

**Channel
Four
Television
Company
Limited
Report &
Accounts
for the
nine
months
ended
31st
December
1990**



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Chairman's statement

The conclusion of the long passage through Parliament of the 1990 Broadcasting Act leaves Channel 4 as perhaps the most securely settled of all the United Kingdom's terrestrial broadcasters. The channel's constitutional structure is now established and will remain so into the next century. Additionally, of course, its funding arrangements have been satisfactorily determined. The Act also provides for an appropriate level of 'safety-net' funding support after we assume responsibility for selling our own advertising air-time in what will undoubtedly prove a very competitive marketplace. Although we do not expect it will be necessary to call upon such funding, this provision guarantees the channel's ability to maintain its distinctive programme remit after 1992. We are confident that Channel 4 commands the skills and talents to square the circle of competing for revenue without compromising the editorial integrity of its output.

My colleagues and I have particular satisfaction in recording that the potential problems which loomed a year ago, concerning the Government's proposed mechanism for appointments to the Board of the new Channel 4 Television Corporation, were effectively defused when our arguments resulted in an arrangement which removes any possibility of actual or perceived political interference.

A key commitment to our future strategy in a changing market has been the appointment of Stewart Butterfield as Director of Advertising Sales and Marketing. Formerly with McCann-Erickson - most recently as European Media Director - he brings a high degree of expertise to the channel. The essence of his brief is to ensure the channel's financial security by maximising its advertising revenue from January 1993 onwards when, for the first time, our programme budgets will derive directly from our success in selling commercial air-time.

From time to time we have been pressed to specify exactly how the channel will structure its sales policy - whether, for instance, it will sell separately in each of the ITV regions, or sell

nationally. Such decisions will be based solely on the principle of maximising revenue. The determining factor will be that of the market: the system which best meets our revenue needs will be the one which best suits the advertisers who supply that revenue. However, overriding all else will remain our unequivocal commitment to adhere to our remit.

During 1990, the Board came to the conclusion that the solution to the channel's accommodation needs lay in purchasing a freehold site and commissioning new purpose-built offices and transmission facilities. Although Charlotte Street has served us well over the past nine years, we outgrew our original premises long ago and now occupy five separate leased buildings - a situation which is patently operationally and financially inefficient. Looking ahead over the next ten or more years, it has become clear that we would be far better served if all our activities were concentrated within a single building in central London. We have accordingly acquired a site in Horseferry Road, Westminster, and our new building, designed by Richard Rogers, will be ready for our occupation by early 1994. The costs of the building project will be financed by bank loans which will be repaid between 1994 and 1998. The decision to make such a move was principally determined by the knowledge that, during the latter part of the decade when commercial competition may bear more heavily on our income, Channel 4 will reap the benefit of living rent-free in a purpose designed building, with the added security of owning a considerable asset.

I have already stated that the editorial control of the channel will remain unchanged by the move into the marketplace. I should, however, note that the Broadcasting Act itself creates new editorial constraints, notably in the provisions concerning the observance of 'due impartiality'. These clauses, added at a very late stage in the legislative process following some extremely partisan pressure, substantially vary the previous obligations placed on the broadcaster. Despite being somewhat moderated, after vigorous lobbying led by the channel, the clauses attempt a level of



specificity - for example in prescribing an identifiable category of 'major matters' - which promises endless legal wrangles. Indeed, the impartiality provision would seem to be framed in a manner which must inevitably attract litigation from pressure groups. Taken in conjunction with the multiplication of regulatory bodies now overseeing the content of British television, they will surely divert a substantial amount of managerial and editorial effort from its proper function of providing television programmes for the public.

Broadcasting generally is going through a period of instability. As a result of the re-allocation of the Channel 3 licences, demand for the services of key executives has never been greater. This presents a serious risk for Channel 4 where we have a most talented team which has unique experience of running a television station on the 'publisher-contractor' model. If we are to build on our success in the crucial few years to come, we must ensure continuity and continue to attract and hold the best executive talent.

We cannot and should not compete with the scale of inducements being offered by those applying for Channel 3 licences. Nevertheless, we are giving consideration to taking steps which the Board and our shareholders, the ITC, consider reasonable to secure the services of our key people in the longer term.

In this regard, I am delighted to confirm that Michael Grade has agreed to act as Chief Executive to the channel for a further five years. Our future circumstances have in no small measure been secured by his skills in helping to shape Channel 4's terms within the Broadcasting Bill.

Four valued Board members have left us since 1 April 1990. Eleri Wynne Jones, our S4C representative, was obliged to retire on being appointed the Welsh member for the ITC. Three further directors who are ITV members have had to tender their resignations as a result of the conflict of interest arising from our selling our own advertising time - Richard Dunn, Greg Dyke and Sir Brian Bailey. I would like to thank them all for their selfless and devoted contribution to the channel's interest. May I, however, particularly single out Sir Brian who, as Deputy Chairman of the channel, has carried a major responsibility in overseeing a number

of matters in which he held a very particular expertise.

Until the last day of 1990, Channel 4 was a subsidiary of the Independent Broadcasting Authority, and, exceptionally, in order that this report should co-ordinate with the final accounts of the IBA, it covers the nine month period, 1 April to 31 December. Future reports will, however, cover a full calendar year.

Finally, may I express my personal thanks to my fellow Board members for their total commitment to the channel's affairs. Those occupying a non-executive position would, I am certain, wish to join me in expressing our admiration and indebtedness to the executive directors led so ably and indefatigably by Michael Grade. The channel's future is indeed safe in such hands.

Richard Attenborough

CHAIRMAN

26 March 1991

Chief Executive's review

As we set about forming our strategy for the post-1992 environment it is encouraging to note that our audience share has increased over the past year. Despite the distorting effects of the soccer World Cup last summer, we achieved a share of 9% of the total audience for the nine months from 1 April 1990. During the autumn - always a difficult time when the two mainstream channels show their most competitive and popular programmes - Channel 4's share was 10% or more for a period of three weeks.

It is particularly gratifying that our increased popularity was achieved without the artificial support of extended sports coverage or the inclusion in the schedule of any ratings-getting stunts. Channel 4's factual strands - DISPATCHES, CHANNEL 4 NEWS, EQUINOX, CUTTING EDGE amongst others - have all shown substantial increases in audience. This is a tribute to the editorial team led by Liz Forgan, John Willis and Andrea Wonfor.

To increase audiences without diluting the programming remit is an exciting challenge, well understood by everyone in the company. It is also an essential part of our future strategy. When the expanded competition of satellite, cable and Channel 5 begin to bite, all existing channels will lose market share as audiences fragment. Channel 4 needs a cushion to absorb this erosion if we are not to become a pensioner on the system at some point in the future.

I have never believed the argument that the remit is incompatible with commercial competition, and these audience share figures give me further evidence that the viewing public - and the advertisers - will continue to demand and to value Channel 4's distinctive programming. Competition should not and will not mean that Channel 4's output becomes more like that of ITV. We must retain our very distinctive character to provide viewers and advertisers with real choice - that is what will make commercial sense in the future.

Audience share is of course only one measure of programme success, albeit highly pertinent in any competition for revenue. In the past year the channel's programmes have won numerous

awards across the range of the output. In New York, the channel won a record three International Emmy Awards: the award for the Performing Arts was won by THE MAHABHARATA; LIVING WITH DINOSAURS received the award for Children and Young People; and NORBERT SMITH - A LIFE won the Popular Arts category. Elsewhere NORBERT SMITH - A LIFE won the Comedy category at the Banff Festival and the Silver Rose at Montreux; at the Royal Television Society Programme Awards, NOBODY HERE BUT US CHICKENS won

the award for Single Drama, and WHOSE LINE IS IT ANYWAY? the award for Light Entertainment. DROP THE DEAD DONKEY deservedly received the award for the Funniest New British Comedy at the British Comedy Awards, and the DISPATCHES film HUNGARIANS NOT COMRADES received the Best Documentary Award at Telefaktum, Budapest.

I am delighted at the continued high level of national and international professional recognition which Channel 4

programmes receive year by year. We remain committed to this level of quality and innovation as the broadcasting environment develops and changes.

The past year has seen a stagnation in advertising revenue which, as I anticipated last year, is having a direct effect on our programme budgets. No broadcaster in the commercial sector is immune to the national economic cycle, and we are making appropriate adjustments to adapt to the circumstances. Since the vast majority of our revenue goes directly into programmes, that is where most of the trimming must occur. This is the first recession faced by the channel and its suppliers, the burgeoning independent production sector. Our resource management skills have more than met this challenge. We continue to look to production companies to contain and reduce production costs.

I do not believe that the current downturn presages any long term threat to advertising revenues. Our plans are based on a ten-year view, and I have every confidence that the channel's undoubted efficiency as a broadcaster, together with the excellence of its programmes, provide a very sound base for our



continued success throughout the 1990s.

In this nine month period, the channel traded with 534 individual independent production companies - eight more than in the year to 31 March 1990. Independent producers in all parts of the United Kingdom provided more than half of the hours of commissioned programmes which we transmitted in the nine month period. They continue to deliver quality programmes on time and on budget.

From 1993, of course, we will be competing directly for our revenue with the rest of the commercial sector. It has been suggested in some quarters that this competition must lead to a rapid deterioration of our good relations with the ITV companies, and the successor Channel 3 licensees. I believe, however, that in the new competitive environment, it will remain in the interests of both Channel 3 and Channel 4 to retain a substantial degree of co-operation and mutual support. This is explicitly envisaged by the Broadcasting Act. Channel 3 is both the guarantor of the Channel 4 'safety-net' arrangement, and the beneficiary of half of our 'surpluses'. We are also specifically required to support each other by means of cross-promoting our programmes.

These provisions make considerable sense when the commercial sector is considered as a whole, with an interest in competing successfully against a securely-funded BBC with two channels whose programming and scheduling policies are closely co-ordinated. It will be of no benefit to ourselves, to Channel 3, or to the advertisers if we ignore the potential for fruitful co-operation between us, leaving BBC Television to increase its overall audience share. Channel 4 will continue to offer the commercial sector not simply a complementary programme schedule to extend viewer choice on a daily basis, but also the potential, with Channel 3, to match the BBC's advantage of size and outlets in respect of major sporting and news events.

In addition to the main broadcasting activity the channel has continued with its commercial activities - mainly film and programme sales and obtaining production co-finance. These activities provide useful additional sums to our programme resources and in particular there has been welcome growth in co-financing.

My confidence in the future for Channel 4 is enhanced by the

continued dedication shown by the staff. We are a national channel, yet by any television broadcasting standards we are a lean company, determined to remain so. From time to time, this can put a strain on our human resources: it requires a degree of commitment and effort which is often above the call of duty. No chief executive could wish to work with a more talented or enthusiastic group.

In conclusion, I pay tribute to the Chairman and the rest of the Board of Channel 4 whose continued support and wise counsel have ensured a continuity of purpose and direction which have served the channel well. The harmonious relationship between the Executive and the Board is a pre-requisite for the smooth running of any organisation. This has been achieved because there is complete understanding at the highest level between the non-executive Chairman and the Chief Executive. The continued successful development of the channel depends on this climate of unity being maintained.

Michael Grade
CHIEF EXECUTIVE
26 March 1991

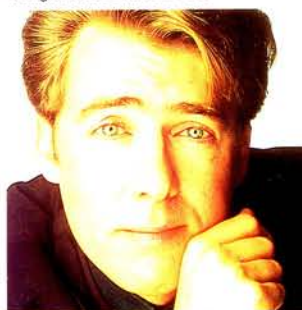
Programmes

INNOVATION AND DIVERSITY

Although this was an abnormally short reporting period, Channel 4 packed as much diversity and originality into the nine months as into any full year - from entertainment to education, from *DROP THE DEAD DONKEY* to *DEAF DAY*, from *A TV DANTE* to *VIC REEVES*. Not that the channel neglected its established successes. *COUNTDOWN*, the channel's first ever programme on air celebrated its 1000th edition in July. In adding a third weekly episode of *BROOKSIDE* on Fridays, its creator Phil Redmond has reinforced some of the show's original strengths with new characters and humour. Expanding from a single hour a week, Jonathan Ross - the channel's most prominent discovery - resisted all blandishments to defect and started wooing a new early evening audience three weekly in *TONIGHT WITH JONATHAN ROSS*.

Following the success of seasons on the French bicentenary and *SOVIET SPRING*, Channel 4 served the ultimate minority group, railway buffs, (and millions of other viewers too) with British television's first ever season devoted to railways, particularly the romance of steam. *GOING LOCO* included over 50 programmes across ten days - including new documentaries, feature films and the pick of programmes and shorts from the archives.

Tonight with Jonathan Ross



The Manageress



DRAMA

Besides *BROOKSIDE* and a second series of *THE MANAGERESS*, Malcolm Bradbury's *THE GRAVY TRAIN* courageously and successfully attempted that most fragile of exports, satire, in a European co-production exposing Euro-bureaucracy. It proved a strong period for low budget fiction from outside the mainstream, notably with *IN FADING LIGHT* from Amber (in *FILM ON FOUR*), Derry Film Workshop's *HUSH A BYE BABY* and Joy Chamberlain's *NOCTURNE*.

MUSIC

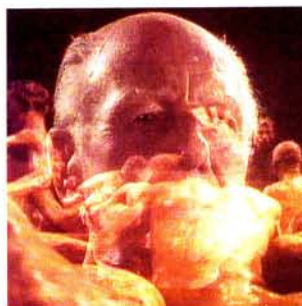
Acting upon an advance tip-off from an astute music-loving viewer who had been visiting Rome, Channel 4 secured one of the greatest musical events in years, *CARRERAS DOMINGO PAVAROTTI MEHTA IN CONCERT*, live from Rome on the eve of the World Cup Final. With an audience boosted by Pavarotti's number one popular hit, *NESSUN DORMA*, it received an unprecedented volume of praise - and a swift repeat. But this was only one of Channel 4's musical events which also included: *MAHLER'S 8TH* live from Salisbury Cathedral; *RED HOT AND BLUE*, the World Aids Day anthology of Cole Porter cover versions by contemporary stars; the Met's



Carreras Domingo Pavarotti Mehta in Concert



Going Loco

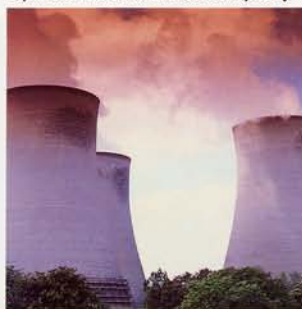


A TV Dante

Swastika over British Soil



Equinox: The Greenhouse Conspiracy



Without Walls



romantic staging of *THE RING*; and Tony Palmer's remarkable family portrait of *MENUHIN*. The most innovative musical programme anywhere was surely *UNA STRAVAGANZA DEI MEDICI*, the special prize winner at the Prix Italia, which deployed high-tech digital video processing to reconstruct the lavish mechanical effects of 16th-century Italian court staging.

ARTS

Leading the channel's artistic innovation, *A TV DANTE* represented the first eight cantos of Tom Phillips' and Peter Greenaway's version of Dante's *INFERNO*, deploying video effects, including a televisual equivalent of academic footnotes. *WITHOUT WALLS* provided a new umbrella for a diversity of arts series, led by its mascot-cum-presenter, Douglas the Armadillo (seen plodding round a maze in the title sequences) and most notable for *J'ACCUSE*, which shakes major artistic idols on their plinths, and with them the preference of television arts programmes for celebration rather than criticism.

Renewing the channel's multicultural programming, *REAR WINDOW* was swiftly established with its daring worldwide breadth of artistic subject, exposing the true culture of belly dancing; western theft of third world art treasures; profiling Hanif Kureishi; and looking at historical figures from Chingiz (aka Ghengis) Khan to the illiterate Indian villager who became *THE CHESS SULTAN* in the 1930s.

ENTERTAINMENT

Alongside Jonathan Ross, Clive Anderson's popularity - established by Channel 4's *WHOSE LINE IS IT ANYWAY?* - grew further with the third series of his chat show, *CLIVE ANDERSON TALKS BACK*. From relative obscurity in fringe cabaret and a guest spot on Jonathan Ross, Channel 4 propelled Vic Reeves (along with Les and the Man with the Stick) to national fame with just six shows of his *BIG NIGHT OUT* - and with it the role of seeing Channel 4 across the threshold into 1991. *DROP THE DEAD DONKEY* provided one of the freshest ideas in situation comedy in years, both in

conception and execution, with an engaging framework of relationships in a television newsroom into which topical satirical one-liners could be inserted for recording the night before transmission.

DOCUMENTARIES

Channel 4's new flagship documentary strand *CUTTING EDGE* established its strength with a controversial Soviet view of Philby; Mira Hamermesh's Indian film, *CASTE AT BIRTH*; *NO HOME FOR BARRY* about a teenage runaway in London; and a Danish Prix Italia winning exposé of radiation fall-out in Kazakhstan, *THE SHEPHERD AND THE BOMB*. Alongside this strand, *SHORT STORIES* provided an outlet for emerging talents to develop in a half-hour format with *DISTRICT NURSE*; *THE TOTTER*; and young hopeful boxers in Bradford. The Independent Film and Video commissioning team turned a *CRITICAL EYE* on events at home and abroad for their own mid-evening series, with disturbing exposés on factory farming (*PANDORA'S BOX*); the poll tax riots (*BATTLE OF TRAFALGAR*); and female genital mutilation (*rites*). Other distinctive one-off documentaries included *SWASTIKA OVER BRITISH SOIL* to mark the 50th anniversary of the Nazi occupation of the Channel Islands, and Mark Lewis' delightfully quirky Australian account for Channel 4 of *THE WONDERFUL WORLD OF DOGS* - funnier than much of television comedy.

Channel 4 followed its commitment to ecology through *FRAGILE EARTH*, profiles of maverick environmental *VISIONARIES*, and *DECADE OF DESTRUCTION*, a series bringing together and updating all Adrian Cowell's filming over ten years of the threat to the Amazonian rainforests. *EQUINOX* also contributed a dissenting voice to the environmental debate with *THE GREENHOUSE CONSPIRACY*, questioning the predictions of the greenhouse effect. This thriving science series ranged from the commercial development of the Soviet space project, through the technical history of *SPITFIRE*, to the bald scientific truths about hair loss, *SEX, LIES AND TOUPEE TAPE*.



Vic Reeves' Big Night Out



CURRENT AFFAIRS AND BUSINESS

Dominating current affairs this year, besides the twin pillars of CHANNEL 4 NEWS and weekly DISPATCHES were two special documentary series, TERROR and a five-part survey of changes in Eastern Europe, AND THE WALLS CAME TUMBLING DOWN, relying - like DISPATCHES - on the strengths of individual production companies. Among the outstanding DISPATCHES from diverse sources were Professor Duesburg's radical view of the cause of Aids; a rare interview with Gerry Adams - with near perfect lip synch of the interview to conform with the Government's ban on terrorist spokesmen; and - in December - the first television



The Channel Four Daily

account of critical views of the then imminent Gulf War.

Sharp investigative business reporting continued with THE THATCHER AUDIT; A WHALE OF A MESS (the US savings and loans scandal); WHEN THE MEN WITH MONEY GO MAD (questioning several projects which have not

fulfilled the promises to their financial backers); and a timely account of Rupert Murdoch's difficulties with his bankers, EMPIRE.

EARLY MORNING PROGRAMMES

As Channel 4's early morning service moved into its second year on air, THE CHANNEL FOUR DAILY lengthened its flagship WORLD NEWS bulletins with presenters in three world capitals. Maintaining its commitment to an innovative, alternative service for early morning viewers, the programme also strengthened its live journalistic feel by converting its arts review, BOX OFFICE, into a live format, and by increasing the interplay between the two live studios, at ITN and BUSINESS DAILY. The service built on its success with children by introducing a new, specially-commissioned strand EARLY BIRD, presented by children themselves, with a half-hour programme on Sunday mornings and short editions each weekday.

Early morning viewing in the UK has reached a plateau after eight years of growth. Changing the nation's breakfast habit is proving a difficult task, particularly for Channel 4, the latest entrant into these broadcasting hours.

INDEPENDENT FILM AND VIDEO

Apart from its contributions to the mid-evening schedule with feature films and the CRITICAL EYE documentary strand, the Independent Film and Video department has maintained its contribution to the breadth of the channel's output, with independent American documentary makers in MADE IN THE USA, a second series in a mid evening slot of OUT ON TUESDAY, and an aptly named anthology of original shorts by young film makers DAZZLING IMAGE in association with the Arts Council and the British Film Institute.

EDUCATION

Channel 4's education output maintained an unparalleled breadth: commissions ranged from Alan Bennett's admired study of modern poets, POETRY IN MOTION; to Michael Jackson's equally enjoyable study of another pleasure THE BEER HUNTER; VIEWS OF KEW, a series bringing a more historical perspective to the practicalities of the gardening slot; and DOWN TO EARTH which applied the topical journalistic skills of Thames Television's THIS WEEK department to archaeology.

SPECIAL INTERESTS

Channel 4's most distinctive contribution to education, however, was surely DEAF DAY, 31 October, coinciding with the centenary of the British Deaf Association and intended not for deaf viewers themselves but to raise awareness among all viewers of deaf peoples' needs, controversies about signing, and the contribution that television can make by increased teletext subtitling. To that end, every programme in the day (except for Schools) was either subtitled and/or signed openly, with the subtitling not being confined to teletext receivers. The presentation links and trailers were similarly captioned and the day's centrepiece was the British television premiere of the Oscar winning CHILDREN OF A LESSER GOD.



Children of a Lesser God



YOUTH

The most controversial programme for young people was SEX TALK, frank late night discussions in which young people shared opinions about their experiences. Also for young people, Channel 4 brought weekly style in THE WORD, the piscine sportsmanship of BILLY THE FISH (an animated transfer from VIZ magazine), astrology and among some 11-minute dramas, some outstanding writing by young women, SHE PLAY.

RELIGION, SPORT, MOVIES AND ANIMATION

Religious experience of varied kinds was captured in a documentary, OUT ON SUNDAY about the pressures on gay priests in the church, and Rabbi Lionel Blue transferring his talents to television as he retraced his own spiritual development IN SEARCH OF HOLY ENGLAND.

Channel 4 extended its unique coverage of neglected sports, with a series leading up to the WOMEN'S SOCCER FINAL, a first programme on WOMEN'S RUGBY and the WINCANTON CLASSIC and ROUND BRITAIN cycling races



Women's Soccer Final

alongside the now traditional daily reports on the TOUR DE FRANCE.

Channel 4's catholic scheduling of movies again ranged from the late night schlock of KILLER B's to the first ever retrospective season of Wim Wender's films, introduced by a special documentary MOTION AND EMOTION.

Continuing efforts to showcase the channel's commissioned and purchased gems of animation to reach their maximum audience - and advantage - FOUR-MATIONS UK featured some outstanding newly-commissioned British work, most notably the LIP SYNCH series, such as Barry Purves' NEXT (a puppet Shakespeare auditioning his entire canon in five minutes) and Nick Park's witty plasticine interpretations of real interviews, CREATURE COMFORTS, which has received the sincerest form of flattery; Nick Park has subsequently been commissioned to adapt the idea for several commercials.



In Search of Holy England



Dazzling Image



Views of Kew



Billy the Fish

Audience

CHANNEL 4 VIEWING - IN CONTEXT

The nine months has been a period of expanded choice for viewers and consequently increased competition for Channel 4. The gradual up-take of satellite television (in 7% of homes at the end of 1990) along with growing use of the video recorder has impacted on the overall levels of viewing to the four terrestrial channels: down by 3.3% over the last nine months of 1990 compared to the equivalent period in 1989.

Channel 4 viewing succeeded in resisting this downward trend. The channel's share of viewing to the four terrestrial channels over this nine month period stands at 9.0% with share of the commercial audience at a very healthy 17.3%.

THE PROGRAMME MIX

Channel 4 provides a wide range of programmes. This is reflected by the levels of patronage: 93% of the population tune in to Channel 4 in the course of an average month and 75% in an average week.

The mixture of programmes that makes this possible remains as diverse as ever - ranging from the popular to the very targeted.

Some of the largest audiences Channel 4 attracted in these nine months were for the television premiere of CASTAWAY, RITA SUE AND BOB TOO (FILM ON 4), THE MANAGERESS (commissioned drama), GARDENERS' GUIDE, CRYSTAL MAZE (adventure game show), and INSPECTOR MORSE as well as the old favourites: CHEERS, GOLDEN GIRLS, COUNTDOWN, FIFTEEN-TO-ONE, ATHLETICS and CHANNEL 4 RACING.

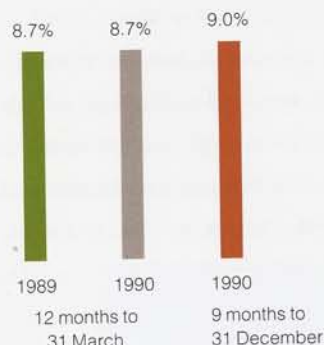
The channel's special interest programming included very successful series, such as GO FISHING, THE BEER HUNTER, EQUINOX (science series) and FRAGILE EARTH (environmental series).

Commissioned audience research often proves the best way to evaluate the appeal of the channel's more targeted output. Research was carried out in 1990 into Channel 4's programming for the business and multicultural communities and established that there were high levels of awareness and appreciation amongst these target audiences. 1990 in particular saw the addition of several new multicultural series (REAR WINDOW and ON THE OTHER HAND) alongside longer running series, such as DESMOND'S, MOVIE MAHAL and INDIAN SCREEN.

Channel 4's share of commercial viewing
ITV, TV-am and Channel 4



Channel 4's share of terrestrial TV viewing



FACING THE COMPETITION

As Channel 4 looks towards 1993 and selling its own air-time, it is encouraging to note that the channel has maintained its strength amongst two key audiences: AB adults and 16-24 year olds. Both groups are light viewers of television and much sought after by advertisers.

Up-market (AB) adults spent 9.4% of their total viewing on Channel 4. Importantly, however, Channel 4 delivered well over one fifth (22.2%) of this group's viewing to commercial television. Programmes which had strong appeal to up-market viewers included many factual series: DISPATCHES, EQUINOX, IN SEARCH OF HOLY ENGLAND and VINTAGE to name but a few. Additionally, arts programming, such as WITHOUT WALLS, POETRY IN MOTION and A TV DANTE have all helped to entice these more selective viewers.

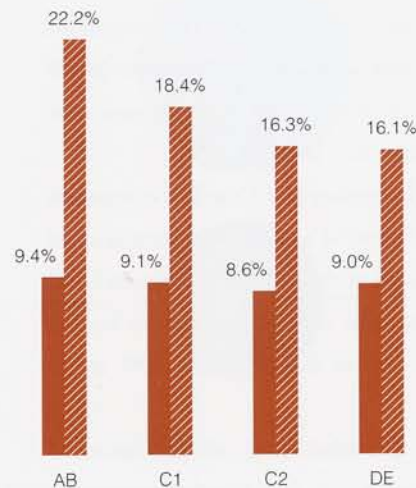
Channel 4 has traditionally performed strongly amongst young adults and 1990 has been no exception. The channel's share amongst this age group remains higher than any other at 9.8% with our share of their commercial viewing standing at 17.6%. Maintaining an appeal to this age group relies on introducing new faces and formats. This has been achieved successfully via alternative comedy (VIC REEVES' BIG NIGHT OUT), a new youth magazine programme (THE WORD), and a new chat show (SEX TALK).

Since young adults are light television viewers the scheduling of programmes for them is particularly important. In autumn 1990 Channel 4 launched its early evening HAPPY HOUR which is shown Monday to Friday. The first half hour is American comedy which is followed by TONIGHT WITH JONATHAN ROSS or one of the channel's home grown comedies. This consistent scheduling has quickly proved very popular and attracted a strong youth following.

Whilst the schedule in this example has become fixed, the channel has not lost its scheduling flexibility and ability to surprise. In the latter half of 1990 alone there have been special events such as the live screening of CARRERAS DOMINGO PAVAROTTI MEHTA IN CONCERT and a day of programmes aimed to raise awareness of deaf issues.

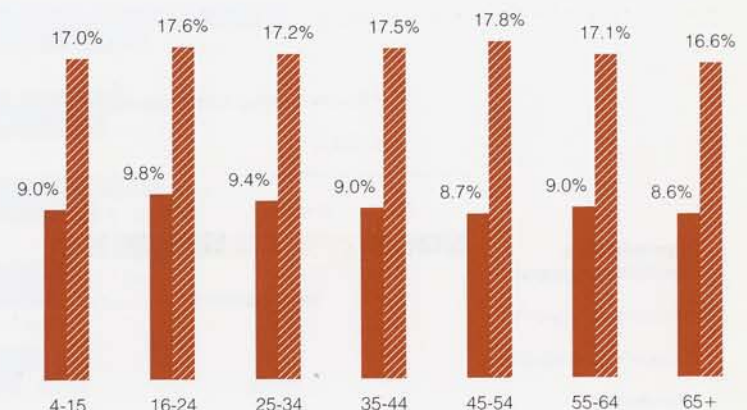
In an increasingly competitive climate the channel has succeeded in combining commercial strategy with highly individual programming.

■ Channel 4's share of total adult TV audience
 ▨ Channel 4's share of audience to commercial TV (ITV, TV-am and Channel 4)



Socio-economic group
 9 months to 31 December 1990

■ Channel 4's share of total TV audience
 ▨ Channel 4's share of audience to commercial TV (ITV, TV-am and Channel 4)



Age Group (Years)
 9 months to 31 December 1990

Programme transmissions

SOURCES

The channel broadcast for 5,245 hours in the nine months to 31 December 1990 - an average of 134 hours per week.

Channel 4 commissions programmes from the ITV companies and independent producers, and purchases programmes in the international markets. The sources and costs of the programmes transmitted were as shown in the chart below.

In the nine months to 31 December 1990, the ITV companies and ITN provided 46% of Channel 4's hours of commissioned programme transmissions for 26% of the channel's commissioned programme transmission costs. The comparative figures for the year to 31 March 1990 were 46% of the hours and 29% of the transmission costs.

Independent producers provided 54% of the hours of commissioned programme transmissions for 74% of the channel's commissioned programme transmission costs. The comparative figures for the year to 31 March 1990 were 54% of the hours and 71% of the transmission costs.

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

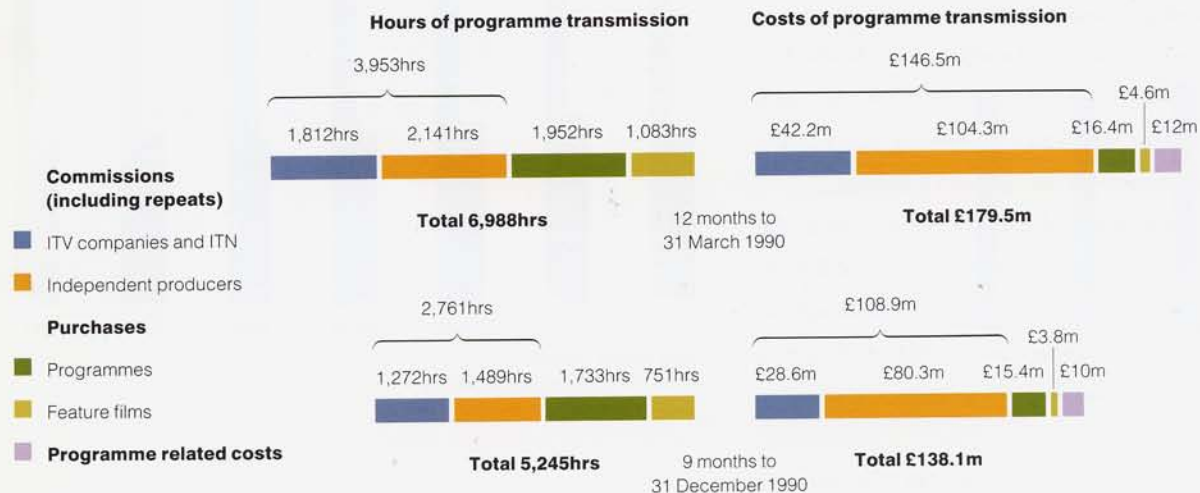
The channel's average programme cost per hour of transmission



12 months to 31 March 1990
£25,700



9 months to 31 December 1990
£26,300

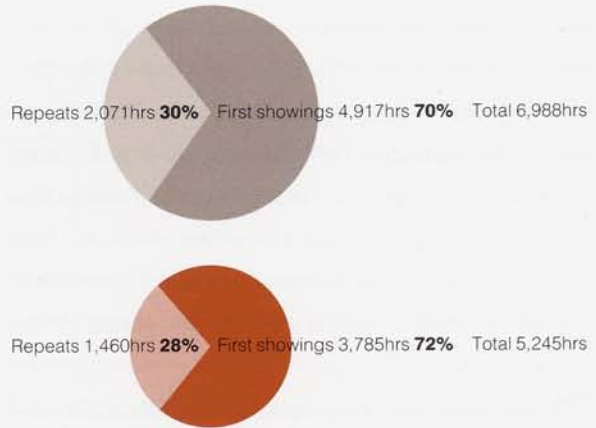


CATEGORIES

The channel transmits a wide range of programmes, analysed on the chart below.

Programmes repeated on Channel 4 may be either programmes which were first shown on the channel or first shown on ITV. In the nine months to 31 December 1990, 223 hours (year to 31 March 1990: 339 hours) of the repeated programmes were programmes first transmitted on ITV. Repeat hours exclude feature films and other acquired material which might have been broadcast previously on either ITV or the BBC.

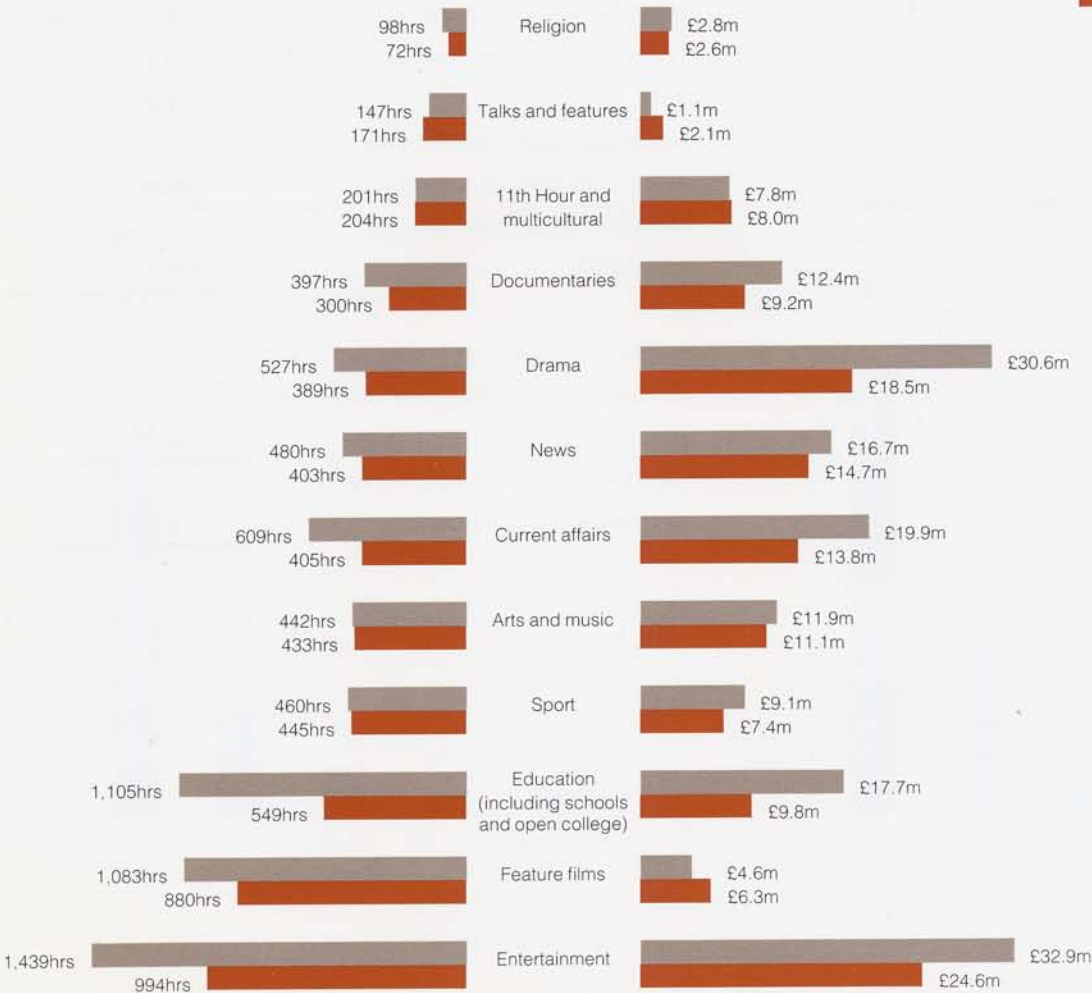
The divide between first showings and repeats



Hours of programme transmission

Costs of programme transmission

■ 12 months to 31 March 1990
■ 9 months to 31 December 1990



Transactions with ITV and independent producers

ITV COMPANIES

The channel's subscription funding arrangements with the IBA and ITV are described in the Directors' report on page 22.

Channel 4's share of the subscriptions derived by the IBA from the ITV companies amounted to £174.9 million in the nine months to 31 December 1990 (year to 31 March 1990: £217.9 million) as set out opposite. In return the ITV companies sell advertising on Channel 4 and retain the proceeds. The advertising sold on Channel 4 in the nine months to 31 December 1990 amounted to £209.1 million (year to 31 March 1990: £268.2 million).

The ITV companies produce programmes for Channel 4 - for which the channel pays negotiated market prices. In the nine months to 31 December 1990 the ITV companies received £23.9 million for programmes sold to Channel 4 (year to 31 March 1990: £39.2 million).

	9 months to 31 December 1990 £m	12 months to 31 March 1990 £m
Subscription received by the IBA		
Anglia	14.3	17.4
Border	0.1	0.2
Central	31.0	38.9
Channel	0.1	0.1
Grampian	0.3	0.4
Granada	23.1	28.7
HTV	13.4	17.2
London Weekend	24.6	31.4
Scottish	11.6	14.6
TVS	24.4	30.8
Television South West	3.7	4.4
Thames	33.7	41.0
Tyne Tees	6.8	9.4
Ulster	0.4	0.5
Yorkshire	18.2	23.7
TV-am	10.3	10.9
	216.0	269.6
Less amount paid by the IBA to the Welsh Fourth Channel Authority	(41.1)	(51.7)
Channel 4's subscription received from the IBA	174.9	217.9
Net advertising revenue obtained by ITV (including TV-am) for the sale of Channel 4's air-time	209.1	268.2
Net advertising revenue obtained by ITV from the sale of S4C's air-time	2.7	3.6

INDEPENDENT PRODUCERS

In the nine months to 31 December 1990, Channel 4 made programme payments to 534 independent production companies (year to 31 March 1990: 526 companies). Table (a) sets out the number of companies which received programme payments from the channel in each of the bands.

The majority of these are small companies which produce only one programme or series at a time. However, in the nine months ended 31 December 1990 the independent production companies listed received payments from Channel 4, for a variety of programmes, totalling more than £1 million.

Table (b) shows the number of programmes or series of programmes for which the channel has made payments to individual independent production companies. The table includes long running strands of programmes as one programme series. The BROOKSIDE series, of which three episodes are transmitted each week, is therefore shown in the table as one series.

PRODUCTION COMPANIES RECEIVING OVER £1 MILLION

- 24 Hour Productions
- Barracough Carey Productions
- Beambright
- Brookside Productions
- Business Television
- Channel X
- Chatsworth Television
- Cheerleader Productions
- Diverse Production
- GBH (Films)
- Hat Trick Productions
- Humphrey Barclay Productions
- Initial Film and Television
- Limelight Projects (London)
- Mentorn Films
- Picture Palace Productions
- Pozzitive Productions
- Regent Productions
- TVF
- Wall to Wall Television

Table (a)
Number of companies

■ 12 months ended 31 March 1990
Total 526

■ 9 months ended 31 December 1990
Total 534

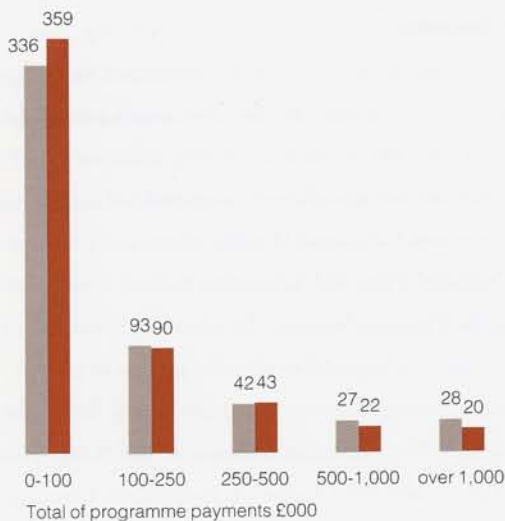
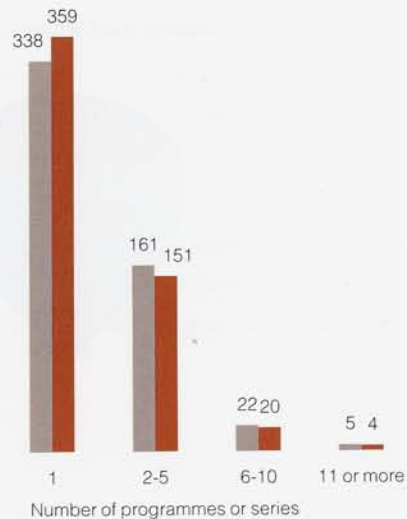


Table (b)
Number of companies

■ 12 months ended 31 March 1990
Total 526

■ 9 months ended 31 December 1990
Total 534



Backing the programmes

Industry and Viewer Involvement

Channel 4 is involved in many off-screen initiatives which support and enrich its on-screen priority. Some of these activities for the nine months under review are detailed on these pages.

PRODUCTION FINANCE

Grants totalling £870,000 were made to a variety of production funds including the BFI Production Board, British Screen Finance Limited, the Arts Council, the Scottish Film Production Fund and a number of independent film and video workshops around the UK. These initiatives add to the variety and innovation of the channel's output.

CO-FINANCE

The channel maintained its close contacts with broadcasters and co-financiers throughout the world and continued with its active membership of the European Co-production Association. Co-production arrangements made benefited the screen value of the channel's programmes in the nine months to 31 December 1990 by some £22.5 million.



PUBLISHING

Publishing arrangements for books relating to Channel 4 programmes are actively pursued by the Publishing Manager and resulted in over 30 publications with various publishing houses during the nine month period. GREEK FIRE and COOKING WITH MOSIMANN both featured in bestsellers lists and, following the success of THE CHANNEL FOUR RACING BOOK in 1989, an updated edition has been issued in paperback, together with a new title, THE CHANNEL FOUR BOOK OF THE RACING YEAR and the increasingly popular RACING DIARY.

The Publishing Manager also arranges for the release of audio cassettes, compact discs and records of music from some Channel 4 programmes.



INDUSTRY TRAINING

The channel continues to be very committed to and active in training within the industry. In the nine month period, Channel 4 contributed £236,000 to external training initiatives.

The channel has also played a major role in a joint initiative to establish National Vocational Qualifications and continues to help fund the National Film and Television School, the Actors Centre and the Jobfit Training Scheme. In addition, it continues to fund production training targeted at specific groups of people, such as the Fourfit training scheme for individuals from the ethnic minorities, the Deaf Training Scheme at the North East Media Training Centre and the Channel 4 Production Training Scheme for people with disabilities.



INDUSTRY EVENTS AND ASSOCIATIONS

The channel plays a full part in helping to fund industry events and associations, some of which are:

The Association of Film and Television in Celtic Countries
Birmingham Film and Television Festival
Bristol Animation Festival
British Academy of Film and Television Arts
British Screen Advisory Council
Edinburgh Film Festival
Edinburgh International Television Festival
London Film Festival
Royal Television Society

VIEWER INVOLVEMENT

The channel actively seeks ways to build on the relationships established with the public through their programme viewing. A few of many such initiatives are as follows:

Educational Back-up Material

During 1990, Channel 4 published its one-thousandth booklet in support of its programmes. This was *UNA STRAVAGANZA DEI MEDICI* based on the programme which won the Prix Italia Special Prize during the year. Other highlights included *AND THE WALLS CAME TUMBLING DOWN*, explaining the background of the East European revolutions, *POETRY IN MOTION*, Alan Bennett's selection of English poets and *A TV DANTE*, featuring Tom Phillips' translation of Dante's *INFERNO* together with back-up information. The channel also published booklets on sexual impotence, eyesight and alcoholism and continued to provide telephone helplines following some programme transmissions.

Meeting the Viewers

The channel values opportunities to meet the public and to promote its programmes at events and places suitably linked to particular strands or series. During the nine months under review, promotions were mounted at the Glasgow Big Day street party, the week-long Kellogg's Tour of Britain, the London Science Museum, the Chelsea Flower Show, Kew Gardens and a selection of other venues.

Video Boxes and RIGHT TO REPLY

Channel 4 has an established network of video boxes where viewers can record to camera their comments on television programmes. In addition, a bus with a mobile video box is now touring the UK giving the public the opportunity to use the facility in their home towns. A selection of the comments recorded is used in the channel's *RIGHT TO REPLY* programme and viewers also have a chance to confront programme makers face to face.

Awards for Channel 4 programmes

Received in the nine months ended 31 December 1990

BETWEEN TWO WORLDS

Production company Mark Hellinger/Turner International

Award Sestere d'Argent

Festival Festival International du Film

Documentaire, Switzerland

BIRDS AS PREY

Production company Cicada Productions

Award Nature Protection Prize

Festival International Ornithological Film Festival, France

CHANNEL FOUR NEWS

Production company ITN

Award Environmental News Coverage Award

Festival Wildscreen, Bristol

CHEERS

Production company Paramount TV Limited

Award Top US Sitcom on British Television

Festival British Comedy Awards, London

CREATURE COMFORTS

Production company Nick Park for Aardman Animation

Award Best Use of Humour in Animation

Festival British Animation Awards, Cardiff

Award Best Animated Film under 15 minutes

Festival Hiroshima International Animation Festival



Creature Comforts

CRIME STRIKE

Production company Steel Bank Film Co-op

Award Critics Award

Festival Mannheim Film Festival, Germany

CUTTING EDGE: BLACK TRIANGLE

Production company Central Television

Award First Prize Overall (Ville de Rochefort Prize)

Festival Riena International Festival of Documentaries of the Sea, Sardinia

CUTTING EDGE: HUNTERS & BOMBERS

Production company Nexus Television

Award Best Documentary & Best Film under 60 minutes

Festival Atlantic Film Festival, Canada

DANGEROUS LIVES

Production company Yorkshire Television

Award Highly Commended

Festival 1990 Argos Awards: Consumer Journalism, London

DEADSY

Production company The Redwing Film Company

Award Best Film, 5 minutes and under

Festival Zagreb Animation Festival, Yugoslavia

Award Film Australia Award

Festival Melbourne Film Festival



Drop the Dead Donkey

**DISPATCHES: HUNGARIANS NOT
COMRADES**

Production company Panoptic Productions
Award Best Documentary
Festival Telefaktum, Budapest

DROP THE DEAD DONKEY

Production company Hat Trick Productions
Award Funniest New British Comedy 1990
Festival British Comedy Awards, London

EQUINOX: LITTLE BY LITTLE

Production company InCa
Award Prix de Centre National de la
Recherches Scientifique
Festival 7th International Scientific Broadcast
Festival, France

GO FOR IT

Production company Wood Film
Award Unicef Special Prize
Festival Prix Jeunesse International, Munich

A GRAND DAY OUT

Production company The National Film School Distribution Company
Nick Park for National Film and Television School
Award The Observer Award: Best Animated Film
over 15 minutes
Festival British Animation Awards, Cardiff



Cutting Edge: Hunters & Bombers



The Gravy Train



Halting the Fires



Granpa

GRANNY'S IS

Production company Cinevide
Award 2nd Prize
Festival 5th Manifestation Internationale de Video
et TV de Montbeliard

GRANPA

Production company TVC
Award Prix Jeunesse
Festival Prix Jeunesse International, Munich

THE GRAVY TRAIN

Production company Portman Entertainment
Award Special Commendation
Festival Prix Europa, 1990 Barcelona

GREEK FIRE

Production company Transatlantic Films Production &
Distribution Company
Award Main Prize European Alliance for
Television & Culture Films
Festival Basle Prizes 1990, Switzerland

HALTING THE FIRES

Production company Nexus Television
Award Special Prize of the Jury
Festival International Okomedia Film Festival, Germany

Una Stravaganza Dei Medici



HIGH HOPES

Production company Mike Leigh/Portman Entertainment
Award Special Prize of the Jury for Best Cast
Festival Golden Fleece Festival, Georgia, USSR

THE HILL FARM

Production company Mark Baker/Expanded Entertainment
Award Most Creative Animation Soundtrack
Festival British Animation Awards, Cardiff

HUSH A BYE BABY

Production company Twentieth Century Fox Television
Award Award of the Ecumenical Jury
Festival Locarno Television Festival, Italy

LAKE BAIKAL – BLUE EYE OF SIBERIA

Production company Cicada Productions
Award Silver
Festival Trento Festival of Mountain & Exploration Films, Italy

**LISTENING EYE: DEAF PEOPLE IN
THE EUROPEAN COMMUNITY**

Production company Tyne Tees Television
Award Silver
Festival British Medical Association Film Competition, London

LIVING WITH DINOSAURS

Production company TVS Television with Jim Henson Productions
Award International Emmy Award:
Children & Young People
Festival International Emmy Awards, New York

LOOKING FOR LANGSTON

Production company Sankofa Film & Video Ltd
Award Co-winner, Best Short Film
Festival 2nd Festival Images Caraibes, Martinique
Award Best Film: Drama/Documentary
Category, Prized Pieces Competition
Festival National Black Programming Consortium, Ohio

MADLY IN LOVE

Production company Shaker Films Ltd
Award Special Commendation
Festival Broadcast First Timers Award, London

THE MAHABHARATA

Production company Les Productions du 3eme Etage/Brooklyn
Academy of Music
Award International Emmy Award: Performing Arts
Festival International Emmy Awards, New York

NEXT

Production company Barry Purves for Aardman Animation
Award The Direction Award: Best Technical
Achievement in Animation
Festival British Animation Awards, Cardiff
Award Prize for Best Debut Film
Festival Hiroshima International Animation Festival



Lake Baikal – Blue Eye of Siberia



Hush a Bye Baby

The Mahabharata



Nobody Here but us Chickens



Norbert Smith – A Life



Traffik



NOBODY HERE BUT US CHICKENS

Production company Greenpoint Films
Award Winner: Single Drama Category
Festival Royal Television Society Programme Awards, London

NORBERT SMITH – A LIFE

Production company Hat Trick Productions
Award International Emmy Award: Popular Arts
Festival International Emmy Awards, New York
Award Winner: Comedy Category
Festival Banff Television Festival, Canada
Award Silver Rose
Festival Golden Rose of Montreux, Switzerland

SOUTH AFRICA – THE WASTED LAND

Production company Debonair Productions/TVE
Award Special Prize for Journalism
Festival International Okomedia Film Festival, Germany

STOLEN CHILDHOOD

Production company North South Productions
Award Prix Futura
Festival Prix Futura, Berlin
Award Silver Dove
Festival Silver Dove, Leipzig
Award Best Documentary Series
Festival American Guild of Women Film-makers

SUMO

Production company Cheerleader Productions
Award Silver Award: Documentary/Sport Category
Festival Houston International Film Festival

THIS FOOD BUSINESS

Production company Large Door
Award Best Television Programme of 1989
Festival Glenfiddich Awards, London

TRAFFIK

Production company Picture Partnership Productions
Award Grand Prize: Best of Festival
Award Winner: Limited Series Category
Festival Banff Television Festival, Canada

UNA STRAVAGANZA DEI MEDICI

Production company Thames Television & The Frame Store in association with La Sept & ZDF
Award Special Prize: Arts Section
Festival Prix Italia, Sicily



Whose Line is it Anyway?

WHOSE LINE IS IT ANYWAY?

Production company Hat Trick Productions
Award Winner: Light Entertainment Category
Festival Royal Television Society Programme Awards, London

ZAN BOKO

Production company Gaston Kabore
Award Premier Award: Overseas Television Production
Festival The One World Broadcasting Trust Awards, London

Directors' report

PRINCIPAL ACTIVITIES

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

OWNERSHIP

The Broadcasting Act 1990 established the Independent Television Commission (ITC) which acquired the shares of Channel 4 from the IBA on 1 January 1991.

Channel Four Television Company Limited will be a wholly owned subsidiary of the ITC until 31 December 1992. The Broadcasting Act 1990 creates the Channel Four Television Corporation which will be established and will acquire the shares of Channel Four Television Company Limited from the ITC on 1 January 1993.

ACCOUNTING REFERENCE DATE

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

FUNDING

Channel 4 obtains funds from the ITC, which collects the fourth channel subscription from each of the ITV companies. That subscription for each year to 31 March is an agreed proportion, 17%, of the net advertising revenue (NAR) of the ITV programme contractors (including the revenue from their sales of advertising on Channel 4 and S4C) for the year to the previous 31 January. The funds thus raised from the ITV contractors other than TV-am are apportioned on the basis of up to 20% of the total subscription to the Welsh Fourth Channel Authority, for funding S4C's services, and the remainder to Channel 4.

TV-am pays a fourth channel subscription calculated in the same manner as the subscription for all the other ITV companies. The whole of TV-am's subscription is allocated to Channel 4.

As a result of this arrangement, Channel 4 receives not less than 80% of the total fourth channel subscription based on 17% of the NAR for the year to the preceding 31 January. Hence Channel 4's subscription income is not less than 13.6% of that previous year's NAR.

These present funding arrangements made by the IBA took effect from April 1986 and will continue until 31 December 1992. From 1 January 1993 Channel 4 will raise its revenue from the sale of its own advertising time.

Funding of £255.2 million for the year to 31 December 1991 has been agreed with the ITC. That amount includes an additional subscription of £23.19 million for transmission costs which were previously paid by ITV, but which, since 1 January 1991, have become Channel 4's responsibility.

RESULTS

The company received subscription income of £174.9 million from the IBA in the nine months ended 31 December 1990. This income is used to acquire the company's programme and film rights for transmission, and to finance capital and overhead expenditure. The balance of this income, after costs of programme transmissions and operational and administrative expenses, thus represents the principal means of financing the net assets of the company, and is treated as deferred income in the accounts.

In addition to the income from the IBA the company has other trading activities and receives interest on cash balances. The surplus on these other activities, after tax, was £1.1 million.

DIRECTORS

The present directors of the company are listed on page 40.

One executive director, Stewart Butterfield, has been appointed to the Board since 1 April 1990.

Four non-executive directors have left the Board since 1 April 1990. Eleri Wynne Jones resigned on 28 November 1990 having been appointed a member of the ITC. Sir Brian Bailey OBE, Richard Dunn and Greg Dyke resigned on 28 February 1991.

Michael Bishop CBE was appointed to the Board, as Deputy Chairman, on 1 March 1991.

All other directors served throughout the period.

DIRECTORS' INTERESTS

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

As indicated in the list on page 40, a number of directors are also directors of companies which supply programmes to Channel 4, and to that extent are also interested in the contracts of the company. In addition, note 22 to the accounts gives the information required to be disclosed in relation to material interests of two directors in contracts with the company.

DIRECTORS' AND OFFICERS' LIABILITY INSURANCE

The Companies Act 1989 has clarified and amended the law relating to the purchase and maintenance of liability insurance for company directors and officers. The directors consider that it is appropriate, with the increasing volume and complexity of legislation, that such insurance should be available to directors and officers and a policy has been effected.

FIXED ASSETS

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

RESEARCH AND DEVELOPMENT

The company devotes substantial resources to the development of scripts and programme outlines for possible commissioning. Development expenditure incurred in the nine months to 31 December 1990 on scripts and programmes not commissioned for production by that date amounted to £3,111,000 (year to 31 March 1990: £1,843,000).

EMPLOYEE INVOLVEMENT AND CONSULTATION

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

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

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

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

EMPLOYMENT POLICY

The company is an equal opportunities employer. It does not discriminate on the grounds of race, sex, religion, physical handicap or marital status in its recruitment or other employment policies. The company 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 the company and are given equal opportunities with other staff in relation to training, career development and promotion.

AUDITORS

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

By order of the Board
D.R.A. Scott
26 March 1991

Income and expenditure account

	Notes	9 months to 31 December 1990 £000	12 months to 31 March 1990 £000
INCOME FROM THE IBA	1(b)	174,911	217,881
COST OF PROGRAMME TRANSMISSIONS	1(b)	(138,130)	(179,523)
		36,781	38,358
OPERATIONAL AND ADMINISTRATIVE EXPENSES	2	(18,908)	(23,911)
		17,873	14,447
TRANSFER TO DEFERRED INCOME	1(b)	(17,873)	(14,447)
OTHER INCOME LESS EXPENDITURE	1(b), 5	1,944	4,496
LESS TAXATION THEREON	6	(861)	(1,666)
SURPLUS FOR THE YEAR	1(b)	1,083	2,830

The notes on pages 27 to 36 form part of these accounts.

Report of the auditors – page 37.

Statements of movements on the deferred income account and income and expenditure account are given in notes 14 and 15 on page 34.

Balance sheet

	Notes	As at 31 December 1990 £000	As at 31 December 1990 £000	As at 31 March 1990 £000	As at 31 March 1990 £000
FIXED ASSETS					
Tangible assets	1(c), 8		36,608		11,712
Investments and loans	7		<u>—</u>		<u>—</u>
			36,608		11,712
CURRENT ASSETS					
Programme and film rights	1(b), 1(d), 9	112,641		93,432	
Debtors	10	21,156		20,400	
Cash at bank and in hand		403		<u>17,581</u>	
		134,200		131,413	
CREDITORS					
Amounts falling due within one year	11	(27,558)		<u>(18,692)</u>	
NET CURRENT ASSETS			106,642		112,721
TOTAL ASSETS LESS CURRENT LIABILITIES			143,250		124,433
PROVISION FOR LIABILITIES AND CHARGES					
Deferred tax	12		<u>—</u>		<u>(139)</u>
			143,250		124,294
CAPITAL					
Called up share capital £100	13		<u>—</u>		<u>—</u>
DEFERRED INCOME					
	1(b), 14		134,146		116,273
INCOME AND EXPENDITURE ACCOUNT					
	1(b), 15		9,104		8,021
			143,250		124,294

These accounts were approved by the Board of Directors on 26 March 1991.

The notes on pages 27 to 36 form part of these accounts.

Report of the auditors – page 37.

Sir Richard Attenborough
CHAIRMAN

Michael Grade
CHIEF EXECUTIVE

Statement of source and application of funds

	9 months to 31 December 1990 £000	9 months to 31 December 1990 £000	12 months to 31 March 1990 £000	12 months to 31 March 1990 £000
SOURCE OF FUNDS				
Income from the IBA, less cost of programme transmissions and administrative expenses	17,873		14,447	
Surplus on other income less expenditure before taxation	<u>1,944</u>		<u>4,496</u>	
		19,817		18,943
Adjustment for items not involving the movement of funds:				
Depreciation of fixed assets	2,649		2,094	
Provision against loans (note 7)	175		300	
Net profit on sale of fixed assets	<u>(54)</u>		<u>(14)</u>	
		2,770		2,380
TOTAL FROM OPERATIONS		22,587		21,323
FUNDS FROM OTHER SOURCES				
Sale proceeds of fixed assets		<u>100</u>		<u>34</u>
TOTAL SOURCES OF FUNDS		22,687		21,357
APPLICATION OF FUNDS				
Tax paid	(1,372)		(1,601)	
Purchase of fixed assets	(27,591)		(4,520)	
Investments and loans	<u>(175)</u>		<u>(300)</u>	
		(29,138)		(6,421)
		(6,451)		14,936
CHANGE IN WORKING CAPITAL				
Increase in programme and film rights		19,209		6,145
Increase in debtors		756		3,582
Increase in creditors, excluding taxation		<u>(9,238)</u>		<u>(3,204)</u>
		10,727		6,523
Movement of net liquid funds:				
(Decrease) / increase in bank and cash balances		<u>(17,178)</u>		<u>8,413</u>
		(6,451)		14,936

Report of the auditors –
page 37.

Notes to the accounts

1 PRINCIPAL ACCOUNTING POLICIES

(a) ACCOUNTING CONVENTION

The accounts have been prepared under the historical cost convention.

(b) INCOME AND EXPENDITURE ACCOUNT

(i) INCOME:

a) Income from the IBA is credited to the income and expenditure account when it is received.

b) Income from programme and film sales is recognised in the income and expenditure account when the sales are confirmed to the company.

(ii) COST OF PROGRAMME TRANSMISSIONS:

The direct cost of films and programmes is wholly written off on first transmission.

(iii) INCOME RECEIVED IN ADVANCE OF RELATED EXPENDITURE:

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

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

(c) FIXED ASSETS

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

(ii) Depreciation is calculated so as to write off the cost of the asset on a straight line basis over its estimated useful life.

The principal annual rates used for this purpose are as follows:

Assets held by the company:

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

Technical equipment and office furniture 20%

Motor cars 25%

Assets held by third parties:

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

Technical equipment 20% or 33%

(d) PROGRAMME AND FILM RIGHTS

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

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

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

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

	9 months to 31 December 1990 £000	12 months to 31 March 1990 £000
2 OPERATIONAL AND ADMINISTRATIVE EXPENSES		
These may be analysed as follows:		
Employee and freelance staff costs	9,735	11,489
Establishment costs	3,306	3,236
Depreciation of fixed assets (note 8)	2,649	2,094
Press office and promotion	1,534	2,949
Travel and subsistence	791	999
Legal and professional fees	381	1,115
Provision against loans (note 7)	175	300
Other general expenses	337	1,729
	<u>18,908</u>	<u>23,911</u>
and include:		
Auditors' remuneration	26	28
Directors' remuneration:		
to the non-executive directors	56	59
to the executive directors for management, (including pension contributions)	430	500
Operating lease rentals – company premises	1,337	1,099
Equipment hire	108	94

	9 months to 31 December 1990 £000	12 months to 31 March 1990 £000
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3 DIRECTORS' REMUNERATION

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

Chairman's remuneration	22	23
Highest paid director's remuneration	108	117

	Number	Number
Other directors		
£0 – £5,000	8	9
£5,001 – £10,000	1	1
£65,001 – £70,000	3	—
£70,001 – £75,000	1	3
£75,001 – £80,000	—	1

	9 months to 31 December 1990 £000	12 months to 31 March 1990 £000
--	--	--

4 EMPLOYEE INFORMATION

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

Aggregate gross salaries	7,664	8,584
Employer's NI contributions	687	754
Employer's pension contributions	910	1,016
Total direct costs of employment	9,261	10,354

The average number of employees, including executive directors, during the period was	410	363
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At 31 December 1990 the company employed	418	400
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	9 months to 31 December 1990 £000	9 months to 31 December 1990 £000	12 months to 31 March 1990 £000	12 months to 31 March 1990 £000
5 OTHER INCOME LESS EXPENDITURE				
PROGRAMME AND FILM SALES				
Income:				
Film sales	1,154		2,626	
Programme sales	3,544		4,059	
Co-finance	6,300		1,339	
Publishing and merchandising	107		100	
Investment income	136		379	
Commission	609		802	
	11,850		9,305	
Less costs of sales:				
Direct costs	(2,747)		(3,362)	
Share of income due to independent producers and third parties	(7,611)		(3,311)	
Operational and administrative expenses	(1,061)		(1,244)	
		431		1,388
OTHER INCOME AND EXPENDITURE				
Interest receivable	1,715		2,820	
TV Times copyright fees	797		266	
Computer software sales	29		22	
Rental income	22		—	
Less:				
Interest and finance charges	(320)		—	
Advertising sales department operating expenses	(730)		—	
		1,513		3,108
		1,944		4,496

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

	9 months to 31 December 1990 £000	12 months to 31 March 1990 £000
The geographical analysis of programme and film sales income is as follows:		
Exports:		
USA	1,719	1,399
Rest of the world	8,183	5,101
	9,902	6,500
UK sales and other income	1,948	2,805
	11,850	9,305

**9 months to
31 December
1990
£000**

12 months to
31 March
1990
£000

6 TAXATION

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

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

UK corporation tax based on other net income for the year @ 35%	1,072	1,570
Double tax relief	(47)	(194)
Deferred tax	(139)	109
	886	1,485
Adjustment in respect of prior years	(72)	(13)
Overseas taxation	47	194
	861	1,666

7 INVESTMENT IN AND LOANS TO BRITISH SCREEN FINANCE LIMITED

The company holds 30 ordinary £1 and 1,842,141 B class deferred £1 shares in British Screen Finance Limited (British Screen). That is equivalent to 38% of the ordinary share capital and 35% of the total capital. The shares were received for nil cost.

The company has entered into a commitment, for the financing of British films, under which at 31 December 1990 it had advanced to British Screen £1,500,000, in exchange for 10% unsecured loan stock redeemable at par on or before 1 January 2016. Further advances of £300,000 have been agreed for the year to 31 December 1991. The loans are repayable out of the exploitation proceeds of the films produced – subject to the reinvestment of income arising in British Screen until 31 December 1992.

The ability of British Screen to pay dividends out of any profits is restricted by its present policy to reinvest all available funds in further films.

Draft accounts for British Screen for the year to 31 December 1990 show accumulated losses of £6.8 million to that date. The company has recognised its share of those losses made by British Screen by making full provision against the loans referred to above. The provision at 31 December 1990 amounted to £1,500,000 (31 March 1990: £1,325,000) and will be released in future years to the extent that British Screen records profits or as the advances are repaid.

	Freehold properties £000	Leasehold properties £000	Furniture & equipment £000	Motor vehicles £000	Total £000
8 FIXED ASSETS					
(a) Tangible assets					
COST					
At 1 April 1990	395	6,463	16,460	331	23,649
Additions	24,490	861	2,199	41	27,591
Disposals	—	—	(547)	(11)	(558)
At 31 December 1990	<u>24,885</u>	<u>7,324</u>	<u>18,112</u>	<u>361</u>	<u>50,682</u>
DEPRECIATION					
At 1 April 1990	53	1,718	10,089	77	11,937
Charge for the period	6	1,041	1,540	62	2,649
Disposals	—	—	(506)	(6)	(512)
At 31 December 1990	<u>59</u>	<u>2,759</u>	<u>11,123</u>	<u>133</u>	<u>14,074</u>
NET BOOK VALUE					
At 31 December 1990	<u>24,826</u>	<u>4,565</u>	<u>6,989</u>	<u>228</u>	<u>36,608</u>
At 1 April 1990	<u>342</u>	<u>4,745</u>	<u>6,371</u>	<u>254</u>	<u>11,712</u>

- (b) Certain of the fixed assets owned by the company are utilised by third party programme makers in the independent production sector. The net book value at 31 December 1990 was located as follows:

	Freehold properties £000	Leasehold properties £000	Furniture & equipment £000	Motor vehicles £000	Total £000
Held by the company	24,490	4,565	6,930	228	36,213
Held by third parties	336	—	59	—	395
	<u>24,826</u>	<u>4,565</u>	<u>6,989</u>	<u>228</u>	<u>36,608</u>

- (c) The additions to freehold property represent land and related costs at Horseferry Road, London SW1.

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

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

	31 December	31 March
	1990	1990
	£000	£000
9 PROGRAMME AND FILM RIGHTS		
Programmes and films completed but not transmitted	45,832	33,399
Programmes and films in the course of production	40,016	36,882
Purchased programme and film rights	26,793	23,151
	<u>112,641</u>	<u>93,432</u>

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

	31 December	31 March
	1990	1990
	£000	£000
10 DEBTORS		
Prepayments and accrued other income	13,318	19,864
Value added tax	3,108	110
Other debtors	4,730	426
	<u>21,156</u>	<u>20,400</u>

All the above amounts are receivable within one year.

	31 December	31 March
	1990	1990
	£000	£000
11 CREDITORS		
Trade creditors	2,168	4,378
Accruals	23,556	12,583
Other creditors including taxation and social security:		
United Kingdom corporation tax	1,016	1,527
Social security	377	22
Other creditors	441	182
	<u>27,558</u>	<u>18,692</u>

All the above amounts will fall due within one year.

	31 December	31 March
	1990	1990
	£000	£000
12 DEFERRED TAX		
(a) Analysis of provision and full potential liability		
Tax deferred on interest receivable	<u>—</u>	<u>139</u>
(b) Movement on the provision for deferred tax		
At 1 April 1990	139	30
Transfer to/(from) income and expenditure account	<u>(139)</u>	<u>109</u>
At 31 December 1990	<u>—</u>	<u>139</u>

13 SHARE CAPITAL

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

	31 December	31 March
	1990	1990
	£000	£000
14 DEFERRED INCOME		
At 1 April 1990	116,273	101,826
Net transfer for the period	<u>17,873</u>	<u>14,447</u>
At 31 December 1990	<u>134,146</u>	<u>116,273</u>

	31 December	31 March
	1990	1990
	£000	£000
15 INCOME AND EXPENDITURE ACCOUNT		
At 1 April 1990	8,021	5,191
Surplus for the period	<u>1,083</u>	<u>2,830</u>
At 31 December 1990	<u>9,104</u>	<u>8,021</u>

16 COMPANY STATUS

From incorporation in 1980 the company was a wholly owned subsidiary of the Independent Broadcasting Authority. On 1 January 1991 the Independent Television Commission (a body incorporated under Act of Parliament) succeeded the IBA and acquired all of the company's shares.

17 SUBSIDIARY COMPANIES

The company owns the whole of the issued share capital of the following companies – none of which has traded since incorporation and all of which were dormant during the nine months ended 31 December 1990.

	Issued ordinary £1 shares
Film on Four Limited	100
Sport on Four Limited	2
Channel Four Racing Limited	2
BSFC Films Limited	43

18 PROGRAMME AND FILM COMMITMENTS

At 31 December 1990, the company had committed and approved future expenditure for programmes and films amounting to £126 million (31 March 1990: £99 million), of which £102 million (31 March 1990: £88 million) is estimated to fall due for payment in the year ending 31 December 1991 and £24 million (31 March 1990: £11 million) thereafter.

	31 December 1990 £000	31 March 1990 £000
19 OTHER COMMITMENTS		
(a) CAPITAL EXPENDITURE:		
Amounts contracted for but not provided for in the accounts were	143	474
Amounts authorised for expenditure in 1991 but not contracted for were	31,016	3,401

(b) INVESTMENT IN BRITISH SCREEN FINANCE LIMITED:

The company has agreed to make certain advances to British Screen Finance Limited as detailed in note 7.

(c) FORWARD FOREIGN EXCHANGE CONTRACTS:

At 31 December 1990, the company had entered into commitments to purchase foreign currencies amounting to £5,755,911 (31 March 1990: £3,085,467), maturing on 1 March and 2 April 1991 which were entered into in order to fix the sterling cost of certain foreign programme and film purchase commitments.

(d) OPERATING LEASES:

The company has financial commitments in respect of operating leases for its premises, which will terminate in 1996 or thereafter. The amount payable under these leases in the next year will be £2,774,000 (31 March 1990: £1,254,000).

20 PENSION COSTS

The company operates a contributory pension scheme providing benefits based on final pay. The assets of the scheme are held separately from those of the company, being invested through Legal & General Assurance (Pensions Management) Limited. Contributions to the scheme are charged to the income and expenditure account so as to spread the cost of pensions over employees' working lives with the company. The contributions are determined by a qualified actuary on the basis of triennial valuations using the projected unit method. The most recent valuation was as at 1 January 1988. The assumptions which have the most significant effect on the results of the valuation are those relating to the rate of return on investments and the rates of increase in salaries and pensions. It was assumed that the investment returns would be 9% per annum, that salary increases would average 7% per annum and that present and future pensions would increase at the rate of 5% per annum.

The pension charge for the nine months to 31 December 1990 was £910,000 (year to 31 March 1990: £1,016,000).

The actuarial valuation at 1 January 1988 showed that the market value of the scheme's assets was £5,307,000 and that the actuarial value of those assets represented 114% of the benefits which had accrued to members, after allowing for expected future increases in earnings. The contributions of the company and employees remain at 15.3% and 6% of earnings respectively. The next actuarial valuation will be as at 1 January 1991.

21 CONTINGENT LIABILITIES

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

22 DIRECTORS' INTERESTS IN CONTRACTS

ANNE LAPPING

Anne Lapping is a director and shareholder of Brook Productions (1986) Limited, an independent production company which was commissioned during the period under review to produce 36 one and a half hour A WEEK IN POLITICS programmes, a one hour programme INCIDENT IN JUDAEA, and a 45 minute DISPATCHES programme DIVIDED SHE FALLS. The production costs for these programmes are £1,314,286 of which £33,300 is due to Anne Lapping as Executive Producer, and £114,214 is the production fee to the production company. None of the production fee was paid in the nine months to 31 December 1990, it all being payable in 1991. Twice weekly transmissions of A WEEK IN POLITICS began in October 1990, DIVIDED SHE FALLS was transmitted in November 1990, and INCIDENT IN JUDAEA is scheduled for transmission in March 1991.

Brook Productions (1986) Limited was commissioned to produce a number of other programmes with executive producers other than Anne Lapping. That company received 25% of the production fees of £1,634 which were paid for those programmes in the period, and to that extent Anne Lapping was interested in those contracts.

JOHN MCGRATH

John McGrath is a director and shareholder of Freeway Films Limited, an independent production company. During the period that company continued work on programme commissions which were disclosed in the Report and Accounts for the year ended 31 March 1990.

Report of the auditors

TO THE MEMBERS OF CHANNEL FOUR TELEVISION COMPANY LIMITED

We have audited the accounts on pages 24 to 36 in accordance with auditing standards.

In our opinion the accounts give a true and fair view of the state of affairs of the company at 31 December 1990 and of its results and source and application of funds for the nine months then ended and have been properly prepared in accordance with the Companies Act 1985.

Coopers + Lybrand Deloitte
Coopers & Lybrand Deloitte

CHARTERED ACCOUNTANTS

London

26 March 1991

Revenues and costs attributable to Channel 4

	Notes	Cumulative total 1981 to 31 March 1990 £m	9 months to 31 December 1990 £m	Cumulative total 1981 to 31 December 1990 £m
REVENUES AND SUBSCRIPTION				
Channel 4 NAR	1	1,137.6	209.1	1,346.7
IPA / Equity dispute	2	55.0	—	55.0
Channel 4 subscription	3	(1,144.2)	(174.9)	(1,319.1)
		48.4	34.2	82.6
ATTRIBUTABLE COSTS, NOT PAID BY CHANNEL 4				
IBA transmitter and regulatory costs	4	(173.4)	(18.8)	(192.2)
ITV sales and other costs	5	(49.7)	(6.6)	(56.3)
(Deficit) / surplus to the ITV system, before exchequer levy and corporation tax	6	(174.7)	8.8	(165.9)

NOTES

- 1 This is the actual net advertising revenue invoiced by the ITV companies for their sale of advertising on Channel 4 (source: ITC).
- 2 The Institute of Practitioners in Advertising (IPA) and Equity were in dispute from November 1982 until October 1984. That dispute depressed the revenue on Channel 4. The IBA estimated that the compensating extra two minutes per hour of peaktime advertising, which was allowed on ITV between January 1983 and November 1984, earned £55 million additional revenue for ITV.
- 3 The subscription is the actual amount received from the IBA by Channel 4.
- 4 It has been assumed that, from 1982 onwards, 40% of the IBA's television rentals related to Channel 4 and S4C, in the proportion 90:10 (source: IBA).
- 5 The ITV companies incur selling, presentation and engineering costs for Channel 4 and S4C. The IBA estimated that for the year to 31 March 1987 these costs amounted to 3.5% of the total Channel 4 and S4C NAR for that year - a total of £5.5 million. It is assumed that these costs are mainly attributable to Channel 4 and cannot be apportioned on the 90:10 basis. S4C's share has been assessed as a nominal £100,000 per annum. Since 1 April 1987 these costs have been adjusted by the overall percentage increase in ITV's total sales costs.
- 6 The accumulated deficit represents the cost, before exchequer levy and corporation tax, of Channel 4 since the company was founded in 1981. It is estimated that some 80% of this deficit has been offset by the ITV companies from savings of exchequer levy and corporation tax.

Five year summary

	12 months to 31 March			9 months to 31 December	
	1987 £m	1988 £m	1989 £m	1990 £m	1990 £m
INCOME AND EXPENDITURE					
Income from the IBA	135.9	163.4	181.8	217.9	174.9
Cost of programme transmissions	(114.2)	(135.2)	(149.5)	(179.5)	(138.2)
Operational and administrative expenses	(16.0)	(17.1)	(20.0)	(23.9)	(18.9)
Net transfer to deferred income	5.7	11.1	12.3	14.5	17.8
Other income less expenditure after taxation	0.8	1.5	2.8	2.8	1.1
SUMMARISED BALANCE SHEETS					
Fixed assets	9.1	8.6	9.3	11.7	36.6
Current assets	80.9	95.0	113.3	131.4	134.2
Current liabilities	(10.7)	(11.5)	(15.5)	(18.7)	(27.6)
Deferred tax	—	(0.2)	(0.1)	(0.1)	—
	79.3	91.9	107.0	124.3	143.2
Capital: £100	—	—	—	—	—
Deferred income	78.4	89.5	101.8	116.3	134.1
Income and expenditure account	0.9	2.4	5.2	8.0	9.1
	79.3	91.9	107.0	124.3	143.2

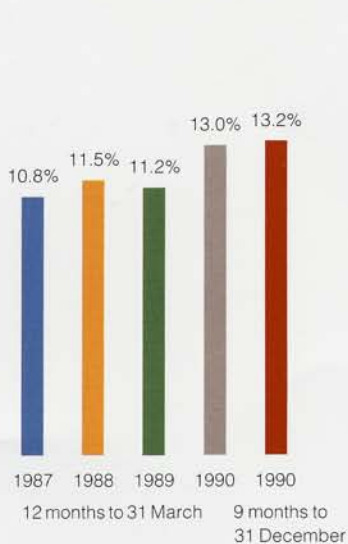
Net advertising revenue (NAR) £m

- NAR attributable to Channel 4
- Percentage of total terrestrial NAR attributable to Channel 4
- Total ITV & Channel 4 NAR (including TV-am and S4C)



Subscription

Channel 4 subscription as a percentage of total terrestrial NAR



Audience

Channel 4 audience as a percentage of the total terrestrial commercial television audience



Directors and advisers

NON-EXECUTIVE DIRECTORS

CHAIRMAN

* SIR RICHARD ATTENBOROUGH CBE

Film producer/director. Chairman of the British Film Institute, the British Screen Advisory Council, and Capital Radio plc.

DEPUTY CHAIRMAN

* MICHAEL BISHOP CBE

Chairman of British Midland Airways Limited.

CARMEN CALLIL

Managing Director of Chatto and Windus Limited and Chairman of Virago Press.

ANNE LAPPING

Independent producer and director of Brook Productions (1986) Limited.

JOHN McGRATH

Independent producer and writer.
Director of Freeway Films Limited.

* PETER ROGERS

Deputy Chief Executive and Director of Finance of the Independent Television Commission.

PROFESSOR DAVID VINES

Adam Smith Professor of Political Economy, University of Glasgow.

EXECUTIVE DIRECTORS

CHIEF EXECUTIVE

MICHAEL GRADE

Non-executive director of ITN Limited and The Open College Limited and member of the British Screen Advisory Council.

DIRECTOR OF ADVERTISING

SALES AND MARKETING

STEWART BUTTERFIELD

DIRECTOR OF PROGRAMMES

LIZ FORGAN

Governor of the British Film Institute (resigned February 1991).

DIRECTOR OF ACQUISITION

COLIN LEVENTHAL

Member of the British Screen Advisory Council.

DIRECTOR AND GENERAL

MANAGER

FRANK McGETTIGAN

Governor of the National Film and Television School.

DIRECTOR OF FINANCE

DAVID SCOTT

Non-executive director of British Screen Finance Limited.

SECRETARY

David Scott

REGISTERED OFFICE

70 Brompton Road
London SW3 1EY

AUDITORS

Coopers & Lybrand Deloitte
Chartered Accountants
Plumtree Court
London EC4A 4HT

BANKERS

National Westminster Bank plc
21 Lombard Street
London EC3P 3AR

COMPANY REGISTRATION

Registered in Cardiff as company
number 1533774

* The three directors who are members
of the Audit Committee.



CHANNEL FOUR TELEVISION

60 Charlotte Street

London W1P 2AX

Telephone 071-631 4444