BBC Commercial Holdings Limited

(Registered number 04463534)

DIRECTORS' REPORT AND CONSOLIDATED FINANCIAL STATEMENTS

Year ended 31 March 2013

Officers and advisers

Directors

Zarin Patel	(resigned 11 January 2013)
John Smith	(resigned 31 December 2012)
Peter Horrocks	(resigned 11 January 2013)
John Tate	
Bal Samra	(appointed 11 January 2013)
Charlie Villar	(appointed 12 September 2012)

Company Secretary

Peter Ranyard

Registered office

Room BC2 A5
Broadcast Centre
201 Wood Lane
London
W12 7TP

Auditors

KPMG LLP
15 Canada Square
London
E14 5GL

Contents

Directors' report

The Directors present their annual report, together with the consolidated and Company financial statements and auditor's report, for the year ended 31 March 2013 The Group has chosen to prepare its financial statements in accordance with International Financial Reporting Standards as adopted by the EU ('IFRS') The Company continues to prepare its financial statements under UK GAAP which can be seen on pages 68 to 73

Principal activities of the Group

The Company is the holding company for the BBC's principal commercial subsidiary undertakings including BBC Worldwide Limited, BBC Global News Limited (previously BBC World News Limited) and BBC Studios & Post Production Limited (together the 'Group')

BBC Commercial Holdings Limited is the BBC's holding company for all of its commercial activities and operates under the BBC Charter and Agreement, which sets out four commercial criteria with which its activities must comply The activities must

- fit with the BBC's public purposes, as set out in its Charter,
- be commercially efficient,
- not jeopardise the good reputation of the BBC or the value of the BBC brand,
- comply with BBC's Fair-trading Guidelines and avoid distorting the market

The Group's main activities include

- commercial television channels,
- production, sales and distribution of programme content and formats,
- global brands,
- consumer production, and
- provision of equipment, facilities and services for use primarily in programme production

Business review

Overall revenue including joint ventures grew by 3 0% to £1,228 4million (2012 £1,192 9million) This was primarily driven by growth in BBC Worldwide Limited of 2 8% to £1,115 8million (2012 £1,085 0million) and growth in BBC Global News Limited of 29 0% to £91 7milion (2012 £71 0million) The growth seen in both companies is, however, distorted by the transfer of BBC com from BBC Worldwide Limited to BBC Global News Limited in September 2012 Excluding the impact of BBC com growth in these business has been 4 4% and 5 4% respectfully This increase in revenue was also offset by the fall in turnover within BBC Studios & Post Production Limited of 28 0% to £37 6million (2012 £52 2million), driven by the relocation of the BBC Sport and BBC Childrens genres to BBC North in Salford as well as tough market conditions

Operating profit is adjusted for specific items to reflect the underlying performance of the Group Operating profit before specific items reduced by 8 0% to £148 6million (2012 £161 5million) as a result of the tough market conditions seen, the strength of the USD against GBP and increased investment within BBC Global News Limited across channel infrastructure and content

The consolidated profit attributable to the Company's shareholder for the year was £99 7million (2012 £166 4million) Dividends of £49 5million were declared during the year (2012 £145 2million)

During the financial year the Group sold the Lonely Planet group of companies to the US-based media company NC2 Media and reduced its interest in Left Bank Pictures Ltd from 24 9% to 12 2% Full details of the Group's disposals are included in Note 11 of the financial statements

The consolidated profit attributable to the Company's shareholder is after taking account of a gain on sale of operations of £23 3million (2012 £95 0million gain)

Financial instruments

The Group's financial risk management operations are carried out by a BBC Group Treasury function, within parameters defined formally within the policies and procedures manual agreed by the BBC Executive Board Information about the use of financial instruments by the Company and its subsidiaries is given in Note 26 to the financial statements

Directors' report
CONTINUED

Capital structure

Details of the issued share capital are shown in Note 22 All of the Company's shares are owned by the parent company, the BBC

Risk and uncertainties

The BBC Commercial Holdings Group considers its key risks and uncertainties to be as follows

Risk	Mitigation
Risk to the Group's commercial remit as a result of the different regulatory, parliamentary and Trust reviews	• Management are fully engaged in reviews currently underway
Business performance sensitive to economic slowdown in the key regions (UK, USA and Australia) Specific Eurozone exposure through bad debts Euro depreciation and impacts across suppliers, partners and supply chains Exposure to fluctuations in interest rates and major currencies, particularly the Euro, US Dollar and Australian Dollar	• Business is diversified across both regions and revenue streams to reduce the overall risk exposure to global markets • The Group takes a risk adverse approach to the management of foreign currency exposure A substantial proportion of foreign currency exposure is hedged • The Group enters into interest rate swaps caps and collars to manage interest rate risk based on projected borrowing requirements • Close monitoring of counterparties including key suppliers major customers and partners Renegotiating payment terms and credit insurance where appropriate Contractual provisions and contingency plans in place
Covenants and availability of funding to progress long-term strategic plans	• Adequate headroom maintained in undrawn facilities at all times • Regular review of strategy in the context of the market and prompt revision of plans to reflect changing circumstances
Physical media (especially DVD) declines at a faster rate than anticipated, especially as economic stagnation in some key markets has the potential to accelerate the structural shift towards digital media Retail consolidation and failure of retail groups reduces the availability of our products, and those that remain focus on the best selling products, holding less depth of stock and trading without credit insurance	• Launching new Blu-ray titles, emphasising innovation and collectability for suitable titles driving cost efficiency to achieve revenue optimal price points and opening new routes to market • Release strategy to ensure digital exploitation doesn't reduce value through early availability in the content exploitation lifecycle • Close monitoring of counterparties including key suppliers major customers and partners Renegotiating payment terms and credit insurance where appropriate Contractual provisions and contingency plans in place Positive approach to engaging with and supporting suppliers
Lack of leverage or scale in some key international markets (for example, the key US market with commissioning broadcasters and large multi-service channel operators) Risk that partners can't be found internationally with the right expertise, values and cultural fit to the Group	• Devolving P&L responsibility to regions, bringing local strategy closer to customers and leveraging the regional leadership's experience and insight into their local markets • Ensuring that responsibilities are appropriately and consistently devolved, with the necessary support resources (for example Business and Legal Affairs expertise) The organisational model encompasses accountabilities, reporting structures and role and authority of centrally provisioned resources
Risk that the digital businesses can't be scaled to deliver the necessary return Risk of securing the right partners, build the right relationships and launch the right products External platform dependencies have the potential for an unforeseen impact on schedules, revenues and margins	• Partner management through frequent communication attendance at developer events and early sharing of roadmaps • On-going diversification efforts to reduce dependencies
Reputational risks attached to non-compliance with both UK and international laws and regulations Breach of the UK Bribery Act or local anti-fraud and corruption legislation Data protection risk through custody of increased consumer/audience data across an increasing number of digital services and platforms Challenge of being fully cognisant of changes/newly introduced legislation and regulatory requirements across all regions, especially for extra-territorial legislation	• Local council in place in key international offices External expertise engaged as required Central Business and Legal Affairs resource to support • Comprehensive anti-bribery and corruption programme applied to operations, territories, agents and service providers • Robust, comprehensive and enforced policy framework including Executive sponsorship, guidelines, regular reporting, mandatory training programme, specialist committees and steering groups

Directors' report
CONTINUED

Risk and uncertainties continued

Risk	Mitigation
BBC exit from Television Centre and redistribution of London production to other facilities in London and elsewhere, such as Pacific Quay and Salford	• Studio's and Post Production's studio business already has a strong non-BBC client base which will help backfill for BBC work which is moved out of London Additionally, the Company's footprint and operating model is being optimised to fit with client requirements, both at S&PP's new studio base in Elstree and at the future redeveloped Television Centre • The closure of Television Centre for redevelopment has reduced capacity in the market and created opportunities for the Company
Loss of audience confidence in the integrity of our business, our output or the brand through a breach of Commercial Policy, Editorial Guidelines or other activity inconsistent with the BBC's values, standards and public standing Potential for failure of Ethical Policy by licensee, agent or other third party Risk that a joint venture or agent exposes us to reputational risk	• Comprehensive Commercial Policy and Editorial Policy framework supported by a specialist team with training and knowledge disseminated throughout the organisation • Editorial oversight from senior committees Senior editorial figures with approval authorities Editorial integrity embedded into the Group culture • Ethical sourcing and environmental policy with an ethical assurance framework and audit programme • Comprehensive review of potential partners (supported by due-diligence where necessary) • Process to ensure these mitigations are fully transitioned and embedded effectively into regions
Reliance on a continuing pipeline of output from the BBC, and our ability to identify commercially appealing titles and successfully obtain the necessary rights Industry consolidation and vertical integration decreasing the content available from Independent Producers as the market becomes dominated by 'super-Indies' Reliance on the on-going appeal of certain strategic brands (e g *Dancing with the Stars*)	• Joined-up content investment process across the organisation, backed up by proven industry expertise to maximise the potential for commercial exploitation across formats Creation of central content business to focus expertise and offer a single consistent negotiating point • Output deals with a limited number of key independent producers
Multiple systems, platforms and processes with increasing volumes of data Potential to be targeted by hostile hacking groups seeking to disrupt operations, steal information or publish content to our platforms Risks through technology partners hosting and operating services on our behalf	• Technology business with the expertise and knowledge to support information systems backed by a technology strategy which defines the potential options for future technology services platforms and products • New rights and deal management system to bring a coherent and consistent approach to rights exploitation and accommodation new formats and products • Dedicated information security resource and programme of information risk assessment
Failure to attract people with the right skills and talent to seize opportunities, achieve challenging returns and fulfil the strategy Complex international reward landscape in a diverse organisation Rapid upward pressure on pay and reward in certain sectors and dynamic growth territories	• Give appropriately governed delegated authority to regional HR functions to flexibly amend conditions in line with the local marketplace • Alignment of Company performance and personal incentives through the reward structure • Values culture reinforced through induction mandatory training, objectives and performance management
Health and Safety incident causing injury or death Increasing number of UK and international live events Risk of disruption to operations, infrastructure and loss of revenue	• Extensive continuity plans encompassing international offices and business operations • Rolling plan of rehearsals (including at the disaster recovery site) • Safety management arrangements supported by policy framework communications, forums and guides

Directors' report
CONTINUED

Future outlook

While the external commercial environment is expected to remain competitive in 2013, BBC Commercial Holdings Limited is well diversified, both geographically and by business, and this should provide the Group with the resilience to cope with adverse economic conditions

Directors

The Directors, who served during the year and up to the date of this report, were as follows

Zarin Patel	(resigned 11 January 2013)
John Smith	(resigned 31 December 2012)
Peter Horrocks	(resigned 11 January 2013)
John Tate	
Bal Samra	(appointed 11 January 2013)
Charlie Villar	(appointed 12 September 2012)

Insurance indemnities

The Group maintains liability insurance for its Directors which is renewed on an annual basis

Payment to creditors

It is the Group's policy to comply with the Better Payment Practice Code in relation to the payment of suppliers, provided that the supplier is complying with the relevant terms and conditions of its contract The Group monitors compliance against the terms of this code The Group's number of creditor days at 31 March 2013 was 29 days (2012 28 days)

Employee participation

The Group participates in the BBC's employee relations strategy which is establishing as best practice a new approach to scenario planning, risk modelling, staff consultation and an inclusive approach to employee rights issues with the unions through Joint Working Parties

Diversity

Recruiting and developing a diverse workforce that is representative of contemporary British society is central to the modern BBC and to BBC Commercial Holdings Limited as a subsidiary of the BBC Creating a diverse workforce is only part of the BBC's Diversity Strategy

This has been developed into a workable framework and mechanisms for systematic action planning and reporting across four key areas

- Corporate strategy and business planning – Ensuring equality and diversity are part of all strategic decision-making and business planning
- Audiences – Understanding and responding to our diverse audiences, through research, audience engagement and outreach initiatives
- Output – Creatively reflecting the diversity of our audiences across all our platforms, and in the development of new services and technology
- Workforce – A workforce that reflects the diversity of modern Britain and an inclusive work environment

Training and development

Staff in all areas have opportunities to develop their skills The Group organises comprehensive in-house and external training programmes, covering job-specific skill enhancement, IT software tuition and management development

Directors' report
CONTINUED

Health and safety

Responsibility for health and safety across the Group is delegated to the boards of each of the Company's subsidiaries

Disabled persons

Disabled persons are fully and fairly considered for vacancies arising within the Group and are given equal opportunities in relation to training, career development and promotion Existing employees who become disabled are retained in employment wherever possible, after the provision of any necessary rehabilitation or training

Charitable and political donations

The Group does not make political donations During the year the Group made charitable donations totalling £172 254 to the Foundation of Prince William & Prince Harry (2012 £1,163,084) These donations were profits from the sale of the Royal Wedding programme, DVDs and download as agreed with St James's Palace in 2011 as part of an ongoing rights acquisition agreement

The environment

The Group does not operate in industries where there is potential for serious industrial pollution, however, it recognises its responsibility to be aware of and take steps to control and minimise any damage its business might cause to the environment

Corporate governance

The 2010 UK Corporate Governance Code, issued by the Financial Reporting Council and setting out principles of good corporate governance is not applicable to BBC Commercial Holdings Limited as a private limited company but the Group voluntarily complies where appropriate Disclosure of how the BBC complies may be obtained from www bbc co uk/annualreport

Going concern

As set out on page 18, the Directors have a reasonable expectation that the business has adequate resources to continue in operational existence for the foreseeable future, and accordingly the going concern basis continues to be adopted in the preparation of the accounts

Auditors

Pursuant to Section 487 of the Companies Act 2006, the auditors will be deemed to be reappointed and KPMG LLP will therefore continue in office

Directors' report
CONTINUED

Statement as to disclosure of information to auditors

Each of the persons who is a director at the date of approval of this annual report confirms that

- So far as the director is aware, there is no relevant audit information of which the Company's auditors are unaware, and
- The director has taken all the steps that he/she ought to have taken as a director in order to make himself/herself aware of any relevant audit information and to establish that the Company's auditors are aware of that information

By order of the Board,

Peter Ranyard

P Ranyard

Company Secretary
Date 28 June 2013

Registered Address

Room BC2 A5
Broadcast Centre
201 Wood Lane
London
W12 7TP

Statement of directors' responsibilities in respect of the Directors' report and the Financial Statements

The directors are responsible for preparing the Directors' Report and the Group and parent company financial statements in accordance with applicable law and regulations

Company law requires the directors to prepare Group and parent company financial statements for each financial year Under that law they have elected to prepare the Group financial statements in accordance with IFRSs as adopted by the EU and applicable law and have elected to prepare the parent company financial statements in accordance with UK Accounting Standards and applicable law (UK Generally Accepted Accounting Practice)

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 parent company and of their profit or loss for that period In preparing each of the Group and parent company financial statements, the directors are required to

- select suitable accounting policies and then apply them consistently,
- make judgements and estimates that are reasonable and prudent,
- for the Group financial statements, state whether they have been prepared in accordance with IFRSs as adopted by the EU,
- for the parent company financial statements, 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 the parent company will continue in business

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the parent company's transactions and disclose with reasonable accuracy at any time the financial position of the parent company and enable them to ensure that its financial statements comply with the Companies Act 2006 They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Group and to prevent and detect fraud and other irregularities

Independent auditor's report to the members of BBC Commercial Holdings Limited

We have audited the financial statements of BBC Commercial Holdings Limited for the year ended 31 March 2013 set out on pages 13 to 73 The financial reporting framework that has been applied in the preparation of the Group financial statements is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the EU The financial reporting framework that has been applied in the preparation of the parent company financial statements is applicable law and UK Accounting Standards (UK 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 auditors

As explained more fully in the Directors' Responsibilities Statement set out on page 10, 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

A description of the scope of an audit of financial statements is provided on the Financial Reporting Council's website at www frc org uk/auditscopeukprivate

Opinion on financial statements

In our opinion

- the financial statements give a true and fair view of the state of the Group's and of the parent Company's affairs as at 31 March 2013 and of the Group's profit for the year then ended,
- the Group financial statements have been properly prepared in accordance with IFRSs as adopted by the EU,
- the parent company financial statements have been properly prepared in accordance with UK Generally Accepted Accounting Practice,
- the financial statements 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 Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements

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 company, or returns adequate for our audit have not been received from branches not visited by us, or
- the parent company 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

John Bennett (Senior Statutory Auditor)
for and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants
KPMG LLP

15 Canada Square
London
E14 5GL

3 July 2013

Consolidated income statement
FOR THE YEAR ENDED 31 MARCH 2013

	Note	2013 £m	2012 £m
Revenue including share of joint ventures' revenue*		**1,228 4**	1,192 9
Less share of joint ventures revenue		**(147 2)**	(150 1)
Revenue	1a	**1,081 2**	1,042 8
Total operating costs	1b	**(988 7)**	(946 5)
Share of profit of joint ventures and associated undertakings	14	**26 1**	23 4
Operating profit		**118 6**	119 7
Analysed as			
Operating profit before specific items**		**148 6**	161 5
Impairment of goodwill	3a, 12	**-**	(16 1)
Reorganisation costs	3b	**(13 8)**	(6 1)
Interest and taxation on profits of joint ventures and associates	3c	**(9 4)**	(9 6)
Other specific items	3d	**(6 8)**	(10 0)
		118 6	119 7
Gain on sale and termination of operations	10, 11	**23 3**	-
Financing income	7a	**1 1**	2 9
Financing costs	7b	**(11 6)**	(21 6)
Profit before taxation		**131 4**	101 0
Taxation	8a	**(30 8)**	(29 7)
Profit from continuing operations		**100 6**	71 3
Profit from discontinued operations	10	**-**	100 3
Profit for the year		**100 6**	171 6
Attributable to.			
Equity shareholder of the parent company		**99 7**	166 4
Non controlling interests		**0 9**	5 2
Profit for the year		**100 6**	171 6

* The non-GAAP measure of 'Revenue including share of joint ventures' revenue' is explained in more detail in the Statement of Group Accounting Policies

** Specific items are defined in the Statement of Group Accounting Policies

Consolidated statement of comprehensive income
FOR THE YEAR ENDED 31 MARCH 2013

	2013 £m	2012 £m
Profit for the year	**100 6**	171 6
Other comprehensive income		
Exchange differences on translation of foreign operations	**8 9**	1 7
Loss on foreign currency translation	**(0 5)**	-
Tax on cash flow hedges taken directly to other comprehensive income	**2 6**	-
Recycling of translation and Hedging reserves on disposal	**(49 0)**	(0 7)
Recognition and transfer of cash flow hedges	**(10 8)**	0 4
Other comprehensive (loss)/income for the year (net of tax)	**(48 8)**	1 4
Total comprehensive income for the year	**51 8**	173 0
Attributable to		
Equity holders of the parent company	**50 9**	167 8
Non controlling interests	**0 9**	5 2
	51 8	173 0

Consolidated balance sheet
AS AT 31 MARCH 2013

	Note	2013 £m	2012 £m
Non-current assets			
Intangible assets (including goodwill)	12	**187 2**	241 8
Property, plant and equipment	13	**32 0**	32 0
Interests in joint ventures and associates	14	**31 3**	28 9
Other receivables	18a	**3 4**	5 6
Available for sale investments	15	**5 1**	0 6
Derivative financial instruments	26c	**0 4**	2 1
Deferred tax assets	8c	**13 6**	13 3
		273 0	324 3
Current assets			
Programme related assets and other inventories	17	**98 2**	104 9
Trade and other receivables	18b	**352 9**	322 1
Assets classified as held for sale	16	**9.9**	11 9
Derivative financial instruments	26c	**1 7**	3 3
Cash and cash equivalents		**75 7**	32 9
		538.4	475 1
Current liabilities			
Trade and other payables	19a	**(426 5)**	(397 3)
Borrowings	20a	**–**	(30 4)
Provisions	21	**(1 8)**	(3 0)
Derivative financial instruments	26c	**(9 9)**	(3 8)
Current tax liabilities		**(4 5)**	(5 0)
		(442 7)	(439 5)
Non-current liabilities			
Trade and other payables	19b	**(2 7)**	(3 0)
Borrowings	20b	**(187 5)**	(170 1)
Provisions	21	**(9 2)**	(9 7)
Derivative financial instruments	26c	**(9 5)**	(5 5)
Deferred tax liabilities	8c	**(0 5)**	(6 1)
		(209 4)	(194 4)
Net assets		**159 3**	165 5
Attributable to equity shareholders of the parent company			
Share capital	22	**1 3**	1 3
Retained earnings	23	**171 1**	121 8
Hedging reserve	23	**(7 1)**	1 2
Translation reserve	23	**(6.0)**	34 0
		159 3	158 3
Non controlling interests		**–**	7 2
Total equity		**159 3**	165 5

The financial statements were approved by the directors on 28 June 2013 and signed on their behalf by

Charlie Villar Director

Charles. A. Villar

Consolidated statement of changes in equity
FOR THE YEAR ENDED 31 MARCH 2013

Group	Share capital £m	Profit and loss reserve £m	Hedging reserve £m	Translation reserve £m	Total £m	Non controlling interests £m	Equity Total £m
At 31 March 2011	1 3	100 6	0 8	33 0	**135.7**	6 5	**142 2**
Profit for the year	–	166 4	–	–	**166 4**	5 2	**171 6**
Exchange differences on translation of foreign operations	–	–	–	1 7	**1 7**	–	**1 7**
Recycling of cumulative currency translation reserve on disposal	–	–	–	(0 7)	**(0 7)**	–	**(0 7)**
Recognition and transfer of cash flow hedges	–	–	0 4	–	**0 4**	–	**0 4**
Total comprehensive income for the year	–	166 4	0 4	1 0	**167 8**	5 2	**173 0**
Dividends declared in year	–	(145 2)	–	–	**(145 2)**	(4 5)	**(149 7)**
At 31 March 2012	1 3	121 8	1 2	34 0	**158 3**	7 2	**165 5**
Profit for the year	–	99 7	–	–	**99 7**	0 9	**100 6**
Exchange differences on translation of foreign operations	–	–	–	8 9	**8 9**	–	**8 9**
Loss on foreign currency translation	–	(0 5)	–	–	**(0 5)**	–	**(0 5)**
Tax on items taken directly to equity	–	–	2 6	–	**2 6**	–	**2 6**
Recycling of translation and hedging reserves on disposal	–	–	(0 1)	(48 9)	**(49 0)**	–	**(49 0)**
Recognition and transfer of cash flow hedges	–	–	(10 8)	–	**(10 8)**	–	**(10 8)**
Total comprehensive income/(loss) for the year	–	99 2	(8 3)	(40 0)	**50 9**	0 9	**51 8**
Dividends declared in year	–	(49 5)	–	–	**(49 5)**	(8 1)	**(57 6)**
Acquisition of non-controlling interests	–	(0 4)	–	–	**(0 4)**	–	**(0 4)**
At 31 March 2013	**1.3**	**171 1**	**(7 1)**	**(6 0)**	**159 3**	–	**159 3**

Consolidated cash flow statement

FOR THE YEAR ENDED 31 MARCH 2013

	Note	2013 £m	2012 £m
Operating activities			
Cash generated from operating activities	24	**199 7**	170 5
Tax paid		**(32 6)**	(28 3)
Net cash from operating activities		**167 1**	142 2
Investing activities			
Interest received		**0 8**	1 2
Dividends received from associates and joint ventures		**19.4**	18 7
Proceeds from sale of operations		**40 7**	111 1
Acquisition of non-controlling interests		**(14.4)**	–
Acquisition of assets held for sale		**–**	(4 6)
Acquisition of interests in associates and joint ventures		**(0.4)**	(1 8)
Acquisition of investment		**(1 7)**	(0 6)
Purchases of other intangible assets		**(120.1)**	(118 4)
Purchases of property, plant and equipment		**(10 8)**	(8 3)
Net cash used in investing activities		**(86 5)**	(2 7)
Financing activities			
Interest paid		**(9 8)**	(15 1)
Proceeds from increase in borrowings		**189 4**	75 0
Repayments of borrowings		**(199.9)**	(90 3)
Capital element of finance lease payments		**(2.4)**	(0 3)
Dividends paid to non controlling interests		**(8.1)**	(4 5)
Equity dividends paid		**(8 0)**	(139 9)
Net cash used in financing activities		**(38.8)**	(175 1)
Net increase/(decrease) in cash and cash equivalents		**41 8**	(35 6)
Cash and cash equivalents at beginning of the year		**32 9**	69 4
Effect of foreign exchange rate changes on cash and cash equivalents		**1 0**	(0 9)
Cash and cash equivalents at the end of the year		**75.7**	32 9

Statement of Group accounting policies

This section explains the Group's main accounting policies, which have been applied consistently throughout the year and in the preceding year

Basis of preparation

The Company has prepared its entity financial statements in accordance with UK GAAP Those financial statements are set out on pages 68 to 73

The consolidated financial statements for the Commercial Holdings Group (the 'Group') have been prepared in accordance with International Financial Reporting Standards issued by the International Accounting Standards Board (IASB), interpretations issued by the IFRS Interpretations Committee of the IASB as adopted by the EU (IFRS) and the Companies Act 2006

The financial statements are principally prepared on the historical cost basis Areas where other bases are applied are identified in the accounting policies below

Where items are sufficiently significant by virtue of their size or nature, they are disclosed separately in the financial statements in order to aid the reader's understanding of the Group's financial performance Such items are typically gains or losses and will be shown separately in the income statement

The consolidated financial statements have been prepared on the going concern basis

Non-statutory financial performance measures

The Group believes that 'Gross revenue including joint ventures' and 'Operating profit before specific items' are additional non-statutory measures of financial performance that provide additional guidance to help understand the performance of the business on a comparable basis year on year

The Group's income statement separately identifies significant items affecting operating profit (termed "specific items") which in the Directors' judgement are highlighted by virtue of their size or incidence to enable a full understanding of the Group's financial performance

Specific items are not defined under IFRS and may not be comparable to similarly titled measures used by other companies Items which have been highlighted for consideration include the impairment of goodwill, the Group's share of the interest and tax of joint ventures and associates, pension deficit reduction payments and other non-recurring items which are considered important in understanding the results of the Group

Going concern

The Board remains satisfied with the Group's funding and liquidity position

At the balance sheet date, the main sources of debt funding are unsecured loan and investment facilities expiring in July 2016 and an unsecured loan with the European Investment Bank that was fully repaid in May 2012 The Group has to comply with both interest cover and leverage covenants on the main loan facility There have been no defaults or breaches of covenants during the year and none are expected during the period under review for going concern Further information in respect of these facilities is included in Note 26f As discussed in Note 25c, the Group has refinanced a proportion of these facilities extending the maturity date to June 2020 The financial covenants associated with the new facilities are unchanged

The Group's forecasts and projections, taking account of reasonably possible changes in trading performance, show that the group should be able to operate within the level of its current facility for a period of no less than 12 months from the date of signing these accounts The Group will open renewal negotiations with the bank in due course and has at this stage not sought any written commitment that the facility will be renewed However, the Group has held discussion with its bankers about its future borrowing needs and no matters have been drawn to its attention to suggest that renewal may not be forthcoming on acceptable terms

After making enquiries, the directors have a reasonable expectation that the company and the Group have adequate resources to continue in operational existence for the foreseeable future Accordingly, they continue to adopt the going concern basis in preparing the annual report and accounts

Statement of Group accounting policies
CONTINUED

Basis of consolidation

The Group accounts include the results of BBC Commercial Holdings Limited and its subsidiaries, joint ventures and associates Where necessary, adjustments are made to the financial statements of subsidiaries, joint ventures and associates to bring the accounting policies used into line with those used by the Group All intra-group transactions, balances, income and expenses are eliminated on consolidation Unrealised gains from transactions with joint ventures and associates are eliminated to the extent of the Group's interest in the entity Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment

Subsidiaries and non-controlling interests

Subsidiaries are entities controlled by the Group Control is achieved where the Group has the power, directly or indirectly, to govern the financial and operating policies of an entity so as to obtain benefits from its activities In assessing control, the Group takes into consideration potential voting rights that are currently exercisable The results of subsidiaries are included in the financial statements from the date that control commences to the date that control ceases

Changes in the Group's interests in subsidiaries that do not result in a loss of control are accounted for as equity transactions The carrying amounts of non-controlling interests are adjusted to reflect any changes in their, and the Group's, relative interests in the subsidiaries Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to the BBC

When the Group loses control of a subsidiary, the profit or loss on disposal is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest (net of disposal costs) and (ii) the previous carrying amount of the net assets of the subsidiary (including attributable goodwill) and any non-controlling interests Amounts previously recognised in other comprehensive income in relation to the subsidiary are reclassified to the income statement or transferred directly to retained earnings as appropriate The fair value of any interest retained in the former subsidiary at the date when control is lost is regarded as the cost on initial recognition of an investment in a joint venture or associate

Equity put options held by minority interest holders are recognised as financial liabilities at the present value of the fair value of amounts payable on their exercise The Group continues to recognise minority interests in respect of these equity investments where the risks and rewards of ownership are deemed to have been retained by the minority interest holders

Associates and joint ventures

Investments in associates and joint ventures are initially recognised at cost The carrying amount is increased or decreased in subsequent periods to recognise the share of total comprehensive income

The Group accounts for its share of the results and net assets of its joint ventures and associates using information as of 31 March with the exception of Children's Character Books Limited, Woodlands Books Limited, Educational Publishers LLP, BBC Haymarket Exhibitions Limited and JV Programmes LLC which have been included using information from unaudited accounts drawn up to 31 December The impact of these non-coterminous year ends is not considered material

An associate is an entity over which the Group exercises significant influence but not control, over its financial and operating policies A joint venture is an entity over which the Group exercises joint control, established through a contractual arrangement The Group's investments in associates and joint ventures are recognised using the equity method of accounting

Where the Group's share of losses exceeds the carrying amount of the joint venture or associate, the carrying amount is reduced to nil and recognition of further losses is discontinued except to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the joint venture or associate

Segmental analysis

In accordance with IFRS 8 *Operating Segments*, the Group's operating segments are reported in a manner consistent with the internal reports provided to the chief operating decision maker ('CODM') The CODM, who is responsible for allocating resources and assessing performance of the operating segments has been identified as the Commercial Holdings Board The Commercial Holdings Board comprises executive and non-executive Directors, and is responsible for making strategic decisions

Statement of Group accounting policies
CONTINUED

Revenue

Revenue excludes value added tax and trade discounts and is recognised at the fair value of consideration receivable Sales of promotional merchandise and publishing are stated after deduction of the sales value of actual and estimated returned goods The Group's main sources of revenue are recognised as follows

- licence fees from programme content and programme formats – once a contract has been signed, licence fees are recognised on the later of the start of the licence period or the delivery of the associated programme
- production fees and participation royalties – recognised as earned Production fees are recognised on delivery of the related programme or on a stage of completion process basis, depending on the nature of the contract with the customer Royalties are recognised on receipt or on an accruals basis where sufficient reliable information is available
- distribution and other sales commission income – recognised on provision or delivery of service
- advertising revenue – on transmission or publication of the advertisement
- subscription fees on pay channel platforms and from subscriptions to print and online publications and services – recognised as earned, pro rata over the subscription period
- revenue generated from the sale of physical and digital products – recognised at time of delivery Revenue from the sale of goods is stated net of deductions for actual and expected returns based on management judgement and historical experience
- revenue from the provision of equipment, facilities and services for use primarily in programme production – recognised on the provision of service

Foreign currencies

Transactions in foreign currencies are translated into the functional currency of each entity of the Group at a monthly average exchange rate Monetary assets and liabilities denominated in foreign currencies are translated at the foreign exchange rate ruling on that date Foreign exchange differences which arise on translation are recognised in the income statement

The Group's presentational currency is sterling The income statements and cash flows of foreign operations are translated into sterling at the weighted average rates for the year The assets and liabilities of foreign operations are translated into sterling at the rate of exchange ruling at the balance sheet date Exchange differences arising from the retranslation of the opening net assets of foreign operations are taken directly to other comprehensive income together with the differences arising when income statements are translated at average rates compared with rates ruling at the balance sheet date On disposal of a foreign operation, the cumulative amount recognised in equity relating to that operation is recognised in the income statement as part of the gain or loss on sale

Lease payments

Assets held under finance leases, whereby the Group assumes substantially all the risks and rewards of ownership, are capitalised and depreciation is charged accordingly Assets are capitalised at lease commencement at the lower of their fair value and the present value of the minimum lease payments Lease payments are apportioned between finance charges and reductions of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability

All other leases are classified as operating leases The lease expense arising from operating leases is charged to the income statement on a straight line basis over the term of the lease Any incentives to enter into operating leases are recognised as a reduction of the lease expense and recorded on a straight line basis over the lease term

Statement of Group accounting policies
CONTINUED

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets (those necessarily taking a substantial period of time to get ready for their intended use) are added to the cost of those assets, until such time as the assets are ready for their intended use

All finance income and other borrowing costs are recognised in income and expense in the period in which they are incurred

Taxation

The tax charge for the period comprises both tax currently payable and deferred tax Taxation is recognised in the income statement except to the extent that it relates to items recognised directly in reserves, in which case it is recognised in reserves

Current tax is the expected tax payable for the year, using tax rates that have been enacted or substantively enacted by the balance sheet date and any adjustment to tax payable in respect of previous years

Deferred tax is provided using the balance sheet liability method on any temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes Certain temporary differences do not lead to the recognition of deferred tax, for example, deferred tax is not recognised for taxable temporary differences arising on the initial recognition of goodwill The amount of deferred tax provided is based on the tax rates expected to apply in the period when the liability is settled or the asset is realised using tax rates enacted or substantively enacted at the balance sheet date

A deferred tax asset is recognised only to the extent that it is probable that sufficient taxable surplus will be available to utilise the temporary difference Deferred tax assets and liabilities are disclosed net to the extent that they relate to taxes levied by the same authority and the Group has the right of offset

Intangible fixed assets

Programme rights for distribution

Distribution rights represent rights to programmes and associated intellectual property acquired with the primary intention of exploiting the rights commercially as part of the Group's long-term operations

Distribution rights acquired by the group are either purchased, generated internally or licensed following the payment of an advance on royalties Where the Group controls the respective assets and the risks and rewards attached to them, rights are initially recognised at acquisition cost or production cost The carrying amount is stated at cost less accumulated amortisation and provision for impairment

Amortisation of distribution rights is charged to the income statement to match the average revenue profile of the programme genre over its estimated average marketable life The expected lives of distribution rights range from one to ten years In the case of royalty advances, amortisation is charged as the advances are recouped

Where the carrying value of any individual set of rights exceeds management's best estimate of future exploitation revenues, a provision for impairment is recorded in the income statement immediately

For self-produced content, distribution rights exclude co-production costs borne by third parties These costs are deferred within current assets and expensed upon recognition of the associated production income Production income is recognised in accordance with the Group's revenue recognition policies

Business combinations and goodwill

Acquisitions on or after 1 April 2007 – on initial recognition goodwill represents the difference between the cost of the acquisition and the fair value of the identifiable net assets acquired

Acquisitions prior to 1 April 2007 – as part of the adoption of IFRS, in accordance with IFRS 1 'First-time adoption of IFRS', the Group elected to restate only those business combinations that occurred on or after 1 April 2007 In respect of acquisitions prior to 1 April 2007, goodwill is recognised at deemed cost being the amount previously recognised under UK Accounting Standards, subject to being tested for impairment at that date Goodwill arising in periods up to 1 April 1998 remains offset against the operating reserve, as was permitted by UK GAAP at the time

Goodwill arising on the acquisition of joint ventures and associates – this is included in the carrying amount of the joint venture or associate and is tested for impairment as part of the overall balance

Subsequent measurement of separately recognised goodwill – goodwill is tested annually for impairment and is measured at cost less any accumulated impairment losses For the purposes of impairment testing the goodwill is allocated to cash-generating units on the basis of those expected to benefit from the relevant business combination

Statement of Group accounting policies
CONTINUED

Other intangible assets

Intangible assets acquired as part of a business acquisition are capitalised at fair value at the date of acquisition The fair value of such intangible assets is valued by reference to external market values or income based methods Income based methods estimate the future economic benefits to be derived from ownership of the asset by identifying, quantifying and separating cash flows attributable to the asset and capitalising their present value Purchased intangible assets acquired separately are capitalised at cost After initial recognition, all intangible fixed assets are measured at cost less accumulated amortisation and any accumulated impairment losses

An internally-generated intangible asset arising from the Group's development, including software and website development, is recognised when the asset is technically and commercially feasible, sufficient resources exist to complete the development and it is probable that the asset will generate future economic benefits Any expenditure on research activities, or development activities that do not meet the aforementioned criteria, is recognised as an expense in the period in which it is incurred

Amortisation

With the exception of goodwill, which is not amortised, amortisation is charged on assets with finite lives on a systematic basis over the asset's useful life and disclosed within total operating costs in the income statement

The useful lives and amortisation methods are as follows

Programme rights for distribution	See below	1-10 years
Other		
Masthead	Straight line	20 years
Carrier agreements	Straight line	unexpired term of agreement
Software	Straight line	1-5 years
Other	Straight line	3-8 years

Amortisation of programme rights for distribution is charged to the income statement to match the average revenue profile of the programme genre over its estimated average marketable life

Useful lives are examined every year and adjustments are made, where applicable, on a prospective basis

Impairment of assets

Non-financial assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment

Non-financial assets that are subject to amortisation or depreciation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable An impairment loss is recognised in the income statement for the amount by which the asset's carrying amount exceeds its recoverable amount the higher of an asset's fair value less costs to sell and value in use For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units) and for which goodwill is monitored for management purposes

Impairment losses recognised in respect of cash generating units are allocated first to reduce the carrying amount of goodwill allocated to those units, and then to reduce the carrying amount of other assets in the unit on a pro-rata basis

In respect of assets other than goodwill, an impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised Impairment losses in respect of goodwill are not reversed

Property, plant and equipment

Owned assets

Other than as noted below, items of property, plant and equipment are stated at cost less accumulated depreciation and any accumulated impairment losses

Cost includes expenditure that is directly attributable to the acquisition of the asset

Statement of Group accounting policies
CONTINUED

Property, plant and equipment continued

Depreciation

Depreciation is provided to write off the cost of each item of property, plant and equipment, less its estimated residual value, on a straight line basis over its estimated useful life The major categories of property, plant and equipment are depreciated as follows

- Land and buildings
  Freehold land – not depreciated
  Freehold buildings – 50 years
  Freehold building improvements – 10 to 50 years
  Long leasehold buildings – shorter of 50 years or life of lease
  Long leasehold building improvements – 10 to 50 years
  Short-leasehold land and buildings – within unexpired lease term
- Plant and machinery
  Computer equipment – 3 to 5 years
  Electrical and mechanical infrastructure – 10 to 25 years
  Other – 3 to 10 years
- Furniture and fittings – 3 to 10 years

Non-current assets held for sale

Non-current assets and disposal groups are classified as held for sale if their carrying amount will be recovered principally through sale rather than continuing use, they are available for immediate sale in their present condition and a sale is highly probable Management must be committed to the sale which should be expected to qualify for recognition as a completed sale within one year from the date of classification

When the Group is committed to a sale plan involving loss of control of a subsidiary, all of the assets and liabilities of that subsidiary are classified as held for sale when the criteria described above are met, regardless of whether the Group will retain a non-controlling interest in its former subsidiary after the sale

Once classified as held for sale, non-current assets or disposal groups are measured at the lower of carrying amount and fair value less costs to sell No amortisation or depreciation is charged on non-current assets (including those in disposal groups) classified as held for sale

Programme rights and other inventory

Programme rights in this context refer to the programme rights acquired for the primary purpose of broadcasting within the Group's short-term operations The carrying amount is stated at cost less accumulated amortisation, and after writing off the costs of programme rights that are considered irrecoverable The Group's estimate of the benefits received from these rights is determined to be most appropriately aligned with a straight-line amortisation profile for the majority of the programme inventory held The cost is recognised in the income statement on a straight-line basis over the shorter of the period of the licence or three years (the expected operating cycle for an item of this nature) In certain instances amortisation is recognised on a reducing balance basis, where it more appropriately aligns the amortisation profile with the expected consumption of economic benefits

Other inventories comprising books, DVDs, audiobooks, paper, raw materials and work in progress are stated at the lower of cost and net realisable value

Statement of Group accounting policies
CONTINUED

Cash and cash equivalents

Cash and cash equivalents comprise cash balances and call deposits with maturity of less than three months

Financial instruments

The Group holds various derivative and non-derivative financial instruments (including assets such as trade investments and liabilities such as borrowings) The accounting policy for major categories of financial instruments is set out below

Derivative financial instruments

The Group does not enter into speculative derivative contracts, however some derivative financial instruments are used to manage the BBC's exposure to fluctuations in interest rates (interest rate swaps, caps and collars) and foreign currency exchange rates (foreign currency forwards contracts, currency options)

Derivative financial instruments, excluding derivatives held as qualifying hedges, are initially recognised at fair value and are subsequently remeasured to fair value at the balance sheet date with movements recorded in the income statement

The fair value of interest rate swaps, caps and collars is the estimated amount that the Group would receive or pay to terminate the swap, cap or collar at the balance sheet date, taking into account current interest rates and the current creditworthiness of swap, cap or collar counterparties

The fair value of foreign currency forward contract rates is determined by using forward exchange rates at the balance sheet date

Hedge accounting

Where a financial instrument is designated and effective as a net investment hedge of a foreign operation or a cash flow hedge of purchases or sales in a foreign currency, any exchange differences arising on the retranslation of the financial instrument will be recognised directly in the statement of comprehensive income Any ineffective portion is recognised immediately in the income statement

Embedded derivatives

Derivatives which are embedded in other financial instruments or other host contracts are treated as separate derivatives when their risks and characteristics are not closely related to those of the host contracts, and the host contracts are not carried at fair value Embedded derivatives are carried on the balance sheet at fair value from inception of the host contract Unrealised changes in fair value are recognised as gains/losses within the income statement during the period in which they arise

Trade and other payables

Trade and other payables are recognised initially at fair value and subsequently at amortised cost using the effective interest method

Statement of Group accounting policies
CONTINUED

Trade and other receivables

These are recognised at fair value plus directly attributable transaction costs less an allowance for estimated impairment The allowance is based on objective evidence that the Group will not be able to recover all amounts due, through a review of all accounts and prior experience collecting outstanding balances Changes in the carrying amount of the allowance are recognised in the income statement

Provisions

A provision is recognised in the balance sheet when the Group has a present legal or constructive obligation arising from past events, it is probable that an outflow of economic benefits will be required to settle the obligation and the amount can be reliably estimated Provisions, other than deferred tax, that are payable over a number of years are discounted to net present value at the balance sheet date using a discount rate appropriate to the particular provision concerned

Defined benefit plans

Employees of the Group also participate in defined benefit schemes operated by the Group's ultimate parent, the British Broadcasting Corporation (the "BBC") The defined benefit schemes provide benefits based on pensionable pay The assets of the BBC's main pension scheme, the BBC Pension Scheme, to which the majority of employees belong, are held separately from those of the BBC Group

The BBC Pension Scheme is a group-wide scheme and there is no contractual agreement or stated policy for charging the net defined benefit cost to scheme participants The contribution rates are set by the pension scheme trustees based on valuations which take a longer-term view of the assets required to fund the scheme's liabilities Valuations of the scheme are performed by Towers Watson, consulting actuaries, with formal valuations undertaken at least every three years Accordingly, the Group accounts for contributions payable to the scheme as if the schemes were defined contribution schemes, as is required by IAS 19 *Employee Benefits*

Termination benefits

Termination benefits are a component of restructuring provisions and are payable when employment is terminated before the normal retirement date They are recognised as an expense when the Group is demonstrably committed to termination being when there is a detailed formal plan to terminate employment without possibility of withdrawal

Other employee benefits

Other short and long term employee benefits, including holiday pay and long service leave, are recognised as an expense over the period in which they accrue

Dividends on shares presented within equity

Dividends are recognised through equity in the period in which they are declared Dividends unpaid at the balance sheet date are only recognised as a liability at that date to the extent that they are appropriately authorised and are no longer at the discretion of the Group Unpaid dividends that do not meet these criteria are disclosed in the notes to the financial statements

Statement of Group accounting policies
CONTINUED

Use of estimates and judgements

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting assumptions, and requires management to exercise its judgement and to make estimates in the process of applying the Group's accounting policies The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed below

Revenue recognition

The timing of revenue recognition requires judgement, as does the amount to be recognised This may involve estimating the fair value of consideration before it is received In making these judgements, the Group considers the revenue recognition criteria set out in IAS 18 *Revenue* and, in particular, whether the Group had transferred the significant risks and rewards of the goods/services to the customer

Carrying value of goodwill

The determination of whether goodwill is impaired requires an estimation of the value in use of the cash-generating units to which goodwill has been allocated The value in use calculation requires the entity to estimate the future cash flows expected to arise from the cash-generating unit and a suitable discount rate that reflects current market assessments of the risks specific to the asset and the time value of money, in order to calculate present value Please refer to note 12 for further details on the impairment loss calculation for the current year

Basis of consolidation

Judgement is required in determining whether certain entities in which the Group has an economic interest should be considered to be subsidiaries, joint ventures or associates In such circumstances, the Group has assessed its ability to control or influence those entities Control has been assessed with reference to the ability of the Group to direct, unilaterally, key policies of the entity Where such policies are reserved such that an economic partner has the power to veto key strategic financial and operating decisions, the entity is considered to be a joint venture

Determination of fair values

Certain financial instruments are carried on the balance sheet at fair value, with changes in fair value reflected in the income statement Fair values are estimated by reference in part to published price quotations and in part by using valuation techniques

Deferred tax

Deferred tax assets and liabilities require management judgement in determining the amounts to be recognised In particular, judgement is used when assessing the extent to which deferred tax assets should be recognised with consideration given to the timing and level of future taxable income

Programme rights

The assessment of the appropriate profile over which to recognise the amortisation of programme rights (for distribution or for broadcast) involves a certain degree of judgement Amortisation is charged to the income statement to match the average revenue profile of the programme genre over its estimated average marketable life

Statement of Group accounting policies
CONTINUED

Adoption of new and revised standards

In the current year, the following revised Standards have been adopted and have been applied since April 2012

- IFRS 7 (revised) *Financial instruments Disclosure*

There were no material impacts on the financial statements of the Group following the introduction of this revised standard No changes have been made to the Group's accounting policies during the year

New standards and interpretations not yet adopted

At the date of authorisation of these financial statements, the following Standards and Interpretations which have not been applied in these financial statements were in issue but not yet effective

Endorsed by the EU	
IFRS 1	*First time adoption*
IFRS 10	*Consolidated financial statements*
IFRS 11	*Joint arrangements*
IFRS 13	*Fair value measurement*
IAS 1 (Revised 2011)	*Financial Statement presentation*
IAS 12 (Revised)	*Income Taxes*
IAS 19 (Revised)	*Employee Benefits*
IAS 27 (Revised 2011)	*Separate financial statements*
IAS 28 (Revised 2011)	*Associates and joint ventures*
IAS 32 (Revised)	*Financial instruments presentation*
Not yet endorsed by the EU	
IFRS 9	*Financial instruments*

The Group currently does not expect that the adoption of these Standards and Interpretations in future periods will have a material impact on the financial statements of the Group, except as follows

- IFRS 9 will impact both the measurement and disclosures of Financial Instruments, and
- IFRS 12 will impact the disclosure of interest the Group has in other entities

Beyond the information above, it is not practicable to provide a reasonable estimate of the effect of these standards until a detailed review has been completed

Notes to the financial statements

1 Segmental reporting

The Commercial Holdings Board, the Group's chief operating decision maker (CODM), has determined the reportable segments based upon the reports it regularly reviews and uses to make strategic decisions and allocate resources

Segmental information provided to the Board is based on the Group's primary revenue sources The reportable segments are

- BBC Worldwide Limited – The revenue is generated by worldwide television channels, consumer products, sale and distribution of content, content production, digital media and the management of the Company brands

- BBC Global News Holdings Limited – Incorporates BBC World Distribution Limited, BBC Global News Limited (previously known as BBC World News Limited) and BBC com (transferred from BBC Worldwide Limited in September 2012) The group generates its revenue through the commercial exploitation of global news through the BBC World News television channel and bbc com website Revenue is also generated through video news on demand available to channel operators and through mobile devices

- BBC Studios & Post Production Limited – The revenue is generated by the provision of equipment, facilities and services for use in programme production

The results of the holding Company are reported to the Board at the same time as other segments

Inter-segment pricing is determined on an arm's length price

Information regarding reportable segment assets and liabilities is not reported to the Board

1a Analysis of revenue

2013	Note	**BBC Worldwide £m**	**BBC Global News £m**	**BBC Studios & Post Production £m**	**Group Adjustments £m**	**Group £m**
Joint Venture revenue		**147 2**	–	–	–	**147 2**
Revenue*		**916 6**	**91 5**	**37 6**	**(16 7)**	**1,029 0**
Royalties		**52 0**	**0 2**	–	–	**52 2**
		1,115 8	**91 7**	**37 6**	**(16 7)**	**1,228 4**
Less joint venture revenue		**(147 2)**	–	–	–	**(147 2)**
Total revenue		**968 6**	**91 7**	**37 6**	**(16 7)**	**1,081 2**

2012	Note	BBC Worldwide £m	BBC Global News £m	BBC Studios & Post Production £m	Group Adjustments £m	Group £m
Joint Venture revenue		150 1	–	–	–	150 1
Revenue*		886 8	70 6	52 2	(15 3)	994 3
Royalties		48 1	0 4	–	–	48 5
		1,085 0	71 0	52 2	(15 3)	1,192 9
Less joint venture revenue		(150 1)	–	–	–	(150 1)
Total revenue		934 9	71 0	52 2	(15 3)	1,042 8

* Revenue represents the sale of goods and provision of services

Notes to the financial statements
CONTINUED

1 Segmental reporting continued

1b Analysis of revenue, profit/(loss) by activity

2013	Note	BBC Worldwide £m	Global News £m	BBC Studios & Post Production £m	Holding Companies £m	Group Adjustments £m	Group £m
Total revenue	1a	968 6	91 7	37 6	–	(16 7)	1,081 2
Depreciation and amortisation	2a	(130 4)	(0 6)	(2 3)	–	–	(133 3)
Other operating (costs)/income		(732.3)	(95 9)	(40 6)	(2 1)	15.5	(855 4)
Share of profit of joint ventures and associated undertakings	14	26 1	–	–	–	–	26.1
Operating profit/(loss)		132 0	(4 8)	(5 3)	(2 1)	(1 2)	118 6
Analysed as							
Operating profit/(loss) before specific items		153 7	(0 8)	(1 1)	(2 0)	(1 2)	148 6
Interest and taxation on profits of joint ventures and associates	3c	(9.4)	–	–	–	–	(9.4)
Reorganisation costs	3b	(10 9)	(0.1)	(2 8)	–	–	(13 8)
Other specific items	3d	(1 4)	(3.9)	(1 4)	(0 1)	–	(6 8)
Operating profit/(loss)		132 0	(4.8)	(5 3)	(2 1)	(1 2)	118 6
Gain on sale of operations	11						23 3
Financing income	7a						1 1
Financing costs	7b						(11 6)
Profit before taxation							131.4
Taxation	8a						(30 8)
Profit for the year							100 6

Notes to the financial statements
CONTINUED

1 Segmental reporting continued

1b Analysis of revenue, profit/(loss) by activity continued

2012	Note	BBC Worldwide £m	Global News £m	BBC Studios & Post Production £m	Holding Companies £m	Group Adjustments £m	Group £m
Total revenue	1a	934 9	71 0	52 2	–	(15 3)	1 042 8
Depreciation and amortisation	2a	(109 1)	–	(3 8)	–	–	(112 9)
Other operating (costs)/income		(730 7)	(67 1)	(50 3)	(0 7)	15 2	(833 6)
Share of profit of joint ventures and associated undertakings	14	23 4	–	–	–	–	23 4
Operating profit/(loss)		118 5	3 9	(1 9)	(0 7)	(0 1)	119 7
Analysed as							
Operating profit/(loss) before specific items		152 9	4 2	5 0	(0 5)	(0 1)	161 5
Impairment of goodwill	3a, 12	(16 1)	–	–	–	–	(16 1)
Interest and taxation on profits of joint ventures and associates	3c	(9 6)	–	–	–	–	(9 6)
Reorganisation costs	3b	(5 4)	–	(0 7)	–	–	(6 1)
Other specific items	3d	(3 3)	(0 3)	(6 2)	(0 2)	–	(10 0)
Operating profit/(loss)		118 5	3 9	(1 9)	(0 7)	(0 1)	119 7
Financing income	7a						2 9
Financing costs	7b						(21 6)
Profit before taxation							101 0
Taxation	8a						(29 7)
Profit for the year from continuing operations							71 3
Profit from discontinued operations	10						100 3
Profit for the year							171 6

Notes to the financial statements
CONTINUED

1 Segmental reporting continued

1c Geographical location of revenue and non-current assets

2013	BBC Worldwide £m	Global News £m	BBC Studios & Post Production £m	Holding Companies £m	Group Adjustments £m	Group £m
Non-current assets excluding deferred tax and derivative financial instruments						
UK	**211 5**	**0 7**	**7 4**	**108 3**	**(108 3)**	**219 6**
Rest of world	**39.0**	**0 4**	**–**	**–**	**–**	**39 4**
	250 5	**1 1**	**7 4**	**108 3**	**(108 3)**	**259 0**
Additions included in non-current assets	**131 8**	**0 6**	**4.1**	**–**	**–**	**136 5**
External revenue						
UK	**257 7**	**–**	**37 6**	**–**	**(16 7)**	**278 6**
Rest of world	**710 9**	**91 7**	**–**	**–**	**–**	**802 6**
	968.6	**91 7**	**37 6**	**–**	**(16 7)**	**1,081 2**

2012	BBC Worldwide £m	Global News £m	BBC Studios & Post Production £m	Holding Companies £m	Group Adjustments £m	Group £m
Non-current assets excluding deferred tax and derivative financial instruments						
UK	200 7	–	5 6	96 1	(94 4)	208 0
Rest of world	100 8	0 1	–	–	–	100 9
	301 5	0 1	5 6	96 1	(94 4)	308 9
Additions included in non-current assets	127 1	–	2 8	–	–	129 9
External revenue						
UK	254 1	1 7	52 2	–	(15 3)	292 7
Rest of world	680 8	69 3	–	–	–	750 1
	934 9	71 0	52 2	–	(15 3)	1,042 8

Notes to the financial statements
CONTINUED

1 Segmental reporting continued

1d Analysis of total operating costs by activity

2013	BBC Worldwide £m	Global News £m	BBC Studios & Post Production £m	Holding Companies £m	Total £m
Cost of sales	**557 7**	**85.6**	**35 9**	**–**	**679 2**
Distribution costs	**126 7**	**–**	**–**	**–**	**126 7**
Administrative expenses	**178 3**	**10.9**	**7 0**	**2 1**	**198 3**
	862 7	**96 5**	**42 9**	**2 1**	**1,004 2**

2012	BBC Worldwide £m	Global News £m	BBC Studios & Post Production £m	Holding Companies £m	Total £m
Cost of sales	544 6	62 8	47 4	–	654 8
Distribution costs	126 3	–	–	–	126 3
Administrative expenses	168 9	4 3	6 7	0 7	180 6
	839 8	67 1	54 1	0 7	961 7

Notes to the financial statements
CONTINUED

2 Total operating costs

2a Total operating costs

Profit is stated after charging/(crediting)

	Note	2013 £m	2012 £m
Intangible fixed assets and property, plant and equipment			
Depreciation			
– owned assets	13	**9 7**	10 5
– leased assets	13	**–**	0 3
Amortisation of intangible fixed assets	12	**123 6**	102 1
Impairment of property, plant and equipment	13	**–**	3 7
Impairment of goodwill	12	**–**	16 1
Impairment of investments in joint ventures and associates		**1 9**	1 0
Inventories			
Included in cost of sales		**97 3**	116 9
Write-downs		**6 5**	9 1
Other operating costs			
Rentals on operating leases and similar arrangements		**28 8**	28 6
Sub-lease rentals received on operating leases*		**(0 5)**	(0 3)
Research costs		**–**	1 3
Net exchange differences on settled transactions		**(2 0)**	0 6
Impairment of trade debtors	18	**7 7**	1 7
Fair valuation impact of financial instruments		**(4 4)**	(1 1)
Staff costs	4b	**216 4**	216 7

* Total future minimum sublease payments expected to be received under non-cancellable subleases as at 31 March 2013 are £0 5million (2012 £0 5million)

2b Auditor's remuneration

The audit fee was £10,000 (2012 £10,000) for the audit of the Company's annual accounts Fees payable for services provided across the Group are shown below

	2013 £m	2012 £m
The audit of the Company's subsidiaries pursuant to legislation	**0 8**	0 8
Tax services	**0 1**	0 2
Corporate finance services	**–**	1 4
Other services	**0 4**	0 2
Total non-audit fees	**0 5**	1 8

Notes to the financial statements
CONTINUED

3 Specific items

	Note	2013 £m	2012 £m
Impairment of goodwill	3a	–	(16 1)
Reorganisation costs	3b	**(13 8)**	(6 1)
Interest and taxation on profits of joint ventures and associates	3c	**(9 4)**	(9 6)
Other specific items			
Changes in fair valuation of derivative financial instruments	3d	**(3 0)**	0 7
Impairment of plant and equipment	3d	**-**	(3 7)
Pension deficit reduction payment	3d	**(3 8)**	(7 0)
Total other specific items		**(6.8)**	(10 0)
		(30 0)	(41 8)

3a Impairment of goodwill

In the prior year, the Group has separately identified amounts written off acquired goodwill owing to their scale and one-off nature Further information about amounts written off goodwill is included in note 12

3b Reorganisation costs

The presentation of specific items has been amended to better reflect the underlying performance of the Group Reorganisation costs relate to redundancy and similar costs arising as a result of changes to the Group's organisation structure, the discontinuation of the BBC Entertainment Channel in India, cost associated with the planned relocation of the Group's head office and additional redundancy costs arising from restructuring within the Lonely Planet and Consumer Products business Reorganisation costs in the year ended 31 March 2012 related to the Group's Lonely Planet business

3c Interest and taxation on profits of joint ventures and associates

The Group views its investments as being a fundamental part of its ongoing operations IFRS requires the Group to report its share of profit of joint ventures and associates on an after-tax, after-interest basis The interest and taxation on profits of joint ventures and associates is therefore added back as a specific item in order to present an operating profit measure which more appropriately represents the way in which the business is reviewed and assessed internally

3d Other specific items

The impact of fair value changes of derivative financial instruments is a loss of £3 0million (2012 £0 7million gain) on operating profit These derivative financial instruments comprise forwards and currency options, including embedded derivatives which have been identified and separated from their host contract for valuation

The £3 7m asset impairment in 2012 was triggered by the BBC's announcement to sell Television Centre in 2013

As described in note 5, the Group accounts for contributions to the BBC Pension Scheme as if it were a defined contribution scheme The Group made an additional cash payment of £3 8million (2012 £7 0million) to the BBC in connection with the BBC's deficit reduction plan As this payment is not reflective of the ongoing service cost of active scheme participants, management believes it is appropriate to present this cost as a specific item The Group anticipates making similar payments in future periods

Notes to the financial statements
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4 Staff numbers and costs

4a Persons employed

The average number of persons employed in the year was

	Average for the year	
	2013 Number	2012 Number
BBC Commercial Holdings Limited	**3**	–
BBC Studios & Post Production Limited	**186**	234
BBC Worldwide Limited	**2,326**	2,565
BBC Global News Limited	**84**	87
Group total	**2,599**	2,886

Within the averages above 284 (2012 262) part-time employees have been included at their full-time equivalent of 145 (2012 165)

In addition, the Group employed an average full-time equivalent of 19 (2012 69) persons on a casual basis

4b Staff costs (including directors)

	2013 £m	2012 £m
Salaries and wages	**171 1**	176 9
Social security costs	**11 2**	12 7
Pension costs	**20 3**	21 0
Restructuring costs	**13 8**	6 1
Total	**216 4**	216 7

The restructuring costs comprise of redundancy and severance costs incurred as part of a review process aimed at achieving more efficient operations within the Group businesses

5 Pensions

5a Group pension plans

Many BBC Commercial Holdings Group's employees are members of the BBC Group's pension schemes These comprise the BBC Pension Scheme (a defined benefit scheme which is now closed to new members), a small unfunded plan (the unfunded scheme, which is closed to new members) and defined contribution schemes (LifePlan and the Group Personal Pension Scheme)

The BBC Pension Scheme provides benefits on a defined benefit basis funded from assets held in separate trustee-administered funds, there are four sections to the BBC Pension Scheme, all closed to new entrants, Old Benefits and New Benefits, Career Average Benefits 2006 (CAB 2006) and the Career Average Benefits 2011 (CAB 2011)

BBC Commercial Holdings Group, following the provisions within IAS 19 *Employee Benefits* for accounting in respect of Group schemes, accounts for its participation in the scheme as if it were a defined contribution scheme This is because there is no contractual agreement or stated policy for charging the net defined benefit cost to scheme participants The pension cost for this scheme therefore represents contributions payable by the Group to the scheme and the costs amounted to £11 0million in the year (2012 £16 5million) No contributions were prepaid or accrued at 31 March 2013 (2012 £nil)

The actuarial valuation was updated for IAS 19 purposes to 31 March 2013 by Towers Watson, consulting actuaries This valuation identified a deficit of £1,708 7million in the scheme at 31 March 2013 (2012 £1,172 0million) Additional disclosure about the scheme and its financial position under IAS 19 is presented below

Notes to the financial statements
CONTINUED

5 Pensions continued
5b Pension liability included in the BBC Group balance sheet

	Pension liability	
	2013	2012
	£m	£m
BBC Pension Scheme	**(1,708 7)**	(1,172 0)
Unfunded Scheme	**(7 1)**	(6 6)
Total	**(1,715 8)**	(1,178 6)

5c BBC Pension Scheme

The BBC Pension Scheme was the main pension plan of the Group and although it covers the majority of the current employees is now closed to new entrants This plan provides pensionable salary related benefits on a defined benefit basis funded from assets held in separate trustee-administered funds

5c i Scheme financial position

IAS 19 valuation	**2013** **£m**	2012 £m	2011 £m	2010 £m	2009 £m
Scheme assets*	**10,201 1**	9,198 5	8,835 8	8,154 8	6,454 0
Scheme liabilities	**(11,909 8)**	(10,370 5)	(9,756 3)	(9,795 7)	(6,592 6)
Deficit	**(1,708 7)**	(1,172 0)	(920 5)	(1,640 9)	(138 6)

* Excluding Additional Voluntary Contribution (AVC) funds

5c ii Changes in the present value of plan liabilities

The table below illustrates the movement on the plan liabilities during the year The key things which affect this are the additional year of pension benefits earned, any gains or losses relating to participants leaving the pension scheme, changes in assumptions made and benefits paid out during the year

	2013 **£m**	2012 £m
Opening present value of plan liabilities	**10,370 5**	9,756 3
Current service cost	**149 8**	160 0
Past service cost	**3 4**	4 8
Gains on curtailments	**–**	(45 0)
Interest on pension plan liabilities	**530 1**	527 2
Experience (losses)/gains arising on plan liabilities	**(9 9)**	113 3
Changes in assumptions underlying plan liabilities	**1,224 4**	189 3
Contributions by plan participants	**0 8**	1 8
Benefits paid and expenses	**(359 3)**	(337 2)
Closing present value of plan liabilities	**11,909 8**	10,370 5

Notes to the financial statements
CONTINUED

5 Pensions continued
5c BBC Pension Scheme continued

5c iii Changes in the fair value of plan assets

The table below illustrates the movement on the plan assets during the year The key things which affect this are the additional year of contributions made, changes in the value of the pension plan assets (including the investment return) and benefits paid during the year

The employee contributions to the scheme by members are mainly paid via a salary sacrifice arrangement These have been treated as employer contributions

	2013 £m	2012 £m
Opening fair value of plan assets*	**9,198 5**	8,835 8
Expected rate of return on plan assets	**640 9**	643 3
Actuarial gains/(losses) on plan assets	**527.4**	(157 8)
Contributions by employer	**192 8**	212 6
Contributions by plan participants	**0 8**	1 8
Benefits paid and expenses	**(359 3)**	(337 2)
Closing present value of plan assets*	**10,201 1**	9,198 5

* excluding AVC funds

5c iv Plan assets

The allocation of assets by the Trustees is governed by a need to manage risk against the desire for high returns and any liquidity needs A high percentage of assets are held in equities which the Trustees expect will produce higher returns in the long term For more information, including target asset allocations, on the Scheme see http //www bbc co uk/mypension

Type of asset	**2013 £m**	**2013 %**	2012 £m	2012 %
Equities	**3,948**	**39**	4,101	45
Bonds	**3,229**	**31**	2,369	25
Property	**1,060**	**10**	1,077	12
Alternatives*	**1,801**	**18**	1,494	16
Cash	**163**	**2**	158	2
Total assets	**10,201**	**100**	9,199	100
Actual return on pension plan assets**	**1,168**		486	

* Alternatives include private equity, debt and currency

** This constitutes realised gains from the receipt of investment income (eg dividends and rent), transactions where assets are sold and unrealised fair value changes

Notes to the financial statements
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5 Pensions continued
5c BBC Pension Scheme continued

5c v Funding the Scheme

The 2010 actuarial valuation by Towers Watson of the pension scheme showed a funding shortfall of £1 131million Consequently a recovery plan was agreed between the BBC and the pension scheme Trustees where additional contributions totalling £905million will be paid by the BBC over an 11 year period commencing in 2011

The contributions to the scheme by members are mainly paid via salary sacrifice arrangement These have been treated as employer contributions

The next formal actuarial valuation is expected to be performed as at 1 April 2013

	Projection				
	2014	**2013**	2012	2011	2010
Contribution rates	%	**%**	%	%	%
Employer*	14 5	**14 5**	14 5/15 5	18 15	18 9
Employee (Old and New Benefits)	7 5	**7 5**	7 5	7 5	6 75
Employee (Career Average Benefits 2006)	4 0	**4 0**	4 0	4 0	4 0
Employee (Career Average Benefits 2011)	6 0	**6 0**	6 0	–	–

* Includes an allowance for BBC AVC matching contributions of 0 1% (2012 0 1%) but excludes the cost effectively paid for by the employee and the salary sacrifice arrangement

On the basis of pension assumptions made, the BBC Group expects to make contributions to the scheme totalling £125 6million in 2013/14

Notes to the financial statements
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5 Pensions continued

5c BBC Pensıon Scheme contınued

5c vi Prıncipal actuarıal assumptions

The calculatıon of the scheme lıabılıtıes and pensıon charges, for IAS 19 purposes, requıres a number of assumptıons, both fınancıal and demographıc, to be made The prıncıpal assumptıons used by the actuarıes, at the balance sheet date were

Prıncıpal fınancıal assumptıons	**2013** **%**	2012 %
Rate of ıncrease ın salarıes	**1 0**	1 0
Rate of ıncrease ın pensıon payments		
Old Benefıts	**3 4**	3 5
New Benefıts	**3 2**	3 3
Career Average Benefıts (2006)	**2 4**	2 4
Career Average Benefıts (2011)	**2 3**	2 4
Inflatıon assumptıon (RPI)	**3 4**	3 5
Inflatıon assumptıon (CPI)	**2 4**	2 5
Dıscount rate	**4 5**	5 2

The sensıtıvıtıes regardıng the prıncıpal assumptıons used to measure the scheme's lıabılıtıes are set out below

	Assumptıon used		Impact on scheme lıabılıtıes %	Impact on scheme lıabılıtıes £m
Dıscount rate	4 5%	decrease 0 1%	2 2%	(256)
Dıscount rate	4 5%	ıncrease 0 1%	1 6%	193
Retaıl prıce ınflatıon rate	3 4%	decrease 0 1%	1 8%	211
Retaıl prıce ınflatıon rate	3 4%	ıncrease 0 1%	1 8%	(216)
Mortalıty rates	See below	decrease 0 1%	3 2%	381
Mortalıty rates	See below	ıncrease 0 1%	3 3%	(394)

The average lıfe expectancy assumptıons for members after retırement at 60 years of age, are as follows

Prıncıpal demographıc assumptıons	**2013** **Number** **of years**	2012 Number of years
Retırıng today		
Male	**28 0**	27 9
Female	**28 6**	28 5
Retırıng ın 20 years		
Male	**30 5**	30 3
Female	**30 3**	30 2

The longevıty assumptıons have been selected to reflect the characterıstıcs and experıence of the membershıp of the scheme Thıs has been done by adjustıng standard mortalıty tables ("S1" serıes of tables, publıshed by the CMI) whıch reflect recent research ınto mortalıty experıence ın the UK wıth a long-term rate of ımprovement of 1 5% per annum for males and 1 0% per annum for females

Notes to the financial statements
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5 Pensions continued

5c BBC Pension Scheme continued

5c vi Principal actuarial assumptions continued

Group LifePlan and other schemes

The BBC also operates its own defined contribution pension schemes, including those operated in the USA and Australia The pension cost represents contributions payable by BBC Commercial Holdings Group to the funds and this amounted to £5 5million in the year (2012 £4 5million)

6 Key management personnel compensation

Key management personnel are those people who have authority and responsibility for planning, directing and controlling the activities of the Group The Board of directors for Commercial Holdings Limited and the Chief Executive Officer and Director, Global of BBC Worldwide have been identified as the key management for this Group based on their responsibilities and influence for spending money and overseeing the Group's services and operations

Only four out of the seven key management individuals who served during the year receive remuneration in respect of their professional services or duties for the Commercial Holdings Group The disclosures in this note refer to these individuals The remaining individuals are remunerated separately within the BBC Group in relation to professional duties other than those for the Commercial Holdings Group

Key management personnel compensation is as follows

	2013 £m	2012 £m
Short term employee benefits	1 5	0 9
Post-employment benefits*	0 1	0 1
Other long term benefits	0 2	0 3
	1 8	1 3

* This balance relates to the cash contributions paid by the Group for the personnel included within key management

Retirement benefits accrue to key management under the following schemes

	2013 Number	2012 Number
Defined benefit schemes	3	2

The Group contributed £nil (2012 £nil) to defined contribution pension schemes for its Directors during the year

The remuneration of the highest paid Director included

	2013 £'000	2012 £'000
Emoluments	956	619
Compensation for loss of office*	244	–
Long-Term Incentive Plan	196	279

* Upon departure in December 2012, BBC Worldwide Limited's then Chief Executive Officer John Smith received £0 4million being 12 months salary in lieu of notice He subsequently decided to surrender half of this amount following him taking up alternative employment The net amount of £0 2million is also included within short term employee benefits

The emoluments above include £0 4million refunded from (2012 £0 1million which was vested) the Group's bonus matching scheme

The highest paid Director had accrued pension benefits of £0 2million (2012 £0 2million) per annum as at 31 March 2013 under the BBC's defined benefit scheme The Group contributed £nil (2012 £nil) to money purchase schemes on behalf of the highest paid Director during the year

Notes to the financial statements
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7 Net financing costs

7a Financing income

	2013 £m	2012 £m
Other interest receivable	**0 8**	1 2
Fair value gains on interest rate swaps and caps	**0 3**	1 7
Total financing income	**1.1**	2 9

7b Financing costs

	2013 £m	2012 £m
Fair value movement on financial liabilities	**1.8**	6 5
Interest on bank loans	**6 0**	5 7
Other interest payable	**3 8**	9 4
Total financing expense	**11 6**	21 6

8 Taxation

8a Taxation recognised in the income statement

The charge for the year, based on the rate of corporation tax of 24% (2012 26%) comprised

	Note	Total 2013 £m	Continued Operations 2012 £m	Discontinued Operations 2012 £m	Total 2012 £m
Current tax					
UK corporation tax		**20 4**	22 9	1 8	24 7
Group relief receivable		**(2.1)**	(0 6)	–	(0 6)
Double tax relief		**(9 3)**	(8 6)	–	(8 6)
Adjustments in respect of prior years		**(3 0)**	(2 7)	–	(2 7)
Foreign tax		**24 3**	15 7	–	15 7
Total current tax		**30.3**	26 7	1 8	28 5
Deferred tax					
Origination and reversal of timing differences		**0 6**	1 9	–	1 9
Tax rate increase		**0.4**	1 0	–	1 0
Adjustments in respect of prior years		**(0 5)**	0 1	–	0 1
Total deferred tax	8c	**0.5**	3 0	–	3 0
Total charge for the year		**30.8**	29 7	1 8	31 5

Corporation tax is calculated at 24% (2012 26%) of the estimated assessable profit for the year Taxation for other jurisdictions is calculated at the rates prevailing in the respective jurisdictions

Notes to the financial statements
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8 Taxation continued

8b Reconciliation of effective tax rate

The effective rate of tax for the year ended 31 March 2013 was different from the standard rate of tax in the UK 24% (2012 26%) as a result of the following

	2013 £m	2012 £m
Group profit before taxation	**131.4**	101 0
Profit on ordinary activities before taxation multiplied by standard rate of corporation tax in the UK of 24% (2012 26%)	**31 5**	26 3
Effects of		
Disallowed expenditure (includes goodwill impairment)	**9 6**	7 1
Tax exempt investment sale	**(9 0)**	–
Tax differential on wholly owned overseas earnings	**8 2**	3 9
Tax differential in joint ventures and associates	**(6 3)**	(6 0)
Other differences		
Tax rate decrease	**0 3**	1 0
Adjustments in respect of prior years	**(3 5)**	(2 6)
Total tax charge for the year	**30 8**	29 7

The UK Government has announced a phased reduction in the main rate of corporation tax in the UK On 1 April 2013, the rate was reduced from 24% to 23% Two further annual reductions are expected to follow in subsequent years, reducing the corporation tax rate to 20% from 1 April 2015 The impact of the future rate reductions will be accounted for in future periods, to the extent that they are enacted at the balance sheet date, however, it is estimated that this will not have a material effect on the BBC Group

8c Analysis of deferred tax balance

	Note	Accelerated capital allowances £m	Provisions £m	Financial instruments £m	Other £m	Net deferred tax asset/ (liability) £m
At 1 April 2011		(4 9)	5 6	2 7	6 6	**10 0**
Charge/(credit) to income statement	8a	1 1	1 0	(1 6)	(3 5)	**(3 0)**
Other		0 5	(0 3)	–	–	**0 2**
Exchange differences		(0 1)	(0 1)	–	0 2	**–**
At 1 April 2012		**(3 4)**	**6 2**	**1 1**	**3 3**	**7 2**
Charge/(credit) to income statement	8a	1 1	(2 9)	0 4	0 9	**(0 5)**
Charge to reserves		–	–	2 6	–	**2 6**
Acquisition/disposal of subsidiaries, JV's and Associates		7 6	–	0 2	(3 8)	**4 0**
Exchange differences		(0 5)	–	–	0 3	**(0 2)**
At 31 March 2013		**4 8**	**3 3**	**4 3**	**0.7**	**13 1**

Other deferred tax balances predominantly relate to temporary differences arising on tax losses and intra-group eliminations

Deferred tax asset/(liability) presented within	2013 £m	2012 £m
Non-current assets	**13 6**	13 3
Non-current liabilities	**(0 5)**	(6 1)
	13 1	7 2

Notes to the financial statements
CONTINUED

8 Taxation continued

8c Analysis of deferred tax balance continued

Deferred tax assets are recognised for tax loss carry-forwards to the extent that the realisation of the related tax benefit through future taxable profit is probable The Group has unrecognised deferred tax assets arising on capital losses totalling £22 4million (2012 £20 4million) These assets were not recognised on the basis that there is insufficient certainty that capital or operating gains will arise against which the Group can utilise these losses

9 Dividends

Dividends payable on ordinary equity shares	**2013 £m**	2012 £m
Dividends were paid / proposed as follows		
July 2012 of nil per share (July 2011 of 2,760 00p per share)	–	34 5
September 2012 of nil per share (September 2011 of 43 20p per share)	–	0 5
November 2012 of 2,969 20p per share (November 2011 of 5,847 99p per share)	**1 1**	73 1
February 2013 of 81 35p per share (February 2012 of nil per share)	**6 9**	–
March 2013 of 33,199 99p per share (March 2012 of 2,969 20p per share)	**41 5**	37 1
Total dividends	**49 5**	145 2

10 Discontinued operations

In the prior year, the Group disposed of its subsidiaries BBC Magazines Limited, Bristol Magazines Limited, Magazines Services Limited and Genealogy Events Limited, its joint ventures Dovetail Services (UK) Holdings Limited and Worldwide Media Private Limited, and its associates Frontline Limited and Origin Publishing Holdings Limited (OPL) These investments collectively formed the Group's Magazines operations

These disposals were effected in pursuit of the Group's strategic priorities and consideration for the disposals was received wholly in the form of cash

The results of discontinued operations, which have been included in the consolidated income statement, were as follows

	2013 £m	2012 £m
Revenue	–	71 6
Total operating costs	–	(64 5)
Operating profit	–	7 1
Profit before taxation	–	7 1
Tax charge for the year	–	(1 8)
Profit for the year	–	5 3
Profit on disposal of discontinued operations	–	95 0
Net profit from discontinued operations	–	100 3

The profit on disposal of discontinued operations was exempt from tax

Notes to the financial statements
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11 Disposals

Lonely Planet
On 31 March 2013 the Group completed the disposal of its Lonely Planet group of companies for cash consideration of US$62 1million and deferred consideration of US$15 5million Deferred consideration is receivable on 31 March 2014 and is secured against 20% of the equity of the Lonely Planet group As a result of the disposal cumulative currency translation gains of £48 4million and hedged derivative gains of £0 1million have been removed from reserves and recorded in the income statement

The net assets of Lonely Planet at the date of disposal and at 31 March 2012

	March 2013 £m	March 2012 £m
Other intangible assets	**29 3**	31 0
Property, plant and equipment	**2.2**	2 7
Programme rights and other inventories	**24 8**	23 5
Trade and other receivables	**13 4**	13 6
Trade and other payables	**(8 7)**	(10 3)
Current tax liabilities	**(1 1)**	(0 8)
Deferred tax liability	**(4 0)**	(0 3)
Cash and cash equivalents	**4 4**	1 8
Derivative financial assets	**0.5**	0 5
Loans and borrowings	**(0 3)**	(0 6)
Provisions	**(2 5)**	(1 4)
Attributable goodwill	**24 0**	22 6
	82 0	82 3
Transaction costs	**3 0**	
Cumulative currency translation gain	**(48 4)**	
Hedging reserve	**(0 1)**	
Gain on disposal	**15 0**	
Total consideration	**51 5**	
Satisfied by		
Cash and cash equivalents	**41.2**	
Deferred consideration	**10 3**	
	51 5	
Net cash inflow arising on disposal·		
Consideration received in cash	**41 2**	
Less cash and cash equivalents disposed of	**(4 4)**	
Less transaction costs	**(3 0)**	
	33 8	

Notes to the financial statements
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11 Disposals continued

Left Bank
On 17 August 2012, the Group disposed of its interest in Left Bank Pictures, a UK production company, for consideration of £10 1million The carrying value of the Group's associate interest in Left Bank Pictures as at the date of disposal was £1 9million (March 2012 £1 8million) and the Group incurred £0 2million of transaction fees, giving rise to a profit on disposal of £8 0million

The carrying value of the Group's investment at the date of disposal and at 31 March 2012, and the resulting disposal gain is summarised below

	August 2012 £m	March 2012 £m
Investment in joint ventures and associates	1 9	1 8
	1 9	1 8
Share of transaction fees	0 2	
Gain on disposal	8 0	
Total consideration	10 1	
Satisfied by		
Cash and cash equivalents	4 8	
Contingent consideration	0 9	
Available for sale investment	4.4	
	10.1	
Net cash inflow arising on disposal·		
Consideration received in cash	4 8	
Less transaction costs	(0 2)	
	4 6	

On 30 April 2012, the Group disposed of its interest in Freehand International Pty Ltd, by way of a share buyback for proceeds of Aus$0 8million Net assets at the date of disposal were Aus$0 8million (March 2012 Aus$0 8million) Translation gains of £0 5million were reclassified from reserves to the income statement as a result of the disposal, giving rise to a disposal gain of £0 5million

In September 2012, the Group disposed of distribution rights relating to Ragdoll properties back to its Ragdoll joint venture Distribution rights with a book value of £2 0million were disposed of for cash proceeds of £1 8million, resulting in a loss on disposal of £0 2million

Notes to the financial statements
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12 Intangible assets

	Goodwill £m	Programme rights £m	Other intangibles £m	Total £m
Cost				
At 1 April 2011	119 9	285 6	86 5	**492.0**
Additions	–	98 9	19 8	**118 7**
Elimination of fully amortised programme rights	–	(41 1)	–	**(41 1)**
Disposals	–	(0 8)	(0 9)	**(1 7)**
Held for sale	–	(5 3)	–	**(5 3)**
Programme rights classed as current assets	–	(8 1)	–	**(8 1)**
Exchange differences	6 4	(3 5)	(0 4)	**2 5**
At 31 March 2012	**126 3**	**325.7**	**105 0**	**557 0**
Additions	–	104 4	15 7	**120 1**
Elimination of fully amortised programme rights	–	(92 8)	–	**(92 8)**
Disposals	(96 1)	–	(73 0)	**(169 1)**
Exchange differences	5 9	(10 4)	4 3	**(0 2)**
At 31 March 2013	**36 1**	**326 9**	**52 0**	**415 0**
Amortisation and impairment				
At 1 April 2011	50 2	153 5	41 0	**244 7**
Charge for the year	–	87 8	14 3	**102 1**
Impairment	16 1	–	–	**16 1**
Elimination of fully amortised programme rights	–	(41 1)	–	**(41 1)**
Disposals	–	(0 4)	(0 9)	**(1 3)**
Held for sale	–	(3 3)	–	**(3 3)**
Exchange differences	1 8	(3 6)	(0 2)	**(2 0)**
At 31 March 2012	**68 1**	**192 9**	**54 2**	**315 2**
Charge for the year	–	104 3	19 3	**123 6**
Elimination of fully amortised programme rights	–	(92 8)	–	**(92 8)**
Disposals	(72 1)	–	(43 0)	**(115 1)**
Exchange differences	4 0	(9 1)	2 0	**(3 1)**
At 31 March 2013	**–**	**195 3**	**32 5**	**227 8**
Net book value				
At 31 March 2013	**36 1**	**131 6**	**19 5**	**187 2**
At 31 March 2012	58 2	132 8	50 8	241 8

Other intangibles includes

Net book value	**2013 £m**	2012 £m
Software	**11 1**	16 2
Acquired masthead	**–**	25 6
Acquired carrier agreements	**8 2**	8 5
Other	**0 2**	0 5
	19 5	50 8

Notes to the financial statements
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12 Intangible assets continued

Goodwill is allocated by cash generating unit and is analysed in the BBC Worldwide Limited results The applicable cash generating units (CGUs) within BBC Worldwide Limited are as follows

	2013 £m	2012 £m
Lonely Planet business	–	22 6
Consumer Distribution business	**25 4**	25 4
Australian Channels business	**10.7**	10 2
At 31 March	**36 1**	58 2

The Group tests goodwill for impairment in the accounting period in which a business combination takes place, thereafter annually, or more frequently of there are indications that goodwill might be impaired

The recoverable amounts of the CGUs are determined from value in use calculations The key assumptions used for these calculations are those regarding discount rates and growth rates Management estimates discount rates using pre-tax rates that reflect current market assessments of the time value of money and the risks specific to each CGU

Lonely Planet

The goodwill in this CGU arose as a result of the acquisition of Lonely Planet on 1 October 2007 and was disposed of during the year (see note 11) In the year ended 31 March 2012 the carrying value of this CGU was written down to its estimated recoverable amount, resulting in a charge to the income statement of £16 1milion

Consumer Distribution business

The goodwill in this CGU arose as a result of the acquisition of 2 entertain on 6 August 2009 The cash flow projections used in determining value in use are based on the current business plan approved by management, which covers a five year period after which cash flows have been extrapolated using an expected growth rate of -5% (2012 2%)

A discount rate of 12 8% (2012 11 4%) has been applied to the cash flows

Management are of the view that a reasonably possible change in key assumptions would not cause the carrying amount to exceed its recoverable amount

Australian Channels business

The goodwill in this CGU arose as a result of the acquisition of UK TV on 1 July 2008 Cash flow projections used in the recoverable amount calculation are based on financial budgets approved by management covering a period of five years (2012 five years) and a discount rate of 11 7% (2012 12 6%) Cash flows beyond the forecast period have been extrapolated using an expected growth rate of 1 0% (2012 1 0%) The terminal growth rate assumes contractual rates remaining in place and a modest growth of subscribers as per external sources Cash flow projections are consistent with the business acquisition plans and those used in the previous year

The main assumption on which the forecast cash flows are based is licence fee rates In forming its assumptions about licence fee rates, the Group has used a combination of long term trends and recent contracted terms

Management believes that any reasonably possible change in the key assumptions on which the value in use of UK TV is based would not result in any significant impairment

Notes to the financial statements
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13 Property, plant and equipment

13a Property, plant and equipment carrying amount and depreciation

	Land and buildings £m	Plant and machinery £m	Furniture and fittings £m	Assets under construction £m	**Total £m**
Cost or valuation					
At 1 April 2011	15 6	122 1	19 2	2 9	**159 8**
Additions	1 7	5 5	1 6	–	**8 8**
Brought into service	–	1 4	–	(1 4)	–
Disposals	(2 6)	(2 6)	(0 9)	–	**(6 1)**
Exchange movements	–	(0 2)	(0 4)	(0 1)	**(0 7)**
At 31 March 2012	**14 7**	**126 2**	**19 5**	**1.4**	**161 8**
Additions	1 0	3 4	1 8	4 6	**10 8**
Disposals	(1 3)	(33 0)	(3 6)	–	**(37 9)**
Exchange movements	0 3	0 6	0 3	–	**1 2**
At 31 March 2013	**14 7**	**97 2**	**18 0**	**6 0**	**135 9**
Depreciation					
At 1 April 2011	7 4	99 1	14 3	–	**120 8**
Charge for the year	1 7	7 0	2 1	–	**10 8**
Disposals	(2 6)	(1 7)	(0 9)	–	**(5 2)**
Impairment	–	3 7	–	–	**3 7**
Exchange adjustments	–	(0 1)	(0 2)	–	**(0 3)**
At 31 March 2012	**6 5**	**108 0**	**15 3**	–	**129 8**
Charge for the year	2 0	5 8	1 9	–	**9 7**
Disposals	(1 3)	(31 6)	(3 7)	–	**(36 6)**
Exchange adjustments	0 2	0 6	0 2	–	**1 0**
At 31 March 2013	**7 4**	**82 8**	**13 7**	–	**103 9**
Net book value					
At 31 March 2013	**7 3**	**14 4**	**4.3**	**6 0**	**32 0**
At 31 March 2012	8 2	18 2	4 2	1 4	32 0

13b Property, plant and equipment held under finance leases

	Land and buildings £m	Plant and machinery £m	Furniture and fittings £m	Assets under construction £m	**Total £m**
Net book value					
At 31 March 2013	–	–	–	–	–
At 31 March 2012	–	0 6	–	–	0 6

Notes to the financial statements
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14 Group share of joint ventures' and associates' assets and profit

	2013 £m	2012 £m
Interest in joint ventures	**15 3**	11 9
Interest in associates	**16 0**	17 0
Total interest in joint ventures and associates	**31 3**	28 9
Share of profit of joint ventures	**24 8**	22 0
Share of profit of associates	**1 3**	1 4
Total share of profit of joint ventures and associates	**26 1**	23 4

Details of significant joint ventures and associates along with principal subsidiary undertakings, including their activities, are provided in Note 29

The following table represents the Group's aggregate share of joint ventures

	2013 £m	2012 £m
Non-current assets	**10 9**	13 7
Current assets	**104 4**	101 2
Current liabilities	**(53 8)**	(58 7)
Non-current liabilities	**(54 2)**	(55 2)
Net assets	**7 3**	1 0
Adjustment to reflect effective obligation*	**16 5**	18 0
Provision for unrealised profit	**(5.9)**	(5 7)
Goodwill	**1 4**	0 7
Total net book value	**19.3**	14 0
The net book value is presented within		
Interest in joint ventures and associates	**15 3**	11 9
Assets and liabilities held for sale	**9 9**	9 9
Provisions*	**(5 9)**	(7 8)
	19 3	14 0
Income	**150 4**	159 3
Profit after tax	**26 4**	23 8
Adjustment to reflect effective obligation	**(1 6)**	(1 8)
	24 8	22 0

* Under the terms of the agreements with the other investors in certain of the Group's joint ventures the Group has no obligation to fund losses incurred by those entities or to make good their net liabilities As a result no share of any relevant losses is included in the financial statements Where the Group has an obligation to settle a share of the net liabilities, the net book value is held within provisions

Investments in joint ventures

Investments in joint ventures in the current and previous years included the following material operations

UKTV

BBC Worldwide Limited has a major partnership deal with Scripps Networks Interactive for the production and marketing of subscription channels in the UK The partnership operates under the name UKTV and is operated through a number of discrete joint venture entities, each of which has been accounted for separately

Certain UKTV joint venture entities have net liabilities In these cases, the Group has no shareholder or other obligation to fund losses incurred by these entities or to make good their net liabilities For these equity accounted joint ventures the Group only accounts for its share of any operating profits or equity once an individual venture attains a positive equity position No share of losses is included in the financial statements until this point

Notes to the financial statements
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14 Group share of joint ventures' and associates' assets and profit continued

The Group headed by UK Gold Holdings Limited (UKGH) has been cumulatively profitable each year since its formation in 1997 but has net liabilities The net liabilities are not a result of trading losses but have arisen entirely from acquisition goodwill written off to reserves in 1997 under UK GAAP Such business combinations prior to 1 April 2007 were not restated by BBC Worldwide Limited on transition to IFRS Equity accounting is applied to UKGH as the Directors consider this to be consistent with the Group's long term, constructive commitment to this venture as a result of its programme content and licensing contractual arrangements The Group's share of the net liabilities of UKGH are recorded within provisions (see note 21)

Ragdoll Worldwide Limited

In April 2006, BBC Worldwide Limited entered into an agreement with Ragdoll Limited to form a joint venture The purpose of the joint venture is to exploit and manage existing Children's intellectual properties and to invest in the development of new intellectual property rights

In May 2011, the board resolved to dispose of the Group's interest in the joint venture The joint venture is classified as held for sale at the balance sheet date

Investments in associates

The following table presents summarised financial information for associates, including the Group's share of the results

	2013 **£m**	2012 £m
Total assets	**81 9**	76 6
Total liabilities	**(70 3)**	(64 3)
Net assets	**11 6**	12 3
Group share of net assets	**4 8**	4 9
Provision for unrealised profit	**(0 8)**	(0 9)
Goodwill	**12 0**	13 0
Total net book value	**16 0**	17 0
Income	**115 5**	149 9
Profit after tax	**8 2**	6 2
Adjustment to reflect effective obligation	**(6 9)**	(4 8)
Group share of results	**1 3**	1 4

The Group has board representation and participates in policy-making decisions affecting Educational Publishers LLP, Woodlands Books Limited and Audio London Limited The Group has concluded that it exerts significant influence over these businesses despite holding only 20% of the voting power Accordingly, the Group has classified its interest in these entities as associates

Notes to the financial statements
CONTINUED

15 Available for sale investments

	Note	2013 £m	2012 £m
Unquoted equities	26c	5 1	0 6

The available-for-sale investment includes £0 6million (2012 £0 6million) relating to the Group's 20% unquoted investment in the ordinary share capital of Radio Mid-Day (West) India PVT Limited, a company registered in India The principal activity of the company is to obtain and operate FM radio licences in India

Additions in the year relate to the remaining 12 2% investment in Left Bank Pictures, a UK production company See note 11 for further information This investment is classified as available-for-sale as the Group has no significant influence over the company This is because the Group does not have Board representation and has limited influence due to Indian regulations applicable to foreign investors

16 Assets and liabilities held for sale

	2013 £m	2012 £m
Non-current assets		
Intangible assets (including goodwill)	–	2 0
Interests in associates and joint ventures	9.9	9 9
Total assets identified as held for sale	9 9	11 9

The major classes of assets and liabilities comprising the operations classified as held for sale in the current year, relate to the Group's investment in the Ragdoll joint venture In the prior year, these also included distribution rights relating to Ragdoll properties

Notes to the financial statements
CONTINUED

17 Programme related assets and other inventories

	2013 £m	2012 £m
Rights to broadcast acquired programmes and films	**77 0**	58 0
Raw materials and consumables	**3.0**	4 9
Work in progress	**6 9**	12 6
Finished goods and goods for resale	**11 3**	29 4
Total programme related assets and other inventories	**98.2**	104 9

In the prior year, finished goods and goods for resale included inventory of £3 1million relating to Lonely Planet which were expected to be sold more than 12 months after the balance sheet date

18 Trade and other receivables

18a Other receivables due after more than one year

	2013 £m	2012 £m
Amounts owed by associates and joint ventures	**1 7**	2 8
Loans to other entities	**1 7**	1 0
Prepayments and accrued income	**–**	1 8
Total	**3 4**	5 6

18b Trade and other receivables due within one year

	2013 £m	2012 £m
Trade receivables	**199 8**	189 6
Amounts owed by parent undertaking	**10 0**	10 7
Amounts owed by fellow BBC Group subsidiaries	**0 4**	0 2
Amounts owed by associates and joint ventures	**27 7**	27 6
Other receivables	**19 0**	10 9
Prepayments and accrued income	**96 0**	83 1
Total	**352 9**	322 1

Included in the Group's trade and other receivables at 31 March 2013 are balances of £33 8million (2012 £33 6million) which are past due at the reporting date but not impaired The aged analysis of these balances is as follows

Trade receivables past due but not impaired	2013 £m	2012 £m
Up to 3 months	**28 1**	28 1
3 to 6 months	**4 7**	4 2
Over 6 months	**1 0**	1 3
	33.8	33 6

In determining the recoverability of a trade receivable the Group considers any change in the credit quality of the trade receivable from the date credit was initially granted up to the reporting date Trade receivables are provided for based on estimated irrecoverable amounts, determined by reference to past default experience of the counterparty and an analysis of the counterparty's financial situation

There are no significant impairment provisions relating to balance of any individual debtor Amounts charged to the impairment provision are written off when there is no expectation of recovery Subsequent recoveries of amounts previously written off are credited to the income statement The impairment provision stands at £10 5million at 31 March 2013 (2012 £4 1million)

Notes to the financial statements
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18 Trade and other receivables continued

The movement in the allowance for doubtful debts is set out below

	2013 £m	2012 £m
Balance at the beginning of the year	**4 1**	3 6
Impairment losses recognised	**7 7**	1 7
Amounts written off as uncollectible	**(0.6)**	(1 0)
Amounts recovered during the year	**(0 6)**	(0 2)
Exchange differences on revaluation	**(0 1)**	–
Balance at the end of the year	**10 5**	4 1

No significant amount has been provided for items that are not yet due for payment

19 Trade and other payables

19a Trade and other payables due within one year

	2013 £m	2012 £m
Trade payables	**56 4**	52 1
Salaries and wages creditors	**35 4**	38 5
Rights creditors	**88 4**	96 3
Amounts owed to parent company	**114 7**	59 7
Amounts owed to fellow BBC Group subsidiaries	**0 1**	7 0
Amounts owed to associates and joint ventures	**2 1**	7 5
Other taxation and social security	–	0 5
Other payables	**4 6**	18 6
Accruals and deferred income	**124 8**	117 1
Total	**426 5**	397 3

19b Other payables due after more than one year

	2013 £m	2012 £m
Other payables	**2 7**	3 0
Total	**2 7**	3 0

It is the Group's policy to comply with the Better Payment Practice Code in relation to the payment of suppliers, provided that the supplier is complying with the relevant terms and conditions of their contracts The Group monitors compliance against the terms of this code Payments for programme acquisitions are made in accordance with contractual terms The Group's number of creditor days outstanding in respect of other trade creditors at 31 March 2013 was 29 days (2012 28 days)

Notes to the financial statements
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20 Borrowings

20a Borrowings due within one year

	2013 **£m**	2012 £m
Bank loan	–	30 0
Obligations under finance leases	–	0 4
Total	–	30 4

20b Borrowings due after more than one year

	2013 **£m**	2012 £m
Bank loan	**187 5**	169 9
Obligations under finance leases	–	0 2
Total	**187 5**	170 1

20c Finance lease obligations

Finance lease liabilities are payable as follows

	Minimum lease payments £m	Interest £m	Principal £m
2013			
Not later than one year	–	–	–
Later than one year but not later than five years	–	–	–
	–	–	–
2012			
Not later than one year	0 4	–	0 4
Later than one year but not later than five years	0 2	–	0 2
	0 6	–	0 6

Notes to the financial statements
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21 Provisions and contingent liabilities

	At 1 April 2012 £m	Charge for the year £m	Utilised during the year £m	Released during the year £m	At 31 March 2013 £m
Restructuring	**2 4**	**10 1**	**(9.4)**	**–**	**3 1**
Share of joint ventures net liabilities	**7 8**	**–**	**(1 9)**	**–**	**5 9**
Other	**2 5**	**–**	**(0 4)**	**(0 1)**	**2 0**
Total	**12 7**	**10 1**	**(11.7)**	**(0 1)**	**11 0**
Included in current liabilities	**3 0**				**1 8**
Included in non-current liabilities	**9 7**				**9 2**
Total	**12 7**				**11 0**

	At 1 April 2011 £m	Charge for the year £m	Utilised during the year £m	Released during the year £m	At 31 March 2012 £m
Restructuring	9 7	0 9	(8 0)	(0 2)	2 4
Share of joint ventures net liabilities	9 3	–	–	(1 5)	7 8
Other	7 5	0 1	(4 3)	(0 8)	2 5
Total	26 5	1 0	(12 3)	(2 5)	12 7
Included in current liabilities	15 1				3 0
Included in non-current liabilities	11 4				9 7
Total	26 5				12 7

Share of joint ventures' net liabilities represents the amount held in provisions relating to the Group share of UK Gold Holdings' net liabilities (see note 14)

Other provisions comprise legal claims and property lease obligations

The Group has a number of contingent liabilities arising from litigation as a result of activities undertaken in its ordinary course of business The Group makes specific provision for the best estimate of any damages and costs which might be awarded Provision is only made to the extent that the Directors consider it probable that there will be an outflow of economic benefits and the amount can be reliably estimated

Further deferred contingent consideration may be payable in connection with acquisitions made by the Group No provision has been made where the likelihood and magnitude of additional payments cannot be assessed with reasonable certainty

22 Share capital

	2013 £m	2012 £m
Allotted, called up and fully paid		
1,250,002 Ordinary shares of £1 each	1 3	1 3

Notes to the financial statements
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23 Equity shareholder's funds and reserves

Profit and loss reserve

At 31 March 2013, the cumulative goodwill written off to reserves on acquisitions prior to 1 April 1998 amounted to £14 2million This amount is unchanged on prior year and remains in equity upon transition to IFRS as permitted by IFRS 1 *First time adoption of IFRS*

Translation reserve

In the Group reserves £2 1million of exchange losses on foreign currency borrowings have been offset in reserves against exchange gains on the related investment in overseas subsidiaries The net investment hedge was discontinued from September 2008 following the settlement of the associated foreign currency borrowings

Hedging reserve

The hedging reserve is used to record the effective portion of the cumulative net change in the fair value of cash flow hedging instruments related to hedged transactions that have not yet occurred (net of tax)

24 Reconciliation of Group profit before tax to cash generated from operations

	Note	**2013 £m**	2012 £m
Group profit before tax		**131 4**	101 0
Profit from discontinued operations	10	**–**	5 3
Depreciation, amortisation and impairment		**135 2**	133 8
(Loss)/profit on disposal of tangible fixed assets		**(0 2)**	0 1
Fair value impact of derivatives associated with loans		**(0 5)**	(1 7)
Fair value impact of other derivatives		**5 7**	(1 1)
Share of profits in joint ventures and associates		**(26 1)**	(23 4)
Gain on sale and termination of operations		**(23 1)**	–
Financing income		**(1 1)**	(2 9)
Financing costs		**11 6**	21 6
Increase in inventories		**(18 1)**	(21 3)
Increase in debtors		**(31 1)**	(18 5)
Increase/(decrease) in creditors		**15 8**	(10 1)
Increase/(decrease) in provisions		**0 2**	(12 3)
Cash generated from operations		**199 7**	170 5

Notes to the financial statements
CONTINUED

25 Off Balance sheet items

25a Contracts placed for future expenditure

	2013 £m	2012 £m
Fixed assets	**8 2**	1 3
Programme rights for distribution	**63 9**	46 5
Programme rights for broadcast	**24 0**	16 7
Other commitments	**23 0**	29 4
Total	**119 1**	93 9

25b Operating leases

The total future minimum lease payments under non-cancellable operating leases are payable as follows

	2013 £m	2012 £m
Within one year	**14 5**	18 8
In two to five years	**43 2**	36 8
After five years	**67.4**	10 0
Total	**125 1**	65 6

The majority of operating leases relate to property The rent payable under these leases is subject to renegotiation at the various intervals specified in the leases

25c Post balance sheet events

On 24 June 2013 the Company completed a £170million US Private Placement which will remain in place until June 2020 This funding was used to replace £170million of the existing multicurrency revolving credit facility This element of the facility was subsequently cancelled on the 25 June 2013 There are no other material events after the balance sheet date to disclose

Notes to the financial statements
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26 Financial instruments

26a Financial risk management

The Group's financial risk management operations are carried out by a BBC Group Treasury function, within parameters defined formally within the policies and procedures manual agreed by the Executive Board BBC Group Treasury's activity is routinely reported and is subject to review by internal and external auditors

BBC Group Treasury uses financial instruments to raise finance and to manage financial risk arising from the BBC's operations in accordance with its objectives which are

- to ensure the business of the BBC, both Public Services and Commercial, is funded in the most efficient manner and remains compliant with borrowing ceilings,
- to protect the value of the BBC's assets, liabilities and cash flows from the effects of adverse interest rates and foreign exchange fluctuations,
- to maximise the return on surplus funds, whilst ensuring sufficient cash is retained to meet foreseeable liquidity requirements

The Commercial Holding Group's financial instruments, other than those used for treasury risk management purposes, comprise cash and liquid resources, borrowings and various items such as trade debtors and creditors that arise directly from its operations The Company finances its operations from these financial instruments Commercial Holdings does not undertake speculative treasury transactions

Market risk

Currency risk: Foreign exchange transaction risk arises from forecast future commercial transactions that are denominated in a currency that is not the entity's functional currency Foreign exchange translation risk arises from the retranslation of overseas' subsidiaries Income Statements and Balance Sheets into Sterling The Group is a global organisation with the majority of revenues generated outside the UK Over the past few years, BBC Worldwide Limited has increasingly expanded internationally and as a result is exposed to foreign exchange risk arising from various currency exposures, principally in relation to the US dollar, the Euro and the Australian dollar Due to movements in exchange rates over time, the amount the Group expects to receive or pay when it enters into a transaction may differ from the amount that it actually receives or pays when it settles the transaction

The Group takes a risk averse approach to the management of foreign currency trading and has implemented a clear economic hedging policy to minimise volatility in the financial results A substantial proportion of the Group's material net foreign currency exposures are economically hedged Forward currency contracts are used by the Group to allow settlement of transactions at known exchange rates, thereby eliminating much of this uncertainty

A number of the forward foreign currency contracts entered into by the Group were designated as hedging instruments in effective cash flow hedges Corresponding fair value movements have, accordingly, been recorded within other comprehensive income For forward foreign currency contracts not designated as hedging instruments, movements in fair value are recorded directly in the income statement within operating costs

Based on the net forward contracts outstanding at 31 March 2013, if the pound had moved adversely by 5% with all other variables being constant, the profit or loss impact would have been £1 9million reduction (2012 £3 7million) and the comprehensive income impact would have been £11 0million (2012 £6 7million)

Some contracts may contain clauses whereby changes in currency rates outside an agreed range impact on the contract price, in the majority of cases the value of the individual contracts and other features within the contract limit the currency risk exposure to a level that is not significant to the Group The fair value of contracts with these clauses have been recorded as embedded derivatives at 31 March 2013

Foreign exchange translation risk arises from the translation of overseas subsidiaries' income statements and balance sheets into sterling This translation currency risk may be hedged by funding overseas investments with loans in the same functional currency as the overseas investment No such net investment hedges were in place at 31 March 2013 or 31 March 2012

Notes to the financial statements
CONTINUED

26 Financial instruments continued

26a Financial risk management continued

Interest rate risk. The Group's main exposure to interest rate fluctuations arises on external borrowings Since March 2003 the Group has been borrowing at floating rates of interest and then using interest rate swaps, caps and collars to manage the Group's exposure to interest rate fluctuations and provide greater certainty of cash flows Interest rate swaps, caps and collars are taken out based on projected borrowing requirements, therefore differences will occur between the notional amount of the swaps, caps and collars and the actual borrowing requirements

The profit or loss impact of a 1% decrease in interest rates on the Group's financial instruments would be a £3 5million reduction (2012 £2 1million) Of which £1 2million was charged to the hedging reserve (2012 £nil) and £2 3million charged through the Income and Expenditure account (2012 £2 1million)

Other price risk of financial assets The Group invests surplus cash in money market funds and money market deposits, therefore it is not subject to other price risks, such as market price risk

Credit risk

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations Credit risk arises from cash and cash equivalents, derivative financial instruments, available-for-sale financial assets and trade and other receivables

Cash and cash equivalents and derivative financial instruments are held only with banks of A+ rating or better The Group limits its exposure to credit risk by only investing in liquid securities with counterparties that have a minimum credit rating of A-, with a higher minimum rating up to AA- required depending upon duration and amount Given these high credit ratings, the BBC considers it has appropriately mitigated the risk of any counterparty failing to meet its obligations

The Group's credit risk management policy in relation to trade receivables involves regularly assessing the financial reliability of customers, taking into account several factors such as their financial position and historical performance Despite the existence of some key customers in major geographies, there is no material concentration of credit risk with respect to trade receivables as the Group has a large number of customers, geographically dispersed Credit terms, where given, are generally for a 30-day period The carrying amount of financial assets included in the financial statements represents the Group's maximum exposure to credit risk in relation to these assets

The Group's other classes of financial assets do not contain impaired assets and are not past due

Liquidity risk

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due The Group is subject to ceilings imposed on its borrowings by BBC Group, which in turn is subject to limits set by the Secretary of State in accordance with the Agreement between the BBC and Department of Culture, Media and Sport At 31 March 2013, the gross debt ceiling imposed by the BBC's Charter was £400million and the net debt limit was £350million (2012 £350million) These limits are subject to change going forward

The Group bank loans are subject to debt covenants based on the Group's earnings before interest and taxation The covenants are in respect of net borrowings and net interest coverage

In order to comply with these ceilings together with the terms of any individual debt instruments, the Group manages its liquidity through a number of measures, including regular cash flow reporting, forecasting, hedging against foreign exchange fluctuations and proactively managing working capital The Company is also active in the monitoring of its debt covenants which have been met at 31 March 2013

Notes to the financial statements
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26 Financial instruments continued

26a Financial risk management continued

The table below analyses the Group's financial liabilities into relevant maturity groupings based on the remaining period to contractual maturity at the balance sheet date The amounts disclosed in the table are the contractual undiscounted cash flows and will therefore not reconcile to the amounts disclosed on balance sheet for borrowings, derivative financial instruments and trade and other payables

	Amounts due in less than one year £m	Amounts due between two and five years £m	**Total £m**
2013 – Liquidity risk analysis			
Financial liabilities at fair value through income and expenditure			
Derivative financial instruments	**11 1**	**7 4**	**18 5**
Embedded derivatives	–	**1 4**	**1 4**
Other creditors	–	**0 4**	**0 4**
Financial liabilities measured at amortised cost			
Loans and overdrafts	–	**189 4**	**189 4**
Trade and other payables	**271 7**	–	**271 7**
2012 – Liquidity risk analysis			
Financial liabilities at fair value through income and expenditure			
Derivative financial instruments	9 8	4 2	14 0
Embedded derivatives	–	0 8	0 8
Other creditors	14 0	–	14 0
Financial liabilities measured at amortised cost			
Loans and overdrafts	30 0	169 9	199 9
Trade and other payables	275 9	–	275 9
Obligations under finance leases	0 4	0 2	0 6

26b Capital Management

The Group delivers long term value to its shareholder, the BBC Group, through cash returned in the form of dividends as a share of the Group's profits, acquisition of BBC content or intellectual property, direct investment in BBC programming, and growth in the capital value of the BBC's equity in the Group Accordingly it is appropriate that the targets set for the Group and the incentives placed on the management team are aligned with these goals

The dividend policy of the Group is therefore set to achieve the optimum balance between annual cash returns to the BBC, which are an essential part of the BBC's funding stream, and investing for growth to build value over the long term

BBC's trust principles require strict compliance with the four Commercial Criteria fit with BBC's public purposes, brand reputation and brand values, commercial efficiency and fair trading policy The Group's policy in making investment decisions is governed by the BBC's trust principles and the commercial efficiency of the investment The commercial efficiency of an investment is determined on a case-by-case basis, with respect to financial metrics such as net present value, internal rate of return, payback period and profit margin In line with current best practice, the Group operates a framework for calculating investment discount rates that are tailored to each investment This framework applies appropriate risk premiums to the discount rate in order to ensure all risks relating to the investment are taken into account and that the required rate of return is commensurate with this level of risk

Notes to the financial statements
CONTINUED

26 Financial instruments continued

26c Fair value of financial instruments

IFRS 7 *Financial Instruments Disclosures* requires disclosure of fair value measurements by level of the following fair value measurement hierarchy

Level 1 Quoted prices (unadjusted) in active markets for identical assets and liabilities

Level 2 Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices)

Level 3 Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs)

The following table presents the Group's assets and liabilities that are measured at fair value at 31 March 2013

	Level 2 £m	Level 3 £m	**Total £m**
Fair value as at 31 March 2013			
Financial assets at fair value			
Derivative financial instruments	**2 0**	**–**	**2 0**
Embedded derivatives	**0 1**	**–**	**0 1**
Available for sale investments	**–**	**5 1**	**5 1**
Total assets	**2 1**	**5 1**	**7 2**
Financial liabilities at fair value			
Derivative financial instruments	**(18 0)**	**–**	**(18 0)**
Embedded derivatives	**(1 4)**	**–**	**(1 4)**
Other payables	**–**	**(0 4)**	**(0 4)**
Total liabilities	**(19.4)**	**(0 4)**	**(19 8)**
Fair value as at 31 March 2012			
Financial assets at fair value			
Derivative financial instruments	5 3	–	5 3
Embedded derivatives	0 1	–	0 1
Available for sale investments	–	0 6	0 6
Total assets	5 4	0 6	6 0
Financial liabilities at fair value			
Derivative financial instruments	(8 5)	–	(8 5)
Embedded derivatives	(0 8)	–	(0 8)
Other payables	–	(14 0)	(14 0)
Total liabilities	(9 3)	(14 0)	(23 3)

The fair values of derivative financial instruments are calculated using quoted prices Where such prices are not available, a discounted cash flow analysis is performed using the applicable yield curve for the duration of the instruments for non-optional derivatives, and option pricing models for optional derivatives Foreign currency forward contracts are measured using quoted forward exchange rates and yield curves derived from quoted interest rates matching the maturities of the contracts Interest rate swaps are measured at the present value of future cash flows estimated and discounted based on the applicable yield curves derived from quote interest rates

Notes to the financial statements
CONTINUED

26 Financial instruments continued

26c Fair value of financial instruments continued

Level 3 financial liabilities recorded at fair value and included within other payables relate to written put options issued to non-controlling interests in the Group's subsidiaries The fair value of such instruments is calculated based on the strike price of the options and management's best estimate of the date at which options may be exercised Where the strike price of an option is based on the fair value of the underlying business, this has been estimated based on forecasts of future cash flows prepared by management

The change in fair value of Level 3 financial instruments is reconciled as follows

	2013 £m		2012 £m	
	Financial assets	**Financial liability**	Financial assets	Financial liability
Opening balance	**0 6**	**(14 0)**	–	(7 5)
Additions	**5 0**	**–**	0 6	–
Settlements	**–**	**14 0**	–	–
Transfer out of level 3	**–**	**1 4**	–	–
Change in fair value recorded in operating costs	**(0 6)**	**(1 8)**	–	(6 5)
Foreign exchange translation gains and losses	**0 1**	**–**	–	–
Total impact on comprehensive income	**5 1**	**(0 4)**	0 6	(14 0)

Level 3 financial liabilities settled in the year relate to written put options issued over non-controlling interests in the Group's subsidiary, Bedder 6 Limited The Group acquired all such interests on 12 September 2012 for cash consideration of £14 0million and deferred and contingent consideration with a fair value of £1 8million In accordance with IAS 27 (2008) *Consolidated and Separate Financial Statements*, the acquisition was treated as a transaction with shareholders Accordingly, the associated acquisition costs of £0 4million have been recorded directly in equity

Options outstanding at 31 March 2013 will be exercised before March 2015

Notes to the financial statements
CONTINUED

26 Financial instruments continued

26d Derivative financial instruments

The following table presents the Group's derivative assets and liabilities by category of instrument at 31 March 2013

	Fair value hierarchy level	Assets £m	Liabilities £m
2013			
Greater than one year			
Derivatives that are designated in effective hedges			
Forward foreign currency contracts	2	**0 2**	**(2 9)**
Interest rate swaps, caps and collars	2	–	**(1 5)**
Derivatives held for trading			
Forward foreign currency contracts	2	**0 1**	**(1 5)**
Interest rate swaps, caps and collars	2	–	**(2 2)**
Embedded derivatives	2	**0 1**	**(1 4)**
		0 4	**(9 5)**
Less than one year			
Derivatives that are designated in effective hedges			
Forward foreign currency contracts	2	**0 5**	**(5 4)**
Derivatives held for trading			
Forward foreign currency contracts	2	**1 2**	**(3 2)**
Interest rate swaps, caps and collars	2	–	**(1 3)**
		1 7	**(9 9)**
2012			
Greater than one year			
Derivatives that are designated in effective hedges			
Forward foreign currency contracts	2	0 9	(0 4)
Derivatives held for trading			
Forward foreign currency contracts	2	1 1	(0 6)
Interest rate swaps, caps and collars	2	–	(3 7)
Embedded derivatives	2	0 1	(0 8)
		2 1	(5 5)
Less than one year			
Derivatives that are designated in effective hedges			
Forward foreign currency contracts	2	2 0	(0 9)
Derivatives held for trading			
Forward foreign currency contracts	2	1 3	(1 1)
Interest rate swaps, caps and collars	2	–	(1 8)
		3 3	(3 8)

At 31 March 2013 the Group had entered into a net commitment to sell foreign currencies amounting to £320 9million (2012 £280 4million) that mature in the period through to 2016 in order to fix the sterling cost of commitments through this period (mainly Euros and US dollars) After taking into account the effects of these forward foreign exchange contracts, the Group had no significant currency exposure

Notes to the financial statements
CONTINUED

26 Financial instruments continued

26d Derivative financial instruments continued

The Group applies cash flow hedge accounting for trades taken out in respect of its forecast foreign currency transactions Hedge accounting is only applied where appropriate designation and documentation and trades with parties external to the Group exist Net losses (after tax and non-controlling interests) recognised in the hedging reserve on forward foreign exchange contracts in cash flow hedge relationships at 31 March 2013 were £10 8million (2012 £0 4million net gains) These amounts will be recognised in the income statement in the period when the hedged forecast transaction affects the income statement, at various dates over the next twelve months

Interest rate risk is managed by the use of interest rate swaps, caps and collars Sterling fixed rate borrowings are achieved by entering into interest rate swap transactions, all outstanding swaps mature by July 2016 The impact of a change in interest rates is also limited by entering into interest rate cap and collar transactions, all outstanding caps and collars mature by April 2013 In total, £282 0million (2012 £195 3million) of swaps and £40 0million (2012 £84 0million) of caps and collars were entered All swaps and caps were effective at 31 March 2013 to ensure borrowings are suitably covered for the foreseeable future This is £132 6million higher (2012 £79 4million higher) than the current level of borrowings of £189 4million (2012 £199 9million)

In accordance with IAS 39, the Group has reviewed contracts for embedded derivatives that are required to be separately accounted for if they do not meet certain requirements set out in the standard Any such embedded derivatives have been recognised at fair value

26e Liquidity risk

The following table details the Group's remaining contractual maturity for its non-derivative financial liabilities The table has been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay

	Cash flow £m	Interest £m	Principal £m
2013			
Variable interest rate instruments			
Not later than one year	**190 2**	**0 8**	**189 4**
	190 2	**0 8**	**189 4**
2012			
Variable interest rate instruments			
Not later than one year	201 8	1 9	199 9
Fixed interest rate instruments			
Not later than one year	0 4	–	0 4
Later than one year but not later than five years	0 2	–	0 2
	202 4	1 9	200 5

Notes to the financial statements
CONTINUED

26 Financial instruments continued

26f Borrowing facilities

Facility	Interest rate	**Total available 31 March 2013 £m**	**Drawn down at 31 March 2013 £m**	Total available 31 March 2012 £m	Drawn down at 31 March 2012 £m	Expiry or review date
BBC Commercial Holdings Limited						
Multicurrency, revolving credit facility agreement for loans and letters of credit	LIBOR* plus 0 8% rising to LIBOR plus 1 0% on utilisations over 1/3 and LIBOR plus 1 2% on utilisations over 2/3 Letter of credit fee is the same as the bank lending margin, but does not include LIBOR	**380**	**172**	380**	185	July 2016
Overdraft or money market lines	Money market line – margin of 1 0% (2012 1 0%) Overdraft – bank base rates plus 1 5% (2012 1 5%)	**20**	**17**	20	–	Reviewed annually
BBC Worldwide Limited						
Loan with European Investment Bank (50% secured by letters of credit)	European Investment Bank's own funding cost plus a margin of 0 032% (2012 0 032%) on unsecured loans	**–**	**–**	30	30	May 2012***
Overdraft	Bank base rate plus 1% up to £100k bank base rate plus 3% over £100k	**2**	**–**	–	–	

* The base rate used will vary according to the currency drawn At 31 March 2013 £27 6million (2012 £64 9million) was drawn down in AUS$ and consequently linked to BBSW rather than LIBOR All other amounts drawn are in sterling and consequently linked to LIBOR

** Of this amount, up to £26 6million (2012 £26 6million) is available to issue letters of credit in favour of the European Investment Bank to support its lending under facilities to the Group At 31 March 2013, total drawn on this facility was cash drawings of £172 0million (2012 cash drawings of £169 9million and £15 4million utilised by way of letters of credit)

*** Balance repaid in May 2012

There have been no defaults or breaches of covenants on the facilities above during the year (2012 none)

In addition to the facilities above, the Group has other smaller facilities upon which nothing was drawn at the year end (2012 none), used to manage working capital

27 Parent undertaking and controlling party

The Company's parent undertaking and controlling party is the British Broadcasting Corporation (BBC) which is incorporated in the United Kingdom by Royal Charter The largest Group in which the results of the Company are consolidated is that headed by the BBC Copies of the financial statements of the BBC can be obtained from www bbc co uk/annualreport

Notes to the financial statements
CONTINUED

28 Related Party transactions

The related party transactions of the Group have been presented in accordance with IAS 24 *Related Party Disclosures* Related parties of BBC Commercial Holdings Limited include its subsidiary, associated and joint venture undertakings, its parent undertaking and fellow subsidiaries and key management personnel of the Group and their close family members Transactions between the BBC Pension Scheme and BBC Commercial Holdings are detailed in note 5

Transactions between the Company and its subsidiaries, which are related parties, have been eliminated on consolidation and are not disclosed in this note Amounts owed by and to the BBC and fellow subsidiary undertakings within the BBC Group are reported in notes 18 and 19 respectively

The following table illustrates transactions with the BBC and fellow subsidiary undertakings

	Parent company		Other BBC subsidiaries	
	2013	2012	**2013**	2012
	£m	£m	**£m**	£m
Investment in BBC programme rights	**(77 4)**	(78 3)	–	–
Dividends paid/proposed	**(49 5)**	(145 2)	–	–
Other income	**22 4**	33 0	**0 2**	0 6
Other expense	**(56 0)**	(68 6)	**(1 0)**	–
	(160 5)	(259 1)	**(0 8)**	0 6

In all transactions, the terms of trade, were negotiated on an arm's length basis

The value of transactions with significant joint ventures and associates are as follows

Name of related party	Relationship	Income 2013 £m	Expenditure 2013 £m	Dividends received 2013 £m	Income 2012 £m	Expenditure 2012 £m	Dividends received 2012 £m
UK Channel Management Limited	Joint Venture	**7 5**	–	**1 3**	9 2	–	1 6
UK Gold Holdings Limited	Joint Venture	**38.1**	–	**16.6**	37 0	–	15 6
JV Programmes LLC	Joint Venture	**2.5**	**(1.1)**	–	11 3	(1 6)	0 9
Other joint ventures	Joint Venture	**6 2**	**(0 9)**	**1 3**	5 8	(5 7)	(0 1)
Frontline Limited	Associate	–	–	–	–	(1 5)	–
Other associates	Associate	**5 3**	**(9 3)**	**0 2**	5 0	(4 4)	0 7
		59 6	**(11 3)**	**19 4**	68 3	(13 2)	18 7

The following amounts were outstanding at the balance sheet date

Name of related party	Relationship	Receivables 2013 £m	Payables 2013 £m	Net balance 2013 £m	Receivables 2012 £m	Payables 2012 £m	Net balance 2012 £m
UK Channel Management Limited	Joint Venture	**3 6**	–	**3 6**	3 6	–	3 6
UK Gold Holdings Limited	Joint Venture	**19 7**	**(1 5)**	**18 2**	19 4	(4 6)	14 8
JV Programmes LLC	Joint Venture	–	**(0 1)**	**(0 1)**	–	(1 0)	(1 0)
Other joint ventures	Joint Venture	**2 6**	**(0.5)**	**2 1**	3 0	(1 0)	2 0
Frontline Limited	Associate	–	–	–	–	–	–
Other associates	Associate	**3.5**	–	**3 5**	4 4	(0 9)	3 5
		29 4	**(2 1)**	**27 3**	30 4	(7 5)	22 9

At 31 March 2013, the Group also had an outstanding balance of £1 0million (2012 £2 2million) payable to a joint venture of the Group's ultimate parent in respect of group relief This balance is included within other payables

Notes to the financial statements
CONTINUED

29 Interests in joint ventures, associates and subsidiaries

29a Significant joint ventures and their activities

The Group has a 50% equity interest in the following significant joint ventures which are all incorporated in Great Britain and registered in England and Wales, unless otherwise stated

Name of entity	Activity
UK Gold Holdings Limited	Holding Company
UK Channel Management Limited	TV Channel operator

29b Significant associates and their activities

The Group holds interests in the following significant associates listed below which, except where otherwise stated, are incorporated in Great Britain and registered in England and Wales

Name of entity	Holding of issued ordinary shares %	Activity
3sixtymedia Limited*	10	Production

* The BBC holds 10% holding of the total share capital of 3sixtymedia Limited but 20% of the Class A ordinary shares which gives it significant influence

29c Subsidiary undertakings

BBC Commercial Holdings Limited owns 100% of the issued share capital of the following companies which are incorporated in Great Britain and registered in England and Wales

BBC Global News Holdings Limited

BBC Ventures Group Limited

The Group also holds an indirect controlling interest in the following principal subsidiaries which, unless otherwise stated, are incorporated in England and Wales

Name of entity	Holdings of ordinary shares %
Held by BBC Ventures Group Limited	
BBC Studios and Post Production Limited	100
BBC Worldwide Limited	100
Held by BBC Worldwide Limited	
BBC Worldwide Australia Pty Limited (incorporated in Australia)	100
BBC Worldwide Americas Inc (incorporated in the USA)	100
2entertain Video Limited	100
Held by BBC Global News Holdings Limited	
BBC Global News Limited	100
BBC World Distribution Limited	100
BBC com Limited	100

Company Financial Statements

Balance sheet

AS AT 31 March 2013

	Note	Company 2013 £m	Company 2012 £m
Fixed assets			
Investment in subsidiaries	A	**256 8**	242 8
		256 8	242 8
Current assets			
Debtors due after more than one year		**108 9**	96 7
Debtors due within one year		**26 0**	4 7
Total debtors	B	**134 9**	101 4
Cash at bank and in hand		**0 2**	3 9
		135 1	105 3
Creditors – amounts falling due within one year	C1	**(80 3)**	(49 9)
Net current assets		**54 8**	55 4
Total assets less current liabilities		**311 6**	298 2
Creditors – amounts falling due after more than one year	C2	**(188 4)**	(170 5)
Net assets		**123 2**	127 7
Represented by			
Share capital	D	**1 3**	1 3
Profit and loss reserve	D	**121 9**	126 4
Total equity shareholder's funds		**123 2**	127 7

The financial statements were approved by the directors on 28 June 2013 and signed on their behalf by

Charles A Villar

Charlie Villar Director

BBC Commercial Holdings Limited

Registered number 04463534

31 March 2013

Statement of accounting policies

This section explains the Company's main accounting policies, which have been applied consistently throughout the year and in the preceding year except where stated

Basis of accounting

The financial statements have been prepared under the historical cost accounting convention, and in accordance with the Companies Act 2006 and applicable accounting standards in the United Kingdom

Basis of preparation

The Company financial statements have been prepared on the going concern basis The Board remains satisfied with the Company's funding and liquidity position At the balance sheet date, the main source of debt funding is a £380million multicurrency revolving credit facility in place until July 2016, of which £172 0million was drawn down at 31 March 2013 (2012 £185 3million) Further information in respect of borrowing facilities and financial liabilities is included in Note C As discussed in Note F, the Company has refinanced a proportion of these facilities extending the maturity date to June 2020 The financial covenants associated with the new facilities are unchanged The Company's forecasts and projections, taking account of reasonably possible changes in trading performance, show that the Company should be able to operate within the level of its current facility for a period of no less than 12 months from the date of signing these accounts After making enquiries, the directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future Accordingly, they continue to adopt the going concern basis in preparing the annual report and accounts

The BBC Group consolidated financial statements for the year ended 31 March 2013 contain related party disclosures Consequently, the Company has taken advantage of the exemption in FRS 8 *Related Party Disclosures*, not to disclose transactions with other members of the BBC Group

As permitted by Section 408 of the Companies Act 2006, a separate profit and loss account reflecting the results of BBC Commercial Holdings Limited has not been presented The Company's profit after taxation for the financial year was £45 0million (2012 £142 5million)

Investment in subsidiaries

In the Company's financial statements, investments in subsidiary undertakings are stated at cost less amounts written off

Impairment of fixed assets

The Company reviews the carrying amounts of its fixed assets in accordance with FRS 11 *Impairment of Fixed Assets and Goodwill* whenever events or changes in circumstances indicate that the carrying amount may not be recoverable

An impairment loss is recognised in the profit and loss account for the amount by which the asset's carrying amount exceeds its recoverable amount For the purposes of assessing impairment, assets are grouped at the lowest levels producing largely independent income streams (income-generating units)

When an impairment test is performed, the recoverable amount is assessed by reference to the higher of the net present value of expected future cash flows (value in use) of the relevant income generating unit and the fair value less cost to sell (net realisable value) In assessing value in use, the estimated future cash flows expected to arise from the income-generating unit are discounted to their present value using a pre-tax discount rate that reflects current market assessment of the time value of money and risks specific to the asset

Impairment losses are allocated firstly against goodwill, secondly against other intangibles and thirdly to the tangible assets of the unit, on a pro-rata or more appropriate basis

Taxation

The taxation charge represents the sum of current tax payable and deferred tax The current tax payable is based on taxable profit for the year Taxable profit differs from net profit as reported in the profit and loss account because it excludes items that are taxable or deductible in other years and items that are never taxable or deductible The Company's liability for current tax is calculated using rates that have been enacted or substantively enacted by the balance sheet dates

Deferred tax is computed under the liability method Full provision, without discounting, is made in respect of timing differences between certain items in the financial statements and their treatment for taxation purposes at the balance sheet date except as otherwise required by FRS 19 'Deferred tax' Deferred tax assets are recognised to the extent that it is regarded as more likely than not that they will be recovered

Statement of accounting policies
CONTINUED

Cash and liquid resources

Cash comprises cash in hand and deposits repayable on demand Liquid resources are current asset investments which are readily convertible into known amounts of cash at, or close to, their carrying values They comprise money market deposits and liquidity funds with a notice period in excess of one working day

Finance costs

Finance costs of the Company's loans, are recognised in the profit and loss account over the term of the loan at a constant rate on the carrying amount

Financial instruments

Derivative financial instruments are initially recognised at fair value and are subsequently remeasured to fair value at the balance sheet date with movements recorded in the profit and loss account

At each balance sheet date, the Company assesses whether there is any objective evidence that any financial asset is impaired Financial assets and liabilities are recognised on balance sheet when the Company becomes party to the contractual provisions of the instrument Financial assets are derecognised from the balance sheet when the Company's contractual rights to the cash flows expire or there has been a substantial transfer of the risks and rewards of the financial asset Financial liabilities are derecognised from the Company's balance sheet when the obligation specified in the contract is discharged, cancelled or expires

Interest bearing borrowings

Interest bearing loans and overdrafts are recognised initially at fair value, less transaction costs Such borrowings are subsequently stated at amortised cost, any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the profit and loss account over the period of the borrowings using the effective interest method

Derivative financial instruments

The Company does not enter into speculative derivative contracts, however some derivative financial instruments (interest rate swaps, caps and collars) are used to hedge the Company's exposure to fluctuations in interest rates and foreign currency exchange rates (foreign currency forward contracts)

Gains and losses on foreign currency and interest rate hedges are recognised in the profit and loss account on maturity of the underlying transaction

Trade and other receivables

These are recognised at fair value plus directly attributable transaction costs less an allowance for estimated impairment The allowance is based on objective evidence that the Group will not be able to recover all amounts due, through a review of all accounts and prior experience collecting outstanding balances Changes in the carrying amount of the allowance are recognised in the profit and loss account

Dividends on shares presented within shareholder's funds

Dividends unpaid at the balance sheet date are only recognised as a liability at that date to the extent that they are appropriately authorised and are no longer at the discretion of the Company Unpaid dividends that do not meet these criteria are disclosed in the notes to the financial statements

Company Financial Statements

Notes to the financial statements
CONTINUED

A Investment in subsidiary undertakings

	Company shares in subsidiaries £m
Cost	
At 1 April 2012	242 8
Additions	14 0
At 31 March 2013	**256.8**
Net Book Value	
At 31 March 2013	**256 8**
At 31 March 2012	**242 8**

Additions in the year relate to £12 0million debt forgiveness following the restructure within Global News Limited and £2 0million share allotment within Global News Holdings Limited

B Debtors

	Company 2013 £m	Company 2012 £m
Receivable within one year		
Amounts owed by subsidiaries	**25 9**	–
Amounts owed by parent undertaking	–	3 9
Other receivables	**0 1**	0 2
Prepayments and accrued income	–	0 6
Total debtors due within one year	**26 0**	4 7
Receivable after more than one year		
Amounts owed by subsidiaries	**108 3**	94 3
Amounts owed by parent undertaking	–	1 8
Deferred tax asset*	**0 6**	0 6
Total debtors due after more than one year	**108 9**	96 7
Total	**134 9**	101 4

* Deferred tax asset arises from timing differences surrounding the valuation of financial instruments

Notes to the financial statements
CONTINUED

C Creditors

C1 Amounts fallıng due wıthın one year

	Company 2013 £m	Company 2012 £m
Amounts owed to parent	**38 5**	–
Amounts owed to fellow subsıdıarıes	**41 4**	48 0
Derıvatıve fınancıal lıabılıtıes	**0 2**	1 7
Accruals and deferred ıncome	**0 2**	0 2
Total	**80.3**	49 9

C2 Amounts fallıng due after more than one year

	Company 2013 £m	Company 2012 £m
Bank and other loans	**187 5**	169 9
Derıvatıve fınancıal lıabılıtıes	**0 9**	0 6
Total	**188 4**	170 5

C3 Maturıty of fınancıal lıabılıtıes

The Company arranges ıts borrowıngs to meet forecast cash flows such that ıt has access to suffıcıent funds to meet ıts commıtments The maturıty profıle of the Company's fınancıal lıabılıtıes, other than short-term credıtors, at 31 March was

	Bank loans and overdrafts £m	Derıvatıve fınancıal lıabılıtıes £m	**Total £m**
2013			
Between one and two years	–	**0 9**	**0 9**
Between two and fıve years	**187 5**	–	**187 5**
Total	**187 5**	**0 9**	**188 4**
2012			
Between one and two years	–	0 6	0 6
Between two and fıve years	169 9	–	169 9
Total	169 9	0 6	170 5

Company Financial Statements

Notes to the financial statements
CONTINUED

C Creditors continued

C4 Borrowing facilities

Facility	Interest rate	Total Available 31 March 2013 £m	Amount drawn down at 31 March 2013 £m	Total available 31 March 2012 £m	Amount drawn down at 31 March 2012 £m	Expiry or review date
BBC Commercial Holdings Limited						
Multicurrency revolving credit facility agreement for loans and letters of credit	LIBOR* plus 0 8% rising to LIBOR* plus 1 0% on utilisations over 1/3 and LIBOR plus 1 2% on utilisations over 2/3 Letter of credit fee is the same as the bank lending margin but does not include LIBOR	**380****	**172**	380**	185	July 2016
Overdraft or money market lines	Money market line – margin of 1 0% (2011 0 45%) Overdraft – bank base rates plus 1 5% (2011 1%)	**20**	**17**	20	–	Reviewed at least on an annual basis until cancelled/ terminated

* The base rate used will vary according to the currency drawn At 31 March 2013 £27 6million (2012 £64 9million) was drawn down in AUS$ and consequently linked to BBSW rather than LIBOR All other amounts drawn are in sterling and consequently linked to LIBOR

** Of this amount, up to £26 6million is available to issue letters of credit in favour of the European Investment Bank to support its lending under facilities to the Group At 31 March 2013 total drawn on this facility was cash drawings of £172 0million (2012 cash drawings of £169 9million and £15 4million utilised by way of letters of credit)

There have been no defaults or breaches of covenants on the facilities above during the year (2012 none)

D Reconciliation of movements in equity shareholder's funds and reserves

The movement in reserves during the year was as follows

Company	Share capital £m	Profit and loss reserve £m	Total £m
At 1 April 2012	1 3	126 4	**127 7**
Profit for the financial year	–	45 0	**45 0**
Dividends declared in year	–	(49 5)	**(49.5)**
At 31 March 2013	**1 3**	**121 9**	**123 2**

E Auditor's remuneration

The audit fee of £10,000 (2012 £10,000) relating to the Company, has been borne by another Group company

F Post balance sheet events

On 24 June 2013 the Company completed a £170million US Private Placement which will remain in place until June 2020 This funding was used to replace £170million of the existing multicurrency revolving credit facility This element of the facility was subsequently cancelled on the 25 June 2013 There are no other material events after the balance sheet date to disclose