	1,282	1,206	278	66	168	1,718	1,544

Notes:

1. The bonus paid to Frank McGettigan in 1995 was a one-off amount in recognition of the successful completion of the Horseferry Road building project.

2. The value of benefits in kind received during the year relates principally to the provision of company cars and private medical insurance.

3. The calculation of the amount of pension entitlement earned in the year by each executive Board member is dependant upon the outcome of the consultation process on the proposals put forward by the Faculty of Actuaries and the Institute of Actuaries. The amounts included in the table are the 15.3% employer contributions which Channel 4 makes for all staff in the pension plan.

Members and advisers

Chairman

Sir Michael Bishop CBE (age 54)

Joined the Board in 1991 as Deputy Chairman, and succeeded Lord Attenborough CBE as Chairman on 1 January 1993. His appointment runs to the end of 1997. Sir Michael Bishop is Chairman of British Midland Airways Limited.

Deputy Chairman

David Plowright (age 65)

Joined the Board in 1992 following his retirement as Chairman of Granada Television Limited. His appointment runs to the end of 1997.

Other non-executive members

Murray Grigor (age 56)

Joined the Board in January 1995. His appointment runs to the end of 1999. He is an independent film maker and writer.

Bert Hardy (age 67)

Joined the Board in 1992. His appointment runs to the end of 1997. He is Chief Executive of *The European* newspaper.

Professor Mary McAleese (age 44)

Joined the Board in 1992. Her appointment runs to the end of 1997. She is Director of the Institute of Professional Legal Studies and Pro-Vice-Chancellor at the Queen's University of Belfast.

Sir David Nicholas CBE (age 66)

Joined the Board in 1992. His appointment runs to the end of 1997. He is a past Chairman and Chief Executive of ITN Limited.

Usha Prashar CBE (age 47)

Joined the Board in 1992. Her appointment runs to the end of 1996. She is a member of the Arts Council and a past director of the National Council for Voluntary Organisations.

Sarah Radclyffe (age 45)

Joined the Board in January 1995. Her appointment runs to the end of 1999. She is an independent film and television producer.

Executive members

Michael Grade (age 53)

Chief Executive since 1988. He is Chairman of First Leisure plc, VCI plc, Channel Four International Limited and 124 Facilities Limited, a non-executive director of the Open College Limited and a member of the British Screen Advisory Council. Prior to joining Channel 4 he was Controller BBC1 (1984 to 1987), combining the post with that of Director of Programmes, Television from 1986; President Embassy Television, Los Angeles (1981 to 1984); and Director of Programmes, London Weekend Television plc (1976 to 1981).

Stewart Butterfield (age 48)

Director of Advertising Sales and Marketing since 1991. He was European Media Director for McCann-Erickson from 1989 to 1990 and had a number of other roles with McCann-Erickson from 1974 to 1990.

Colin Leventhal (age 49)

Director of Acquisition since 1988, Managing Director of Channel Four International Limited, Chairman of Film Four Distributors Limited and Deputy Chairman of the British Screen Advisory Council. He joined Channel 4 in 1981 as Head of Programme Acquisition. Prior to that he was with the BBC from 1974 rising to Head of Copyright (1979 to 1981). He qualified as a solicitor in 1971.

Frank McGettigan (age 45)

Director and General Manager since 1988, Managing Director of 124 Facilities Limited and Deputy Chairman of the National Film and Television School. He joined Channel 4 as Head of Industrial Relations and Administration in 1981. Prior to that he was with the *Financial Times* (1977 to 1981), ACAS and the Commission on Industrial Relations (1973 to 1977).

David Scott FCA (age 41)

Director of Finance since 1988. He is a director of Channel Four International Limited, Film Four Distributors Limited, 124 Facilities Limited and British Screen Finance Limited. He joined Channel 4 as Controller of Finance and Company Secretary in 1981. Prior to that he was with Peat Marwick Mitchell (1972 to 1981).

John Willis (age 49)

Director of Programmes since 1993 and a director of Channel Four International Limited and 124 Facilities Limited. He joined Channel 4 as Controller of Factual Programmes in 1988 rising to combine the post with that of Deputy Director of Programmes from 1991. Prior to joining Channel 4 he was with Yorkshire Television plc from 1970 to 1988 in a number of roles culminating as Controller of Documentaries and Current Affairs.

Secretary

Andrew Yeates

Solicitors

D J Freeman
43 Fetter Lane
London EC4A 1NA

Allen & Overy
9 Cheapside
London EC2V 6AD

Auditors

Coopers & Lybrand
Chartered Accountants
1 Embankment Place
London WC2N 6NN

Bankers

Midland Bank plc
27/32 Poultry
London EC3P 2BX

Samuel Montagu & Co Limited
10 Lower Thames Street
London EC3R 6AE

Statement of members' responsibilities

Channel 4 is required by the Broadcasting Act 1990 to keep proper accounts and proper records in relation to the accounts, and to prepare financial statements in respect of each financial year. The members therefore prepare financial statements in compliance, to the extent applicable, with the provisions of the Companies Act 1985 and accounting standards currently in force, that give a true and fair view of the state of affairs of Channel 4 and the group as at the end of the financial year and of the profit or loss of the group for that year.

The members confirm that suitable accounting policies have been used and applied consistently and reasonable and prudent judgements and estimates have been made in the preparation of the financial statements for the year ended 31 December 1995. The members also confirm that applicable accounting standards have been followed and that the financial statements have been prepared on the going concern basis.

The members are responsible for keeping proper accounting records, for taking reasonable steps to safeguard the assets of Channel 4 and the group, and to prevent and detect fraud and other irregularities.

Report of the auditors

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

We have audited the financial statements on pages 57 to 69.

Respective responsibilities of members and auditors

As described on page 55 Channel 4's members are responsible for the preparation of financial statements.

It is our responsibility to form an independent opinion, based on our audit, on those statements and to report our opinion to you.

Basis of opinion

We conducted our audit in accordance with *Auditing Standards* issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the members in the preparation of the financial statements, and of whether the accounting policies are appropriate to Channel 4's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material mis-statement, whether caused by fraud or other irregularity or error. In forming our opinion, we also evaluated the overall adequacy of the presentation of information in the financial statements.

Opinion

In our opinion the financial statements give a true and fair view of the state of affairs of Channel 4 and the group at 31 December 1995 and of the profit, total recognised gains and cashflows of the group for the year then ended and have been properly prepared in accordance with the Broadcasting Act 1990.

Coopers & Lybrand
Chartered Accountants and Registered Auditors
London
25 March 1996

Consolidated profit and loss account

For the year ended 31 December	Notes	1995 £m	1994 £m
Turnover	1	464.0	408.4
Cost of transmissions and sales	2	(309.0)	(285.7)
Gross profit		155.0	122.7
Administrative expenses:			
Recurring	3	(19.1)	(17.1)
Exceptional relocation expenses	3	—	(9.4)
Depreciation	10	(7.7)	(8.4)
Operating profit		128.2	87.8
Net interest payable	7	(0.1)	(4.2)
Profit before ITV subsidy and taxation		128.1	83.6
Subsidy payable to ITV	8	(74.0)	(57.3)
Profit before taxation		54.1	26.3
Taxation	9	(19.3)	(4.4)
Retained profit for the year		34.8	21.9

All activities are continuing.

The group has no recognised gains or losses other than the profit for the year and therefore no statement of total recognised gains or losses is presented.

There is no difference between the profit before taxation and the retained profit for the year stated above, and their historical cost equivalents.

The notes on pages 60 to 69 form part of these financial statements.

Report of the auditors – page 56.

Balance sheets

At 31 December	Notes	1995 Group £m	1994 Group £m	1995 Channel 4 £m	1994 Channel 4 £m
Fixed assets					
Tangible assets	10	83.3	86.9	83.3	86.9
Current assets					
Programme and film rights	12	115.2	103.9	115.2	103.9
Debtors	13	58.5	55.7	55.7	53.4
Investments	14	50.7	—	50.7	—
Cash at bank and in hand	15	28.6	24.2	28.6	23.9
		253.0	183.8	250.2	181.2
Creditors					
Amounts falling due within one year:					
Subsidy payable to ITV	8	(74.0)	(57.3)	(74.0)	(57.3)
Creditors	16	(35.8)	(41.4)	(33.8)	(39.4)
Corporation tax		(17.4)	(1.8)	(17.4)	(1.8)
Net current assets		125.8	83.3	125.0	82.7
Total assets less current liabilities		209.1	170.2	208.3	169.6
Provisions for liabilities and charges	17	(11.6)	(7.5)	(11.6)	(7.5)
Net assets		197.5	162.7	196.7	162.1
Profit and loss account	18	112.7	114.9	111.9	114.3
Statutory reserve	18	84.8	47.8	84.8	47.8
		197.5	162.7	196.7	162.1

Sir Michael Bishop Chairman

David Scott Director of Finance

These financial statements were approved by the Board of Members on 25 March 1996.

The notes on pages 60 to 69 form part of these financial statements.

Report of the auditors – page 56.

Consolidated cashflow statement

For the year ended 31 December	Notes	1995 £m	1995 £m	1994 £m	1994 £m
Net cash inflow from continuing operating activities	19(i)		119.5		100.1
Subsidy paid to ITV			(57.3)		(38.2)
			62.2		61.9
Returns on investments and servicing of finance					
Interest received	7	1.6		0.3	
Interest paid	7	(1.7)		(4.5)	
			(0.1)		(4.2)
Taxation					
UK corporation tax paid		(0.5)		—	
Overseas tax paid		(0.2)		(0.3)	
			(0.7)		(0.3)
Investing activities					
Purchase of tangible fixed assets	10	(4.2)		(15.0)	
Sale of tangible fixed assets		0.3		1.2	
Short term cash deposits	14	(8.3)		—	
			(12.2)		(13.8)
Net cash inflow before financing			49.2		43.6
Financing					
Medium term loan repayment			—		(50.0)
Increase/(decrease) in cash and cash equivalents	19(ii)		49.2		(6.4)

The notes on pages 60 to 69 form part of these financial statements.

Report of the auditors – page 56.

Principal accounting policies

Basis of accounting

The financial statements have been prepared under the historical cost convention. The financial statements meet the requirements, in so far as they are applicable, of the Companies Act 1985 and of accounting standards currently in force.

Subsidy payable to ITV

Given the special nature of Channel 4's business, as permitted by the Companies Act the format of the profit and loss account has been adapted to disclose separately the subsidy payable to ITV, which is the amount which section 27 of the Broadcasting Act 1990 requires Channel 4 to pay to the ITC for distribution to the ITV licensees.

Accounting policies

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

Basis of consolidation

The consolidated financial statements comprise the financial statements for Channel Four Television Corporation and all of its subsidiary undertakings made up to 31 December 1995. Channel 4 has taken advantage of the legal exemption not to present its own profit and loss account.

Advertising revenue

Advertising revenue is stated net of advertising agency commission paid.

Sale of programme and film rights

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

Deferred tax

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

Programme and film rights

Programme and film rights are stated at direct cost incurred up to the balance sheet date after making provision for expenditure on programmes or films which are unlikely to be transmitted or sold. Direct cost is defined as payments made or due to production companies or programme suppliers, but excludes any costs falling due after the balance sheet date.

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

The direct cost of programme and film rights is wholly written off on first transmission.

Fixed assets

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

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 annual rates used for this purpose are as follows:

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

Foreign currencies

Assets and liabilities denominated in foreign currencies are translated into sterling at the rates prevailing at the balance sheet date. Any resultant gain or loss on exchange is shown as part of the profit for the year.

Pensions

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

Notes to the financial statements

1. Turnover

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

	1995 £m	1994 £m
Net advertising and programme sponsorship	448.0	393.9
Programme and film sales	14.2	13.1
Sundry income	1.8	1.4
	464.0	408.4

The programme and film sales business is carried out by Channel Four International Limited and Film Four Distributors Limited.

2. Cost of transmissions and sales

	1995 £m	1994 £m
Transmissions		
Direct programme costs	228.4	210.4
Indirect programme costs	27.4	24.5
Transmitter and distribution costs	27.3	26.7
ITC regulatory costs	2.3	2.5
Sales		
Cost of advertising and programme sales	20.1	18.3
Share of programme sales income due to independent producers and third party financiers	3.5	3.3
	309.0	285.7

3. Operating profit

	1995 £m	1994 £m
Depreciation of fixed assets (note 10)	7.7	8.4
Research and development	4.0	2.5
Operating lease rentals	2.7	2.1
Members' remuneration (note 5)	1.7	1.5
Equipment hire	0.3	0.3
Exceptional relocation expenses	—	9.4

Fees in respect of services provided by the auditors were:

	£000	£000
Statutory audit:		
Channel 4	20	20
Subsidiaries	7	5
Other services, principally tax advice	28	64
	55	89

4. Segmental information

	Turnover £m	Profit before taxation £m	Net assets £m
1995			
Broadcasting	449.8	48.5	196.7
Programme and film sales	14.2	5.6	0.8
	464.0	54.1	197.5
1994			
Broadcasting	395.3	19.5	162.1
Programme and film sales	13.1	6.8	0.6
	408.4	26.3	162.7

The profit before taxation for the programme and film sales activity is shown before a rights charge of £5.2 million (1994: £6.2 million) from Channel 4's broadcasting activity

5. Remuneration of the members

The members' aggregate emoluments (excluding pension contributions) were as follows:

£000	£000	1995 Number	1994 Number
5 – 10		6	6
15 – 20		1	1
35 – 40		1	1
140 – 145		–	3
150 – 155		2	1
155 – 160		1	–
165 – 170		1	–
260 – 265		1	–
330 – 335		–	1
375 – 380		–	1
555 – 560		1	–
		14	14

A detailed analysis of members' remuneration including salaries and performance-related bonuses, is provided in the remuneration committee's report on page 53.

Included above are amounts in respect of Michael Grade who is the highest paid member:

	1995 £000	1994 £000
Salary	394	313
Bonus	148	50
Contribution to pension scheme	61	50
Benefits	15	14
	618	427

5. Remuneration of the members (continued)	1995 £000	1994 £000
Non-executive members		
Chairman	36	35
Others	65	64
Executive members		
Salaries	1,105	985
Bonuses	278	245
Contributions to pension scheme (note 22)	168	152
Other benefits	66	63
	1,718	1,544

Bonuses based on Channel 4's financial performance in 1995 were paid to three executive members, Michael Grade, Stewart Butterfield and Frank McGettigan. All bonus payments are approved by the remuneration committee.

6. Employee information

The employment costs for all employees, including executive members, were as follows:

	1995 £m	1994 £m
Aggregate gross salaries	20.4	19.4
Employer's national insurance contributions	1.9	1.8
Employer's pension contributions (note 22)	2.2	2.0
Total direct costs of employment	24.5	23.2

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

	1995 Number	1994 Number
Programme commissioning and transmission	301	307
Advertising and programme sales	125	119
Operational management and administration	130	138
	556	564
Full time permanent employees	512	510
Short term contract staff	44	54
	556	564

7. Net interest payable

	1995 £m	1994 £m
Interest payable on bank loans and overdrafts repayable within five years	1.7	4.5
Interest receivable on short term deposits	(1.6)	(0.3)
	0.1	4.2

8. Subsidy payable to ITV

The Act established a funding relationship between ITV and Channel 4 which is described in the Report of the Members on page 46. The ITC has reported that the total qualifying revenue relevant to that formula for 1995 was as follows:

	1995 £m	1994 £m
Channel 4	448.0	393.9
ITV (including GMTV) and S4C	1,692.0	1,599.7
	2,140.0	1,993.6

Based on the ITC's report of total qualifying revenue, the subsidy payable by Channel 4 to ITV for 1995, net of a small reduction for 1994, is £74.0 million (1994: £57.3 million), representing 50% of Channel 4's qualifying revenue in excess of 14% of the total qualifying revenue for ITV, Channel 4 and S4C. That sum was paid to the ITC on 14 February 1996 for distribution between the ITV licensees.

9. Taxation

The taxation charge is based on the taxable profit for the year after deduction of the subsidy payable to ITV and comprises:

	1995 £m	1994 £m
UK corporation tax @ 33.0%	17.5	2.1
Deferred taxation (note 17)	3.0	2.3
	20.5	4.4
Less relief for overseas taxation	(0.2)	(0.3)
Overseas taxation	0.2	0.3
Over-provision in respect of prior years' corporation tax	(1.2)	—
	19.3	4.4

10. Fixed assets

Channel 4 and group Tangible assets	Freehold properties £m	Equipment & furniture £m	Motor vehicles £m	Total £m
Cost				
At 1 January 1995	65.9	35.7	1.1	102.7
Additions	1.1	2.7	0.4	4.2
Disposals	—	(1.8)	(0.3)	(2.1)
At 31 December 1995	67.0	36.6	1.2	104.8
Depreciation				
At 1 January 1995	0.7	14.7	0.4	15.8
Charge for the year	1.3	6.1	0.3	7.7
Disposals	—	(1.8)	(0.2)	(2.0)
At 31 December 1995	2.0	19.0	0.5	21.5
Net book value				
At 1 January 1995	65.2	21.0	0.7	86.9
At 31 December 1995	65.0	17.6	0.7	83.3

11. Associated and subsidiary companies

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), representing 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 is restricted by its accumulated losses. Draft financial statements for British Screen for 1995 show accumulated losses of £9.9 million since incorporation in 1985.

Channel 4 has recognised its share of the accumulated losses made by British Screen by charging the amounts advanced as an expense. The shares are therefore held in the balance sheet at nil value. Channel 4 has no commitment or plans to advance any further funds to British Screen.

Subsidiary companies

Channel 4 owns the whole of the issued share capital of the following companies, all of which are incorporated in England.

	Issued ordinary £1 shares
Channel Four International Limited	1,000
Film Four Distributors Limited	1,000
124 Facilities Limited	1,000
Channel Four Television Company Limited	100
Film on Four Limited	100
Sport on Four Limited	2
Channel Four Racing Limited	2

Channel Four International Limited manages the worldwide distribution and exploitation of Channel 4's film and programme rights. Film Four Distributors Limited manages theatric releases of feature films in the United Kingdom. 124 Facilities Limited has been established to manage Channel 4's studio and technical facilities and will commence trading in 1996.

The four other subsidiaries do not trade.

12. Programme and film rights	1995 £m	1994 £m
Programmes and films completed but not transmitted	21.9	29.1
Programmes and films in the course of production	62.0	44.8
Purchased programme and film rights	31.3	30.0
	115.2	103.9

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

13. Debtors	1995	1994	1995	1994
	Group	Group	Channel 4	Channel 4
	£m	£m	£m	£m
Trade debtors	54.0	51.1	52.2	48.5
Prepayments and accrued income	4.5	4.6	3.5	4.1
Amounts due from subsidiaries	–	–	–	0.8
	58.5	55.7	55.7	53.4

14. Investments	1995	1994
	£m	£m
Short term cash deposits:		
Deposited for longer than three months	8.3	–
Deposited for less than three months	42.4	–
	50.7	–

15. Cash and cash equivalents	1995	1994	Change
	£m	£m	in year
			£m
Short term cash deposits (note 14)	42.4	–	42.4
Cash at bank and in hand	28.6	24.2	4.4
Bank loans and overdrafts (note 16)	–	(2.5)	2.5
	71.0	21.7	49.3

16. Creditors – amounts falling due within one year	1995	1994	1995	1994
	Group	Group	Channel 4	Channel 4
	£m	£m	£m	£m
Trade creditors	8.4	9.5	8.4	9.4
Accruals	25.1	26.3	22.4	24.4
Social security	0.8	0.7	0.7	0.7
Value added tax	0.8	1.5	0.7	1.5
Other creditors	0.7	0.9	0.7	0.9
Bank loan (note 15)	–	2.5	–	2.5
Amounts due to subsidiaries	–	–	0.9	–
	35.8	41.4	33.8	39.4

Channel 4 supports the Confederation of British Industry's prompt payment code and endeavours to pay all invoices in accordance with contract terms and, unless agreed payment terms specify otherwise, within 30 days of the date of the invoice. Any complaints about failure to pay on time should be addressed to the Director of Finance who will ensure that they are investigated and responded to appropriately.

17. Provisions for liabilities and charges

Channel 4 and group	Deferred taxation £m	Provision for rental deficits £m	Total £m
At 1 January 1995	2.3	5.2	7.5
Profit and loss account	3.0	1.1	4.1
At 31 December 1995	5.3	6.3	11.6

Deferred taxation

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

	1995 £m	1994 £m
Accelerated capital allowances	5.3	2.3

Provision for rental deficits

The provision relates to rental deficits which will arise until 2006 on three of the buildings which Channel 4 used to occupy in Charlotte Street, London W1.

18. Reserves

	Profit and loss account £m	Statutory reserve £m	Total £m
Group			
At 1 January 1995	114.9	47.8	162.7
Retained profit for the year	34.8	—	34.8
Transfer to statutory reserve	(37.0)	37.0	—
At 31 December 1995	112.7	84.8	197.5
Channel 4			
At 1 January 1995	114.3	47.8	162.1
Retained profit for the year	34.6	—	34.6
Transfer to statutory reserve	(37.0)	37.0	—
At 31 December 1995	111.9	84.8	196.7

In addition to the requirement for Channel 4 to make the subsidy payments to ITV described in note 8, the Act specifies that 25% of Channel 4's qualifying revenue in excess of 14% of the total qualifying revenue for ITV, Channel 4 and S4C should be recorded in a statutory reserve. This statutory reserve would be drawn upon if Channel 4's qualifying revenue were ever to fall below 14% of total qualifying revenue.

The Board of Channel 4 projects that Channel 4's share of qualifying revenue will remain substantially above this 14% threshold throughout the term of the present broadcasting licence which runs until 31 December 2002.

19. Cashflow

i) Reconciliation of continuing operating profit to net cash inflow from operating activities

	1995 £m	1994 £m
Operating profit	128.2	87.8
Depreciation	7.7	8.4
(Increase) / decrease in programme and film rights	(11.3)	0.6
Increase in debtors	(2.8)	(4.1)
(Decrease) / increase in creditors and provisions	(2.0)	6.4
Exchange gains	(0.1)	—
(Profit) / loss on disposal of fixed assets	(0.2)	1.0
Net cash inflow from operating activities	119.5	100.1

ii) Analysis of changes in cash and cash equivalents during the year

	1995 £m	1994 £m
Balance at 1 January	21.7	28.1
Net cash inflow / (outflow) before adjustments for the effect of foreign exchange rate changes	49.2	(6.4)
Effect of foreign exchange rate changes	0.1	—
Balance at 31 December (note 15)	71.0	21.7

20. Programme and film commitments

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

	1995 £m	1994 £m
Within one year	191.8	137.4
After one year	118.6	79.7
	310.4	217.1

21. Other commitments

Capital expenditure	1995 £m	1994 £m
Amounts contracted but not provided for in the financial statements	-	0.9
Amounts authorised for expenditure but not contracted at 31 December	5.3	2.1

Forward foreign exchange contracts

At 31 December 1995, Channel 4 had entered into commitments to purchase foreign currencies amounting to £12.7 million (31 December 1994: £13.4 million), maturing between February and June 1996, which were entered into in order to fix the sterling cost of certain foreign programme and film purchase commitments.

22. Pension costs

Channel 4 operates a contributory pension scheme providing benefits based on final pay. The assets of the scheme are held separately from those of Channel 4, being invested through Legal & General Assurance (Pensions Management) Limited. Contributions to the scheme are charged to the profit and loss account so as to spread the cost of pensions over employees' working lives with Channel 4.

The contributions are determined by a qualified actuary on the basis of triennial valuations using the projected unit method. The most recent independent valuation was as at April 1994. 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 has been assumed that investment returns will outstrip salary increases by 2% per annum and that present and future pensions will increase at the rate of 4.5% per annum.

The pension charge for 1995 was £2.2 million (1994: £2.0 million).

The actuarial valuation at April 1994 showed that the market value of the scheme's assets was £23.8 million and that the actuarial value of those assets represented 109% 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 December 1996.

Historical record

Profit and loss account

	1995	1994	1993
For the year ended 31 December	£m	£m	£m
Turnover	464.0	408.4	343.9
Cost of transmissions and sales	(309.0)	(285.7)	(278.4)
Gross profit	155.0	122.7	65.5
Administrative expenses and depreciation	(26.8)	(25.5)	(21.1)
Exceptional relocation expenses	-	(9.4)	-
Operating profit	128.2	87.8	44.4
Net interest payable	(0.1)	(4.2)	(5.5)
Profit before ITV subsidy and taxation	128.1	83.6	38.9
Subsidy payable to ITV	(74.0)	(57.3)	(38.2)
Profit before taxation	54.1	26.3	0.7
Taxation	(19.3)	(4.4)	0.6
Retained profit for the year	34.8	21.9	1.3

Balance sheet

	1995	1994	1993
At 31 December	£m	£m	£m
Fixed assets	83.3	86.9	82.5
Net current assets	125.8	83.3	108.3
Long term creditors and deferred taxation	(11.6)	(7.5)	(50.0)
Net assets	197.5	162.7	140.8



CHANNEL FOUR TELEVISION

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