

407270

SERVICES SOUND AND VISION CORPORATION

FIFTIETH ANNUAL REPORT AND ACCOUNTS 1995 - 1996



PATRON
HRH The Princess Margaret

THE COUNCIL

President
Vacant

Appointed by the Admiralty Board
Admiral Sir MICHAEL BOYCE, KCB, OBE, ADC - Chief of Naval Personnel and Second Sea Lord

Appointed by the Air Force Board
Air Marshal Sir DAVID COUSINS, KCB, AFC - Air Member for Personnel

Appointed by PUS Ministry of Defence
ROGER JACKLING - Second Permanent Under Secretary of State

Chairman of the Board of Management
General Sir GEOFFREY HOWLETT, KBE, MC *

BOARD OF MANAGEMENT

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General Sir GEOFFREY HOWLETT, KBE, MC *

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Representative of 2nd PUS
Dr FRANK PRICE - Director SP Pol 2

Secretary
HARVEY JOSEPHS

Life Vice President
Sir GORDON PIRIE, CVO, CBE, DL

* Denotes membership throughout the year 1 April 1995 to 31 March 1996

EXECUTIVE MANAGEMENT

Director - TLI and Assistant Managing Director
COLIN RUGG, OBE

Director of Personnel & Administration
DIANE TRIGG

Director - BFBS
PETER McDONAGH

Director - Visua Audio Visual
MICHAEL WESTON

Director of Finance
JULIAN PORTMAN

Director - Visua Communications
CHRISTOPHER GRAYLING

Registered Office: Chalfont Grove, Narcot Lane, Chalfont St Peter, Gerrards Cross, Buckinghamshire SL9 8TN

CHAIRMAN'S STATEMENT

The Services Sound and Vision Corporation is a charity whose main aims are to entertain and assist in the training of Britain's Armed Forces around the world: our work makes a considerable contribution to the maintenance of the efficiency and morale of those Services.

The most widely known manifestation of this is our British Forces Broadcasting Service which provides both radio and television which can be received at all places where there are significant numbers of Service personnel based overseas. However, we are also involved in a number of other essential entertainment and training activities for the Armed Forces, such as live shows, cinemas, audio visual retail shops, the production of training films and the supply and maintenance of audio visual training equipment.

The large majority of these activities have in the past been carried out directly for the Ministry of Defence at cost, and all have been counted as part of our charitable objectives. These have been to some degree funded by and enhanced by the profits from cinemas and the retail shops and commercial work carried out by our subsidiary companies. These subsidiaries operate in the open market providing audio visual systems installation, multimedia training software, training and promotional video production, broadcasting facilities and satellite transmission services.

The last year has seen a major change in the way the Corporation operates as a result of a shift in policy by the Ministry of Defence. Major cuts in defence expenditure have led to not only a reduction in demand for the services the Corporation provides, but also different methods of purchasing them. Many of the services are now being put out to tender, with the result that the Corporation now has to compete with other commercial companies. As a result the Corporation decided that a number of its audio visual activities would no longer be sustainable, and so began to reduce its involvement in the equipment supply and maintenance area. In addition, in order to remain competitive, many of the remaining activities needed to develop a wider market than the Services.

As a result of all this, many of the business activities will now be carried out within the subsidiaries, leaving the charity to continue with the major entertainment activities of Broadcasting, cinemas and retailing for the Services, along with running the training film library for the Ministry of Defence. Profits distributed by the subsidiaries will enable the charity to continue donations to the Services' Central Welfare Funds.

These changes were set in motion during the year under review, resulting in substantial reorganisation costs, many of which were paid for by the Ministry of Defence, and in a large reduction in the work force by the end of the year. Although this has been a difficult period, particularly for those involved in the change,

the Corporation and its subsidiaries are now in a position to compete successfully for business both within the Services and in the commercial marketplace. This should ensure that the charity can continue to fulfil a number of its charitable objects.

The financial results for the year ended 31 March 1996 were a substantial improvement on the last two years, ending with a profit of £63,000 before donations. This has been achieved despite continuing falls in sales in the retail business in Germany, due to further reductions in the number of Service personnel based there. The recently developed Satellite Transmission business (TLI) produced significant profits in only its second year of trading. Many of the businesses in the other subsidiary improved their profitability as a greater emphasis was put on marketing their services to commercial markets. The one disappointment was in the multimedia training business, which suffered from heavy competition in the market as many new companies developed on the back of the much cheaper interactive medium of the CD Rom. As a result losses were incurred, and a new strategy for the operation has been developed.

The Corporation considers that, despite making only a modest profit, it should continue to make some contribution to the Central Welfare Funds, and has therefore decided to make a payment of £40,000. This along with the subsidised audio visual support to Service personnel in the Falklands and Belize, brings the total charitable contribution to £74,000.

The next financial year sees the Corporation operating fully in the new competitive environment required by the Ministry of Defence, and it is expected that more substantial profits will be made as a result of the restructuring and competing with other companies for military, public sector and commercial business. Some of these profits will need to be used for reinvestment, and in order to pay for financing, which will no longer be provided by the Ministry of Defence. Nevertheless the charity expects to be able to realise some of the value from its operations in the future to further fulfil its charitable objects.

This year of change has been particularly unsettling for employees of the Corporation, but they have continued to provide their skills and energies to supporting the businesses and particularly in maintaining their close links with the Armed Forces. I thank them most sincerely for their continuing dedication.

INTRODUCTION TO THE CORPORATION

CORPORATE AIMS AND OBJECTIVES

SSVC was formed in 1982 from the merger of the Services Kinema Corporation (SKC) and the British Forces Broadcasting Service (BFBS). The organisation was founded on a single aim - "to serve those who serve".

SSVC is a private company limited by guarantee - there are no shareholders. The company is a self-supporting registered charity whose annual surpluses, after deducting an amount needed to sustain the operational needs of the Corporation, are donated to the Central Welfare Funds of the three Services. These donations are allocated to specific projects and make life more enjoyable for Service personnel and their families around the world.

The Corporation itself trades in businesses which are consistent with its charitable objectives, and also operates related but separate businesses through its two subsidiaries. Overall, the Corporation is a leading international provider of communications, media and multimedia products and services to both the private and public sectors, using both technical and creative skills.

The objectives of the Corporation are as follows:

- ♦ Continue to invest in the technological areas in order to take advantage of the growing communications market and to provide a long term source of regular revenue flow for the company. This investment will also provide the hardware infrastructure for the creative activities of the company, which will add value to the technological investment.
- ♦ Investment in the creative areas when suitable opportunities arise to develop long term profitable businesses, utilising the skills and infrastructure of the company. Investment in these areas will be higher risk, although with higher potential returns, and will therefore be pursued more selectively.
- ♦ The company aims to harmonise its technological and creative talents to maximise value in support of the armed forces, and to continue to exploit the resulting opportunities - such as training solutions, business communications, telecommunications and broadcasting - in the wider marketplace.

BUSINESS ACTIVITIES

The company operates in both the technological and creative fields of audio visual communication, entertainment and trading, with a view to fulfilling its charitable objects for the armed forces.

The company is organised into four divisions:

BFBS

SSVC provides a world-wide radio service and also a television service to Germany, Cyprus, the former Yugoslavia, the Falkland Islands, Hong Kong and Gibraltar. These services help Service families keep in touch, not only with world events, but also with the latest popular radio and television programmes. Around one hundred and twenty hours of television are broadcast by satellite every week. The two non-stop international radio channels of BFBS provide news, information and entertainment - it is the 'local' radio station with audiences around the world. In addition, a live entertainment service is run by this division, providing shows with well known artists to the Services.

TLI

The experience of providing transmission, engineering and production facilities to BFBS has enabled the company to develop a number of technological businesses competing with other telecommunications and broadcast services companies. SSVC is one of the main competitors to British Telecom in the provision of satellite transmission services. Our TLI business supplies end-to-end transmission of television, information programmes and data to a number of major public sector and international companies. TLI also provides broadcast studio and terrestrial transmission installation services to the UK independent radio sector. The television production facilities and studios are now marketed to producers and training organisations.

Visua Audio Visual

This is a combination of the chain of retail shops operated on military bases in the UK (including Northern Ireland) and Germany, and the Audio Visual Systems business, which supplies and installs sophisticated presentation systems and other similar equipment. The Systems business has developed from SSVC's training support activities for the armed forces, and can now supply presentation equipment for board rooms and conference centres, security and surveillance

systems for buildings and other installations and other audio visual facilities such as Video Walls.

Visua Communications

This division is a major producer and distributor of multimedia training, educational and corporate products, using CD Rom and video tape. SSVC has over many years developed the skills to produce training programmes for the Armed Forces, and has successfully transferred these skills into competing in the wider multimedia and communications market in both the public and private sectors. In addition this division operates cinemas on military bases in the UK, Germany and Cyprus, and also manages the Ministry of Defence training film library.

THE FUTURE

The reduction in defence expenditure, along with the introduction of competitive tendering in many of SSVC's fields of activity, have led to many of the changes in the business activities. The skills developed over many years have provided the Corporation with the opportunity to become a major player in the multimedia and communications markets, and much of the revenue now comes from these new areas.

Although remaining a charity for the benefit of the armed forces, SSVC is in the process of re-launching its businesses into the wider commercial market and is therefore putting greater emphasis on marketing and image. This has led to much restructuring of the organisation, with the consequent loss of some employees, but new skills and people are being added in order to fulfil the opportunities arising from the technological and creative fields in which it operates.

A new logo has been created for all the businesses. The subsidiary SSVC Services Ltd has been renamed Visua Ltd, and specialises in providing communications and audio visual services to other businesses. The other major subsidiary, Teleport London International Ltd (TLI) now provides transmission, engineering and studio facilities to the broadcasting and telecommunications market.

SSVC has all the resources, facilities and expertise to provide a "one stop shop" in multimedia and communications from a single source. It is this background which has enabled the Corporation to accommodate the changes occurring within the Armed Forces and develop a strategy for the future.

BUSINESS REVIEW OF THE YEAR

BFBS

1995-6 was a prestigious year for the Broadcasting Division - for the first time SSVc sold TV programmes to the BBC and other international broadcasters, there was a plethora of awards for BFBS Radio, the award of a major retention campaign in Germany, and CSE wooed and won the Royal Navy.

SSVC was approached by Buckingham Palace to record an interview with HRH The Princess Margaret on her experiences of the war for possible programming on the national networks. The project grew into a half hour programme, with Richard Astbury as the interviewer, which was shown on BBC Television at the start of their VE Day celebrations. So successful was this programme that a second one for VJ Day, featuring the reminiscences of HRH Prince Phillip, Duke of Edinburgh was commissioned and also subsequently sold to the BBC and other international networks.

BFBS Radio was kept very busy in Bosnia, and many staff both on the programme and engineering side, made numerous visits to ensure a solid "link with home" - including one extended visit which took the BFBS team over the entire Christmas and New Year period.

For the previous two years BFBS had managed to achieve Gold Awards at the New York Festivals, so it was important to maintain this tradition. In the end, BFBS Radio did rather better than expected: a Bronze Award for the Germany Breakfast Show, a further Bronze for a BFBS London Christmas Quiz - but the major Gold Award this year went to an in-house radio jingle package, which not only achieved the three-year hat trick of Gold Awards, but broke the mould by winning one of only 5 Grand Awards - ensuring that BFBS Radio was now a world class organisation - in fact, the ONLY UK broadcasting organisation (BBC included), to achieve the coveted Silver Bowl. As a result of this success, the broadcasting division is now marketing its jingle- and commercial-making skills, and has already sold product to Pulse FM.

Disaggregated military business came into sharp focus this year with a major contract awarded to SSVc TV in conjunction with BFBS Germany, worth in excess of £400,000, for a retention campaign mounted by the army in Germany. Fronted by the slogan "Better In than Out", it featured the head-to-head comedy routines of Mel Smith and Griff Rhys-Jones, and has been well received not only by the local Command, but by German and American Commanders as well.

CSE wooed the Royal Navy and Gibraltar, the result of which was a number of one-off contracts for shows featuring such stars as Mike Reid performing on HMS Illustrious, Jim Davidson in Bosnia, and Phil Cool in the Falklands. The climate for expenditure on CSE shows is definitely severe, but the quantity and quality of "replacement" business, both from military and civilian sources, keeps CSE tracking a steady course. Equipment hire, and event management, has also contributed to a currently steady balance sheet, but we anticipate a hopefully temporary reduction in the number of shows in Cyprus and Germany.

TLI

Satellite Services

In the second full year of trading by Teleport London International (TLI), sales built on both the existing Columbia/TDRSS earth station - covering Europe and North America - on which the SSVc Television service to the armed forces operates, and, particularly, on the Intelsat 702 earth station, which provides services to Africa and the Middle East. A ten year contract by which TLI provides both satellite uplinking and space segment to the BBC World Service, means that TLI now carries the main backbone feed of the BBC's English language feed to local transmitters in Africa and the Middle East.

A major contract signed in January 1996 with Sprint International, the third largest long-distance telephony carrier in the USA, for transmission of international cellular telephony services in Africa, marks the start of TLI's entry into the data/telephony market. Further sales in this area are expected following full deregulation by the UK government, which may take place by the end of 1996.

Excellent relationships continued with TLI's early clients, such as Associated Press TV and Reuters. The occasional use (short-term bookings) business grew, with more work from Global Access, ITN and the major US networks, such as CBS and CNN.

TLI began a long-term supply contract with Racal BRT, who manage the optical fibre capacity running alongside railways in Britain, and video services for both occasional use and Associated Press Television were successfully transferred to our own fibre during the period. The arrangement will greatly reduce reliance on expensive optical fibre provided by BT.

TLI's marketing efforts were greatly enhanced, with presence at industry forums such as Satellite 95/96 in Washington and the World Teleport Association in Toronto.

TV Facilities

A full-time service for SSSC TV is broadcast from our Television Facilities, providing presentation, studio, recording and editing facilities for the network 18 hours a day all year round. In addition the facilities are extensively used by SSSC's Video Production business.

Growth in revenue from external work increased this year with BBC, PR Agencies and a wide range of Production Companies increasing their use of our facilities. The client base has increased too, including Carlton TV, Granada TV, Visage and Sally Demaine Associates. In conjunction with TLI, Business TV and Medical TV conferences and programmes were beamed to the UK and the world from our studios in Chalfont.

This year saw the introduction of off-line non linear editing with the purchase of 2 AVID systems. In addition, a digital sound desk was installed in a brand new sound dubbing suite. An investment plan for next year will bring us fully into the digital era and is designed to overcome an expected drop in commercial income which we expect to suffer as our analogue systems reach the end of their useful life.

It reflects well upon the department that many clients have commented on our high standards, professionalism and hospitality and credit here must go to the staff who help provide such a skilled, adept and friendly service.

Broadcasting Services

1995/96 has been a year of consolidation as we prepare the Broadcast Services for a radical change in modus operandi under the new MOD Broadcasting Contract.

During the year we gained MOD approval to move our European TV and Radio distribution from Intelsat 601 uplinked by BT, to the TDRSS satellite uplinked by TLI from Chalfont. This complex move entailed re-engineering our satellite reception facilities in Germany, Bosnia/Croatia, Turkey, Gibraltar and Cyprus as we moved from Ku Band to C Band reception. During this transition, we installed 30 new television and radio transmission systems in Bosnia/Croatia to cover the re-deployed British Forces in IFOR.

Our move to TDRSS also allowed us to provide a television service to British Forces in Belize which opened on Christmas Day 1995 at Airport Camp.

In Brunei both the British and Nepali Radio services had a studio refit during the year as they were brought up to full network standard.

The engineers in Hong Kong engineered a partial move of Broadcasting facilities from Sek Kong to the Prince of Wales Building on Hong Kong Island and began the long, complex drawdown of our operation in Hong Kong.

Plans are now being made to utilise resources in this area to seek commercial opportunities in transmissions and studio installation.

RETAIL

The continuing draw-down of the Armed Forces meant further closures of Retail Outlets.

This, combined with the increasing number of deployments for the Armed Forces and Service personnel away from their home base, sometimes for many months, caused a poor start to the first half of the Financial Year.

Further reorganisation and redundancies, combined with obtaining better margins from suppliers, and more aggressive marketing, helped lift the final quarter to a result just short of budget and a considerable improvement over the previous Financial Year.

Whilst competition in certain sectors on the high street remains a threat, the improvement in product sourcing and rationalisation means Service personnel are now being offered like-for-like pricing. The ownership of personal entertainment such as music systems and television is increasing particularly with the single Service personnel.

The continuing operation of SSSC shops gives the Service community a more convenient way of shopping, and also peace of mind on future servicing back up. There continues to be a need for this welfare service and SSSC Retail adopts a policy that Service personnel should have the same range, standards, high quality service and values of those available to the civilian community. However, it is likely that future trading performance will continue to suffer as a result of the rationalisation of the Armed Forces, and this activity will have to be kept under strict review.

VISUA AUDIO VISUAL

The Ministry of Defence decision to move to competitive tendering radically changed the Forces' method of the supply, maintenance and repair of audio visual equipment from 1 April 1996.

As a result, the restructuring of SSSC's organisation in both personnel and operating

methodology began. This started at the half-year point with a phased redundancy programme. However, our commitment to all projects was successfully completed along with the MOD engineering support by the remaining staff albeit through a difficult time. This work had been carried out by SSSC in its various forms for some 50 years and meant the end of an era.

Towards the end of the Financial Year the structure of the Division was made ready to commence operating more widely in the commercial market place.

VISUAL COMMUNICATIONS

This was a difficult year for the newly formed Multimedia Training Division, with significant personnel changes, and the challenge of preparing the business for the end of the Blueprint arrangements. The result was a disappointing trading loss. The division is now under new management, with Chris Grayling joining as Director, and Ian Adams and Roberta Aarons taking over the multimedia and video businesses respectively.

The former TET business suffered in particular from the loss of exclusive distribution agreements within the public sector, and the departure of key personnel. This has required the adoption of a totally new strategy, and it is likely to be twelve

months before this activity is fully back on track. The new business will have a much broader spread, involving developing bespoke systems and publishing alongside the traditional reseller role.

The video production business was slimmed down drastically during the year in preparation for the ending of the Blueprint agreement with the MOD and the introduction of competition. The remaining team has handled the transition period with great understanding, and we have continued to produce quality programmes for clients, including, for the first time, large volumes of work for the European Commission. Marketing activity is now generating a much broader range of new business and client opportunities.

The video library and the film and video sales operation enjoyed a stable year, with the decline in international sales the only disappointing aspect of progress - although this has been reversed in the new financial year. The business is being renamed the British Defence Film Library, and will, in future, be managed separately from the Production and Multimedia businesses to avoid a conflict of interest. The Forces Cinemas have enjoyed a very good year with new equipment being installed in Cyprus and totally new cinemas being planned for Aldergrove and the Falkland Islands.

REPORT OF THE AUDITORS

to the
Members of The Services Sound and Vision Corporation

We have audited the financial statements on pages 13 to 24 which have been prepared under the accounting policies set out on page 18.

Respective responsibilities of directors and auditors

As described on pages 10 and 11, the directors 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 directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the 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 misstatement, 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 the Corporation and the group at 31 March 1996 and of the deficit of the group for the year then ended, and have been properly prepared in accordance with the Companies Act 1985.



GRANT THORNTON
REGISTERED AUDITORS
CHARTERED ACCOUNTANTS

Thames Valley Office, Slough
3 December 1996

FIFTIETH ANNUAL REPORT OF THE BOARD OF MANAGEMENT

The Board of Management has pleasure in presenting its report and financial statements for the year ended 31 March 1996.

1. Results

The result for the year showed a considerable improvement on the previous year and there was a surplus on ordinary activities of £63,000. This compares with a deficit of £486,000 last year. The principal factors accounting for the change were:

a) Our retail operation in Germany showed a much reduced loss. This was due to the economies made in the previous year.

b) Our subsidiary company Teleport London International Ltd, achieved a profit of £8,000. This compares with a last year's loss of £576,000. It is expected that this company will make a significant contribution to profits in the future.

2. Employment Involvement

The group has continued its practice of keeping employees informed of matters affecting them as employees and the financial and economic factors affecting the performance of the group. This is achieved by briefings by the Managing Director and his senior staff, the company newsletter and the annual financial statements.

3. Status

The Corporation is a company limited by guarantee and is accepted as a registered charity by the Inland Revenue (registered charity number 233480). Income and capital gains of the Corporation are generally exempt from tax if applied for charitable purposes.

4. Fixed Assets

The principal changes in the fixed assets of the group were the acquisition of equipment costing £2,031,000 - being satellite systems costing £1,521,000 together with vehicles and audio-visual equipment - and the disposal of vehicles and audio visual equipment with a net book amount of £109,000.

5. Donations

Donations to Services-orientated charitable organisations amounted to £5,000 in addition to the grant to Service charities of £40,000. Also, in order to further the welfare of the Services, work in the Falkland Islands costing £29,000 has been borne by the Corporation and not recharged.

6. Disabled Workers

It is the Corporation's policy to follow the Government's guidelines on the employment of disabled workers as far as it is possible.

7. Auditors

In accordance with section 385 of the Companies Act 1985, Grant Thornton offer themselves for re-appointment as auditors of the Corporation.

8. Directors

The present membership of the Council and Board of Management is shown on page 2. The following changes have taken place since those recorded in the previous year's Annual Report and Accounts.

11 May 1995 - Air Marshal Sir David Cousins replaced Air Chief Marshal Sir Andrew Wilson on the Council.

25 May 1995 - Admiral Sir Michael Boyce replaced Admiral Sir Michael Layard on the Council.

16 August 1995 - General Sir Michael Wilkes resigned as President of the Council.

29 August 1995 - Air Vice-Marshal Michael Smart replaced Air Vice-Marshal Peter Beer on the Board of Management.

14 September 1995 - Brigadier Iain McNeil replaced Brigadier David Webb Carter on the Board of Management.

19 December 1995 - Commodore Robert Turner replaced Commodore Derek Anthony on the Board of Management.

31 December 1995 - Dr. Bryce McCrirrick retired from the Board of Management.

30 January 1996 - Brigadier Peter Currie replaced Brigadier Iain McNeil on the Board of Management.

30 June 1996 - Dr. Frank Price replaced Ian Hamill on the Board of Management.

30 September 1996 - Roger Jackling replaced Sir Moray Stewart on the Council.

17 October 1996 - Harvey Josephs replaced Andrew Rice as Company Secretary.

9. Directors' Responsibilities for the Financial Statements

Company law requires the directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the Corporation and the Group for that period.

In preparing those financial statements, the directors are required to:-

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- prepare the financial statements on the going concern basis unless it is inappropriate to

presume that the group will continue in business.

The directors are responsible for keeping proper accounting records, for safeguarding the assets of the group and for taking reasonable steps for the prevention and detection of fraud and other irregularities.



By order of the Board,
H Josephs
Secretary

3 December 1996

The Services Sound and Vision Corporation and subsidiary undertakings

SUMMARY OF TURNOVER AND RESULTS

for the previous five years

	1995/96	1994/95	1993/94	1992/93	1991/92
	£'000	£'000	£'000	£'000	£'000
TURNOVER					
Broadcasting	16839	16260	15093	16141	14671
Other MOD Activities	15192	12293	13933	13643	12858
	<u>32031</u>	<u>28553</u>	<u>29026</u>	<u>29784</u>	<u>27529</u>
Percentage of Total	(58.9%)	(58.9%)	(60.8%)	(60.2%)	(56.8%)
Commercial Operations	22350	19952	18716	19667	20941
	<u>£54381</u>	<u>£48505</u>	<u>£47742</u>	<u>£49451</u>	<u>£48470</u>
	=====	=====	=====	=====	=====
NET SURPLUS/(DEFICIT) (before exchange movements)	122	(484)	(375)	319	179
Exchange gain/(loss)	(59)	(2)	(129)	514	22
NET SURPLUS/(DEFICIT) (before charitable donations)	<u>63</u>	<u>(486)</u>	<u>(504)</u>	<u>833</u>	<u>201</u>
	=====	=====	=====	=====	=====
CHARITABLE GRANTS TO SERVICE WELFARE FUNDS	40	40	74	220	64
OTHER DONATIONS	34	25	26	31	36
FINAL SURPLUS/(DEFICIT)	<u>(11)</u>	<u>(551)</u>	<u>(604)</u>	<u>582</u>	<u>101</u>
	=====	=====	=====	=====	=====

CONSOLIDATED STATEMENT OF FINANCIAL ACTIVITIES
for the year ended 31 March 1996

	Charitable Funds £'000	Trading Subsidiaries £'000	Total 1996 £'000	Total 1995 £'000
Incoming resources				
Charitable sales	10825	0	10825	12793
MOD broadcasting income	16839	0	16839	16260
MOD training income	15192	0	15192	12293
Investment income	181	0	181	174
Profit on disposal of fixed assets	64	0	64	112
Other income	0	11525	11525	7159
Total incoming resources	<u>43101</u> =====	<u>11525</u> =====	<u>54626</u> =====	<u>48791</u> =====
Resources Expended				
Direct charitable expenditure				
Charitable sales	10769	0	10769	12621
MOD broadcasting	14722	0	14722	14271
MOD training	11619	0	11619	11212
Donations to charities & welfare support	74	0	74	65
	<u>37184</u> =====	<u>0</u> =====	<u>37184</u> =====	<u>38169</u> =====
Other expenditure				
Management & administration *	6490	3114	9604	6678
Cost of sales	0	7849	7849	4495
	<u>6490</u> =====	<u>10963</u> =====	<u>17453</u> =====	<u>11173</u> =====
Total Resources Expended	<u>43674</u> =====	<u>10963</u> =====	<u>54637</u> =====	<u>49342</u> =====
Net Incoming/(Outgoing Resources)	<u>(573)</u>	<u>562</u>	<u>(11)</u>	<u>(551)</u>
Revaluation adjustment	44	0	44	0
Net Movement in Funds	<u>(529)</u>	<u>562</u>	<u>33</u>	<u>(551)</u>
Fund balances brought forward	11057	(677)	10380	10931
Fund balances carried forward at 31 March 1996	<u>10528</u> =====	<u>(115)</u> =====	<u>10413</u> =====	<u>10380</u> =====

* Management and administration charges for 1996 include a substantial sum for reorganisation costs.

All funds are unrestricted.

The accounting policies and notes on pages 18 to 24 form part of these financial statements.

CONSOLIDATED INCOME AND EXPENDITURE ACCOUNT

for the year ended 31 March 1996

		1996		1995	
	Note	£'000	£'000	£'000	£'000
Turnover	1		54381		48505
Operating charges and other operating income	2		54327		49002
Operating surplus/(deficit)			<u>54</u>		<u>(497)</u>
Investment income	3		181		174
Interest payable	5		(172)		(163)
Surplus/(deficit) on ordinary activities	1		<u>63</u>		<u>(486)</u>
Donation to Services charities		(40)		(40)	
Other charitable donations		(5)		(8)	
Welfare support in Falkland Islands		(29)		(17)	
Donation to charities and welfare support			<u>(74)</u>		<u>(65)</u>
(Deficit) for the year transferred from reserves 13			<u>(11)</u> =====		<u>(551)</u> =====

The accounting policies and notes on pages 18 to 24 form part of these financial statements.

CONSOLIDATED BALANCE SHEET

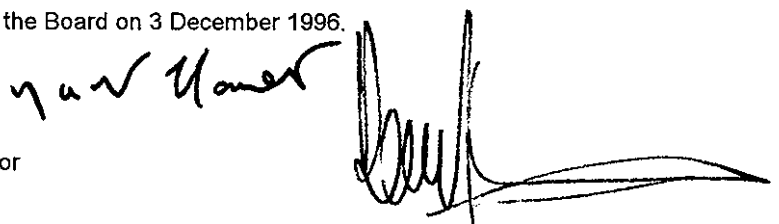
as at 31 March 1996

	Note	1996 £'000	1995 £'000
Fixed assets			
Tangible assets	7	9679	8826
Investments	8	251	285
		<u>9930</u>	<u>9111</u>
Current assets			
Stock and work in progress	9	2715	2652
Debtors	10	8100	7266
Investments - bank deposits		6570	5077
Cash at bank and in hand		917	708
		<u>18302</u>	<u>15703</u>
Creditors: amounts falling due within one year	11	17356	13941
Net current assets		<u>946</u>	<u>1762</u>
Total assets less current liabilities		<u>10876</u>	<u>10873</u>
Provision for liabilities and charges	12	463	493
Net Assets		<u>10413</u> =====	<u>10380</u> =====
Reserves			
Revaluation	13	3103	3094
Income and Expenditure account	13	7310	7286
Total Reserves		<u>10413</u> =====	<u>10380</u> =====

The financial statements were approved by the Board on 3 December 1996.

G.H.W. HOWLETT, Chairman

D.O. CRWYS-WILLIAMS, Managing Director



The accounting policies and notes on pages 18 to 24 form part of these financial statements.

The Services Sound and Vision Corporation and subsidiary undertakings

BALANCE SHEET

as at 31 March 1996

	Note	1996		1995	
		£'000	£'000	£'000	£'000
Fixed Assets					
Tangible assets	7		7652		8059
Investments	8		251		285
			<u>7903</u>		<u>8344</u>
Current assets					
Stock and work in progress	9	2006		2112	
Debtors	10	8620		7280	
Investments - bank deposits		6570		5077	
Cash at bank and in hand		673		624	
		<u>17869</u>		<u>15093</u>	
Creditors: amounts falling due within one year	11	<u>14437</u>		<u>11887</u>	
Net current assets			3432		3206
Total assets less current liabilities			<u>11335</u>		<u>11550</u>
Provision for liabilities and charges	12		463		493
Net Assets			<u>10872</u> =====		<u>11057</u> =====
Reserves					
Revaluation	13		3103		3094
Income and Expenditure account	13		7769		7963
Total Reserves			<u>10872</u> =====		<u>11057</u> =====

The financial statements were approved by the Board on 3 December 1996.

G.H.W. HOWLETT, Chairman

D.O. CRWYS-WILLIAMS, Managing Director

The accounting policies and notes on pages 18 to 24 form part of these financial statements.

CONSOLIDATED CASH FLOW STATEMENT

for the year ended 31 March 1996

	Note	1996		1995	
		£'000	£'000	£'000	£'000
Net cash inflow from operating activities	19		1743		2361
Returns on investments and servicing of finance					
Rent received		19		22	
Interest received		162		152	
Interest paid		(172)		(163)	
Net cash inflow from returns on investments and servicing of finance			9		11
Investing activities					
Purchase of fixed assets		(2031)		(1573)	
Sale of fixed assets		172		841	
Net cash (outflow) from investing activities			(1859)		(732)
Other activities					
Grants to Service welfare charities		-		(40)	
Welfare support in Falkland Islands		(29)		(17)	
Other charitable donations		(5)		(8)	
			(34)		(65)
Net cash (outflow) / inflow before financing			(141)		1575
Financing					
Investments	8	34		27	
Net cash inflow from financing			34		27
(Decrease) / increase in cash and cash equivalents	20		(107)		1602

STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES

for the year ended 31 March 1996

	1996	1995
	£'000	£'000
(Deficit) for the financial year	(11)	(551)
Unrealised surplus on revaluation of land and buildings	44	0
Total recognised gains / (losses) for the year	33	(551)

The accounting policies and notes on pages 18 to 24 form part of these financial statements.

ACCOUNTING POLICIES

for the year ended 31 March 1996

The financial statements have been prepared in accordance with applicable accounting standards under the historical cost convention, except that certain freehold properties are shown at their revalued amounts.

The principal accounting policies of the group have remained unchanged from the previous year and are set out below.

(a) Basis of consolidation

The group financial statements consolidate the financial statements of the Corporation and its subsidiary undertakings. The financial statements of all four companies have been prepared to 31 March 1996. All intra-group profits are eliminated on consolidation.

(b) Turnover

Turnover is the total amount receivable by the group excluding VAT, in the ordinary course of business for goods supplied and for services provided in the field of entertainment, for broadcasting to the Services, for the production and distribution of films, maintenance of libraries and the provision and maintenance of visual aid equipment for the Ministry of Defence. It also includes amounts receivable for satellite transmissions, commercial production of films, multimedia services and commercial engineering work.

(c) Investment Income

Investment income comprises interest receivable on short term deposits and rents receivable from land and buildings.

(d) Depreciation

Depreciation is calculated to write down the cost or valuation of all tangible fixed assets by equal instalments over their useful lives. The periods generally applicable are:

Freehold buildings	50 years
Leasehold premises	Between 5 years and the length of the lease if greater
Equipment	Between 3 and 10 years

(e) Stock

Stock and work in progress are stated at the lower of cost and net realisable value. Cost means purchase price including transport and handling costs, less trade discounts, calculated on a first in first out basis. Net realisable value means estimated selling price (less trade discounts) less all costs to be incurred in marketing, selling and distribution.

(f) Foreign currencies

Fixed assets and stock have been expressed in sterling at the rate of exchange ruling at the date of acquisition. Other current assets and liabilities in foreign currencies are translated into sterling at the rate of exchange ruling at the balance sheet date. Income and Expenditure account items are converted at the rate of exchange ruling at the transaction date. All profits or losses on foreign exchange transactions have been dealt with through the Income and Expenditure account. The accounting policy for foreign currency translation is as required by Statement of Standard Accounting Practice 20. It may involve reporting unrealised change gains on unsettled long term monetary items as part of the surplus or deficit for the year.

(g) Contribution to pension funds

The group operates a final salary pension scheme under which contributions by employees and the group are administered in a trust fund independent from the group's assets. Four employees and a pensioner are the Trustees of the fund. Contributions are charged against income to cover the cost of benefits arising from the current service of employees. Adjustments relating to past service are charged to the Income and Expenditure account over the remaining working life of employees. Full actuarial valuations are made regularly at three year intervals and contribution levels reviewed.

(h) Hire purchase and rental contracts

The group derives income from hire purchase and rental contracts. For hire purchase contracts goods are supplied on hire until the payment of an agreed number of instalments when the customer has the option to purchase the goods. Since this option is almost always exercised, then for the purposes of the financial statements, the goods are treated as sold at the date at which the agreement is entered into. The total amount payable under a hire purchase contract comprises the full amount of the sale price of the goods together with a return on finance provided, namely the finance charge. The amount recognised in the Income and Expenditure Account is the sum of all instalments less an amount carried forward in respect of trading profits and finance charges not yet received.

For rental contracts the goods are supplied on hire for a fixed minimum period with rights to renew but the goods remain the property of the group at all times. Income is credited to the Income and Expenditure Account on the basis of rental receivable. Property out on rental is treated as a tangible fixed asset.

(i) Operating lease

Equipment and property leased under an operating lease are not capitalised but are expensed directly to the Income and Expenditure account.

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 March 1996

1 Turnover and deficit on ordinary activities.

The turnover and surplus/(deficit) attributable to the four major classes of business of the group were as follows:-

	Turnover		Surplus/(Deficit)	
	1996 £'000	1995 £'000	1996 £'000	1995 £'000
Charitable sales	10825	12793	(245)	(268)
MOD broadcasting income	16839	16260	0	0
MOD training income	15192	12293	0	0
Commercial sales	11525	7159	308	(218)
	<u>54381</u>	<u>48505</u>	<u>63</u>	<u>(486)</u>
	=====	=====	=====	=====

An analysis of turnover by geographical area has not been disclosed. Charitable sales include an amount of £479,000 (1995 £545,000) in respect of rental income and an amount of £407,000 (1995 £459,000) in respect of hire purchase interest receivable.

2 Operating charges and other operating income

	1996 £'000	1995 £'000
Changes in stocks	(63)	(264)
Difference on exchange	59	2
Staff costs (see Note 4)	14782	14919
Other operating charges	37333	30217
Depreciation	963	882
Amortisation of freehold buildings	150	98
Hire of equipment	245	2373
Other operating leases	800	707
Auditors' remuneration	52	54
Other services provided by auditors	6	14
	<u>54327</u>	<u>49002</u>
	=====	=====

3 Investment income

	1996 £'000	1995 £'000
Interest receivable on short term deposits	162	152
Rent receivable	19	22
	<u>181</u>	<u>174</u>
	=====	=====

4 Directors and employees

	1996 £'000	1995 £'000
Staff costs during the year:		
Wages and salaries	12702	12848
Social security	1034	1005
Pensions	1046	1066
	<u>14782</u>	<u>14919</u>
	=====	=====

The average number of employees of the group during the year was 651 (1995 - 774).

Staff numbers by category:-

	1996	1995
Audio visual activities	250	300
MOD training	191	245
MOD broadcasting	210	229
	<u>651</u>	<u>774</u>
	=====	=====

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 March 1996

The directors' remuneration all of which is included above is made up of:

	1996 £'000	1995 £'000
--	---------------	---------------

Directors' emoluments	90	87
One director (1995 - one) received emoluments.	=====	=====

	1996 £'000	1995 £'000
The Chairman	Nil	Nil
	=====	=====

The highest paid director	90	87
	=====	=====

The emoluments of the Directors fell into the following bands:-

	1996 Number	1995 Number
£0 - £5,000	13	15
£85,001 - £90,000	1	1

Directors loans

In June 1993, before he was appointed Managing Director, an interest bearing loan was made to D O Crwys-Williams to cover the costs of moving house. By 31 March 1996 his repayments had reduced the balance to £4,000 (1995 £6,181).

5 Interest payable

	1996 £'000	1995 £'000
--	---------------	---------------

Interest on bank overdrafts	172	163
	=====	=====

6 Surplus for the financial year

The Corporation has taken advantage of section 230 of the Companies Act 1985 and has not included its own income and expenditure account in these financial statements. The Corporation's retained deficit amounted to £229,000 (1995 £22,000 surplus).

7 Tangible fixed assets

The Group	Land and buildings			Equipment	Total		
	Freehold	Leasehold					
		Long-term	Short-term				
Cost or valuation	£'000	£'000	£'000	£'000	£'000		
At 1 April 1995	6077	38	569	5987	12671		
Additions	0	0	0	2031	2031		
Revaluation	10	0	0	0	10		
Disposals	0	0	0	(1550)	(1550)		
At 31 March 1996	6087	38	569	6468	13162		
	=====	=====	=====	=====	=====		
Depreciation and amortisation							
At 1 April 1995	98	3	514	3230	3845		
Revaluation adjustment	(34)	0	0	0	(34)		
Provided in the year	150	1	6	956	1113		
Disposals	0	0	0	(1441)	(1441)		
At 31 March 1996	214	4	520	2745	3483		
	=====	=====	=====	=====	=====		
Net book amount							
At 31 March 1996	5873	34	49	3723	9679		
	=====	=====	=====	=====	=====		
At 31 March 1995	5979	35	55	2757	8826		
	=====	=====	=====	=====	=====		

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 March 1996

The Corporation	Land and buildings			Equipment	Total
	Freehold	Leasehold			
		Long-term	Short-term		
Cost or valuation	£'000	£'000	£'000	£'000	£'000
At 1 April 1995	6077	38	569	5181	11865
Additions	0	0	0	510	510
Revaluation	10	0	0	0	10
Disposals	0	0	0	(1550)	(1550)
At 31 March 1996	<u>6087</u>	<u>38</u>	<u>569</u>	<u>4141</u>	<u>10835</u>
Depreciation and amortisation					
At 1 April 1995	98	3	514	3191	3806
Revaluation adjustment	(34)	0	0	0	(34)
Provided in the year	150	1	6	695	852
Disposals	0	0	0	(1441)	(1441)
At 31 March 1996	<u>214</u>	<u>4</u>	<u>520</u>	<u>2445</u>	<u>3183</u>
Net book amount					
At 31 March 1996	<u>5873</u>	<u>34</u>	<u>49</u>	<u>1696</u>	<u>7652</u>
At 31 March 1995	<u>5979</u>	<u>35</u>	<u>55</u>	<u>1990</u>	<u>8059</u>

The assets listed above are stated at cost with the exception of freehold land and buildings which include valuations as follows:-

	1996
	£'000
Revalued property at cost	2948
Revaluation	3139
1996 overall valuation	<u>6087</u>

At 31 March 1996 two freehold properties were revalued at their selling price after the year end. All other freehold properties were revalued at 31 March 1994 by professional valuers, Colman and Green, on an existing use basis assuming vacant possession. If it had not been revalued, freehold property would have been included on the historical cost basis at the following amount:

The Group and the Corporation	£'000	
Cost	2948	
Accumulated depreciation	338	
Net book amount at 31 March 1996	<u>2610</u>	
Net book amount at 31 March 1995	<u>2667</u>	
Assets available for rental at 31 March 1996 included above:-	1996	1995
	£'000	£'000
Cost	1246	1047
Accumulated depreciation	756	798
Net book amount	<u>490</u>	<u>249</u>

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 March 1996

8 Investments

Staff loans - The group and the Corporation

There were 35 employees with loans outstanding which were greater than £2,500

	£'000
Balance at 1 April 1995	285
New loans	100
Repayments	(134)
Balance at 31 March 1996	<u>251</u>
	=====

9 Stocks

	The Group		The Corporation	
	1996	1995	1996	1995
	£'000	£'000	£'000	£'000
Work in progress	554	449	38	34
Stocks for resale	2161	2203	1968	2078
	<u>2715</u>	<u>2652</u>	<u>2006</u>	<u>2112</u>
	=====	=====	=====	=====

10 Debtors

	The Group		The Corporation	
	1996	1995	1996	1995
	£'000	£'000	£'000	£'000
Amounts falling due within one year				
Trade debtors after provision	6631	5869	4348	3997
Other debtors	844	705	541	618
Prepayments	625	692	171	284
Amount owed by subsidiary undertakings	0	0	3560	2381
	<u>8100</u>	<u>7266</u>	<u>8620</u>	<u>7280</u>
	=====	=====	=====	=====

Provision

An amount of £730,000 (1995 £782,000) has been deducted from trade debtors representing a provision for the profits on hire purchase sales which have not yet been realised. The decrease of £52,000 has been credited to the Income and Expenditure account. Net investment in hire purchase contracts at 31 March 1996 was £3,284,000 (1995 £4,377,000).

11 Creditors: amounts falling due within one year

	The Group		The Corporation	
	1996	1995	1996	1995
	£'000	£'000	£'000	£'000
Bank overdrafts	6805	4996	6759	4996
Trade creditors	7754	6332	6526	5642
Other creditors	588	575	588	575
Taxation and social security	378	742	349	627
Payments received on account	1751	1256	135	7
Donation to Service charities	80	40	80	40
	<u>17356</u>	<u>13941</u>	<u>14437</u>	<u>11887</u>
	=====	=====	=====	=====

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 March 1996

12 Provision for liabilities and charges - The Group and the Corporation

	Provision for terminal benefits £'000
Balance at 1 April 1995	493
Net reduction in provision for year	(30)
Balance at 31 March 1996	<u>463</u>

The provision for terminal benefits represents provisions made for liabilities which will be payable in the event of certain locally-engaged employees leaving the Corporation, this being a requirement in Cyprus, Gibraltar and Hong Kong. It also includes a provision in respect of an ongoing commitment to make payments to certain staff who have been made redundant.

13 Reserves

	The Group			The Corporation		
	Property revaluation £'000	Income & Expenditure £'000	Total £'000	Property revaluation £'000	Income & Expenditure £'000	Total £'000
Balance at 1 April 1995	3094	7286	10380	3094	7963	11057
Surplus / (deficit) for year	0	(11)	(11)	0	(229)	(229)
Revaluation adjustment	44	0	44	44	0	44
Write back of depreciation on revaluation	(35)	35	0	(35)	35	0
Balance at 31 March 1996	<u>3103</u>	<u>7310</u>	<u>10413</u>	<u>3103</u>	<u>7769</u>	<u>10872</u>

14 Capital commitments - The Group and the Corporation

	1996 £'000	1995 £'000
Contracted for but not provided in these accounts	174	354
Authorised but not contracted for	769	366
	<u>943</u>	<u>720</u>

15 Pension commitments

The group has a contributory pension scheme designed to provide retirement benefits based on final salary for its employees. This is divided into two parts. In addition to the main scheme there is a closed section representing the BFBS ex civil servants who joined the Corporation from the MOD in 1983. The market value of the combined scheme as at 31 March 1995 amounted to £28,005,000. Fenchurch Trustees Ltd obtained an actuarial valuation of both parts of the fund as at 1 April 1995. This showed that the fund overall was slightly in surplus, although there was a deficit in the SSVC portion of the fund which was outweighed by a surplus in the BFBS section. The actuaries estimate that the contribution rate being paid by the Corporation will be sufficient to write off the deficit on the SSVC section over the expected future working lives of current employees. Based on an assumption of an investment return of 9% per annum and an annual increase in pensionable salaries of 7 ½% per annum and taking account of legislation on future pension increases, the results were as follows:-

	Main scheme	BFBS section
Past service (deficit) /surplus	(£1,564,000)	£1,573,000
Net contribution rate to cover future service benefits	15.1%	21.6%
Adjustment in respect of past service	1.7%	(21.6)%
Contribution as recommended	16.8%	-

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 March 1996

16 Subsidiary undertakings

	1996	1995
Ordinary £1 shares at cost	£6	£6
	=====	=====

The wholly owned subsidiary, Visua Ltd (formerly SSVC Services Ltd) is carrying out activities in the audio visual field. The company made a net profit of £88,000, all of which has been covenanted to the holding company. The two wholly owned subsidiaries of Visua Ltd, Columbia Communications Ltd, and Teleport London International Ltd, made profits of £212,000 and £8,000 respectively. Both carry out activities in the field of satellite broadcasting.

17 Contingent liabilities - The Group and the Corporation

There were no contingent liabilities at 31 March 1996 or 31 March 1995.

18 Leasing commitments - The Group and the Corporation

The following represent the annual leasing commitment:-

	Land & Buildings		Other	
	1996	1995	1996	1995
	£'000	£'000	£'000	£'000
Commitments falling due				
- within one year	172	86	52	-
- within two and five years	148	28	245	268
- over five years	183	325	-	-
	<u>503</u>	<u>439</u>	<u>297</u>	<u>268</u>
	=====	=====	=====	=====

19 Reconciliation of operating surplus/(deficit) to net cash inflow from operating activities

	1996	1995
	£'000	£'000
Operating surplus / (deficit)	54	(497)
(Decrease) in provision for liabilities and charges	(30)	(45)
Depreciation (excluding freehold buildings)	963	882
Amortisation on freehold buildings	150	98
(Profit) on sales of fixed assets	(63)	(112)
(Increase) in stocks	(63)	(264)
(Increase) / decrease in trade debtors	(762)	413
(Increase) in other debtors	(139)	(67)
Decrease / (increase) in prepayments	67	(450)
Increase in trade creditors	1422	1816
Increase in other creditors	13	270
(Decrease) / increase in taxation & social security creditors	(364)	385
Increase / (decrease) in payments received on account	495	(34)
(Decrease) in donation due to Service charities	-	(34)
Net cash inflow from operating activities	<u>1743</u>	<u>2361</u>
	=====	=====

20 Analysis of the change in cash and cash equivalents

	1996	1995	1994	Change	Change
	£'000	£'000	£'000	1995/96	1994/95
				£'000	£'000
Cash at bank and in hand	917	708	598	209	110
Short term deposits	6570	5077	2782	1493	2295
Bank overdrafts	(6805)	(4996)	(4193)	(1809)	(803)
	<u>682</u>	<u>789</u>	<u>(813)</u>	<u>(107)</u>	<u>1602</u>
	=====	=====	=====	=====	=====

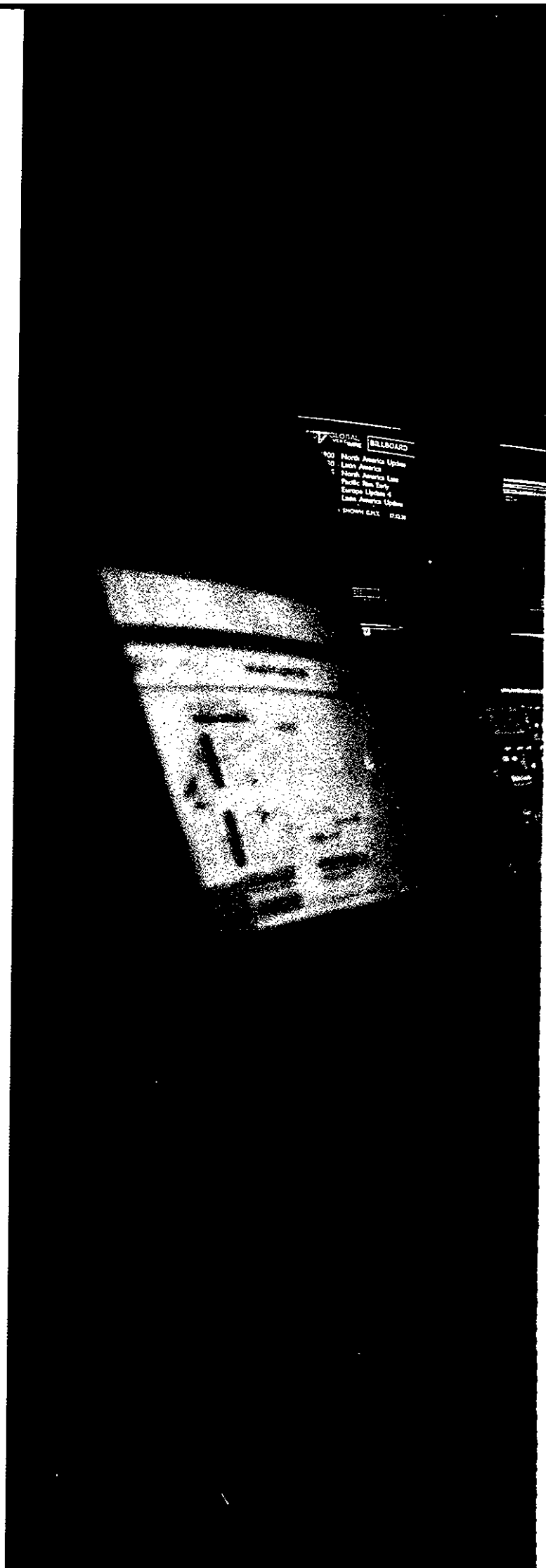
SSVC delivers integrated communications services that enable our customers to seamlessly connect - locally or across the world - by accessing a single centre of teleport, broadcasting, multimedia and audio visual capabilities and facilities.

Our team of experts is dedicated to providing a proactive, innovative and flexible approach that translates convergent technologies into solutions ranging from production to distribution.



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The Services Sound and Vision Corporation is a charity whose main aims are to entertain and assist in the training of Britain's Armed Forces around the world: our work makes a considerable contribution to the maintenance of the efficiency and morale of those Services.

The most widely known manifestation of this is our British Forces Broadcasting Service which provides both radio and television which can be received at all places where there are significant numbers of Service personnel based overseas. However, we are also involved in a number of other essential entertainment and training activities for the Armed Forces, such as live shows, cinemas, audio visual retail shops, the production of training films and the supply and maintenance of audio visual training equipment.

The large majority of these activities have in the past been carried out directly for the Ministry of Defence at cost, and all have been counted as part of our charitable objectives. These have been to some degree funded by and enhanced by the profits from cinemas and the retail shops and commercial work carried out by our subsidiary companies. These subsidiaries operate in the open market providing audio visual systems installation, multimedia training software, training and promotional video production, broadcasting facilities and satellite transmission services.

PATRON

HRH The Princess Margaret

THE COUNCIL

President

Vacant

Appointed by the Admiralty Board

Admiral Sir Michael Boyce, KCB, OBE, ADC - Chief of Naval Personnel and Second Sea Lord

Appointed by the Air Force Board

Air Marshal Sir David Cousins, KCB, AFC - Air Member for Personnel

Appointed by PUS Ministry of Defence

Roger Jackling - Second Permanent Under Secretary of State

Chairman of the Board of Management

General Sir Geoffrey Howlett, KBE, MC*

BOARD OF MANAGEMENT

Chairman

General Sir Geoffrey Howlett, KBE, MC*

Vice Chairman

David E Hatch, CBE*

Civilian Members

Brian Tesler, CBE*, Frederick P Turner*, Michael A Andrae*, Howard Perlin*

Managing Director

David O Crwys-Williams, CB*

Royal Navy Member

Commodore Robert M Turner - Director, Naval Service Conditions

Army Member

Brigadier Peter Currie - Director of Personnel (Army)

Royal Air Force Member

Air Vice-Marshal Michael D Smart - COS/DGSPP (RAF)

Representative of 2nd PUS

Dr Frank Price - Director SP Pol 2

Secretary

Harvey Josephs

Life Vice President

Sir Gordon Pirie, CVO, CBE, DL

* Denotes membership throughout the year 1 April 1995 to 31 March 1996

EXECUTIVE MANAGEMENT

Director - TLI and Assistant Managing Director

Colin Rugg, OBE

Director of Personnel & Administration

Diane Trigg

Director - BFBS

Peter McDonagh

Director - Visua Audio Visual

Michael Weston

Director of Finance

Julian Portman

Director - Visua Communications

Christopher Grayling

Registered Office: Chalfont Grove, Narcot Lane, Chalfont St Peter, Gerrards Cross, Buckinghamshire SL9 8TN

INTRODUCTION TO THE CORPORATION

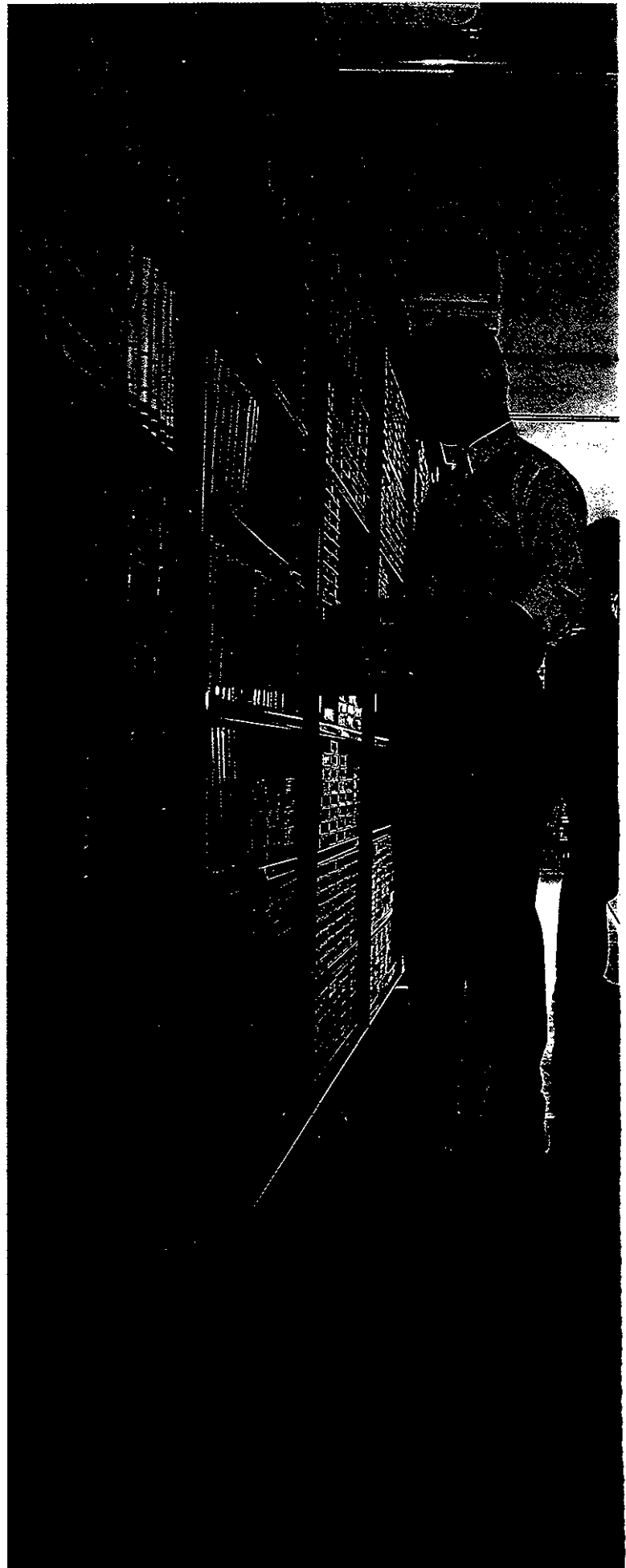
SSVC was formed in 1982 from the merger of the Services Kinema Corporation (SKC) and the British Forces Broadcasting Service (BFBS). The organisation was founded on a single aim - "to serve those who serve".

SSVC is a private company limited by guarantee - there are no shareholders. The company is a self-supporting registered charity whose annual surpluses, after deducting an amount needed to sustain the operational needs of the Corporation, are donated to the Central Welfare Funds of the three Services. These donations are allocated to specific projects and make life more enjoyable for Service personnel and their families around the world.

The Corporation itself trades in businesses which are consistent with its charitable objectives, and also operates related but separate businesses through its two subsidiaries. Overall, the Corporation is a leading international provider of communications, media and multimedia products and services to both the private and public sectors, using both technical and creative skills.

The objectives of the Corporation are as follows:

- Continue to invest in the technological areas in order to take advantage of the growing communications market and to provide a long term source of regular revenue flow for the company. This investment will also provide the hardware infrastructure for the creative activities of the company, which will add value to the technological investment.
- Investment in the creative areas when suitable opportunities arise to develop long term profitable businesses, utilising the skills and infrastructure of the company. Investment in these areas will be higher risk, although with higher potential returns, and will therefore be pursued more selectively.
- The company aims to harmonise its technological and creative talents to maximise value in support of the armed forces, and to continue to exploit the resulting opportunities - such as training solutions, business communications, telecommunications and broadcasting - in the wider marketplace.



The last year has seen a major change in the way the Corporation operates as a result of a shift in policy by the Ministry of Defence. Major cuts in defence expenditure have led to not only a reduction in demand for the services the Corporation provides, but also different methods of purchasing them. Many of the services are now being put out to tender, with the result that the Corporation now has to compete with other commercial companies. As a result the Corporation decided that a number of its audio visual activities would no longer be sustainable, and so began to reduce its involvement in the equipment supply and maintenance area. In addition, in order to remain competitive, many of the remaining activities needed to develop a wider market than the Services.

As a result of all this, many of the business activities will now be carried out within the subsidiaries, leaving the charity to continue with the major entertainment activities of Broadcasting, cinemas and retailing for the Services, along with running the training film library for the Ministry of Defence. Profits distributed by the subsidiaries will enable the charity to continue donations to the Services' Central Welfare Funds.

These changes were set in motion during the year under review, resulting in substantial reorganisation costs, many of which were paid for by the Ministry of Defence, and in a large reduction in the work force by the end of the year. Although this has been a difficult period, particularly for those involved in the change, the Corporation and its subsidiaries are now in a position to compete successfully for business both within the Services and in the commercial marketplace. This should ensure that the charity can continue to fulfil a number of its charitable objects.

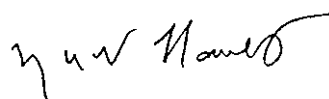
The financial results for the year ended 31 March 1996 were a substantial improvement on the last two years, ending with a profit of £63,000 before donations. This has been achieved despite

continuing falls in sales in the retail business in Germany, due to further reductions in the number of Service personnel based there. The recently developed Satellite Transmission business (TLI) produced significant profits in only its second year of trading. Many of the businesses in the other subsidiary improved their profitability as a greater emphasis was put on marketing their services to commercial markets. The one disappointment was in the multimedia training business, which suffered from heavy competition in the market as many new companies developed on the back of the much cheaper interactive medium of the CD Rom. As a result losses were incurred, and a new strategy for the operation has been developed.

The Corporation considers that, despite making only a modest profit, it should continue to make some contribution to the Central Welfare Funds, and has therefore decided to make a payment of £40,000. This along with the subsidised audio visual support to Service personnel in the Falklands and Belize, brings the total charitable contribution to £74,000.

The next financial year sees the Corporation operating fully in the new competitive environment required by the Ministry of Defence, and it is expected that more substantial profits will be made as a result of the restructuring and competing with other companies for military, public sector and commercial business. Some of these profits will need to be used for reinvestment, and in order to pay for financing, which will no longer be provided by the Ministry of Defence. Nevertheless the charity expects to be able to realise some of the value from its operations in the future to further fulfil its charitable objects.

This year of change has been particularly unsettling for employees of the Corporation, but they have continued to provide their skills and energies to supporting the businesses and particularly in maintaining their close links with the Armed Forces. I thank them most sincerely for their continuing dedication.



General Sir Geoffrey Howlett, KBE, MC

1995/6 was a prestigious year for the Broadcasting Division - for the first time SSVc sold TV programmes to the BBC and other international broadcasters, there was a plethora of awards for BFBS Radio, the award of a major retention campaign in Germany, and CSE wooed and won the Royal Navy.

SSVC was approached by Buckingham Palace to record an interview with HRH The Princess Margaret on her experiences of the war for possible programming on the national networks. The project grew into a half hour programme, with Richard Astbury as the interviewer, which was shown on BBC Television at the start of their VE Day celebrations. So successful was this programme that a second one for VJ Day, featuring the reminiscences of HRH Prince Phillip, Duke of Edinburgh was commissioned and also subsequently sold to the BBC and other international networks.

BFBS Radio was kept very busy in Bosnia, and many staff both on the programme and engineering side, made numerous visits to ensure a solid "link with home" - including one extended visit which took the BFBS team over the entire Christmas and New Year period.

For the previous two years BFBS had managed to achieve Gold Awards at the New York Festivals, so it was important to maintain this tradition. In the end, BFBS Radio did rather better than expected: a Bronze Award for the Germany Breakfast Show, a further Bronze for a BFBS London Christmas Quiz - but the major Gold Award this year went to an in-house radio jingle package, which not only achieved the three-year hat trick of Gold Awards, but broke the mould by winning one of only 5 Grand Awards - ensuring that BFBS Radio was now a world class organisation - in fact, the ONLY UK broadcasting organisation (BBC included), to achieve the coveted Silver Bowl. As a result of this success, the broadcasting division is now marketing its jingle- and commercial-making skills, and has already sold product to Pulse FM.

Disaggregated military business came into sharp focus this year with a major contract awarded to SSVc TV in conjunction with BFBS Germany, worth in excess of £400,000, for a retention campaign mounted by the army in Germany. Fronted by the slogan "Better In than Out", it featured the head-to-head comedy routines of Mel Smith and Griff Rhys-Jones, and has been well received not only by the local Command, but by German and American Commanders as well.

CSE wooed the Royal Navy and Gibraltar, the result of which was a number of one-off contracts for shows featuring such stars as Mike Reid performing on HMS Illustrious, Jim Davidson in Bosnia, and Phil Cool in the Falklands. The climate for expenditure on CSE shows is definitely severe, but the quantity and quality of "replacement" business, both from military and civilian sources, keeps CSE tracking a steady course. Equipment hire, and event management, has also contributed to a currently steady balance sheet, but we anticipate a hopefully temporary reduction in the number of shows in Cyprus and Germany.

TLI

Satellite Services

In the second full year of trading by Teleport London International (TLI), sales built on both the existing Columbia/TDRSS earth station - covering Europe and North America - on which the SSVc Television service to the armed forces operates, and, particularly, on the Intelsat 702 earth station, which provides services to Africa and the Middle East. A ten year contract by which TLI provides both satellite uplinking and space segment to the BBC World Service, means that TLI now carries the main backbone feed of the BBC's English language feed to local transmitters in Africa and the Middle East.

A major contract signed in January 1996 with Sprint International, the third largest long-distance telephony carrier in the USA, for transmission of international cellular telephony services in Africa, marks the start of TLI's entry into the data/telephony market. Further sales in this area are expected following full deregulation by the UK government, which may take place by the end of 1996.

Excellent relationships continued with TLI's early clients, such as Associated Press TV and Reuters. The occasional use (short-term bookings) business grew, with more work from Global Access, ITN and the major US networks, such as CBS and CNN. TLI began a long-term supply contract with Racal BRT, who manage the optical fibre capacity running alongside railways in Britain, and video services for both occasional use and Associated Press Television were successfully transferred to our own fibre during the period. The arrangement will greatly reduce reliance on expensive optical fibre provided by BT.

TLI's marketing efforts were greatly enhanced, with presence at industry forums such as Satellite 95/96 in Washington and the World Teleport Association in Toronto.

The company operates in both the technological and creative fields of audio visual communication, entertainment and trading, with a view to fulfilling its charitable objects for the armed forces.

The company is organised into four divisions:

BFBS

SSVC provides a world-wide radio service and also a television service to Germany, Cyprus, the former Yugoslavia, the Falkland Islands, Hong Kong and Gibraltar. These services help Service families keep in touch, not only with world events, but also with the latest popular radio and television programmes. Around one hundred and twenty hours of television are broadcast by satellite every week. The two non-stop international radio channels of BFBS provide news, information and entertainment - it is the 'local' radio station with audiences around the world. In addition, a live entertainment service is run by this division, providing shows with well known artists to the Services.

TLI

The experience of providing transmission, engineering and production facilities to BFBS has enabled the company to develop a number of technological businesses competing with other telecommunications and broadcast services companies. SSVC is one of the main competitors to British Telecom in the provision of satellite transmission services. Our TLI business supplies end-to-end transmission of television, information programmes and data to a number of major public sector and international companies. TLI also provides broadcast studio and terrestrial transmission installation services to the UK independent radio sector. The television production facilities and studios are now marketed to producers and training organisations.

Visua Audio Visual

This is a combination of the chain of retail shops operated on military bases in the UK (including Northern Ireland) and Germany, and the Audio Visual Systems business, which supplies and installs sophisticated presentation systems and other similar equipment. The Systems business has developed from SSVC's training support activities for the armed forces, and can now supply presentation equipment for board rooms and conference centres, security and surveillance systems for buildings and other installations and other audio visual facilities such as Video Walls.

This division is a major producer and distributor of multimedia training, educational and corporate products, using CD Rom and video tape. SSVC has over many years developed the skills to produce training programmes for the Armed Forces, and has successfully transferred these skills into competing in the wider multimedia and communications market in both the public and private sectors. In addition this division operates cinemas on military bases in the UK, Germany and Cyprus, and also manages the Ministry of Defence training film library.

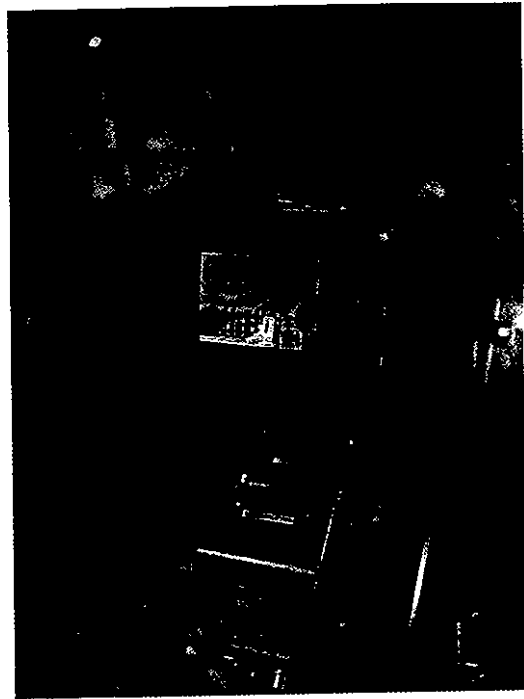
THE FUTURE

The reduction in defence expenditure, along with the introduction of competitive tendering in many of SSVC's fields of activity, have led to many of the changes in the business activities. The skills developed over many years have provided the Corporation with the opportunity to become a major player in the multimedia and communications markets, and much of the revenue now comes from these new areas.

Although remaining a charity for the benefit of the armed forces, SSVC is in the process of re-launching its businesses into the wider commercial market and is therefore putting greater emphasis on marketing and image. This has led to much restructuring of the organisation, with the consequent loss of some employees, but new skills and people are being added in order to fulfil the opportunities arising from the technological and creative fields in which it operates.

A new logo has been created for all the businesses. The subsidiary SSVC Services Ltd has been renamed Visua Ltd, and specialises in providing communications and audio visual services to other businesses. The other major subsidiary, Teleport London International Ltd (TLI) now provides transmission, engineering and studio facilities to the broadcasting and telecommunications market.

SSVC has all the resources, facilities and expertise to provide a "one stop shop" in multimedia and communications from a single source. It is this background which has enabled the Corporation to accommodate the changes occurring within the Armed Forces and develop a strategy for the future.



TV Facilities

A full-time service for SSV TV is broadcast from our Television Facilities, providing presentation, studio, recording and editing facilities for the network 18 hours a day all year round. In addition the facilities are extensively used by SSV's Video Production business.

Growth in revenue from external work increased this year with BBC, PR Agencies and a wide range of Production Companies increasing their use of our facilities. The client base has increased too, including Carlton TV, Granada TV, Visage and Sally Demaine Associates. In conjunction with Satellite Services, Business TV and Medical TV conferences and programmes were beamed to the UK and the world from our studios in Chalfont.

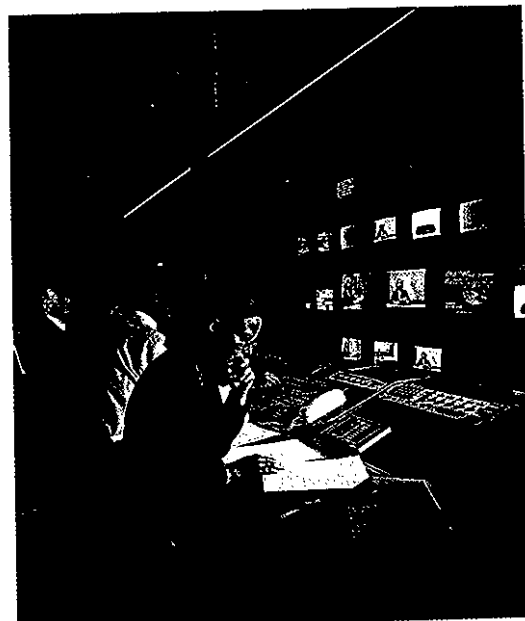
This year saw the introduction of off-line non linear editing with the purchase of two AVID systems. In addition, a digital sound desk was installed in a brand new sound dubbing suite. An investment plan for next year will bring us fully into the digital era and is designed to overcome an expected drop in commercial income which we expect to suffer as our analogue systems reach the end of their useful life.

It reflects well upon the department that many clients have commented on our high standards, professionalism and hospitality and credit here must go to the staff who help provide such a skilled, adept and friendly service.

Broadcasting Services

1995/96 has been a year of consolidation as we prepare Broadcasting Services for a radical change in modus operandi under the new MOD Broadcasting Contract.

During the year we gained MOD approval to move our European TV and Radio distribution from Intelsat 601 uplinked by BT, to the TDRSS satellite uplinked by TLI from Chalfont. This complex move entailed re-engineering our satellite reception facilities in Germany, Bosnia/Croatia, Turkey, Gibraltar and Cyprus as we moved from Ku Band to C Band reception. During this transition, we installed 30 new television and radio transmission systems in Bosnia/Croatia to cover the re-deployed British Forces in IFOR.



Our move to TDRSS also allowed us to provide a television service to British Forces in Belize which opened on Christmas Day 1995 at Airport Camp.

In Brunei both the British and Nepali Radio services had a studio refit during the year as they were brought up to full network standard.

The engineers in Hong Kong engineered a partial move of Broadcasting facilities from Sek Kong to the Prince of Wales Building on Hong Kong Island and began the long, complex drawdown of our operation in Hong Kong.

Plans are now being made to utilise resources in this area to seek commercial opportunities in transmissions and studio installation.

RETAIL

The continuing draw-down of the Armed Forces meant further closures of Retail Outlets.

This, combined with the increasing number of deployments for the Armed Forces and Service personnel away from their home base, sometimes for many months, caused a poor start to the first half of the Financial Year.

Further reorganisation and redundancies, combined with obtaining better margins from suppliers, and more aggressive marketing, helped lift the final quarter to a result just short of budget and a considerable improvement over the previous Financial Year.

Whilst competition in certain sectors on the high street remains a threat, the improvement in product sourcing and rationalisation means Service personnel are now being offered like-for-like pricing. The ownership of personal entertainment such as music systems and television is increasing particularly with the single Service personnel.

The continuing operation of SSVC shops gives the Service community a more convenient way of shopping, and also peace of mind on future servicing back up. There continues to be a need for this welfare service and SSVC Retail adopts a policy that Service personnel should have the same range, standards, high quality service and values of those available to the civilian community. However, it is likely that future trading performance will continue to suffer as a result of the rationalisation of the Armed Forces, and this activity will have to be kept under strict review.



VISUA AUDIO VISUAL

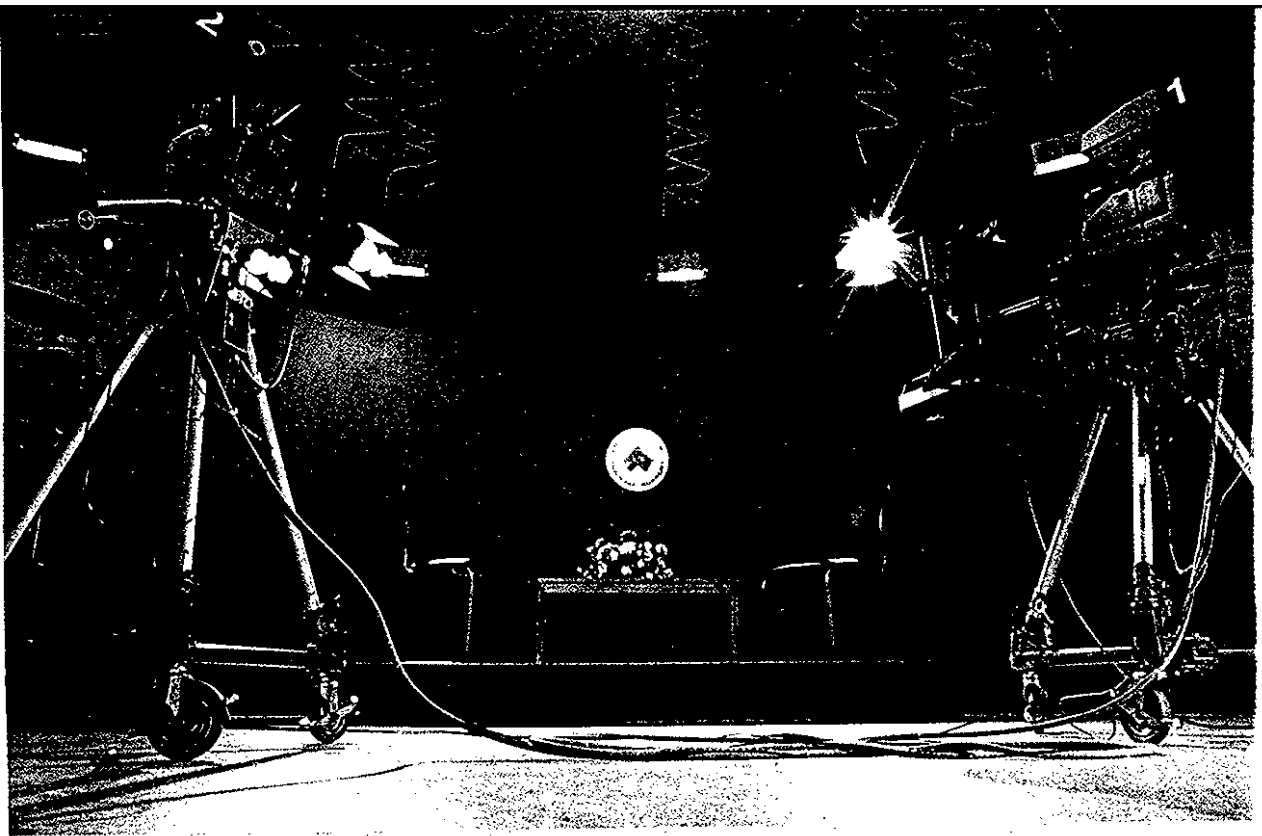
The Ministry of Defence decision to move to competitive tendering radically changed the Forces' method of the supply, maintenance and repair of audio visual equipment from 1 April 1996.

As a result, the restructuring of SSVC's organisation in both personnel and operating methodology began. This started at the half-year point with a phased redundancy programme. However, our commitment to all projects was successfully completed along with the MOD engineering support by the remaining staff albeit through a difficult time. This work had been carried out by SSVC in its various forms for some 50 years and meant the end of an era.

Towards the end of the Financial Year the structure of the Division was made ready to commence operating more widely in the commercial market place.

VISUA COMMUNICATIONS

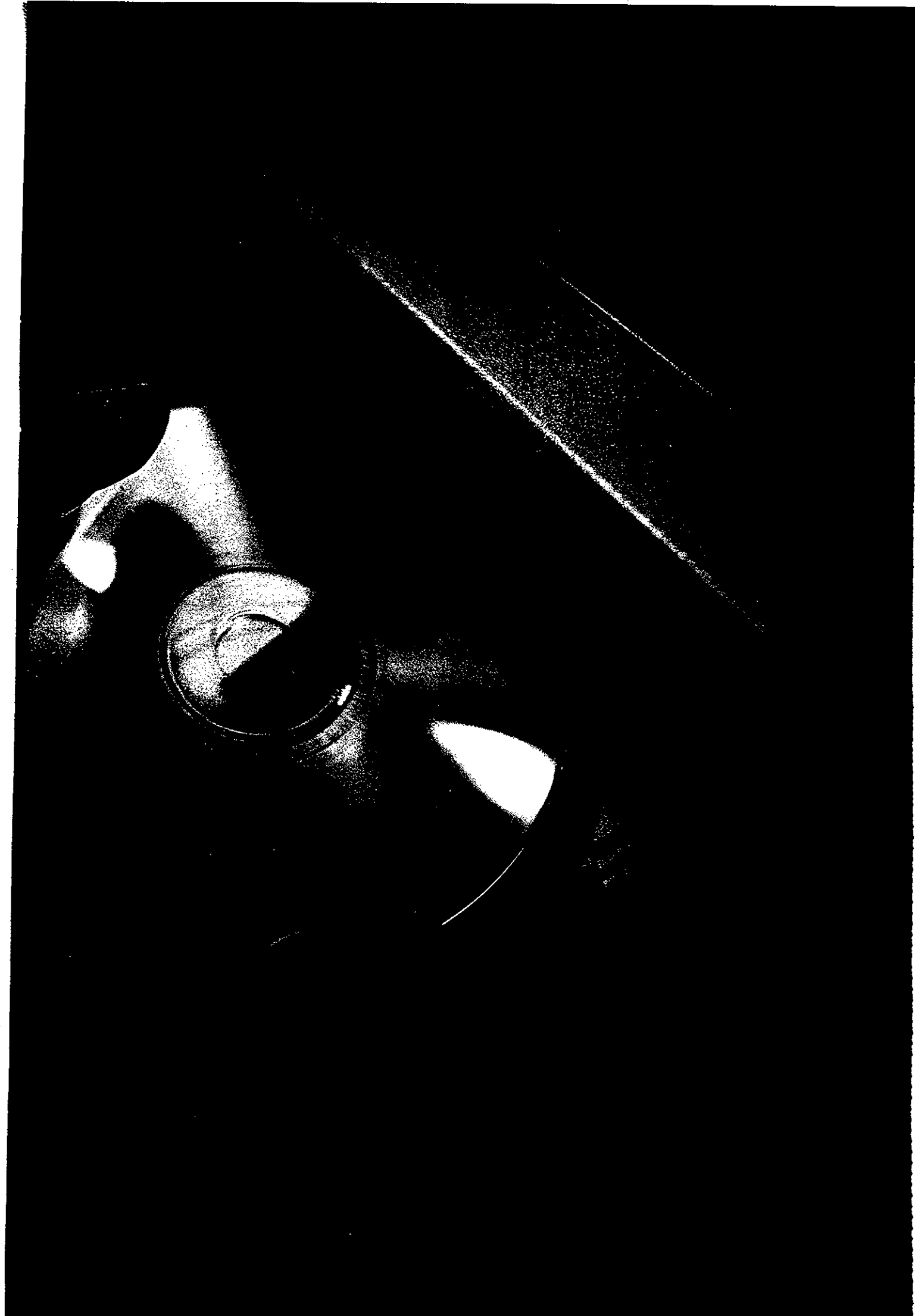
This was a difficult year for the newly formed Division, with significant personnel changes, and the challenge of preparing the business for the end of the Blueprint arrangements. The result was a disappointing trading loss. The division is now under new management, with Chris Grayling joining as Director, and Ian Adams and Roberta Aarons taking over the multimedia and video businesses respectively.



The former TET business suffered in particular from the loss of exclusive distribution agreements within the public sector, and the departure of key personnel. This has required the adoption of a totally new strategy, and it is likely to be twelve months before this activity is fully back on track. The new business will have a much broader spread, involving developing bespoke systems and publishing alongside the traditional reseller role.

The video production business was slimmed down drastically during the year in preparation for the ending of the Blueprint agreement with the MOD and the introduction of competition. The remaining team has handled the transition period with great understanding, and we have continued to produce quality programmes for clients, including, for the first time, large volumes of work for the European Commission. Marketing activity is now generating a much broader range of new business and client opportunities.

The video library and the film and video sales operation enjoyed a stable year, with the decline in international sales the only disappointing aspect of progress - although this has been reversed in the new financial year. The business is being renamed the British Defence Film Library, and will, in future, be managed separately from the Production and Multimedia businesses to avoid a conflict of interest. The Forces Cinemas have enjoyed a very good year with new equipment being installed in Cyprus and totally new cinemas being planned for Aldergrove and the Falkland Islands.



REPORT OF THE AUDITORS

to the
Members of The Services Sound and Vision Corporation

We have audited the financial statements on pages 19 to 31 which have been prepared under the accounting policies set out on page 24.

Respective responsibilities of directors and auditors

As described on page 17, the directors 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 directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the 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 misstatement, 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 the Corporation and the group at 31 March 1996 and of the deficit of the group for the year then ended, and have been properly prepared in accordance with the Companies Act 1985.

GRANT THORNTON
Registered Auditors
Chartered Accountants

Thames Valley Office, Slough
3 December 1996

FIFTIETH ANNUAL REPORT OF THE BOARD OF MANAGEMENT

The Board of Management has pleasure in presenting its report and financial statements for the year ended 31 March 1996.

1. Results

The result for the year showed a considerable improvement on the previous year and there was a surplus on ordinary activities of £63,000. This compares with a deficit of £486,000 last year. The principal factors accounting for the change were:

a) Our retail operation in Germany showed a much reduced loss. This was due to the economies made in the previous year.

b) Our subsidiary company Teleport London International Ltd, achieved a profit of £8,000. This compares with a last year's loss of £576,000. It is expected that this company will make a significant contribution to profits in the future.

2. Employment Involvement

The group has continued its practice of keeping employees informed of matters affecting them as employees and the financial and economic factors affecting the performance of the group. This is achieved by briefings by the Managing Director and his senior staff, the company news letter and the annual financial statements.

3. Status

The Corporation is a company limited by guarantee and is accepted as a registered charity by the Inland Revenue (registered charity number 233480). Income and capital gains of the Corporation are generally exempt from tax if applied for charitable purposes.

4. Fixed Assets

The principal changes in the fixed assets of the group were the acquisition of equipment costing £2,031,000 - being satellite systems costing £1,521,000 together with vehicles and audio-visual equipment - and the disposal of vehicles and audio visual equipment with a net book amount of £109,000.

5. Donations

Donations to Services-orientated charitable organisations amounted to £5,000 in addition to the grant to Service charities of £40,000. Also, in order to further the welfare of the Services work in the Falkland Islands costing £29,000 has been borne by the Corporation and not recharged.

6. Disabled Workers

It is the Corporation's policy to follow the Government's guidelines on the employment of disabled workers as far as it is possible.



7. Auditors

In accordance with section 385 of the Companies Act 1985, Grant Thornton offer themselves for re-appointment as auditors of the Corporation.

8. Directors

The present membership of the Council and Board of Management is shown on page 5. The following changes have taken place since those recorded in the previous year's Annual Report and Accounts.

11 May 1995 - Air Marshal Sir David Cousins replaced Air Chief Marshal Sir Andrew Wilson on the Council.

25 May 1995 - Admiral Sir Michael Boyce replaced Admiral Sir Michael Layard on the Council.

16 August 1995 - General Sir Michael Wilkes resigned as President of the Council.

29 August 1995 - Air Vice-Marshal Michael Smart replaced Air Vice-Marshal Peter Beer on the Board of Management.

14 September 1995 - Brigadier Iain McNeil replaced Brigadier David Webb Carter on the Board of Management.

19 December 1995 - Commodore Robert Turner replaced Commodore Derek Anthony on the Board of Management.

31 December 1995 - Dr. Bryce McCrirrick retired from the Board of Management.

30 January 1996 - Brigadier Peter Currie replaced Brigadier Iain McNeil on the Board of Management.

30 June 1996 - Dr. Frank Price replaced Ian Hamill on the Board of Management.

30 September 1996 - Roger Jackling replaced Sir Moray Stewart on the Council.

17 October 1996 - Harvey Josephs replaced Andrew Rice as Company Secretary.

9. Directors' Responsibilities for the Financial Statements

Company law requires the directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the Corporation and the Group for that period.

In preparing those financial statements, the directors are required to:-

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the group will continue in business.

The directors are responsible for keeping proper accounting records, for safeguarding the assets of the group and for taking reasonable steps for the prevention and detection of fraud and other irregularities.



By order of the Board,
H Josephs
Secretary

3 December 1996

SUMMARY OF TURNOVER AND RESULTS

for the previous five years

	1995/96	1994/95	1993/94	1992/93	1991/92
Turnover	£'000	£'000	£'000	£'000	£'000
Broadcasting	16839	16260	15093	16141	14671
Other MOD Activities	15192	12293	13933	13643	12858
	<u>32031</u>	<u>28553</u>	<u>29026</u>	<u>29784</u>	<u>27529</u>
Percentage of Total	(58.9%)	(58.9%)	(60.8%)	(60.2%)	(56.8%)
Commercial Operations	22350	19952	18716	19667	20941
	<u>54381</u>	<u>48505</u>	<u>47742</u>	<u>49451</u>	<u>48470</u>
Net surplus/(deficit) (before exchange movements)	122	(484)	(375)	319	179
Exchange gain/(loss)	(59)	(2)	(129)	514	22
Net surplus/(deficit) (before charitable donations)	<u>63</u>	<u>(486)</u>	<u>(504)</u>	<u>833</u>	<u>201</u>
Charitable grants to service welfare funds	40	40	74	220	64
Other donations	34	25	26	31	36
Final surplus/(deficit)	<u>(11)</u>	<u>(551)</u>	<u>(604)</u>	<u>582</u>	<u>101</u>

CONSOLIDATED STATEMENT OF FINANCIAL ACTIVITIES for the year ended 31 March 1996

	Charitable Funds £'000	Trading Subsidiaries £'000	Total 1996 £'000	Total 1995 £'000
Incoming resources				
Charitable sales	10825	0	10825	12793
MOD broadcasting income	16839	0	16839	16260
MOD training income	15192	0	15192	12293
Investment income	181	0	181	174
Profit on disposal of fixed assets	64	0	64	112
Other income	0	11525	11525	7159
Total incoming resources	<u>43101</u>	<u>11525</u>	<u>54626</u>	<u>48791</u>
Resources Expended				
Direct charitable expenditure				
Charitable sales	10769	0	10769	12621
MOD broadcasting	14722	0	14722	14271
MOD training	11619	0	11619	11212
Donations to charities & welfare support	74	0	74	65
	<u>37184</u>	<u>0</u>	<u>37184</u>	<u>38169</u>
Other expenditure				
Management & administration *	6490	3114	9604	6678
Cost of sales	0	7849	7849	4495
	<u>6490</u>	<u>10963</u>	<u>17453</u>	<u>11173</u>
Total Resources Expended	<u>43674</u>	<u>10963</u>	<u>54637</u>	<u>49342</u>
Net Incoming/(Outgoing Resources)	(573)	562	(11)	(551)
Revaluation adjustment	44	0	44	0
Net Movement in Funds	<u>(529)</u>	<u>562</u>	<u>33</u>	<u>(551)</u>
Fund balances brought forward	11057	(677)	10380	10931
Fund balances carried forward at 31 March 1996	<u>10528</u>	<u>(115)</u>	<u>10413</u>	<u>10380</u>

* Management and administration charges for 1996 include a substantial sum for reorganisation costs.

All funds are unrestricted.

The accounting policies and notes on pages 24 to 31 form part of these financial statements.

CONSOLIDATED INCOME AND EXPENDITURE ACCOUNT

for the year ended 31 March 1996

	Note	1996		1995	
		£'000	£'000	£'000	£'000
Turnover	1		54381		48505
Operating charges and other operating income	2		54327		49002
Operating surplus/(deficit)			<u>54</u>		<u>(497)</u>
Investment income	3		181		174
Interest payable	5		(172)		(163)
Surplus/(deficit) on ordinary activities	1		<u>63</u>		<u>(486)</u>
Donation to Services charities		(40)		(40)	
Other charitable donations		(5)		(8)	
Welfare support in Falkland Islands		(29)		(17)	
Donation to charities and welfare support			<u>(74)</u>		<u>(65)</u>
(Deficit) for the year transferred from reserves 13			<u>(11)</u>		<u>(551)</u>

The accounting policies and notes on pages 24 to 31 form part of these financial statements.

CONSOLIDATED BALANCE SHEET

as at 31 March 1996

	Note	1996		1995	
		£'000	£'000	£'000	£'000
Fixed assets					
Tangible assets	7		9679		8826
Investments	8		251		285
			<u>9930</u>		<u>9111</u>
Current assets					
Stock and work in progress	9	2715		2652	
Debtors	10	8100		7266	
Investments - bank deposits		6570		5077	
Cash at bank and in hand		917		708	
		<u>18302</u>		<u>15703</u>	
Creditors: amounts falling due within one year	11	17356		13941	
Net current assets			<u>946</u>		<u>1762</u>
Total assets less current liabilities			10876		10873
Provision for liabilities and charges	12		463		493
Net Assets			<u>10413</u>		<u>10380</u>
Reserves					
Revaluation	13		3103		3094
Income and Expenditure account	13		7310		7286
Total Reserves			<u>10413</u>		<u>10380</u>

The financial statements were approved by the Board on 3 December 1996.

G.H.W. HOWLETT, Chairman
D.O. CRWYS-WILLIAMS, Managing Director

The accounting policies and notes on pages 24 to 31 form part of these financial statements.

BALANCE SHEET

as at 31 March 1996

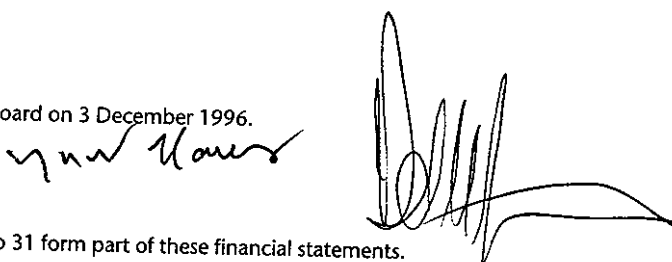
	Note	1996 £'000	1995 £'000
Fixed assets			
Tangible assets	7	7652	8059
Investments	8	251	285
		<u>7903</u>	<u>8344</u>
Current assets			
Stock and work in progress	9	2006	2112
Debtors	10	8620	7280
Investments - bank deposits		6570	5077
Cash at bank and in hand		673	624
		<u>17869</u>	<u>15093</u>
Creditors: amounts falling due within one year	11	<u>14437</u>	<u>11887</u>
Net current assets		3432	3206
Total assets less current liabilities		<u>11335</u>	<u>11550</u>
Provision for liabilities and charges	12	<u>463</u>	<u>493</u>
Net Assets		<u>10872</u>	<u>11057</u>
Reserves			
Revaluation	13	3103	3094
Income and Expenditure account	13	7769	7963
Total Reserves		<u>10872</u>	<u>11057</u>

The financial statements were approved by the Board on 3 December 1996.

G.H.W. HOWLETT, Chairman

D.O. CRWYS-WILLIAMS, Managing Director

The accounting policies and notes on pages 24 to 31 form part of these financial statements.



CONSOLIDATED CASH FLOW STATEMENT for the year ended 31 March 1996

	Note	1996 £'000	1995 £'000
Net cash inflow from operating activities	19	1743	2361
Returns on investments and servicing of finance			
Rent received		19	22
Interest received		162	152
Interest paid		(172)	(163)
		<u> </u>	<u> </u>
Net cash inflow from returns on investments and servicing of finance		9	11
Investing activities			
Purchase of fixed assets		(2031)	(1573)
Sale of fixed assets		172	841
		<u> </u>	<u> </u>
Net cash (outflow) from investing activities		(1859)	(732)
Other activities			
Grants to Service welfare charities		-	(40)
Welfare support in Falkland Islands		(29)	(17)
Other charitable donations		(5)	(8)
		<u> </u>	<u> </u>
		(34)	(65)
Net cash (outflow) / inflow before financing		<u>(141)</u>	<u>1575</u>
Financing			
Investments	8	34	27
		<u> </u>	<u> </u>
Net cash inflow from financing		34	27
(Decrease) / increase in cash and cash equivalents	20	<u>(107)</u>	<u>1602</u>

STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES for the year ended 31 March 1996

	1996 £'000	1995 £'000
(Deficit) for the financial year	(11)	(551)
Unrealised surplus on revaluation of land and buildings	44	0
	<u> </u>	<u> </u>
Total recognised gains / (losses) for the year	<u>33</u>	<u>(551)</u>

The accounting policies and notes on pages 24 to 31 form part of these financial statements.

ACCOUNTING POLICIES

for the year ended 31 March 1996

The financial statements have been prepared in accordance with applicable accounting standards under the historical cost convention, except that certain freehold properties are shown at their revalued amounts.

The principal accounting policies of the group have remained unchanged from the previous year and are set out below.

(a) Basis of consolidation

The group financial statements consolidate the financial statements of the Corporation and its subsidiary undertakings. The financial statements of all four companies have been prepared to 31 March 1996. All intra-group profits are eliminated on consolidation.

(b) Turnover

Turnover is the total amount receivable by the group excluding VAT, in the ordinary course of business for goods supplied and for services provided in the field of entertainment, for broadcasting to the Services, for the production and distribution of films, maintenance of libraries and the provision and maintenance of visual aid equipment for the Ministry of Defence. It also includes amounts receivable for satellite transmissions, commercial production of films, multimedia services and commercial engineering work.

(c) Investment Income

Investment income comprises interest receivable on short term deposits and rents receivable from land and buildings.

(d) Depreciation

Depreciation is calculated to write down the cost or valuation of all tangible fixed assets by equal instalments over their useful lives. The periods generally applicable are:

Freehold buildings	50 years
Leasehold premises	Between 5 years and the length of the lease if greater
Equipment	Between 3 and 10 years

(e) Stock

Stock and work in progress are stated at the lower of cost and net realisable value. Cost means purchase price including transport and handling costs, less trade discounts, calculated on a first in first out basis. Net realisable value means estimated selling price (less trade discounts) less all costs to be incurred in marketing, selling and distribution.

(f) Foreign currencies

Fixed assets and stock have been expressed in sterling at the rate of exchange ruling at the date of acquisition. Other current assets and liabilities in foreign currencies are translated into sterling at the rate of exchange ruling at the balance sheet date. Income and Expenditure account items are converted at the rate of exchange ruling at the transaction date. All profits or losses on foreign exchange transactions have been dealt with through the Income and Expenditure account. The accounting policy for foreign currency translation is as required by Statement of Standard Accounting Practice 20. It may involve reporting unrealised change gains on unsettled long term monetary items as part of the surplus or deficit for the year.

(g) Contribution to pension funds

The group operates a final salary pension scheme under which contributions by employees and the group are administered in a trust fund independent from the group's assets. Four employees and a pensioner are the Trustees of the fund. Contributions are charged against income to cover the cost of benefits arising from the current service of employees. Adjustments relating to past service are charged to the Income and Expenditure account over the remaining working life of employees. Full actuarial valuations are made regularly at three year intervals and contribution levels reviewed.

(h) Hire purchase and rental contracts

The group derives income from hire purchase and rental contracts. For hire purchase contracts goods are supplied on hire until the payment of an agreed number of instalments when the customer has the option to purchase the goods. Since this option is almost always exercised, then for the purposes of the financial statements, the goods are treated as sold at the date at which the agreement is entered into. The total amount payable under a hire purchase contract comprises the full amount of the sale price of the goods together with a return on finance provided, namely the finance charge. The amount recognised in the Income and Expenditure Account is the sum of all instalments less an amount carried forward in respect of trading profits and finance charges not yet received.

For rental contracts the goods are supplied on hire for a fixed minimum period with rights to renew but the goods remain the property of the group at all times. Income is credited to the Income and Expenditure Account on the basis of rental receivable. Property out on rental is treated as a tangible fixed asset.

(i) Operating lease

Equipment and property leased under an operating lease are not capitalised but are expensed directly to the Income and Expenditure account.

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 March 1996

1 Turnover and deficit on ordinary activities.

The turnover and surplus/(deficit) attributable to the four major classes of business of the group were as follows:-

	Turnover		Surplus/(Deficit)	
	1996 £'000	1995 £'000	1996 £'000	1995 £'000
Charitable sales	10825	12793	(245)	(268)
MOD broadcasting income	16839	16260	0	0
MOD training income	15192	12293	0	0
Commercial sales	11525	7159	308	(218)
	<u>54381</u>	<u>48505</u>	<u>63</u>	<u>(486)</u>

An analysis of turnover by geographical area has not been disclosed. Charitable sales include an amount of £479,000 (1995 £545,000) in respect of rental income and an amount of £407,000 (1995 £459,000) in respect of hire purchase interest receivable.

2 Operating charges and other operating income

	1996 £'000	1995 £'000
Changes in stocks	(63)	(264)
Difference on exchange	59	2
Staff costs (see Note 4)	14782	14919
Other operating charges	37333	30217
Depreciation	963	882
Amortisation of freehold buildings	150	98
Hire of equipment	245	2373
Other operating leases	800	707
Auditors remuneration	52	54
Other services provided by auditors	6	14
	<u>54327</u>	<u>49002</u>

3 Investment income

	1996 £'000	1995 £'000
Interest receivable on short term deposits	162	152
Rent receivable	19	22
	<u>181</u>	<u>174</u>

4 Directors and employees

	1996 £'000	1995 £'000
Staff costs during the year:		
Wages and salaries	12702	12848
Social security	1034	1005
Pensions	1046	1066
	<u>14782</u>	<u>14919</u>

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 March 1996

4 (cont)

The average number of employees of the group during the year was 651 (1995 - 774).

Staff numbers by category:-

	1996	1995
Audio visual activities	250	300
MOD training	191	245
MOD broadcasting	210	229
	<u>651</u>	<u>774</u>

The directors' remuneration all of which is included above is made up of:

	1996 £'000	1995 £'000
Directors' emoluments	90	87
One director (1995 - one) received emoluments.		

	1996 £'000	1995 £'000
The Chairman	<u>Nil</u>	<u>Nil</u>

The highest paid director	<u>90</u>	<u>87</u>
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The emoluments of the Directors fell into the following bands:-

	1996 Number	1995 Number
£0 - £5,000	13	15
£85,001 - £90,000	1	1

Directors loans

In June 1993, before he was appointed Managing Director, an interest bearing loan was made to D O Crwys-Williams to cover the costs of moving house. By 31 March 1996 his repayments had reduced the balance to £4,000 (1995 £6,181).

5 Interest payable

	1996 £'000	1995 £'000
Interest on bank overdrafts	<u>172</u>	<u>163</u>

6 Surplus for the financial year

The Corporation has taken advantage of section 230 of the Companies Act 1985 and has not included its own income and expenditure account in these financial statements. The Corporation's retained deficit amounted to £229,000 (1995 £22,000 surplus).

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 March 1996

7 Tangible fixed assets

The Group	Land and buildings			Equipment	Total
	Freehold	Leasehold	Short-term		
	£'000	£'000	£'000	£'000	£'000
Cost or valuation					
At 1 April 1995	6077	38	569	5987	12671
Additions	0	0	0	2031	2031
Revaluation	10	0	0	0	10
Disposals	0	0	0	(1550)	(1550)
At 31 March 1996	6087	38	569	6468	13162
Depreciation and amortisation					
At 1 April 1995	98	3	514	3230	3845
Revaluation adjustment	(34)	0	0	0	(34)
Provided in the year	150	1	6	956	1113
Disposals	0	0	0	(1441)	(1441)
At 31 March 1996	214	4	520	2745	3483
Net book amount					
At 31 March 1996	5873	34	49	3723	9679
At 31 March 1995	5979	35	55	2757	8826

The Corporation	Land and buildings			Equipment	Total
	Freehold	Leasehold	Short-term		
	£'000	£'000	£'000	£'000	£'000
Cost or valuation					
At 1 April 1995	6077	38	569	5181	11865
Additions	0	0	0	510	510
Revaluation	10	0	0	0	10
Disposals	0	0	0	(1550)	(1550)
At 31 March 1996	6087	38	569	4141	10835
Depreciation and amortisation					
At 1 April 1995	98	3	514	3191	3806
Revaluation adjustment	(34)	0	0	0	(34)
Provided in the year	150	1	6	695	852
Disposals	0	0	0	(1441)	(1441)
At 31 March 1996	214	4	520	2445	3183
Net book amount					
At 31 March 1996	5873	34	49	1696	7652
At 31 March 1995	5979	35	55	1990	8059

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 March 1996

7 (cont)

The assets listed above are stated at cost with the exception of freehold land and buildings which include valuations as follows:-

	1996 £'000
Revalued property at cost	2948
Revaluation	3139
1996 overall valuation	<u>6087</u>

At 31 March 1996 two freehold properties were revalued at their selling price after the year end. All other freehold properties were revalued at 31 March 1994 by professional valuers, Colman and Green, on an existing use basis assuming vacant possession. If it had not been revalued, freehold property would have been included on the historical cost basis at the following amount:

The Group and the Corporation	£'000
Cost	2948
Accumulated depreciation	338
Net book amount at 31 March 1996	<u>2610</u>
Net book amount at 31 March 1995	<u>2667</u>

	1996 £'000	1995 £'000
Assets available for rental at 31 March 1996 included above:-		
Cost	1246	1047
Accumulated depreciation	756	798
Net book amount	<u>490</u>	<u>249</u>

8 Investments

Staff loans - The Group and the Corporation

There were 35 employees with loans outstanding which were greater than £2,500

	£'000
Balance at 1 April 1995	285
New loans	100
Repayments	(134)
Balance at 31 March 1996	<u>251</u>

9 Stocks

	The Group		The Corporation	
	1996 £'000	1995 £'000	1996 £'000	1995 £'000
Work in progress	554	449	38	34
Stocks for resale	2161	2203	1968	2078
	<u>2715</u>	<u>2652</u>	<u>2006</u>	<u>2112</u>

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 March 1996

10 Debtors

	The Group		The Corporation	
	1996	1995	1996	1995
	£'000	£'000	£'000	£'000
Amounts falling due within one year				
Trade debtors after provision	6631	5869	4348	3997
Other debtors	844	705	541	618
Prepayments	625	692	171	284
Amount owed by subsidiary undertakings	0	0	3560	2381
	<u>8100</u>	<u>7266</u>	<u>8620</u>	<u>7280</u>

Provision

An amount of £730,000 (1995 £782,000) has been deducted from trade debtors representing a provision for the profits on hire purchase sales which have not yet been realised. The decrease of £52,000 has been credited to the Income and Expenditure account. Net investment in hire purchase contracts at 31 March 1996 was £3,284,000 (1995 £4,377,000).

11 Creditors: amounts falling due within one year

	The Group		The Corporation	
	1996	1995	1996	1995
	£'000	£'000	£'000	£'000
Bank overdrafts	6805	4996	6759	4996
Trade creditors	7754	6332	6526	5642
Other creditors	588	575	588	575
Taxation and social security	378	742	349	627
Payments received on account	1751	1256	135	7
Donation to Service charities	80	40	80	40
	<u>17356</u>	<u>13941</u>	<u>14437</u>	<u>11887</u>

12 Provision for liabilities and charges - The Group and the Corporation

	Provision for terminal benefits £'000
Balance at 1 April 1995	493
Net reduction in provision for year	(30)
Balance at 31 March 1996	<u>463</u>

The provision for terminal benefits represents provisions made for liabilities which will be payable in the event of certain locally-engaged employees leaving the Corporation, this being a requirement in Cyprus, Gibraltar and Hong Kong. It also includes a provision in respect of an ongoing commitment to make payments to certain staff who have been made redundant.

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 March 1996

13 Reserves

	The Group			The Corporation		
	Property revaluation £'000	Income & Expenditure £'000	Total £'000	Property revaluation £'000	Income & Expenditure £'000	Total £'000
Balance at 1 April 1995	3094	7286	10380	3094	7963	11057
Surplus / (deficit) for year	0	(11)	(11)	0	(229)	(229)
Revaluation adjustment	44	0	44	44	0	44
Write back of depreciation on revaluation	(35)	35	0	(35)	35	0
Balance at 31 March 1996	<u>3103</u>	<u>7310</u>	<u>10413</u>	<u>3103</u>	<u>7769</u>	<u>10872</u>

14 Capital commitments - The Group and the Corporation

	1996 £'000	1995 £'000
Contracted for but not provided in these accounts	174	354
Authorised but not contracted for	<u>769</u>	<u>366</u>
	<u>943</u>	<u>720</u>

15 Pension commitments

The group has a contributory pension scheme designed to provide retirement benefits based on final salary for its employees. This is divided into two parts. In addition to the main scheme there is a closed section representing the BFBS ex civil servants who joined the Corporation from the MOD in 1983. The market value of the combined scheme as at 31 March 1995 amounted to £28,005,000. Fenchurch Trustees Ltd obtained an actuarial valuation of both parts of the fund as at 1 April 1995. This showed that the fund overall was slightly in surplus, although there was a deficit in the SSVC portion of the fund which was outweighed by a surplus in the BFBS section. The actuaries estimate that the contribution rate being paid by the Corporation will be sufficient to write off the deficit on the SSVC section over the expected future working lives of current employees. Based on an assumption of an investment return of 9% per annum and an annual increase in pensionable salaries of 7% per annum and taking account of legislation on future pension increases, the results were as follows:-

	Main scheme	BFBS section
Past service (deficit) /surplus	(£1,564,000)	£1,573,000
Net contribution rate to cover future service benefits	15.1%	21.6%
Adjustment in respect of past service	1.7%	(21.6)%
Contribution as recommended	16.8%	-

16 Subsidiary undertakings

	1996	1995
Ordinary £1 shares at cost	<u>£6</u>	<u>£6</u>

The wholly owned subsidiary, Visua Ltd (formerly SSVC Services Ltd) is carrying out activities in the audio visual field. The company made a net profit of £88,000, all of which has been covenanted to the holding company. The two wholly owned subsidiaries of Visua Ltd, Columbia Communications Ltd, and Teleport London International Ltd, made profits of £212,000 and £8,000 respectively. Both carry out activities in the field of satellite broadcasting.

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 March 1996

17 Contingent liabilities - The Group and the Corporation

There were no contingent liabilities at 31 March 1996 or 31 March 1995.

18 Leasing commitments - The Group and the Corporation

The following represent the annual leasing commitment:-

	Land & Buildings		Other	
	1996	1995	1996	1995
Commitments falling due	£'000	£'000	£'000	£'000
- within one year	172	86	52	-
- within two and five years	148	28	245	268
- over five years	183	325	-	-
	<u>503</u>	<u>439</u>	<u>297</u>	<u>268</u>

19 Reconciliation of operating surplus/(deficit) to net cash inflow from operating activities

	1996	1995
	£'000	£'000
Operating surplus / (deficit)	54	(497)
(Decrease) in provision for liabilities and charges	(30)	(45)
Depreciation (excluding freehold buildings)	963	882
Amortisation on freehold buildings	150	98
(Profit) on sales of fixed assets	(63)	(112)
(Increase) in stocks	(63)	(264)
(Increase) / decrease in trade debtors	(762)	413
(Increase) in other debtors	(139)	(67)
Decrease / (increase) in prepayments	67	(450)
Increase in trade creditors	1422	1816
Increase in other creditors	13	270
(Decrease) / increase in taxation & social security creditors	(364)	385
Increase / (decrease) in payments received on account	495	(34)
(Decrease) in donation due to Service charities	-	(34)
Net cash inflow from operating activities	<u>1743</u>	<u>2361</u>

20 Analysis of the change in cash and cash equivalents

			Change	Change
	1996	1995	1994	1994/95
	£'000	£'000	£'000	£'000
Cash at bank and in hand	917	708	598	209
Short term deposit	6570	5077	2782	1493
Bank overdrafts	(6805)	(4996)	(4193)	(1809)
	<u>682</u>	<u>789</u>	<u>(813)</u>	<u>(107)</u>
				<u>1602</u>

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