Satellite Information Services (Holdings) Limited

Annual Report and Financial Statements

31 March 2014

Registered No. 01939932

Directors

R W Devlin	(Chairman)
G J Smith	
F Done	
C D Evans	
S Flanagan	(appointed 17 September 2013)
M S D Masters	(resigned 20 September 2013)
C H B Mills	
T Murphy	(appointed 17th September 2013)
M J J Scanlon	
M Stewart	

Alternate directors

D E Johnson	(appointed 21 October 2013)	Alternate for S Flanagan
M A Lawson		Alternate for C H B Mills
A R Lyman	(appointed 18 March 2014)	Alternate for T Murphy
T Murphy	(resigned 15 May 2013)	
N J Rust		Alternate for C D Evans
A D Steele	(appointed 17 September 2013, resigned 18 March 2014)	

Secretary
SIS Cosec Limited

Auditors
Ernst & Young LLP
1 More London Place
London SE1 2AF

Registered Office
Unit 1/2 Whitehall Avenue
Kingston
Milton Keynes
Buckinghamshire MK10 0AX

Strategic report

As required by the amendments to the Companies Act 2006, effective 31 March 2014, the directors of Satellite Information Services (Holdings) Limited present their Annual Report and Financial Statements comprising a Strategic Report, a Directors' Report and the Financial Statements for the year ended 31 March 2014.

Principal activities and review of the business

The Group's principal activities are:

- the provision of satellite news-gathering and associated transmission services and outside broadcast television production units, including sound, support and communication (SIS LIVE); and

- integrated television and information services delivered via satellite to licensed betting offices and the production of television and data services for other broadcasters and betting organisations (SIS Betting).

During 2013 the BBC announced a retender of its Outside Broadcast activities. On 9 September 2013 the Group announced that it had not been successful in winning any of the BBC Sport work and a strategic review of the size and scope of the business was undertaken. On 21 October 2013 the Group announced that following the strategic review, the business would be wound-down and the group would withdraw from this sector. The business continued to operate in its current state until March 2014 to meet contractual obligations to the BBC and others. The group also reviewed the requirements for the provision of internal contracts for the SIS group and has decided to continue this aspect of the business.

The Group has incurred significant costs in 2014 totalling £10.5m which includes redundancy payments to staff, losses on disposals of fixed assets, lease termination payments and professional advisors fees. The Group has reviewed the carrying value of any assets remaining on the balance sheet at 31st March 2014 and an exceptional impairment charge of £3.2m has been made to write down the value of goodwill and certain tangible fixed assets. The Group may incur further exceptional costs in FY2014-15 in respect of further redundancy payments, professional advisors fees and pension liabilities.

The Group continues to deal with tax and legal issues that arose from the 2010 Commonwealth Games (CWG) in Delhi, India. Following the award of the CWG contract in October 2009, a partnership in the name of SIS LIVE was set up on 7th January 2010 by Satellite Information Services Limited and SIS Outside Broadcasts Limited to deliver the host broadcast production and facilities contract for the 2010 CWG. SIS LIVE provided full host broadcast television production facilities for the CWG in India during October 2010. Whilst TV coverage was concluded successfully (and generated plaudits from the international television community), due to the continuing scrutiny of the entire CWG project initiated by the Indian Government immediately after the closure of the Games, approximately 40% of the contract has still not been paid. SIS LIVE has withheld payment of a corresponding proportion from its principal Indian subcontractor. Arbitration proceedings have started to recover the outstanding payment from the Indian broadcaster. A provision of £5.9m was charged to the profit and loss account in the year ended 31 March 2011 and it remains appropriate to maintain the provision at that level to cover any exposure against these outstanding transactions.

SIS LIVE received a draft assessment in March 2014 from the Indian tax authorities in relation to financial year ended 31 March 2011. The partnership strongly rejects the draft assessment, which includes factual inaccuracies and incorrect application of tax law and on the advice of its lawyers and tax advisors has commenced appeal proceedings through the Dispute Resolution Panel (DRP) of the Indian Tax Authority. This process is expected to be completed by January 2015 at which time the partnership may be issued with a final tax assessment and potential interest and penalty charges. Depending on the outcome of the DRP process, the group will then consider whether it wishes to continue with the appeal process through the Indian judiciary system. The group has considered the tax exposure in India and has charged £1.2m to the profit and loss account relating to the write off of withholding tax debtor and potential transfer pricing adjustments. Whilst appeal proceedings in India continue it is not possible to quantify the potential tax liability that may arise in January 2015 or the subsequent recoverability of that amount through the courts and therefore no further provision has been made in the accounts.

Strategic report

Business environment

The Group is one of the most experienced television, production and data providers to the betting industry. In addition, the Group has over 120 uplinks covering the spectrum of state-of-the-art uplink trucks, its proprietary automated uPOD technology and its rapidly deployed, dismountable Drive Fly kits and fibre connectivity. Management believe that it is now the largest provider of transportable satellite uplink services in the world, transmitting tens of thousands of hours of live coverage every year to broadcasting customers worldwide.

The Group intends to stay ahead of the competition by offering vision and data services that are of the highest quality and are competitively priced.

In all its areas of activity the Group believes it differentiates itself from the competition by adopting best in class technologies which have been tried and tested. This is further enhanced by ensuring that the management team is made up of highly experienced, leading industry experts.

Strategy

The Group's overriding objective is to achieve sustainable levels of growth and returns through a combination of organic growth and, where appropriate, acquisitions.

The key elements to the Group's strategy are:

- Content
- Delivery of service
- Needs of the customer
- Training and development

Content

The Group ensures that, wherever possible, long-term contracts are in place for the content and data licences to provide its principal services. Contracts are negotiated to ensure rates remain competitive to deliver value to the customer base.

Delivery of service

Every year, the Group produces and broadcasts thousands of hours of live programming from around the world using advanced satellite technology. This information is collated, managed and distributed in real time all year round. The Group broadcasts and transmits uninterrupted programmes, using technically advanced studios and editing suites that ensure the integrity of the output, and that it is produced and presented to the highest quality.

The Group has increased its range of service offering through the upgraded outside broadcasts fleet of television production units, plus sound, support and communications vehicles.

Needs of the customer

The Group has established relationships with its customers' long-term needs in mind. It strives to provide high quality products and services that are competitively priced and present business value to the customer.

Training and development

The Group's most significant asset is its employees. It consistently aims to recruit and retain the best employees to meet the changing needs of the business.

Strategic report

Key Performance Indicators ('KPIs')

The Group has made progress on its strategies during the year. The monitoring process is through KPIs, which are shown below:

	2014	*2013*	*Definition, calculation and analysis*
(Decline)/Increase in Turnover	(2.7)%	8.8%	Year on year sales growth expressed as a percentage. The decrease in turnover in 2014 relates in part to the major events delivered in the summer of 2012 by SIS Live such as the Olympics, the Queens Jubilee and the European Football Championship.
Group operating profit margin	10.4%	12.7%	Group operating profit margin is the ratio of group operating profit (total operating profit before exceptional items and share of associate and joint venture) to sales, expressed as a percentage. The Group operating profit margin decrease against the prior year is predominantly due to the major events during the 2012 Summer months.
Net cash inflow from operating activities	£50.2m	£52.5m	Net cash inflow is calculated by reconciling operating profit to cash generated from the Group's activities.
Average number of employees	821	813	The average number of employees in employment with the Group.

Principal risks and uncertainties

As part of its corporate governance arrangements, the Group's risks are formally reviewed by the Board of Directors twice a year, and appropriate processes are put in place to monitor and mitigate them.

The key business risks affecting the Group are set out below:

Exposure to credit, counterparty, liquidity and cash flow risk

Credit risk is the risk that one party to a financial instrument will cause a financial loss for that other party by failing to discharge an obligation. Group policies are aimed at minimising such losses. Details of the Group's debtors are shown in note 15 to the financial statements. Details of the Group's intangible rights creditors are shown in notes 16 and 17 to the financial statements. Counterparty risk with respect to rights is monitored by the Board regularly.

Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities. The Group aims to mitigate liquidity risk by managing cash generation from its operations and applying cash collection targets throughout the Group. The Group also manages liquidity risk via revolving credit facilities and long-term debt. Subsequent to the year end the Group extended its revolving credit facilities for a further 12 months.

Cash flow risk is the risk of exposure to variability in cash flows that is attributable to a particular risk associated with a recognised asset or liability such as future interest payments on a finance lease. The group manages this risk through monthly reporting and analysis of commitments and cash flow projections.

Foreign currency exchange risk

The Group is exposed to foreign exchange risks primarily arising from commercial transactions denominated in foreign currencies. The Group uses annual foreign currency forward contracts to reduce exposure to the variability of foreign exchange rates for EUR and USD. During the year the Group had in place medium term foreign currency forward contracts to purchase Euros on a monthly basis in order hedge the contracted commitments with media rights holders. The Group also entered into US dollar contracts for the remainder of 2014 totalling $3.5m and Euro contracts totalling €5.5m

Strategic report

Principal risks and uncertainties (continued)

Interest rate risk

The Group's exposure to the risk of changes in market interest rates relates primarily to the Group's long-term loan with floating interest rate. To manage this, the Group entered into an interest rate swap to fix interest payments to cover a proportion of outstanding debt.

Competition

The Group operates in a number of competitive markets. This can result in a downward pressure on prices and loss of customers. The Group aims to mitigate this risk by continually expanding the range of products and services, monitoring the competition and its pricing strategy and continually investing in technology to ensure that the quality of service delivery remains unrivalled.

Data and transmission services

The Group's customers rely on real time data and uninterrupted content delivery. Loss of content would result in reduced quality in its services and potentially reduce income. Therefore, the Group has developed advanced disaster recovery solutions and has built back-up facilities which are located around the country.

Employees

The Group recognises that its employees are a key asset within the business. Losing key employees and being unable to recruit replacements with the right experience and skills could adversely impact the Group's performance. To manage this, the Group has training programmes to develop employees and has implemented several reward schemes that are linked to the Group's results and designed to retain key individuals.

Approved by the Board and signed on its behalf by:

Gary P Smith

G J Smith

Director
Date: 24/7/2014

Registered No. 01939932

Directors' report

The directors present their report of Satellite Information Services (Holdings) Limited ("the Group") for the year ended 31 March 2014.

Results and dividends

The Group profit for the year after taxation amounted to £6,945,000 (2013 – profit of £20,447,000). No dividends were declared during the year in respect of ordinary shares (2013 – £15,000,000).

Going concern

The Company and Group's business activities together with the factors affecting its future performance are described in the review of business in the Strategic Report. After making appropriate enquiries, the Directors believe that the Company and Group have sufficient resources and support to continue as a going concern for the next twelve months and into the future. Accordingly the Company and Group continue to adopt the going concern basis in preparing the report and financial statements.

Directors

The directors who served the company during the year were as follows:

R W Devlin	(Chairman)
G J Smith	
F Done	
C D Evans	
S Flanagan	(appointed 17 September 2013)
M S D Masters	(resigned 20 September 2013)
C H B Mills	
T Murphy	(appointed 17 September 2013)
M J J Scanlon	
M Stewart	

Alternate directors

D E Johnson	(appointed 21 October 2013)	Alternate for S Flanagan
M A Lawson		Alternate for C H B Mills
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T Murphy	(resigned 15 May 2013)	
N J Rust		Alternate for C D Evans
A D Steele	(appointed 17 September 2013, resigned 18 March 2014)	

Transactions with directors are disclosed in note 27 to the financial statements.

Political and charitable contributions

Charitable donations totalling £29,950 (2013 – £31,812) were paid during the year. No political donations were made in the current or prior year.

Disabled employees

The Group's policy is that applications for employment by disabled persons are always fully considered, bearing in mind the respective aptitudes and abilities of the applicant concerned. Furthermore, in the event of members of staff becoming disabled every effort would be made to ensure that their employment with the Group continued and appropriate training arranged. It is the policy of the Group that the training, career development and promotion of a disabled person should be, as far as possible, identical to that of a person who does not suffer from a disability.

Directors' report

Employee involvement

Consultation with employees or their representatives has continued at all levels, with the aim of ensuring that their views are taken into account in decisions which are likely to affect their interests, and that all employees are aware of the financial and economic performance of their business units, and of the Group as a whole.

Disclosure of information to the auditors

So far as each person who was a director at the date of approving this report is aware, there is no relevant audit information, being information needed by the auditor in connection with preparing its report, of which the auditor is unaware. Having made enquiries of fellow directors and the group's auditor, each director has taken all the steps that he is obliged to take as a director in order to make himself aware of any relevant audit information and to establish that the auditor is aware of that information.

Auditors

The auditors, Ernst & Young LLP were appointed during the year ended 31 March 2008. In accordance with section 478(2) of the Companies Act 2006, Ernst & Young LLP are deemed to have been reappointed as auditors of the Company.

On behalf of the Board

Gary P Smith

G J Smith
Director
Date: 24/7/2014

Directors' Responsibilities Statement

The directors are responsible for preparing the annual report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the group and company and of the profit or loss of the group for that period. In preparing these financial statements, the directors are required to:

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

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the group and company's transactions and disclose with reasonable accuracy at any time the financial position of the group and company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the group and company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Independent auditors' report

to the members of Satellite Information Services (Holdings) Limited

We have audited the financial statements of Satellite Information Services (Holdings) Limited for the year ended 31 March 2014 which comprise the Group Profit and Loss Account, the Group Statement of Total Recognised Gains and Losses, the Group and Company Balance Sheets, the Group Statement of Cash Flows and the related notes 1 to 27. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members 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 company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditor

As explained more fully in the Directors' Responsibilities Statement set out on page 8, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Group's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the Annual Report and Financial Statements to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on the financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the Group's and parent undertaking's affairs as at 31 March 2014 and of the Group's profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Strategic Report and the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Independent auditors' report

to the members of Satellite Information Services (Holdings) Limited

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept by the parent undertaking, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent undertaking financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

JMCarlyle

Julie Carlyle (Senior Statutory Auditor)
For and on behalf of Ernst & Young LLP (Statutory Auditor)
London

28 July 2014

Group profit and loss account

for the year ended 31 March 2014

	Notes	2014 £000	2013 £000
Turnover			
Group and share of joint venture's turnover	2	264,795	270,234
Less: share of joint venture's turnover		(11,031)	(9,476)
Group turnover		253,764	260,758
Operating expenses		(229,959)	(231,368)
Operating profit before exceptional items		26,511	33,144
Exceptional items	4	(2,706)	(3,754)
Group operating profit	3	23,805	29,390
Share of operating profit/(loss) of:			
- joint venture		475	251
- associate		(40)	-
Total operating profit: group and share of joint venture and associates		24,240	29,641
Non-operating exceptional items:			
Losses on the managed wind down of business	4	(10,495)	-
Profit on disposal of tangible fixed assets		796	424
Net interest payable	8	(2,192)	(2,345)
Profit on ordinary activities before taxation		12,349	27,720
Tax on profit on ordinary activities	9	(5,404)	(7,273)
Profit on ordinary activities after taxation		6,945	20,447

All amounts relate to continuing activities.

Group statement of total recognised gains and losses

for the year ended 31 March 2014

	Notes	2014 £000	2013 £000
Retained profit for the year			
Group		6,620	20,095
Joint venture	13	365	352
Associate	13	(40)	-
Profit for the year attributable to members of the parent undertaking		6,945	20,447
Actuarial (loss)/gain on pension scheme	25	(436)	58
Deferred tax credit/(charge) on pension scheme		100	(15)
Total gains recognised for the year	21	6,609	20,490

Group balance sheet

at 31 March 2014

	Notes	2014 £000	2013 £000
Fixed assets			
Intangible assets	11	62,442	72,754
Tangible assets	12	40,659	56,265
Investment in joint venture:			
– Share of gross assets		6,155	5,059
– Share of gross liabilities		(4,607)	(3,876)
	13	1,548	1,183
Investment in associate	13	2,460	–
		107,109	130,202
Current assets			
Stock	14	2,696	3,246
Debtors	15	44,585	42,180
Cash at bank and in hand	23(b)	24,390	13,226
		71,671	58,652
Creditors: amounts falling due within one year	16	(91,831)	(77,378)
Net current liabilities		(20,160)	(18,726)
Total assets less current liabilities		86,949	111,476
Creditors: amounts falling due after more than one year	17	(10,949)	(47,545)
Provisions for liabilities	19	(8,018)	(2,953)
Net assets excluding pension liabilites		67,982	60,978
Defined benefit pension liability	25	(395)	–
Net assets		67,587	60,978
Capital and reserves			
Called up share capital	20	20	20
Share premium account	21	9,836	9,836
Capital redemption reserve	21	2	2
Profit and loss account	21	57,729	51,120
Shareholders' funds	22	67,587	60,978

The financial statements were approved by the board of directors on 24th July 2014 and signed on its behalf by:

Gary G Smith

G J Smith

Director

Company registration number: 01939932

Company balance sheet

at 31 March 2014

	Notes	2014 £000	2013 £000
Fixed assets			
Investments	13	39	39
		39	39
Current assets			
Debtors	15	39,093	44,988
Cash at bank and in hand		1	–
		39,094	44,988
Creditors: amounts falling due within one year	16	(27,621)	(5,033)
Net current assets		11,473	39,955
Total assets less current liabilities		11,512	39,994
Creditors: amounts falling due after more than one year	17	-	(27,200)
Net assets		11,512	12,794
Capital and reserves			
Called up share capital	20	20	20
Share premium account	21	9,836	9,836
Capital redemption reserve	21	2	2
Profit and loss account	21	1,654	2,936
Shareholders' funds	22	11,512	12,794

The financial statements were approved by the board of directors on 24th July 2014 and signed on its behalf by:

Gary P Smith

G J Smith

Director

Company registration number: 01939932

Group statement of cash flows

for the year ended 31 March 2014

	Note	2014 £000	2013 £000
Net cash inflow from operating activities	23(a)	50,198	52,544
Returns on investments and servicing of finance			
Interest received		238	72
Interest paid		(2,282)	(2,581)
Net cash outflow from returns on investments and servicing of finance		(2,044)	(2,509)
Taxation		(5,429)	(6,818)
Capital expenditure and financial investment			
Purchase of tangible fixed assets		(5,870)	(15,703)
Proceeds from sale of tangible fixed assets		3,045	512
Payments to acquire intangible fixed assets		(11,755)	(15,268)
Investment in associate		(2,500)	–
Net cash outflow from capital expenditure and financial investment		(17,080)	(30,459)
Equity dividends paid to shareholders		(1,351)	(13,649)
Net cash inflow/(outflow) before financing		24,294	(891)
Financing			
Net cash (outflow)/inflow on capital element of finance leases		(9,530)	9,507
Repayment of long-term loans		(3,600)	(3,600)
Increase in cash		11,164	5,016

Reconciliation of net cash flow to movement in net debt

	Note	2014 £000	2013 £000
Increase in cash		11,164	5,016
Net cash decrease in bank loans		3,600	3,600
Net cash repayment/(proceeds) of capital element of finance leases		9,530	(9,507)
Movement in net debt		24,294	(891)
At 1 April		(44,599)	(43,708)
At 31 March	23(b)	(20,305)	(44,599)

Notes to the financial statements

at 31 March 2014

1. Accounting policies

Basis of preparation

The financial statements are prepared under the historical cost convention and in accordance with applicable accounting standards.

Group financial statements

The Group financial statements are the result of the consolidation of the financial statements of the Company and its subsidiaries up to the 31 March each year. No profit and loss account of the Company has been presented in accordance with the exemption allowed under section 408 of the Companies Act 2006. The total gains and losses of the Company are shown in note 21 to the financial statements.

Turnover

Turnover, which excludes value added tax, represents the invoiced value of services supplied. Amounts received in advance from customers are deferred, and recognised in the profit and loss only once the service has been provided and, if for a period, over the term of the related contract.

Rendering of services

Turnover is recognised to the extent that the Group obtains the right to consideration in exchange for its performance. Turnover is measured at the fair value of the consideration received, excluding discounts, rebates, VAT and other sales taxes or duty.

Intangible fixed assets

Goodwill

Goodwill arising on acquisitions is capitalised, classified as an asset on the balance sheet and amortised on a straight-line basis over its useful economic life up to a presumed maximum of 20 years. It is reviewed for impairment at the end of the first full financial year following the acquisition and in other periods if events or changes in circumstances indicate that the carrying value may not be recoverable.

Rights

Costs to acquire broadcast rights are capitalised as intangible assets as at the date when the company has a contractual obligation to pay the acquisition cost. Where the payments are for a period over one year, the intangible asset is carried at the present value of the contracted future payments.

When the right to broadcast commences, the intangible asset is amortised over the term of the rights. The carrying value of broadcast rights are reviewed for impairment when events or changes in circumstances indicate the carrying value may not be recoverable.

Classification of shares as debt or equity

When shares are issued, any component that creates a financial liability of the Group is presented as a liability in the balance sheet; measured initially at fair value net of transaction costs and thereafter at amortised cost until extinguished on conversion or redemption. The corresponding dividends relating to the liability component are charged as interest expense in the profit and loss account.

Finance leases

Assets held under finance leases, which are leases where substantially all the risks and rewards of ownership of the asset have passed to the company, and hire purchase contracts are capitalised in the balance sheet and depreciated over the shorter of the lease term and the asset's useful lives. The capital elements of future obligations under leases and hire purchase contracts are included as liabilities in the balance sheet. The interest elements of the rental obligations are charged in the profit and loss account over the periods of the leases and hire purchase contracts and represent a constant proportion of the balance of capital repayments outstanding.

Where the Company operates as the lessor under a finance lease, the value of the leased asset is recorded as a receivable in the balance sheet. When the lease payments are received they are split into capital and interest elements and the capital element reduces this receivable. The interest on each payment is recorded as interest received.

Notes to the financial statements

at 31 March 2014

1. Accounting policies (continued)

Provisions

A provision is recognised when the group has a legal or constructive obligation as a result of a past event and it is probable that an outflow of economic benefits will be required to settle the obligation.

Provisions for the expected costs of maintenance under guarantees are charged against profits when products have been invoiced. The effect of the time value of money is not material and therefore the provisions are not discounted.

Property

The property provision relates to the obligations on surrender of property leases to re-instate the premises to the same state and condition as before occupancy including making good all damage caused by removal and the onerous element of lease commitments for properties that will become vacant prior to the lease end date. The accounting for provisions for liabilities and charges is shown in note 19.

WEEE

The Waste Electrical and Electronic Equipment Directive (WEEE Directive) aims to minimise the impact of electrical and electronic goods on the environment by increasing re-use and recycling and reducing the amount of WEEE going to landfill. It seeks to achieve this by making producers responsible for financing the collection, treatment, and recovery of waste electrical equipment, and by obliging distributors to allow consumers to return their waste equipment free of charge. Therefore the WEEE provision relates to the collection, treatment and recovery of waste electrical equipment that is leased to licensed betting offices in the UK. The accounting for provisions for liabilities is shown in note 19.

Derivative instruments

The Group uses forward foreign currency to reduce exposure to foreign exchange rates. The Group also uses interest rate swaps to adjust interest rate exposures. FRS 26: Financial Instruments: Measurement has not been applied.

Tangible fixed assets

Tangible fixed assets are stated at their purchase price, together with any expenses of acquisition and installation. Tangible fixed assets are written off in equal instalments over the following estimated useful asset lives:

Installed equipment	–	3 - 8 years
Studio equipment	–	5 years
Transport equipment	–	4 - 10 years
Fixtures, fittings and other equipment	–	3 - 7 years
Leasehold improvements	–	4 years or over the life of the lease

The carrying values of tangible fixed assets are reviewed for impairment when events or changes in circumstances indicate the carrying value may not be recoverable.

Assets that are in the process of being built for use are categorised as Assets Under Construction (AUCs). Once completed these assets are transferred to depreciating tangible fixed assets.

Investments

Investments are accounted for at the lower of cost or net realisable value, with the exception of investments in joint ventures and associates which are accounted for using the equity method of accounting.

Stocks

All stock receipted into the warehouses is accounted for as stock until transferred to an uplink vehicle or licensed betting office (LBO). At this point the stock is transferred to fixed assets. Stock is valued at the lower of cost and net realisable value.

Net realisable value is based on estimated selling price less any further costs expected to be incurred to completion and disposal.

Notes to the financial statements

at 31 March 2014

1. Accounting policies (continued)

Deferred taxation

Deferred taxation is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events have occurred at that date that will result in an obligation to pay more, or right to pay less or to receive more, tax, with the following exceptions:

- Provision is made for tax on gains arising from the revaluation (and similar fair value adjustments) of fixed assets, or gains on disposal of fixed assets that have been rolled over into replacement assets, only to the extent that, at the balance sheet date, there is a binding agreement to dispose of the assets concerned. However, no provision is made where, on the basis of all available evidence at the balance sheet date, it is more likely than not that the taxable gain will be rolled over into replacement assets and charged to tax only where the replacement assets are sold.
- Provision is made for deferred taxation that would arise on remittance of the retained earnings of subsidiaries, associates and joint ventures only to the extent that, at the balance sheet date, dividends have been accrued as receivable.
- Deferred tax assets are recognised only to the extent that the directors consider that it is more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted.

Deferred tax is measured on an undiscounted basis at the tax rates that are expected to apply in the periods in which timing differences reverse, based on tax rates and laws enacted or substantively enacted at the balance sheet date.

Foreign currencies

Monetary assets and liabilities denominated in foreign currencies are translated into sterling at exchange rates ruling at the end of the financial year. Transactions denominated in foreign currencies are translated into sterling at the exchange rate ruling on the date the transaction takes place unless related or matching forward foreign exchange contracts have been entered into when the rate specified in that contract is used. Any resultant foreign exchange differences are taken to the profit and loss account in the period in which they arise.

Profits and losses and assets and liabilities of subsidiaries which have currencies of operation other than sterling are translated into sterling based on the temporal method as prescribed in SSAP 20: Foreign currency translation. Exchange differences arising from retranslation of the opening net assets of subsidiaries, which have currencies of operation other than sterling, are taken to reserves.

Operating leases

Rentals payable under operating leases are charged to the profit and loss account on a straight-line basis over the lease term, other than onerous leases which are accounted for in accordance with FRS 12 "Provisions, contingent assets and contingent liabilities".

Notes to the financial statements

at 31 March 2014

1. Accounting policies (continued)

Pensions

The group operated a defined benefit pension scheme for SIS Outside Broadcasts Limited, which requires contributions to be made to separately administered funds. The scheme was closed to new members in April 2008, from which time membership of a defined contribution plan has been available. The defined benefit pension scheme was closed from 31 March 2011. In March 2014 a flexible apportionment arrangement was implemented to transfer the liabilities in the scheme from SIS Outside Broadcasts Limited to its present company Satellite Information Services Limited.

The cost of providing benefits under the defined benefit plan is determined using the projected unit method, which attributes entitlement to benefits to the current period (to determine current service cost) and to the current and prior periods (to determine the present value of defined benefit obligations) and is based on actuarial advice. Past service costs are recognised in profit or loss on a straight-line basis over the vesting period or immediately if the benefits have vested. When a settlement or a curtailment occurs the change in the present value of the scheme liabilities and the fair value of the plan assets reflects the gain or loss which is recognised in the profit and loss account. Losses are measured at the date that the employer becomes demonstrably committed to the transaction and gains when all parties whose consent is required are irrevocably committed to the transaction.

The interest element of the defined benefit cost represents the change in present value of scheme obligations resulting from the passage of time, and is determined by applying the discount rate to the opening present value of the benefit obligation, taking into account material changes in the obligation during the year. The expected return on plan assets is based on an assessment made at the beginning of the year of long-term market returns on scheme assets, adjusted for the effect on the fair value of plan assets of contributions received and benefits paid during the year. The difference between the expected return on plan assets and the interest cost is recognised in the profit and loss account as other finance income or expense.

Actuarial gains and losses are recognised in full in the statement of total recognised gains and losses in the period in which they occur. The defined benefit pension asset or liability in the balance sheet comprises the total for each plan of the present value of the defined benefit obligation (using a discount rate based on high quality corporate bonds that have been rated at AA or equivalent status), less any past service cost not yet recognised and less the fair-value of plan assets out of which the obligations are to be settled directly. Fair value is based on market price information and in the case of quoted securities is the published bid price. The value of a net pension benefit asset is limited to the amount that may be recovered either through reduced contributions or agreed refunds from the scheme.

The Group operates a contributory money-purchase pension scheme. Payments made to the fund are charged in the financial statements as part of employment costs as incurred.

2. Segmental analysis

Revenue earned by destination is split as follows:

	2014	*2013*
	£000	*£000*
UK and Ireland	249,922	255,019
Other	14,873	15,215
	264,795	270,234

Notes to the financial statements

at 31 March 2014

2. Segmental analysis (continued)

Revenue generated from the UK companies is £264,381,000 (2013 – £268,285,000) and revenue generated by France and Others is £414,000 (2013 – £1,949,000). Pre-operating exceptional profit relating to the UK companies is £26,807,000 (2013 – £33,575,000) and relating to France and Others is a pre-exceptional operating loss of £296,000 (2013 – loss of £431,000). Net assets relating to the UK companies amount to £68,650,000 (2013 – £61,307,000) and net liabilities relating to France and Others are £1,063,000 (2013 – net liabilities of £329,000).

Revenue and pre-exceptional operating profit split by business unit (excluding share of joint venture turnover):

	SIS Betting Services		*SIS LIVE Services*		*Total*	
	2014	*2013*	*2014*	*2013*	*2014*	*2013*
	£000	*£000*	*£000*	*£000*	*£000*	*£000*
Turnover						
Total sales	198,187	183,261	83,390	109,697	281,577	292,958
Inter-segment sales	–	–	(27,813)	(32,200)	(27,813)	(32,200)
Sales to third parties	198,187	183,261	55,577	77,497	253,764	260,758
Operating profit before exceptional items	23,354	24,828	3,157	8,316	26,511	33,144

Analyses by business unit are based on the Group's management structure. Betting Services produce and supply horse and dog racing pictures and data to licensed betting offices in the UK and Overseas. SIS LIVE supplies satellite uplinks from sport and news events to network providers and outside broadcast capabilities.

Notes to the financial statements

at 31 March 2014

3. Operating profit

This is stated after charging/(crediting):

	2014 £000	2013 £000
Amortisation of intangible assets (note 11)	12,075	10,809
Depreciation of owned assets (note 12)	11,952	10,949
Depreciation of assets held under finance leases (note 12)	5,473	5,101
Operating lease rentals:		
– Land and buildings	1,667	1,974
– Other	9,914	9,861
Services provided by the company's auditor and its associates:		
Fees payable for the audit of the parent undertaking and group financial statements	159	206
Fees payable for other services	104	–
Fees payable for tax services	522	410
Loss on foreign exchange	318	145
Employment costs (note 6)	38,933	38,526

Auditors' remuneration includes £5,000 (2013 – £5,000) in respect of the parent undertaking audit.

4. Exceptional items

Operating exceptional items	2014 £000	2013 £000
Redundancy and relocation costs	1,306	3,754
Impairment of media rights option	1,400	–
	2,706	3,754

The redundancy and relocation costs relate to the relocation of production facilities and central functions from London to Milton Keynes and MediaCityUK in Salford. For the year ended 31 March 2014, the costs associated with the closure of SIS Link Sarl are also included. The tax effect of the costs is a credit of £173,000 (2013: £807,000) and there has been a cash outflow of £1,156,000 (2013: £4,020,000) during the year ended 31 March 2014.

Following a review of the carrying value of certain media rights options an impairment charge of £1,400,000 has been made in respect of those options where the value when exercised is not considered fully recoverable. The tax effect of this charge is credit of £322,000.

Non-operating exceptional items	2014 £000	2013 £000
Losses on the managed wind down of business:		
Redundancy and staff related costs	3,968	–
Lease termination costs	2,789	–
Profit on disposal of assets	(955)	–
Impairment of goodwill	472	–
Impairment of tangible fixed assets	2,771	–
Other costs	1,450	–
	10,495	–

Notes to the financial statements

at 31 March 2014

4 Exceptional items (continued)

The non-operating exceptional costs relate to the managed wind down of the Outside Broadcast business that provided services to third parties. The tax effect of the costs is a credit of £2,179,000 and there has been a net cash outflow of £2,496,000 during the year ended 31 March 2014.

Tax	*2014*	*2013*
	£000	*£000*
Foreign tax	1,282	–

SIS LIVE partnership received a draft tax assessment in March 2014 from the Indian tax authorities in relation to financial year ended 31 March 2011. The partnership strongly rejects the draft assessment, which includes factual inaccuracies and incorrect application of tax law. On the advice of its lawyers and tax advisors the Group has commenced appeal proceedings through the Dispute Resolution Panel (DRP) of the Indian Tax Authority. This process is expected to be completed by January 2015 at which time the partnership will be issued with a final tax assessment and potential interest and penalty charges. Depending on the outcome of the DRP process, the group will then consider whether it wishes to continue with further appeals through the Indian judiciary system. The group has considered the tax exposure in India and has charged £1,282,000 to the profit and loss account relating to a provision against the recoverability of withholding tax balances and potential transfer pricing adjustments. Whilst appeal proceedings in India continue it is not possible to quantify the amount of any potential tax liability that may arise in January 2015 or the subsequent recoverability of that amount through the courts and therefore no further provision has been made in the accounts.

5. Directors' remuneration

	2014	*2013*
	£000	*£000*
Directors' remuneration in respect of qualifying services (excluding pension contributions)	985	2,532
Remuneration in respect of qualifying services (excluding pension fund contributions) of the highest paid director were:	645	1,950

The Group made contributions to money-purchase pension schemes on behalf of the highest paid director of £31,200 (2013 – £nil) and £nil (2013 - £21,400) in respect of other directors.

No share options have been granted to or exercised by any of the directors.

Notes to the financial statements

at 31 March 2014

6. Staff costs

	2014 *£000*	*2013* *£000*
Wages and salaries	33,320	32,947
Social security costs	3,490	3,516
Pension costs	2,123	2,063
	38,933	38,526

The monthly number of persons employed by the Group, including executive directors, during the year was 821 (2013 – 813).

7. Interest receivable and similar income

	2014 *£000*	*2013* *£000*
Bank interest receivable	142	120

8. Interest payable and similar charges

	2014 *£000*	*2013* *£000*
Interest payable on overdrafts and bank loans	(1,176)	(1,445)
Other finance costs	(232)	(292)
Finance charges payable under finance leases	(926)	(728)
Total interest payable	(2,334)	(2,465)
Net interest payable	(2,192)	(2,345)

Notes to the financial statements

at 31 March 2014

9. Tax

(a) Tax on profit on ordinary activities

The tax charge is made up as follows:

	2014 £000	2013 £000
Current tax:		
UK corporation tax on the profits for the year	4,848	7,554
Group relief payable	27	30
Adjustment to UK corporation tax in respect of prior years	(39)	(382)
Overseas tax	124	90
Adjustment to overseas tax in respect of prior years (note 4)	1,282	659
Double tax relief	(113)	(90)
Total current tax (note 9(b))	6,129	7,861
Deferred tax:		
Origination and reversal of timing differences	604	(588)
Adjustments to deferred tax in respect of prior periods	396	–
Adjustments to estimated recoverable amount of deferred tax assets arising in previous periods	(1,725)	–
Tax on profit on ordinary activities	5,404	7,273

(b) Factors affecting the current tax charge for the year

The tax assessed for the year differs from the standard rate of corporation tax in the UK of 23% (2013 – 24%). The differences are explained below:

	2014 £000	2013 £000
Profits on ordinary activities before tax	12,349	27,720
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 23% (2013 – 24%)	2,840	6,653
Effects of:		
Decelerated capital allowances	1,401	477
Expenses not deductible for taxation purposes	891	393
Other timing differences	(246)	48
Adjustments in respect of prior years	1,243	290
Current tax for the year (note 9(a))	6,129	7,861

Notes to the financial statements

at 31 March 2014

9. Tax (continued)

(c) Deferred tax

Group

The deferred tax included in the balance sheet is as follows:

	2014	*2013*
	£000	*£000*
Included in debtors (note 15)	2,327	1,601
Included in defined benefit pension liability (note 25)	99	–
	2,426	1,601
Decelerated capital allowances	2,292	1,194
Other timing differences	134	407
Net deferred tax asset	2,426	1,601

The opening and closing deferred tax positions can be reconciled as follows:

	£000
At 1 April 2013	1,601
Profit and loss account credit	725
Charge to statement of total recognised gains and losses	100
At 31 March 2014	2,426

There are no unprovided amounts in respect of deferred tax.

(d) Factors affecting future tax charges

The Finance Act 2013 received Royal Assent on 17 July 2013 and enacted a reduction in the main rate of corporation tax to 21% with effect from 1 April 2014 and a further reduction of 1% will be applied to bring the main rate of corporation tax to 20% from 1 April 2015. Deferred tax has therefore been provided at 20%

10. Dividends

	2014	*2013*
	£000	*£000*
Equity dividends paid: £nil (2013 – £75.18) per share	–	15,000

Notes to the financial statements

at 31 March 2014

11. Intangible assets

Group	*Goodwill*	*Rights*	*Total*
	£000	*£000*	*£000*
Cost:			
At 1 April 2013	14,334	82,149	96,483
Additions	–	3,635	3,635
At 31 March 2014	14,334	85,784	100,118
Amortisation:			
At 1 April 2013	13,265	10,464	23,729
Charge for the year	580	11,495	12,075
Impairment	472	1,400	1,872
At 31 March 2014	14,317	23,359	37,676
Net book value:			
At 31 March 2014	17	62,425	62,442
At 1 April 2013	1,069	71,685	72,754

Goodwill is amortised on a straight-line basis over a period of five years from the date of acquisition for all investments, which is management's estimate of the useful life. Following the managed wind down of the external activities of the outside broadcast division the carrying value of goodwill has been reviewed and an impairment charge of £472,000 has been recognised.

The group invests in future core media rights from significant UK and overseas racecourse and dog track groups. Lead-in amounts are payable on these agreements between the date the contracts were signed and the start date for the rights.

Rights are amortised on a straight-line basis over their term, usually up to five years. Following a review of the carrying value of certain media rights options a provision of £1,400,000 has been made in respect of those options where the value when exercised after the 31 March 2014 is not considered fully recoverable.

Notes to the financial statements

at 31 March 2014

12. Tangible fixed assets

Group	*Installed equipment*	*Studio equipment*	*Transport equipment*	*Fixtures, Fittings and other equipment*	*Leasehold improve-ments*	*Payments on account / AUCs*	*Total*
	£000	*£000*	*£000*	*£000*	*£000*	*£000*	*£000*
Cost:							
At 1 April 2013	30,520	16,116	70,232	27,662	13,921	949	159,400
Additions	1,008	46	2,482	1,433	126	2,535	7,630
Transfers	–	–	(125)	878	–	(753)	–
Disposals	(436)	(155)	(16,109)	(16)	(711)	–	(17,427)
At 31 March 2014	31,092	16,007	56,480	29,957	13,336	2,731	149,603
Depreciation:							
At 1 April 2013	28,352	10,448	42,845	13,012	8,478	–	103,135
Charge for the year	799	1,210	9,785	4,054	1,577	–	17,425
Impairment Charge	–	–	1,370	972	429	–	2,771
Transfers							
Disposals	(251)	(11)	(13,621)	(2)	(502)	–	(14,387)
At 31 March 2014	28,900	11,647	40,379	18,036	9,982	–	108,944
Net book value:							
At 31 March 2014	2,192	4,360	16,101	11,921	3,354	2,731	40,659
At 1 April 2013	2,168	5,668	27,387	14,650	5,443	949	56,265

Notes to the financial statements

at 31 March 2014

12. Tangible fixed assets (continued)

Included in the amounts above are the following amounts relating to leased assets:

	Studio equipment	*Transport equipment*	*Fixtures and fittings*	*Leasehold Improvements*	*Total*
	£000	*£000*	*£000*	*£000*	*£000*
Cost:					
At 1 April 2013	938	19,890	13,329	3,348	37,505
Additions	–	–	–	–	–
Disposals	–	(217)	(3,657)	–	(3,874)
At 31 March 2014	938	19,673	9,672	3,348	33,631
Depreciation:					
At 1 April 2013	172	10,531	3,194	540	14,437
Charge for the year	141	2,440	2,356	536	5,473
Impairment charge	–	1,453	–	–	1,453
Disposals	–	(78)	(2,194)	–	(2,272)
At 31 March 2014	313	14,346	3,356	1,076	19,091
Net book amount					
At 31 March 2014	625	5,327	6,316	2,272	14,540
At 1 April 2013	766	9,359	10,135	2,808	23,068

Notes to the financial statements

at 31 March 2014

13. Investments

Company

Name	*Country of incorp-oration*	*Ownership*	*2014*	*2013*
			£000	*£000*
Cost of investment				
Satellite Information Services Limited	England	100%	–	–
Fatpipe Satcom Limited **	England	100%	–	–
Satellite Sports Services Limited *	England	100%	–	–
SIS Outside Broadcasts Limited **	England	100%	–	–
Satellite Racing Services Limited *	England	100%	–	–
Frontrelay Limited *	England	100%	–	–
Spacebit Limited	England	100%	39	39
Intercontinental Racing Limited *	England	50%	–	–
SISter Networks plc *	England	100%	–	–
SISBet Limited *	England	100%	–	–
Spacedish Limited *	England	100%	–	–
SISLink SARL **	France	100%	347	347
SISLink Inc **	USA	100%	–	–
SIS LIVE Partnership **	n/a	100%	–	–
dock10 Limited **	England	50%	–	–
Great Leighs Estates Limited **	England	25%	–	–
SIS COSEC Limited	England	100%	–	–
Total cost of investment			386	386
Provision for impairment against cost of investment				
SISLink SARL			(347)	(347)
Total provision for impairment			(347)	(347)
Net book amount of investments			39	39

* Dormant.

** Held by subsidiary undertakings.

The trading activities of subsidiaries are the same as the principal activity of the Group.

The above companies have been consolidated in the Group financial statements, except for the investments in dock10 Limited and Great Leighs Estate Limited for which equity accounting has been applied.

In December 2009, Satellite Information Services Limited and SIS Outside Broadcasts Limited entered into a partnership agreement. The purpose of this partnership is to carry on the joint obligations under the Commonwealth Games 2010 (CWG) contract. The name of the partnership, under the terms of the partnership agreement, is SIS LIVE.

Notes to the financial statements

at 31 March 2014

13. Investments (continued)

Group	*2014*	*2013*
	£000	*£000*
Joint venture:		
At 1 April	1,183	831
Share of profit retained by joint venture	365	352
At 31 March	1,548	1,183
Associate:		
At 1 April	–	–
Investment during the year	2,500	–
Share of loss retained by associate	(40)	–
At 31 March	2,460	–

No additional disclosures are provided as the 25% thresholds detailed in FRS 9 "Associates and Joint Ventures" have not been met.

14. Stocks

		2014		*2013*
	Group	*Company*	*Group*	*Company*
	£000	*£000*	*£000*	*£000*
Finished goods	2,696	–	3,246	–

Notes to the financial statements

at 31 March 2014

15. Debtors

	Group	2014 Company	Group	2013 Company
	£000	£000	£000	£000
Trade debtors	24,577	–	23,818	–
Amounts owed by group undertakings	–	39,093	–	44,988
Amounts owed by associate	750	–	–	–
Other debtors	270	–	860	–
Prepayments and accrued income	16,660	–	15,835	–
Finance lease receivables	–	–	66	–
Deferred tax (note 9(c))	2,327	–	1,601	–
	44,584	39,093	42,180	44,988

16. Creditors: amounts falling due within one year

	Group	2014 Company	Group	2013 Company
	£000	£000	£000	£000
Obligations under finance leases (note 18)	6,546	–	7,280	–
Bank loan	27,200	27,200	3,600	3,600
Trade creditors	10,277	–	10,754	–
Other creditors	2,828	–	3,270	1,351
UK corporation and overseas tax	2,946	–	3,706	82
Other taxes and social security costs	5,051	–	3,498	–
Deferred income and payments in advance	12,837	–	11,259	–
Accruals	23,546	421	26,079	–
Deferred rights consideration	600	–	7,932	–
	91,831	27,621	77,378	5,033

Notes to the financial statements

at 31 March 2014

17. Creditors: amounts falling due after more than one year

		2014		*2013*
	Group	*Company*	*Group*	*Company*
	£000	*£000*	*£000*	*£000*
Bank loan	–	–	27,200	27,200
Obligations under finance leases (note 18)	10,949	–	19,745	–
Deferred rights consideration	–	–	600	–
	10,949	–	47,545	27,200

Loans repayable, included within creditors, are analysed as follows:

	2014	*2013*
	£000	*£000*
Payable within 12 months	27,200	3,600
Wholly repayable within 2 to 5 years	–	27,200
	27,200	30,800

The long-term loan is secured against all assets and undertakings of the group. The loan is wholly repayable within five years. Subsequent to 31 March 2014, the Group extended its revolving credit facilities for a further 12 months.

The interest rate on this loan is linked to LIBOR, and to mitigate risk, the Group has entered into an interest rate swap equal to the loan's outstanding value. The tenor of the swap matches the term of the loan and the fair value of the interest rate swap held at the balance sheet date, determined by reference to its market value, is shown in the following table. To mitigate the exposure to foreign exchange risk inherent in foreign operations and contracts the Group has entered into forward contracts valued as follows:

	2014	*2013*
	£000	*£000*
Interest rate swap liability	(73)	(325)
Forward contract (liability)/asset	(397)	143

18. Obligations under finance leases and hire purchase contracts

The maturity of these amounts is as follows:

Group	*2014*	*2013*
	£000	*£000*
Within one year	7,094	8,130
In two to five years	11,566	21,009
Over five years	–	56
Less: finance charges allocated to future periods	(1,165)	(2,170)
	17,495	27,025

Notes to the financial statements

at 31 March 2014

19. Provisions for liabilities

Group	*Property*	*WEEE*	*Restructuring*	*Total*
	£000	*£000*	*£000*	*£000*
At 1 April 2013	2,557	373	23	2,953
Utilised	(1,218)	(9)	(23)	(1,250)
Charge for the year	2,018	–	4,297	6,315
At 31 March 2014	3,357	364	4,297	8,018

Property

The property provision relates to the obligations on surrender of property leases to re-instate the premises to the same state and condition as before occupancy including making good all damage caused by removal and the onerous element of lease commitments for properties that will become vacant prior to the lease end date. The provision is based on independent advice and is management's best estimate of the provision required as at 31 March 2014. The provision will be utilised by 2025.

Restructuring

The brought forward redundancy provision as at 31 March 2013 relates to costs associated with the relocation of facilities to MediaCityUK in Salford and was utilised by 31 March 2014.

The charge for the year relates to costs, other than property related, associated with the managed wind down of the external activities of the outside broadcasts division. The majority of the provision will be utilised by March 2015.

20. Issued share capital

		2014		*2013*
Allotted, called up and fully paid	*No.*	*£*	*No.*	*£*
Ordinary shares of 10p each	199,529	19,953	199,529	19,953

21. Movements on reserves

Group	*Share premium account*	*Capital redemption reserve*	*Profit and loss account*
	£000	*£000*	*£000*
At 1 April 2013	9,836	2	51,120
Total gains and losses recognised for the year	–	–	6,609
At 31 March 2014	9,836	2	57,729

Company	*Share premium account*	*Capital redemption reserve*	*Profit and loss account*
	£000	*£000*	*£000*
At 1 April 2013	9,836	2	2,936
Total gains and losses recognised for the year	–	–	(1,282)
At 31 March 2014	9,836	2	1,654

Notes to the financial statements

at 31 March 2014

22. Reconciliation of shareholders' funds

Group	*2014*	*2013*
	£000	*£000*
Opening shareholders' funds	60,978	55,488
Total gains and losses recognised for the year	6,609	20,490
Dividends declared	–	(15,000)
Closing shareholders' funds	67,587	60,978

Company	*2014*	*2013*
	£000	*£000*
Opening shareholders' funds	12,794	10,569
Total gains and losses recognised for the year	(1,282)	17,225
Dividends declared	–	(15,000)
Closing shareholders' funds	11,512	12,794

23. Notes to the statement of cash flows

(a) Reconciliation of operating profit to net cash inflow from operating activities

	2014	*2013*
	£000	*£000*
Operating profit	23,296	29,390
Non-operating exceptional items	(9,699)	–
	13,597	29,390
Depreciation and amortisation	29,500	26,859
Impairment charge	4,643	–
Decrease in stock	551	96
Profit on disposal of fixed assets	(1,751)	–
(Increase)/decrease in debtors	(1,678)	2,497
Increase/(decrease) in creditors	271	(5,396)
Increase/(decrease) in provisions	5,065	(902)
Net cash inflow from operating activities	50,198	52,544

(b) Analysis of movement in net debt

	At 1 April 2013	*Cash flow*	*At 31 March 2014*
	£000	*£000*	*£000*
Cash in hand and at bank	13,226	11,164	24,390
Loans	(30,800)	3,600	(27,200)
Finance leases	(27,025)	9,530	(17,495)
	(44,599)	24,294	(20,305)

Notes to the financial statements

at 31 March 2014

24. Capital commitments

The Group has the following capital commitments:

Group	*2014*	*2013*
	£000	*£000*
Capital expenditure	4,688	919

The committed capital expenditure principally relates to the purchase and build of uplink trucks and service delivery equipment.

25. Pensions

The Group operates one defined benefit pension scheme, the SIS Outside Broadcasts Pension Scheme. The scheme began on 1 April 2008 and was created to reflect the old BBC defined benefit scheme for SIS Outside Broadcasts Limited employees. The scheme is funded by payment contributions to a separately administered trust fund. In March 2014 a flexible apportionment arrangement was implemented to transfer the liabilities in the scheme from SIS Outside Broadcasts Limited to its parent company Satellite Information Services Limited.

The valuation used has been based on the actuarial valuation at 31 March 2010. The scheme assets are stated at their market values at the respective balance sheet dates and overall expected rates of return are established by applying published brokers' forecasts to each category of scheme assets.

The final salary defined pension scheme was closed from 31 March 2011.

The assets and liabilities of the schemes at 31 March 2014 are:

	2014	*2013*
	£000	*£000*
Fair value of scheme assets		
– Corporate Bonds	13,551	13,496
– Cash	24	42
	13,575	13,538
Present value of defined benefit obligation	(14,069)	(13,348)
(Deficit)/ surplus	(494)	190
Irrecoverable surplus	–	(190)
Deferred tax (note 9(c))	99	–
Defined benefit pension liability	(395)	–

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at 31 March 2014

25. Pensions (continued)

The amounts recognised in the profit and loss account and in the statement of total recognised gains and losses for the year are analysed as follows:

	2014 £000	2013 £000
Recognised in the profit and loss account		
Expected return on assets	(553)	(542)
Interest cost	611	545
Total charge to profit and loss account	58	3

Taken to the statement of total recognised gains and losses	2014 £000	2013 £000
Actual return on scheme assets	160	1,784
Less expected return on scheme assets	(553)	(542)
	(393)	1,242
Irrecoverable surplus	190	(190)
Actuarial loss on the defined benefit obligation	(233)	(994)
Actuarial (loss)/gain recognised in the statement of total recognised gains and losses	(436)	58

	2014 £000	2013 £000
Main assumptions:		
Discount rate	4.5%	4.6%
Salary growth	N/A	N/A
Inflation assumption	3.6%	3.6%
Rate of increase in pension payments – RPI up to 10%	3.6%	3.6%
Rate of increase in pension payments – RPI up to 5%	3.4%	3.4%
Expected return on assets	4.3%	4.1%
Base Mortality Table	PCMA00	PCA00
Loading to mortality rates	90.0%	90.0%
Mortality Projection Basis	CMI 2013 (core) projection with 1% p.a. long-term improvements	CMI 2010 (core) projection with 1% p.a. long-term improvements

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25. Pensions (continued)

Changes in the present value of the defined benefit obligations are analysed as follows:

	2014	*2013*
	£000	*£000*
At 1 April	13,348	11,865
Interest cost	611	545
Actuarial loss	233	994
Benefits paid	(123)	(56)
At 31 March	14,069	13,348

Changes in the fair value of plan assets are analysed as follows:

	2014	*2013*
	£000	*£000*
At 1 April	13,538	11,810
Expected return on plan assets	553	542
Actuarial experienced (losses)/gains	(393)	1,242
Benefits paid	(123)	(56)
At 31 March	13,575	13,538

Amounts for the current and three previous years are:

	2014	*2013*	*2012*	*2011*
	£000	*£000*	*£000*	*£000*
Fair value of assets	13,575	13,538	11,810	10,184
Present value of defined benefit obligation	(14,069)	(13,348)	(11,865)	(9,694)
Defined benefit pension (liability)/surplus	(494)	190	(55)	490
Irrecoverable surplus	190	(190)	–	(490)
Experience adjustment on plan assets	(393)	1,242	864	32
Experience adjustment on plan liabilities	–	–	90	281

The cumulative amount of actuarial gains and losses recognised since 1 April 2008 in the statement of total recognised gains and losses is a net loss of £1,055,000 (2013 – £619,000).

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26. Other financial commitments

At 31 March 2014 the company had annual commitments under non-cancellable operating leases as set out below:

Group		*2014*		*2013*
	Land and buildings	*Other*	*Land and buildings*	*Other*
	£000	*£000*	*£000*	*£000*
Within one year	–	564	367	1,350
In two to five years	142	5,557	–	5,316
Over five years	1,234	3,500	1,128	2,685
	1,376	9,621	1,495	9,351

27. Related party transactions

During the year the group entered into transactions, in the ordinary course of business, with other related parties. The Company has taken advantage of the exemption in FRS 8, not to disclose transactions with its wholly owned subsidiaries. Transactions entered into, and trading balances outstanding at 31 March, are as follows:

	Sales to related party	*Purchases from related party*	*Tax losses of related party utilised*	*Amounts owed from related party*	*Amounts owed to related party*
	£000	*£000*	*£000*	*£000*	*£000*
Ladbrokes plc					
2014	43,934	146	–	485	17
2013	36,884	65	–	432	7
William Hill Organization Ltd					
2014	36,993	71	–	1,249	9
2013	33,853	68	–	2	–
Catalyst Media Group plc					
2014	–	–	26	–	–
2013	–	–	40	–	–
Caledonia Investments plc					
2014	–	–	632	–	632
2013	–	–	391	–	391
dock10 Limited					
2014	121	12	–	–	–
2013	179	–	–	–	–
F Done					
2014	–	–	–	–	–
2013	–	–	–	–	751

Ladbrokes plc owns 23.41% of the ordinary shares in the Company. William Hill Organization Ltd owns 19.51% of the ordinary shares in the Company. Catalyst Media Group plc owns 20.54% of the ordinary shares in the Company. Caledonia Investments plc owns 22.55% of the ordinary shares in the Company.

In December 2013, Satellite Information Services Limited acquired a 25% equity interest in Great Leighs Estates Limited (GLEL). GLEL acquired all of the assets and permissions necessary to re-launch racing at the racecourse which will be renamed Chelmsford City Racecourse. On the same date, Satellite

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27. Related party transactions (continued)

Information Services Limited also entered into a media rights agreement with Tote Media Limited for race meetings at Great Leighs. The equity investment and media rights agreement total £6,000,000 and are subject to a Put and Call option which can be exercised under certain conditions. The option is personally guaranteed by Mr F Done, shareholder and director of Satellite Information Services (Holdings) Limited. Subsequent to the investment in GLEL and prior to 31 March 2014, Satellite Information Services Limited invested, in accordance with the agreement, a further £750,000 in secured loan notes to meet GLEL funding requirements.

Subsequent to the year end, Satellite Information Services Limited entered into an agreement to exercise its option over the shares in GLEL and the media rights. The investment in GLEL will now take the form of secured loan notes of £6,750,000 and a deferred media rights payment. Mr F Done has provided a personal guarantee in respect of the loan notes.