



**THE SERVICES SOUND AND  
VISION CORPORATION**

COMPANY LIMITED BY  
GUARANTEE

FINANCIAL STATEMENTS

FOR THE YEAR ENDED

31 MARCH 2003

THE SERVICES SOUND AND VISION CORPORATION

FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2003

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Corporation registration number: 00407270

Charity registration number: 00233480

Registered office: Chalfont Grove  
Narcot Lane  
Chalfont St Peter  
Gerrards Cross  
Bucks  
SL9 8TN

Bankers: HSBC Bank plc  
65 Packhorse Road  
Gerrards Cross  
Bucks  
SL9 8PH

Solicitors: B P Collins & Co  
Collins House  
32 - 38 Station Road  
Gerrards Cross  
Bucks  
SL9 8EL

Field Fisher Waterhouse  
35 Vine Street  
London  
EC3N 2AA

Bates, Wells and Braithwaite  
Cheapside House  
138 Cheapside  
London  
EC2V 6BB

Investment managers: Schroders & Co Limited  
100 Wood Street  
London  
EC2V 7ER

M & G Investments  
Laurence Pountney Hill  
London  
EC4R 0HH

THE SERVICES SOUND AND VISION CORPORATION

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FOR THE YEAR ENDED 31 MARCH 2003

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Auditors:

Grant Thornton  
Registered Auditors  
Chartered Accountants  
Churchill House  
Chalvey Road East  
Slough  
Berks  
SL1 2LS

THE SERVICES SOUND AND VISION CORPORATION

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FOR THE YEAR ENDED 31 MARCH 2003

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# THE SERVICES SOUND AND VISION CORPORATION

## REPORT OF THE BOARD OF MANAGEMENT

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The Board of Management of The Services Sound and Vision Corporation has pleasure in presenting its report and financial statements for the year ended 31 March 2003.

### Objects and Principal Activities

The corporation is a company limited by guarantee and is registered as a charity. Members of the organisation *guarantee to contribute an amount not exceeding £1 each to the assets of the organisation in the event of a winding up.* The total number of such guarantees at 31 March 2003 was 8 (2002: 8).

The objects of the corporation are described in the Memorandum of Association, and broadly cover the provision of services related to education, training and entertainment for HM Armed Forces. Income is generated from sales of services made in accordance with the corporation's objects, and investment income. Expenditure related to such income is utilised in providing the services sold, investment management and welfare support for the Armed Forces.

The corporation achieves its objects by providing radio and TV channels for the sole use of HM Armed Forces and their families whilst stationed or deployed abroad, by showing films both at fixed locations and using a mobile cinema, by staging 'one-off' entertainment shows and by selling electrical retail goods to troops. The corporation also provides grants to HM Armed Forces for worthy causes linked to their education, training and entertainment.

### Organisation

A Board of Management, who meet quarterly, administers the corporation. There are sub-committees covering investment, audit, remuneration and the distribution of funds:

- investment committee - meets as requested by the Board of Management, and at least once a year. At each board meeting, it reports to the Board of Management on the performance of investments even if a formal meeting has not taken place amongst the investment committee
- audit committee - meets during the audit process each year, and on further occasions as required
- remuneration committee - meets to determine senior staff remuneration at least once a year
- operation welfare fund committee - meets as and when required to deal with requests received and reports to the Board of Management at each board meeting; the Managing Director and Director of Finance are authorised to approve grants with a value of less than £10,000. Grants in excess of this are discussed by the committee and approved in writing.

A Managing Director is appointed by the Board to manage the day-to-day operations of the corporation. The other members of the Executive Management team (see page 25) assist the Managing Director.

# THE SERVICES SOUND AND VISION CORPORATION

## REPORT OF THE BOARD OF MANAGEMENT

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### Review of the business and future developments

The Board of Management is pleased to report that the financial year has been successful both financially and in terms of achieving the objects of the corporation, as set out above.

During the year the corporation had a net positive movement in funds of £299,000 (2002: £1,939,000). The result reflects a continued improvement in operating income due to improved cost control and efficiency. This improvement can be seen across the range of charitable activities.

During the year, the corporation has provided radio, television and live entertainment services to HM Armed Forces on operational duties in Afghanistan, Sierra Leone, Bosnia, Kosovo, Kuwait and Iraq. The locations are in addition to the static bases in Germany, Cyprus, Falkland Islands, Belize, Gibraltar and Canada. The news, sport, music, soaps and comedy programmes are proving to be as popular with the troops as with the British public at home.

The development of a live television and radio service for Royal Naval and Royal Fleet Auxiliary ships was also a major success and has proved very popular. The number of television channels now available to many of the troops in the Gulf has been increased from two to six. The additional channels include both live news and sports programmes that are very popular with our audience. The corporation hopes to add a further two channels in the forthcoming year.

The corporation is committed to expanding the television and radio services to the British Forces and during the next twelve months will be installing TV cable systems for the troops' accommodation in Afghanistan and in Nicosia, Cyprus.

The live entertainment shows have been a great success with popular artists including Liberty X, Clare Sweeney, Nell McAndrew, Paul Zerdin and the CSE dancers entertaining British Forces in Afghanistan, Sierra Leone, Bosnia, Kosovo, Guam, Falkland Islands, Cyprus, Turkey, Oman, Saudi Arabia and Northern Ireland.

There have been no significant changes in the key personnel responsible for providing these services during the year.

The purchase of a second mobile cinema, for the use of troops on operational duties initially in Iraq, is being considered.

The Board of Management does not foresee any major changes in the corporation's ongoing activities in the next twelve months and anticipates that it will continue to achieve its charitable objectives in the future.

### Grants

The Board of Management has set up a sub-committee to review applications for grants from HM Armed Forces. The review process includes ensuring that the provision of each grant is within the terms of the objects of the corporation.

The corporation actively promotes its operational welfare fund to HM Armed Forces by regular communication to the Directorates of Corporate Communications (DDCs) for each service, direct communication with the troops via the corporation's website and promotional features on BFBS radio and the main BFBS television channel.

Grants are awarded to members of HM Armed Forces in respect of worthy causes associated with education, training, welfare and entertainment needs. The operational welfare fund committee meets as and when required to deal with applications received and reports to the Board of Management at each board meeting; the Managing Director and Director of Finance are authorised to approve grants with a value of less than £10,000. Grants in excess of this value are discussed by the committee and approved in writing. Grants are approved if the purpose is considered to be a worthy cause and is within the terms of the objects of the corporation. During the financial year, 49 applications for grants were received, of which 42 were either partially or fully awarded. The average value of grants made during the year was £6,000.

# THE SERVICES SOUND AND VISION CORPORATION

## REPORT OF THE BOARD OF MANAGEMENT

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### Investment policy

Under the Memorandum and Articles of Association, the corporation has the power to make any investment which the trustees see fit. The objective of the Investment Policy is, on a low risk basis commensurate with the corporation's charity status, to protect the capital value of the investment assets whilst generating an acceptable level of return from income and capital appreciation. SSVC will not invest directly in derivatives, or in unquoted securities, physical assets or property and will not engage in stock lending or underwriting.

The Investment Committee has considered the available options for investing surplus funds and has continued to engage the services of two charity fund investment managers during the year. These managers have invested the majority of the available money in pooled funds. The Investment Committee regularly reviews the performance of the investment managers and meets with them when appropriate. The performance of the funds is measured against the WM Charity Funds Unconstrained/Asset Mix Constrained average.

The corporation's policy is to invest in funds whose risk profile is considered to be low to moderate, and to achieve higher returns, on average over a period of several years, on those funds than others with a similar risk profile.

During the period there was a significant decrease in the market value of the investment portfolio. This movement reflects the prevailing market conditions during the period and the fact that a portion of the corporation's portfolio is held in worldwide equity-based investments, whose value has suffered as a result of the economic downturn. However, the Investment Committee considers that the performance of its funds was in line with other funds with a similar risk profile.

### Reserves policy

At 31 March 2003, the corporation held 'Unrestricted funds – other charitable funds' totalling £12,855,000 (2002: £12,556,000). 'Unrestricted funds' consists of a reserve accumulated over a number of years from surpluses arising from the operation of the corporation and is available to be distributed by way of grants.

The corporation's trading activities are carried out according to the terms of limited length contracts with the Ministry of Defence; there is no certainty that these contracts will be renewed. The trustees therefore intend to maintain reserves of the corporation at or above their current levels in order that, in the event of the corporation's trading activities ceasing, the corporation is able to continue to distribute grants using income generated by its reserves.

### Risk management

The television, radio, live entertainment and library services provided by the corporation under contract with the Ministry of Defence provide the majority of income for the corporation. Senior management recognise the potential risk associated with dealing with one major customer and therefore devote considerable time and effort ensuring that customer service, quality and value for money issues are monitored and reported on a quarterly basis. The relationship between the Ministry of Defence and the corporation is excellent and all contracts include either bi-annual or quarterly review meetings.

The Board of Management also review, on an ongoing basis, other major operational, business and financial risks which the corporation faces, and have set up an Audit Committee that meets with the external auditors on a regular basis.

Senior management continues to monitor all operational, business and financial risks which the corporation faces, and can confirm that systems are in place to mitigate the significant risks.

### Employee Involvement

The corporation 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 corporation. This is achieved through briefings by the Managing Director and his senior staff, staff association meetings, and the corporation newsletter.

# THE SERVICES SOUND AND VISION CORPORATION

## REPORT OF THE BOARD OF MANAGEMENT

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### 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.

### Charitable contributions

Charitable donations amounted to £275,000 (2002: £706,000).

### Group Captain Sir Gordon Pirie, CVO CBE DL RAF (RTD)

The Board noted with great sadness the death in August 2003 of Sir Gordon Pirie who was Chairman of the Board of Management from 1979 to 1990. Sir Gordon oversaw the merger of BFBS and SKC, to form SSSC, with great skill and diplomacy in the early 1980's. His exceptional courtesy, interest and energy, which continued when he became our first Life Vice-President, will be much missed.

### Directors

All members of the Board of Management are directors for the purpose of company law and trustees for the purpose of charity law. All directors served throughout the year.

The directors are elected by the existing Board of Management, which may, at any time, co-opt any person duly qualified to be appointed as a member of the Board to fill a vacancy in their number. The Board shall include individuals who have held commissioned rank in HM Armed Forces and civilians with relevant business experience. The total members of the board must number between 5 and 13. One third of the members of the Board must retire each year, but are eligible for re-election. Michael Andrae, Graham Robinson and Brian Tesler are eligible for retirement and re-election in 2003.

The present membership of the Board is set out below:

David E Hatch - chair of remuneration committee

Air Vice-Marshal David O Crwys-Williams (retired) - member of operational welfare fund committee

Brian Tesler - member of remuneration committee

Michael Andrae - member of audit committee and chair of investment committee

Howard S Perlin - chair of audit committee, and member of remuneration and investment committees

Captain Graham D B Robinson (retired) - member of investment and operational welfare fund committees

Lieutenant General Sir Roderick Cordy-Simpson (retired) - member of operational welfare fund committee

Air Vice-Marshal Nigel B Baldwin (retired) - member of audit and operational welfare fund committees



# THE SERVICES SOUND AND VISION CORPORATION

## REPORT OF THE BOARD OF MANAGEMENT

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### 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 for that period.

In preparing those financial statements, the directors should follow best practice and:

- 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 corporation will continue in operation.

The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy the financial position of the corporation and which enable them to ascertain its financial position and to ensure that the financial statements comply with the Companies Act 1985, the Charities Act 1993 and regulations thereunder. They are also responsible for safeguarding the assets of the corporation and for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The corporation has adopted the format of accounts prescribed by the Charity Commission's Statement of Recommended Practice (SORP) 2000, and the accounts have been prepared in accordance with current statutory requirements and the requirements set out in the corporation's Memorandum of Association.

### Auditors

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

ON BEHALF OF THE BOARD



Director

9<sup>th</sup> October 2003

## **REPORT OF THE INDEPENDENT AUDITORS TO THE TRUSTEES OF THE SERVICES SOUND AND VISION CORPORATION**

We have audited the financial statements of The Services Sound and Vision Corporation for the year ended 31 March 2003 which comprise the statement of financial activities, the summary income and expenditure account, the balance sheet, the cash flow statement, principal accounting policies and notes 1 to 20. The financial statements have been prepared under the accounting policies set out therein.

This report is made solely to the corporation's trustees, as a body, in accordance with Section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the corporation's trustees those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the corporation and the corporation's trustees as a body, for our audit work, for this report, or for the opinions we have formed.

### **Respective responsibilities of directors and auditors**

The responsibilities of the directors, who also act as trustees for the charitable activities of The Services Sound and Vision Corporation, for preparing the report of the Board of Management and the financial statements in accordance with United Kingdom law and accounting standards are set out in the statement of directors' responsibilities.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and United Kingdom auditing standards.

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985, the Charities Act 1993 and regulations thereunder. We also report to you if, in our opinion, the report of the Board of Management is not consistent with the financial statements, if the corporation has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and transactions with the corporation is not disclosed.

We read other information contained in the report of the Board of Management, and consider whether it is consistent with the audited financial statements. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. Our responsibilities do not extend to any other information.

### **Basis of opinion**

We conducted our audit in accordance with United Kingdom 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.

**REPORT OF THE INDEPENDENT AUDITORS TO THE TRUSTEES OF  
THE SERVICES SOUND AND VISION CORPORATION**

**Opinion**

In our opinion the financial statements give a true and fair view of the state of affairs of the charitable corporation as at 31 March 2003 and of its incoming resources and application of resources, including its income and expenditure for the year then ended, and have been properly prepared in accordance with the Companies Act 1985.

*Grant Thornton*

**GRANT THORNTON  
REGISTERED AUDITORS  
CHARTERED ACCOUNTANTS  
LONDON THAMES VALLEY OFFICE  
SLOUGH**

*13 October 2003*

# THE SERVICES SOUND AND VISION CORPORATION

## STATEMENT OF FINANCIAL ACTIVITIES

FOR THE YEAR ENDED 31 MARCH 2003

	Note	2003 £'000	2002 £'000
<b>Incoming resources</b>			
Income from charitable trading activities	1	30,744	26,839
Investment income	4	217	334
Profit on disposal of fixed assets		-	2
<b>Total incoming resources available for charitable application</b>		<b>30,961</b>	<b>27,175</b>
<b>Charitable expenditure</b>			
Grants payable in furtherance of the objects of the charity		(275)	(706)
Cost of charitable trading activities in furtherance of the objects of the charity		(26,025)	(22,885)
Management and administration costs		(1,958)	(1,654)
<b>Total charitable expenditure and resources expended</b>	2	<b>(28,258)</b>	<b>(25,245)</b>
<b>Net incoming resources</b>	2	<b>2,703</b>	<b>1,930</b>
<b>Gains and losses on revaluation of investment assets</b>			
(Decrease)/increase in unrealised gains		(2,404)	9
<b>Net movement in funds</b>		<b>299</b>	<b>1,939</b>
Fund balances brought forward at 1 April 2002	11	12,556	10,617
<b>Fund balances carried forward at 31 March 2003</b>		<b>12,855</b>	<b>12,556</b>

All funds are unrestricted.

There were no other recognised gains or losses in the year.

# THE SERVICES SOUND AND VISION CORPORATION

## SUMMARY INCOME AND EXPENDITURE ACCOUNT

FOR THE YEAR ENDED 31 MARCH 2003

	Note	2003 £'000	2002 £'000
Turnover	1	30,744	26,839
Gross income		30,744	26,839
Operating expenses and other operating charges		(28,225)	(25,207)
<b>Operating income</b>		<b>2,519</b>	<b>1,632</b>
Investment income	4	217	334
Interest payable	5	(33)	(36)
<b>Income for the year transferred to reserves</b>	11	<b>2,703</b>	<b>1,930</b>

All funds are unrestricted.

There were no other recognised gains or losses in the current year.

The summary income and expenditure account is derived from the statement of financial activities on page 8, which together with the notes on pages 14 to 24, provides full information on the movements during the year on all of the funds of the charity.

# THE SERVICES SOUND AND VISION CORPORATION

## BALANCE SHEET AT 31 MARCH 2003

	Note	2003 £'000	2002 £'000
<b>Fixed assets</b>			
Tangible assets	6	898	923
Investments	7	8,141	10,402
		<u>9,039</u>	<u>11,325</u>
<b>Current assets</b>			
Stock and work in progress	8	965	671
Debtors	9	3,876	3,459
Investments – bank deposits		1,317	1,017
Cash at bank and in hand		<u>600</u>	<u>526</u>
		<u>6,758</u>	<u>5,673</u>
<b>Creditors: amounts falling due within one year</b>	10	<u>(2,942)</u>	<u>(4,442)</u>
<b>Net current assets</b>		<u>3,816</u>	<u>1,231</u>
<b>Total assets less current liabilities</b>		<u>12,855</u>	<u>12,556</u>
<b>Funds</b>			
Income and expenditure account:			
Other charitable funds	11	<u>12,855</u>	<u>12,556</u>
<b>Total reserves</b>		<u>12,855</u>	<u>12,556</u>

All funds are unrestricted.

The financial statements were approved by the Board on

9<sup>th</sup> October 2003

Director



# THE SERVICES SOUND AND VISION CORPORATION

## CASH FLOW STATEMENT

FOR THE YEAR ENDED 31 MARCH 2003

	Note	£'000	2003 £'000	2002 £'000
<b>Net cash inflow from operating activities</b>	18		1,128	4,182
<b>Returns on investments and servicing</b>				
Interest received		91		235
Interest paid		(33)		(36)
Dividends received		126		99
<b>Net cash inflow from returns on investments and servicing of finance</b>			184	298
<b>Capital expenditure</b>				
Purchase of fixed assets		(323)		(401)
Purchase of investments		(145)		(7,157)
Loans repaid by third parties		2		3
Sale of fixed assets		-		2
Sale of investments		-		2,598
<b>Net cash outflow from capital expenditure</b>			(466)	(4,955)
<b>Other activities</b>				
Payment of operational welfare grants		(472)		(509)
<b>Net cash outflow from other activities</b>			(472)	(509)
<b>Management of liquid resources</b>				
Purchase of short term deposits		(300)		-
Cash withdrawn from deposits		-		1,257
<b>Net cash (outflow)/inflow from management of liquid resources</b>			(300)	1,257
<b>Increase in cash</b>	20		74	273

# THE SERVICES SOUND AND VISION CORPORATION

## PRINCIPAL ACCOUNTING POLICIES

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The financial statements have been prepared in accordance with applicable accounting standards under the historical cost convention, except that certain investments are revalued to market value annually.

In preparing the financial statements the charity follows best practice as set out in the Statement of Recommended Practice "Accounting and Reporting by Charities" issued in October 2000.

The corporation is exempt from preparing consolidated financial statements on the grounds that its only subsidiary is dormant (see note 13). These financial statements therefore present information about the corporation as an individual undertaking and not about its group.

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

### **Incoming resources and revenue recognition**

#### *Activities in furtherance of the charity's objects*

Activities in furtherance of the charity's objects represent the total amount receivable by the corporation, excluding VAT, in the ordinary course of business for goods supplied and for services provided in broadcasting, electrical retailing, film library facilities, live entertainment and related services.

Revenue is recognised evenly over the life of the contract.

#### *Investment income*

Investment income comprises dividends declared during the accounting period and interest receivable on short-term deposits.

### **Resources expended**

Resources expended are included in the Statement of Financial Activities on an accruals basis, inclusive of any VAT which cannot be recovered.

### **Depreciation**

Individual fixed assets costing greater than £500 are capitalised at cost.

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

Freehold premises	- 10 years
Leasehold premises	- Length of lease
Equipment	- Between 3 and 10 years

### **Stock**

Stock and work in progress is 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 weighted average basis. Net realisable value means estimated selling price (less trade discounts) less all costs to be incurred in marketing, selling and distribution.



# THE SERVICES SOUND AND VISION CORPORATION

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2003

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### Investments

Investments are included at market values provided by the fund managers at the balance sheet date. All gains and losses, whether realised or unrealised, are included in the Statement of Financial Activities.

### Foreign currencies

Fixed assets and stock belonging to overseas branches have been expressed in sterling at the rate of exchange ruling at the balance sheet date under the closing rate method. Other current assets and liabilities in foreign currencies are also 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 exchange gains on unsettled long term monetary items as part of the surplus or deficit for the year.

### Contributions to pension funds

The corporation operates a final salary pension scheme under which contributions by employees and the corporation are administered in a trust fund independent from the corporation's assets. Two employees and three pensioners are Trustees of the fund. The pension costs charged against profits are based on actuarial methods and assumptions designed to spread the anticipated pension costs over the service lives of the employees in the scheme, so as to ensure that regular pension costs represent a substantially level percentage of the current and expected future pensionable payroll. Variations from regular costs are spread over the average remaining lives of current employees in the scheme.

For the purpose of applying the transitional disclosure requirements of Financial Reporting Standard 17 Retirement Benefits, scheme assets are measured at fair values. Scheme liabilities are measured on an actuarial basis using the projected unit method and are discounted at high quality corporate bond rates. Full actuarial valuations are made regularly at three year intervals and contribution levels are reviewed.

### Leasing commitments

Rentals paid under operating leases are charged to income on a straight line basis over the lease term.

### Taxation

As a registered charity, income and capital gains of the corporation are generally exempt from tax if applied for charitable purposes.

# THE SERVICES SOUND AND VISION CORPORATION

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2003

### 1 TURNOVER AND INCOME FOR THE YEAR

The turnover and income for the year was attributable to the corporation's objects as described in the Memorandum of Association.

Incoming resources receivable from charitable trading activities during the year were as follows:

	Deferred income at 1 April 2002 £'000	Invoiced during the year £'000	Deferred income at 31 March 2003 £'000	2003 Total £'000	2002 Total £'000
Income from charitable trading activities	<u>1,723</u>	<u>29,136</u>	<u>(115)</u>	<u>30,744</u>	<u>26,839</u>

The majority of the turnover resulted from activities performed overseas.

The corporation has four main contracts with the Ministry of Defence for the provision of television, radio, live entertainment, mobile cinema and library and film distribution services. These activities account for 80% of the total income for the year.

Services and supplies provided to British Forces on operations or stationed overseas, but not under contract to the Ministry of Defence include electrical retail sales and support in Germany, distribution of film and audio material, together with the operation and management of 24 Forces cinemas located in Germany, Cyprus, Falkland Islands and the UK.

Income from charitable trading activities includes an amount of £1,500 (2002: £3,000) in respect of rental income.

Investment income is included within total incoming resources available for charitable application.

# THE SERVICES SOUND AND VISION CORPORATION

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2003

### 2 ANALYSIS OF TOTAL RESOURCES EXPENDED

	Staff costs £'000	Other £'000	Depreciation £'000	2003 Total £'000	2002 Total £'000
<b>Charitable expenditure:</b>					
Grants payable	-	275	-	275	706
Charitable trading expenses	6,821	18,924	280	26,025	22,885
Management and administration costs	203	1,755	-	1,958	1,654
	<u>7,024</u>	<u>20,954</u>	<u>280</u>	<u>28,258</u>	<u>25,245</u>

Grants payable are analysed further in the Report of the Board of Management.

Net incoming resources is stated after charging:

	2003 £'000	2002 £'000
Auditors' remuneration	29	29
Depreciation of owned fixed assets (excl buildings)	164	166
Depreciation of buildings	116	94
Hire of plant and machinery	82	81
Other operating leases	393	362
Difference on exchange	(77)	(70)
Staff costs (see Note 3)	<u>7,024</u>	<u>5,544</u>

### 3 DIRECTORS AND EMPLOYEES

The average number of employees of the corporation during the year and their aggregate emoluments are shown below:

	2003 £'000	2002 £'000
Wages and salaries	5,463	4,799
Social security costs	414	341
Pension costs	<u>1,147</u>	<u>404</u>
	<u>7,024</u>	<u>5,544</u>

The average number of employees in the corporation during the year was 285 (2002: 277).

# THE SERVICES SOUND AND VISION CORPORATION

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2003

### DIRECTORS AND EMPLOYEES (CONTINUED)

	2003 Number	2002 Number
Activities in furtherance of the charity's objects	260	256
Management and administration	25	21
	<u>285</u>	<u>277</u>

The directors' remuneration, all of which is included above, is composed of:

	2003 £'000	2002 £'000
Managing Director's emoluments	<u>115</u>	<u>118</u>

Benefits are accruing to 1 (2002: 1) director under a defined benefit pension scheme.

Emoluments include salary and benefits provided by the corporation. The remuneration of the Managing Director and the Executive Management is set by the Remuneration Committee of the Board of Management, which consists solely of non-executive directors.

No other trustees or persons with a family or business connection with a trustee, received remuneration in the year, directly or indirectly, from either the charity or companies controlled by the charity. An amount of £3,426 for expenses (2002: £3,034) was reimbursed to 4 Trustees (2003: 3).

The emoluments of higher-paid employees fell within the following ranges:

	2003	2002
£50,001 - £60,000	1	3
£60,001 - £70,000	3	-
£70,001 - £80,000	1	1
£80,001 - £90,000	1	1
£110,001 - £120,000	<u>1</u>	<u>1</u>

Pension benefits are accruing to 5 higher paid employees.

4

### INVESTMENT INCOME

	2003 £'000	2002 £'000
Interest receivable on short term deposits	91	235
Dividends receivable from UK unit trusts	<u>126</u>	<u>99</u>
	<u>217</u>	<u>334</u>

# THE SERVICES SOUND AND VISION CORPORATION

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2003

### 5 INTEREST PAYABLE

	2003 £'000	2002 £'000
Interest on bank overdrafts	<u>33</u>	<u>36</u>

### 6 TANGIBLE FIXED ASSETS

	Land and buildings Freehold £'000	Leasehold Long-term £'000	Leasehold Short-term £'000	Equipment £'000	Total £'000
Cost					
At 1 April 2002	54	431	478	988	1,951
Additions	-	88	97	138	323
Disposals	-	-	-	(179)	(179)
At 31 March 2003	<u>54</u>	<u>519</u>	<u>575</u>	<u>947</u>	<u>2,095</u>
Depreciation					
At 1 April 2002	19	136	308	565	1,028
Provided in the year	6	59	51	164	280
Disposals	-	-	-	(111)	(111)
At 31 March 2003	<u>25</u>	<u>195</u>	<u>359</u>	<u>618</u>	<u>1,197</u>
Net book amount at 31 March 2003	<u>29</u>	<u>324</u>	<u>216</u>	<u>329</u>	<u>898</u>
Net book amount at 31 March 2002	<u>35</u>	<u>295</u>	<u>170</u>	<u>423</u>	<u>923</u>

The corporation's assets are all used for direct charitable purposes only.

Included in the corporation's fixed assets at 31 March 2003 are assets available for rental as follows:

	2003 £'000	2002 £'000
Cost	4	4
Accumulated depreciation	<u>(4)</u>	<u>(4)</u>
Net book amount	<u>-</u>	<u>-</u>

# THE SERVICES SOUND AND VISION CORPORATION

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2003

### 7 INVESTMENTS

	2003 £'000	2002 £'000
Investments (analysis below)	8,135	10,394
Staff loans	6	8
	<u>8,141</u>	<u>10,402</u>

#### Investments

	2003 £'000	2002 £'000
At 1 April 2002	10,394	5,826
Additions	145	7,157
Disposals	-	(2,598)
(Decrease)/increase in market value	<u>(2,404)</u>	<u>9</u>
At 31 March 2003	<u>8,135</u>	<u>10,394</u>

Investments (excluding staff loans) are analysed further as:

UK equities	1,966	2,890
Overseas equities	658	1,011
UK based unitised funds	4,239	5,294
Fixed interest and cash	<u>1,272</u>	<u>1,199</u>
	<u>8,135</u>	<u>10,394</u>

If the investments had not been revalued, they would have been included on the historical cost basis at the following amount:

	2003 £'000	2002 £'000
Cost	<u>10,169</u>	<u>10,258</u>

#### Staff loans

	£'000
At April 2002	8
Repayments	<u>(2)</u>
At 31 March 2003	<u>6</u>

There was 1 (2002: 1) employee with a loan outstanding, which was greater than £2,500.

# THE SERVICES SOUND AND VISION CORPORATION

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2003

### 8 STOCK AND WORK IN PROGRESS

	2003 £'000	2002 £'000
Work in progress	74	49
Stocks for resale	891	622
	<u>965</u>	<u>671</u>

### 9 DEBTORS

	2003 £'000	2002 £'000
Trade debtors after provision	2,955	2,664
Other debtors	34	30
Prepayments	276	281
Social security and other taxes	610	484
Pension debtor	1	-
	<u>3,876</u>	<u>3,459</u>

### 10 CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2003 £'000	2002 £'000
Trade creditors	1,623	1,080
Social security and other taxes	124	140
Other creditors	320	317
Accruals and deferred income	875	2,905
	<u>2,942</u>	<u>4,442</u>

# THE SERVICES SOUND AND VISION CORPORATION

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2003

### 11 RESERVES

	Income and expenditure £'000
At 1 April 2001	10,617
Surplus for year	1,930
Unrealised gain on investments	9
	<hr/>
At 1 April 2002	12,556
Surplus for year	2,703
Unrealised loss on investments	(2,404)
	<hr/>
At 31 March 2003	12,855

### 12 RETIREMENT BENEFITS

The corporation operates a defined benefit pension scheme in the United Kingdom, for the benefit of the employees. The assets of the scheme are administered by trustees in a fund independent from the assets of the corporation and invested directly on the advice of the independent professional investment managers. The assets of the scheme are held in a Managed Fund operated by Britannia Asset Management Limited and a Segregated Fund operated by Dresdner RCM Global Investors.

The treatment of pension costs in these financial statements is in accordance with the provisions of Statement of Standard Accounting Practice 24 'Accounting for pension costs', as supplemented for the transitional arrangements set out in paragraph 94 of Financial Reporting Standard (FRS) 17 'Retirement Benefits'.

The total pension cost to the corporation was £1,147,000 (2002: £404,000) as disclosed in note 3. The pension cost is assessed in accordance with the advice of an independent qualified actuary.

The scheme is divided into two parts; a main scheme and 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 the date of the last full actuarial valuation on 1 April 2002 amounted to £39,470,000.

#### Pensions

During the year ending 31 March 2003 the corporation paid normal contributions to the scheme at the rate of 12.8% of Pensionable Salaries in respect of SSVS Members. The agreed contribution rate in respect of SSVS Members for the future is also 12.8% of Pensionable Salaries.



# THE SERVICES SOUND AND VISION CORPORATION

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2003

### RETIREMENT BENEFITS (CONTINUED)

During the year ending 31 March 2003 the corporation did not pay any normal contributions in respect of ex-MOD BFBS Members. It is not anticipated that contributions will be paid in the future in respect of these members. As this section of the scheme is closed to new entrants, the current service cost for these members will increase as they approach retirement

During the year, the corporation paid special contributions to the scheme of £700,000.

#### FRS 17 'Retirement Benefits'

The last full actuarial valuation was carried out for the trustees of the Pension Fund as at 1 April 2002 and was updated by the actuary due to the disclosure requirements of FRS17 Retirement Benefits, as at 31 March 2003.

The main assumptions used by the actuary for the purpose of the FRS 17 valuation were as follows:

	2003 %	2002 %
Rate of increase in salaries	4.5	5.0
Rate of increase for pension in payment:		
SSVC members	3.0	3.0
Ex-MOD BFBS members	2.5	3.0
Discount rate	5.5	6.0
Inflation	2.5	3.0

The fair value of the assets in the scheme and the expected long-term rate of return assumed are as follows:

	Rate of return %	Value as at 31 March 2003 £'000	Rate of return %	Value as at 31 March 2002 £'000
Equity and property	7.00	23,214	7.50	30,525
Bonds	4.75	4,996	5.50	6,974
Cash	3.75	2,632	4.00	1,971
Total market value of assets		30,842		39,470
Actuarial value of scheme liabilities		(40,561)		(37,279)
Net pension (liability)/asset		(9,719)		2,191

In addition to the above, the Scheme holds assets which have been earmarked for the provision of additional benefits on a money purchase basis as a result of members' Additional Voluntary Contributions.

If FRS 17 'Retirement Benefits' had been fully adopted, the following disclosures show what would have been charged to the operating result in the year:

	2003 £'000
Current service cost	538
Past service cost	74
Total operating charge	612

# THE SERVICES SOUND AND VISION CORPORATION

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2003

### RETIREMENT BENEFITS (CONTINUED)

Other finance income would have comprised:

	2003 £'000
Expected return on pension scheme assets	2,739
Interest on pension scheme liabilities	<u>(2,216)</u>
Net return	<u>523</u>

The amount that would have been included in the statement of total recognised gains and losses (STRGL) is:

	2003 £'000
Actual return less expected return on pension scheme assets	(10,691)
Experience gains and losses arising on pension scheme liabilities	(771)
Change in assumptions underlying the present value of scheme liabilities	<u>(1,511)</u>
Actuarial loss that would have been recognised in STRGL	<u>(12,973)</u>

The movement in the gross surplus/(deficit) in the year would have been:

	2003 £'000
Gross surplus in scheme at beginning of year	2,191
Current service cost	(538)
Contributions	1,152
Past service costs	(74)
Other finance income	523
Actuarial loss	<u>(12,973)</u>
Gross deficit in scheme at end of year	<u>(9,719)</u>

The history of experience gains and losses would have been:

	Percentage of scheme/ assets (liabilities)	2003 £'000
Difference between expected and actual return on scheme assets	34.7%	(10,691)
Experience gains and losses on scheme liabilities	1.9%	(771)
Total amount recognised in statement of total recognised gains and losses	<u>32.0%</u>	<u>(12,973)</u>

# THE SERVICES SOUND AND VISION CORPORATION

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2003

### 13 SUBSIDIARY UNDERTAKINGS

2003  
£

Ordinary £1 shares

2

The subsidiaries of the corporation at 31 March 2003 were:

Company Name	Nature of Business
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BFN Forces Network Limited	Dormant
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BFN Forces Network Limited is wholly owned by the corporation.

On 28 June 2002, Ganden Limited, a wholly owned subsidiary of the corporation, was dissolved. On 11 April 2002, In Sight Communications Limited, a wholly owned subsidiary of Ganden Limited, was dissolved.

### 14 CONTINGENT LIABILITIES

There were no contingent liabilities as at 31 March 2003 and at 31 March 2002.

### 15 LEASING COMMITMENTS

Annual leasing commitments are as follows:

	Land and Buildings		2003 £'000	Other 2002 £'000
	2003 £'000	2002 £'000		
Operating Leases which expire:				
- within one year	33	33	3	-
- between two and five years	34	34	45	75
- greater than five years	154	140	-	-
	<u>221</u>	<u>207</u>	<u>48</u>	<u>75</u>

### 16 COMMITMENTS

There were no capital commitments as at 31 March 2003. At 31 March 2002, the corporation was committed to paying £50,000 to allow it to enter into a lease for the use of additional accommodation at Chalfont Grove.

### 17 RELATED PARTY TRANSACTIONS

During the year, a donation of £10,000 was made to the British Forces Foundation of which David Crwys-Williams, a trustee of this corporation, is also a trustee.

# THE SERVICES SOUND AND VISION CORPORATION

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2003

### 18 RECONCILIATION OF OPERATING INCOME TO NET CASH INFLOW FROM OPERATING ACTIVITIES

	2003 £'000	2002 £'000
Operating income	2,794	2,142
Depreciation (excluding buildings)	164	166
Depreciation on freehold buildings	116	94
Loss/(profit) on sale of fixed assets	68	(2)
(Increase)/decrease in stocks	(294)	43
Increase in debtors	(417)	(195)
(Decrease)/increase in creditors	(1,303)	1,934
Net cash inflow from operating activities	1,128	4,182

### 19 ANALYSIS OF CHANGE IN NET FUNDS

	At 1 April 2002 £'000	Cash flow £'000	At 31 March 2003 £'000
Cash at bank and in hand	526	74	600
Short term deposits	1,017	300	1,317
	1,543	374	1,917

### 20 RECONCILIATION OF NET CASH FLOW TO MOVEMENTS IN NET FUNDS

	2003 £'000	2002 £'000
Increase in cash	74	273
Outflow/(inflow) from liquid reserves	300	(1,257)
Movement in net funds in the year	374	(984)
Net funds at 1 April 2002	1,543	2,527
Net funds at 31 March 2003	1,917	1,543

## **BOARD OF MANAGEMENT**

David E Hatch CBE MA DipEd FRSA CIMgt JP  
CHAIRMAN

Air Vice-Marshal David O Crwys-Williams CB FIPD FIMgt  
MANAGING DIRECTOR

Brian Tesler CBE MA

Michael Andrae Hon.FCIM

Howard Perlin FCA

Captain Graham Robinson RN

Lieutenant General Sir Roderick Cordy-Simpson KBE CB

Air Vice-Marshal Nigel Baldwin CB CBE

## **SECRETARY**

Ron Hill FCA

## **LIFE VICE-PRESIDENT**

General Sir Geoffrey Howlett KBE MC

## **EXECUTIVE MANAGEMENT**

MANAGING DIRECTOR  
Air Vice-Marshal David O Crwys-Williams CB

DIRECTOR OF FINANCE  
Ron Hill FCA

CONTROLLER BFBS RADIO  
Charles Foster

CONTROLLER BFBS TELEVISION  
Helen Williams

DIRECTOR OF ENTERTAINMENT  
Renate Foster

DIRECTOR OF RETAIL OPERATIONS  
Malcolm Tricker

DIRECTOR OF TECHNOLOGY  
David Manning

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