BBC Commercial Holdings Limited

Registered number 04463534

Strategic Report, Directors' Report and Consolidated Financial Statements

Year ended 31 March 2016

Officers and advisors

Directors
Bal Samra
Charlie Villar

Company secretary
Peter Ranyard

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

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

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Strategic report, Directors' report and Consolidated financial statements

Strategic 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 2016. The Group has chosen to prepare its financial statements in accordance with International Financial Reporting Standards as adopted by the EU ('IFRS'). The Company however has transitioned from previously extant UK GAAP to FRS 101: Reduced Disclosure Framework for all periods presented and these can be seen on pages 69 to 75.

Principal activities of the Group

The Company is the holding company for the British Broadcasting Corporation's (BBC) principal commercial subsidiary undertakings including BBC Worldwide Limited, BBC Global News Limited, BBC Studioworks Limited (formerly BBC Studios and Post Production Limited) and BBC Grafton House 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; and
- comply with BBC's Fair-trading Guidelines and avoid distorting the market.

The Group's main activities include:

- commercial television channels, including advertising thereon;
- production, sales and distribution of programme content and formats;
- developing and rolling out a focused portfolio of global brands;
- manufacture and distribution of consumer products;
- re-development of parts of Television Centre (TVC); and
- provision of equipment, facilities and services for use primarily in programme production.

Business review

The Group monitors its business using a number of key performance indicators including revenue, operating profit and dividend returns to the BBC Group. These have been summarised below:

	2016			2015		
	Revenue including joint ventures £m	Operating profit/(loss) before specific items £m	Dividends £m	Revenue including joint ventures £m	Operating profit/(loss) before specific items £m	Dividends £m
BBC Worldwide	1,029.4	123.9	(105.5)	1,001.8	134.3	(111.3)
BBC Global News	101.4	0.8	-	93.7	(3.9)	-
BBC Studioworks	24.8	(1.1)	-	29.5	(1.2)	-
Holding Companies & other commercial entities	5.8	(8.4)	(93.0)	44.3	(18.3)	(15.3)
Group adjustments	(6.0)	(4.9)	105.5	(36.8)	0.4	111.3
Group	1,155.4	110.3	(93.0)	1,132.5	111.3	(15.3)

Overall revenue including joint ventures increased by 2.0% to £1,155.4million (2015: £1,132.5million) despite the significant reduction seen in BBC Commercial Holdings Limited as a result of the near completion of the TVC redevelopment project. Increased revenue was primarily driven by BBC Worldwide which has seen significant growth in North America as Subscription Video On Demand (SVOD) sales (e.g Netflix/Amazon) increased and a c£19million increase in UKTV's revenue.

BBC Global News Group also saw a significant increase in revenue of £7.7million (8.2%) due mainly to increased advertising and distribution revenues further improved by foreign exchange gains.

Strategic report (continued)

Business review (continued)
BBC Studioworks saw a £4.7million (15.9%) reduction in revenue during the year primarily due to a different sales mix in the Studio and Post Production Services division and the winding down of the Digital Media Services (DMS) division, following the closure announcement made in October 2015. Whilst revenues declined, underlying operating profitability in the areas excluding DMS improved by some 33% year-on-year to reach £1.3m. This improvement was attributable to several successful business development initiatives and effective cost control.

Operating profit is adjusted for specific items to reflect the underlying performance of the Group. Reorganisation costs, interest and taxation on profits of associates and joint ventures, pension deficit repayments and other non-routine items which help to facilitate a consistent view of the Group's results are all classified as specific items. The ongoing business (excluding the results of BBC America which was partially disposed of during the prior year) operating profit before specific items increased by 10.4% to £110.3million (2015: £99.9million) as a result of the reduction in spend on the TVC redevelopment project and favourable exchange rate movements. Despite the overall rise in BBC Worldwide revenue within ongoing businesses, the growth seen in like-for-like operating profit was smaller as a result of increased content costs driven largely by higher investment in Independent productions.

Dividends of £93.0million were declared by the Group during the year (2015: £15.3million).

BBC Commercial Holdings Limited
The parent company operates as a holding company for the Group however when the BBC sold Television Centre to Stanhope in 2012/13, it was agreed as part of the contract that the BBC would be responsible for the fit-out of Stage 6 as offices for BBC Worldwide Limited and Studios 1-3 for Studioworks Limited. A redevelopment project was set up in the parent company to deliver this.

The major elements of the project completed during the year resulting in a significant reduction in both income and expenditure.

BBC Worldwide Limited
BBC Worldwide exists to support the BBC public service mission and to maximise income to the Group on its behalf. This was primarily through investment in BBC commissioned content and dividends. Returns from BBC Worldwide support an ongoing commitment to manage financial performance sustainably and protect the interest of licence fee payers.

BBC Worldwide's mission is to grow the BBC brand around the world by increasing its global presence and future profitability resulting in sustainable and rising returns to the BBC. During the year new channel brands were launched in Poland, the Nordics, South Africa and Latin America and most of the other thematic BBC channels are expected to re-brand during 2016/17.

BBC Studioworks Limited
BBC Studioworks Limited provides facilities, equipment and services for use in programme production. The year ended 31 March 2016 witnessed the decision to close the Digital Media Services division, which subsequently ceased trading on 31 March 2016 as part of a business strategy to focus on core, profitable studios and post production related activities. Whilst the closure decision partly explains a year-on-year reduction in revenues, it is expected to positively improve underlying operating profits going forward.

The company returned an operating profit of £1.3million on its underlying activities excluding DMS during the year, representing a significant improvement on the prior year and delivered through a mix of successful business development and cost management initiatives.

BBC Global News Group
BBC Global NewsGroup operates two commercially funded international news services, BBC World News (the 24 hour global news TV channel) and the digital platform bbc.com. Digital reach for News content was up 5% with bbc.com attracting over 89million monthly unique browsers on average, whilst TV distribution increased to 315million households (up from 262million in 2014/15).

The increase seen in reach has helped the growth of both revenue and profits for the year, which together with favourable exchange rate movements and significant cost savings have contributed to BBC Global News Groups' return to operating profits.

Business review (continued)

Overall, the Group's total operating profits before specific items remained consistent with prior year. Total profit for the year however reduced from £154.9million to £80.5million as a result of the gain recognised on the partial disposal of BBC America in the prior year.

Future outlook

While the external commercial environment is expected to remain competitive in 2016, 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.

Risk and uncertainties

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

Risk	Strategic impacts	Mitigation
Brand, Reputation and standards		
Risk that audiences lose confidence in the integrity of our business or our content. Risk we fail to represent the values of the BBC to global audiences.	Harm to our reputation, our relationship with audiences and to the credibility of the BBC brand.	Leadership and management behaviours that promote the BBC values embedded within our company's culture. Commitment to delivering honest and open communications. Policy framework, internal communications and HR processes inform and demonstrate appropriate behaviours. Inductions, mandatory training and regular staff survey to drive engagement.
Independent and joint venture relationships Risk we do not achieve the potential from our independent, JV and associates relationships principally UKTV, BBC America and Immediate Media.	Under-delivering against audience expectations and our ambitions for the JV and associates relationship.	Content and business expertise brought through representation on indie and JV Boards. Commitment that our objectives are focused on creativity and support content ambitions. JV formation is always backed by detailed definition of the JV benefits, purpose, mechanics and governance, with appropriate safeguards over editorial control. Approvals framework, encompassing BBC Public Service, ensures potential deals that benefit the UK licence fee payer are delivered.
Content supply		
Risk that ongoing acquisition and consolidation across the independent sector restricts the addressable market for rights in priority genres. Potential changes to BBC production.	Volume, affordability and commercial appeal of content at risk. Risk to the brand and channel strategies.	Dedicated Content division with expertise in content acquisition and relationship management. Output deals with a limited number of key independent producers and investment stakes to increase the pipeline of creative output. Commitment to maximising independent returns alongside the BBC Store direct-to-consumer service and channels strategy.

Strategic report (continued)

Risk and uncertainties (continued)

Risk	Strategic impacts	Mitigation
Channels and services		
Risk that in-territory we do not extract the full value from our affiliate relationships, or the appropriate brand visibility or the right premium vs. Free-to-Air channel mix. Risk that we do not achieve sufficient scale in some regional markets. Risk to launching new direct to consumer service such as BBC Store and forthcoming over-the-top offer in the USA.	Reduce our ability to showcase BBC content. More vulnerable to disruptive digital services. Risk operating with sub-scale regional businesses.	Experienced International channel team with a proven track record of leading negotiations and managing successful channel launches. Ensure regions have extensive knowledge of the affiliate landscape and the expertise to secure the right channel mix, platforms and relationships. Leadership experience and insight into markets to ensure we secure the right partners, build effective relationships and develop the best propositions in the context of a global ambition and strategy.
Information security		
Risk that our information security controls are compromised and systems disrupted, data deleted or content assets misappropriated.	Damage to reputation. Disclosed assets have reduced editorial or commercial value. Disruption to business operations. Loss of data.	New content path defined for high-value content, including dedicated infrastructure and a content handling team. Centralised global solution for regional post-production activities. New information security infrastructure capabilities, additional expertise and resources, and a global network convergence project in progress.
Economic climate and trading performance		
Business performance is sensitive to UK and international economic conditions, especially the USA and Australia as well as exchange rate movements.	Adverse impact on cash flows and reported financial results.	Business is diversified across both regions and revenue steams. Central management of budgets and performance, cash-flow forecasting and prudent debtor management. Risk-averse approach to foreign currency management.
Business continuity, safety and security		
Risk of disruption to operations, infrastructure and loss of revenue following a major incident. Increase in global terrorism.	Potential for injury or death. Disruption to business operations. Reputational damage.	Security and safety management arrangements supported by policy framework communications, forums and guides and specialist security and safety advice. Offices and business operations covered by continuity plans. International travel safety training.

Strategic report (continued)

Risk and uncertainties (continued)

Risk	Strategic impacts	Mitigation
Market transformation and disruption		
Risk that we do not adapt our content and business strategy responsively enough to meet audience priorities and respond to disruptive competitors in a consolidating market.	Lower visibility for BBC content internationally, poor commercial returns for indies and for the UK licence fee payer.	Strategy team supports the business and monitors market changes. Use expertise inherent in the business and in-depth local knowledge of international markets in regions. JV partners bring partner insight and knowledge. Internal transformation projects to anticipate market trends and ensure our sales strategy, sales infrastructure, people skills and business relationships are in the best place to respond to challenges.
Regulatory and compliance		
Potential for non-compliance with UK and international laws, especially regulatory changes and legislation with extra-territorial reach.	Civil or criminal challenge. Financial penalties. Reputational damage.	Robust, enforced framework, mandatory training programme, policies, guidelines, regular reporting and specialist committees. Oversight by senior management boards and Compliance Steering Group. Central business and Legal Affairs resources include specialist advisers, regional expertise and local compliance champions to support the framework.

By order of the Board,

Peter Ranyard
Company Secretary

13 June 2016

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

Directors' report

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

Bal Samra
Charlie Villar

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.

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

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; and
- 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.

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.

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.

Directors' report (continued)

Corporate governance

The 2012 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.

Political and charitable contributions

The Company made no political donations or contributions to charity during the period.

Dividends

Dividends of £93.0million were declared by the Group during the year (2015: £15.3million).

Future developments

See the Strategic Report above for detail on the Groups' future developments.

Going concern

As set out on page 19, 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

Ernst and Young LLP have expressed their willingness to continue in office and a resolution to reappoint them will be proposed at the next board meeting.

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 auditor are unaware; and
- the director has taken all the steps that he ought to have taken as a director in order to make himself aware of any relevant audit information and to establish that the Company's auditor are aware of that information.

By order of the Board,

Peter Ranyard
Company Secretary

13 June 2016

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

Statement of directors' responsibilities

The directors are responsible for preparing the Strategic Report, 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; and
- 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.

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 2016 which comprise the Group Statement of Financial Position, the Group Statement of Comprehensive Income, the Group Statement of Cash Flow, the Group Statement of Changes in Equity and the related notes 1 to 29 and the Parent Company Balance Sheet and the related notes A to E. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union. The financial reporting framework that has been applied in the preparation of the parent company financial statements is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including FRS 101 'Reduced Disclosure Framework'.

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditor

As explained more fully in the Directors' Responsibilities Statement set out on page 11, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the group's and the parent company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the Strategic and Directors report to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

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 2016 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 European Union;
- the parent company financial statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, including FRS 101 'Reduced Disclosure Framework'; and
- 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 Strategic Report and the Directors' Reports 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.

Ernst & Young LLP

Richard Wilson **(Senior Statutory Auditor)**
for and on behalf of Ernst & Young LLP, Statutory Auditor
Ernst & Young LLP

1 More London Place
London
SE1 2AF

13 June 2016

Consolidated income statement

for the year ended 31 March 2016

	Note	2016 £m	2015 £m
Revenue including share of joint ventures' revenue*		1,155.4	1,132.5
Less: share of joint ventures revenue		(174.0)	(150.5)
Revenue	1a	981.4	982.0
Total operating costs	1b	(937.9)	(945.2)
Share of profit of associates and joint ventures	14	41.8	35.8
Operating profit		85.3	72.6
Analysed as:			
Operating profit before specific items**		110.3	111.3
Reorganisation costs	3a	(6.2)	(2.7)
Interest and taxation on profits of associates and joint ventures	3b	(10.6)	(9.4)
Other specific items	3c	(8.2)	(26.6)
		85.3	72.6
Gain on sale and termination of operations	10	-	115.9
Other gains and losses	10	1.5	-
Financing income	7a	7.6	14.1
Financing costs	7b	(10.1)	(22.8)
Profit before taxation		84.3	179.8
Taxation	8a	(3.8)	(24.9)
Profit for the year		80.5	154.9
Attributable to:			
Equity shareholder of the parent company		80.5	154.9
Profit for the year		80.5	154.9

* 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 2016

	2016 £m	2015 £m
Profit for the year	80.5	154.9
Items that may be reclassified to the income statement in the future:		
Deferred tax on financial instruments	2.5	2.3
Exchange differences on translation of foreign operations	7.2	19.7
Revaluation of available-for-sale financial assets	2.9	-
Recycling of translation reserves on disposal	-	6.1
Recognition and transfer of cash flow hedges	(12.5)	(10.9)
Other comprehensive income for the year (net of tax)	0.1	17.2
Total comprehensive income for the year	80.6	172.1
Attributable to:		
Equity holders of the parent company	80.6	172.1
	80.6	172.1

Consolidated balance sheet

as at 31 March 2016

	Note	2016 £m	2015 £m
Non-current assets			
Intangible assets (including goodwill excluding programme rights)	12	70.3	61.3
Distribution rights	12	209.3	202.8
Property, plant and equipment	13	33.7	33.1
Interests in associates and joint ventures	14	171.8	148.8
Other receivables	18a	65.5	8.7
Available for sale investments	15	7.5	4.4
Derivative financial instruments	26d	7.9	5.5
Deferred tax assets	8d	10.8	10.5
		576.8	475.1
Current assets			
Programme related assets and other inventories	17	52.9	67.5
Trade and other receivables	18b	374.5	417.7
Current tax assets		26.5	25.8
Assets classified as held for sale	16	-	3.0
Derivative financial instruments	26d	1.1	8.8
Cash and cash equivalents		61.0	91.8
		516.0	614.6
Current liabilities			
Trade and other payables	19a	(463.9)	(464.9)
Borrowings	20a	(54.0)	(35.3)
Provisions	21	(3.0)	(15.8)
Derivatives financial instruments	26d	(18.6)	(14.0)
Current tax liabilities		(6.3)	(4.7)
		(545.8)	(534.7)
Non-current liabilities			
Trade and other payables	19b	(2.3)	(0.8)
Borrowings	20a	(177.9)	(174.1)
Provisions	21	(0.1)	(2.1)
Derivative financial instruments	26d	(9.7)	(9.0)
Deferred tax liabilities	8d	(21.2)	(19.3)
		(211.2)	(205.3)
Net assets		335.8	349.7
Attributable to equity shareholders of the parent company			
Share capital	22	1.3	1.3
Retained earnings	23	326.6	339.1
Other reserve	23	1.3	-
Hedging reserve	23	(13.0)	(3.0)
Translation reserve	23	19.5	12.3
		335.7	349.7
Non-controlling interests		0.1	-
Total equity		335.8	349.7

The financial statements of BBC Commercial Holdings Limited, registered number 04463534, were approved by the directors on 13 June 2016 and signed on their behalf by:

Charles. A. Villar

Charlie Villar
Director

Consolidated statement of changes in equity

for the year ended 31 March 2016

	Share capital £m	Profit and loss reserve £m	Other Reserve £m	Hedging reserve £m	Translation reserve £m	Total £m	Non-controlling interests £m	Total £m
At 31 March 2014	1.3	199.5	-	5.6	(13.5)	192.9	-	192.9
Profit for the year	-	154.9	-	-	-	154.9	-	154.9
Exchange differences on translation of foreign operations	-	-	-	-	19.7	19.7	-	19.7
Recycling of translation reserves on disposal	-	-	-	-	6.1	6.1	-	6.1
Deferred tax on financial instruments	-	-	-	2.3	-	2.3	-	2.3
Recognition and transfer of cash flow hedges	-	-	-	(10.9)	-	(10.9)	-	(10.9)
Total comprehensive income/(loss) for the year	-	154.9	-	(8.6)	25.8	172.1	-	172.1
Dividends declared in year	-	(15.3)	-	-	-	(15.3)	-	(15.3)
At 31 March 2015	1.3	339.1	-	(3.0)	12.3	349.7	-	349.7
Profit for the year	-	80.5	-	-	-	80.5	-	80.5
Exchange differences on translation of foreign operations	-	-	-	-	7.2	7.2	-	7.2
Recycling of translation reserves on disposal	-	-	-	-	-	-	-	-
Deferred tax on financial instruments	-	-	-	2.5	-	2.5	-	2.5
Revaluation of available for sale financial assets	-	-	2.9	-	-	2.9	-	2.9
Recognition and transfer of cash flow hedges	-	-	-	(12.5)	-	(12.5)	-	(12.5)
Total comprehensive income/(loss)	-	80.5	2.9	(10.0)	7.2	80.6	-	80.6
Dividends declared in year	-	(93.0)	-	-	-	(93.0)	-	(93.0)
Acquisition of subsidiaries*	-	-	(1.6)	-	-	(1.6)	0.1	(1.5)
At 31 March 2016	**1.3**	**326.6**	**1.3**	**(13.0)**	**19.5**	**335.7**	**0.1**	**335.8**

* Relates to the non-controlling interest put option held on Rapid Blue (Pty) Ltd.

Consolidated cash flow statement

for the year ended 31 March 2016

	Note	2016 £m	2015 £m
Operating activities			
Cash generated from operations	24	132.5	190.3
Tax paid		(5.7)	(24.6)
Net cash from operations		126.8	165.7
Investing activities			
Interest received		1.2	0.6
Dividends received from associates and joint ventures		26.6	32.0
Proceeds from sale of operations		31.6	64.5
Acquisition of investments		(3.1)	-
Acquisition of interests in associates and joint ventures		(2.9)	(3.6)
Purchases of other intangible assets		(140.2)	(157.7)
Purchases or property, plant and equipment		(8.8)	(21.9)
Net cash used in investing activities		(95.6)	(86.1)
Financing activities			
Interest paid		(5.0)	(6.5)
Proceeds from increase in borrowings		53.7	35.0
Repayments of borrowings		(35.0)	(0.4)
Equity dividends paid		(76.2)	(80.2)
Net cash used in financing activities		(62.5)	(52.1)
Net (decrease)/increase in cash and cash equivalents		(31.3)	27.5
Cash and cash equivalents at beginning of the year		91.8	60.7
Effect on foreign exchange rate changes on cash and cash equivalents		0.5	3.6
Cash and cash equivalents at the end of the year		61.0	91.8

Statement of Group accounting policies

BBC Commercial Holdings Limited (the 'Company') is a company domiciled and incorporated in the United Kingdom, and its registered address is Room BC2 A5, Broadcast Centre, 201 Wood Lane, London, W12 7TP. The consolidated financial statements of the Company for the year ended 31 March 2016 comprise the Company and its subsidiary undertakings (together the 'Group') and the Group's interest in joint ventures and associated undertakings.

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 transitioned from previously extant UK GAAP to FRS 101 'Reduced Disclosure Framework' for all periods presented. Those financial statements are set out on pages 69 to 75.

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' (gross revenue earned by teh Group including the Group's share of income from its joint ventures) and 'Operating profit before specific items' (as identified in note 3) 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 Group's share of the interest and tax of associates and joint ventures, 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 Group is fully funded to £381million with funding split between a US$259million US Private Placement, fixed through foreign exchange swap transactions at £171million, expiring in July 2020, and a £210million facility with a group of international banks expiring in July 2019. As at the year-end the Group had drawn down £231.9million of the facilities available (2015: £209.4million). The Group has to comply with both interest cover and leverage covenants. There have been no defaults or breaches of covenants during the year and none are expected during the period under review for going concern. Covenants are also in place that could require a repayment of the loan facilities and loan notes as follows:

- BBC ceasing to control the Group;
- a loss of the Charter or Agreement that has a material adverse effect on the Group; or
- if any material company ceases to be licensed to use the BBC trademark and such a loss has a material adverse effect.

Statement of Group accounting policies (continued)

Going concern (continued)

There have been no such events this year and none are expected for the foreseeable future.

The Group's forecasts and projections, taking account of reasonably possible changes in trading performance, show that the Group should be able to operate with the levels of its existing facilities for a period of no less than 12 months from the date of signing these financial statements.

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.

Basis of consolidation

The Group accounts include the results of BBC Commercial Holdings Limited and its subsidiaries, associates and joint ventures. Where necessary, adjustments are made to the financial statements of subsidiaries, associates and joint ventures 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 associates and joint ventures 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.

Non-controlling interests in subsidiaries are identified separately from the Group's equity therein. The interests of non-controlling shareholders are initially measured at their proportionate share of the fair value of the acquiree's identifiable net assets. Subsequent to acquisition, the carrying amount of non-controlling interests is increased or decreased in proportion to the non-controlling interests' share of any subsequent changes in equity.

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 an associate or joint venture.

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 associates and joint ventures using information as of 31 March with the exception of Children's Character Books Limited, Woodlands Books Limited, Educational Publishers LLP 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.

Statement of Group accounting policies (continued)

Associates and joint ventures continued
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 associate or joint venture.

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 directors and is responsible for making strategic decisions.

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; and
- revenue generated from construction - when the outcome of a construction contract can be estimated reliably, revenue and costs are recognised by reference to the stage of completion of the contract activity at the balance sheet date. This is normally measured by the proportion that contract costs incurred for work performed to date bear to the estimated total contract costs, except where this would not be representative of the stage of completion. When it is probable that total contract costs will exceed total contract revenue, the expected loss is recognised as an expense immediately.

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.

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

Current tax is based on taxable profit for the year, and is calculated using tax rates that have been enacted or substantively enacted at the balance sheet date. Taxable profit differs from net profit as reported in the income statement because it excludes items of income or expenditure which are not taxable or deductible or which are taxable or deductible in other years.

Current tax assets and current tax liabilities are offset if, and only if, there is a legally enforceable right to set off the recognised amounts; and the entity intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Deferred tax is the tax expected to be payable or recoverable in future periods and is recognised using the balance sheet liability method. This method provides for temporary differences between the carrying amounts of assets and liabilities in the balance sheet and the corresponding tax bases used in the computation of taxable profit. Temporary differences arising from goodwill and the initial recognition of assets or liabilities that affect neither accounting profit nor taxable profit are not provided for.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries, joint ventures and associates except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

The carrying value of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

The amount of deferred tax provided is based on the manner in which tax is expected to arise and using tax rates that have been enacted or substantively enacted at the balance sheet date. Deferred tax is charged or credited in the income statement, except where it relates to items recorded within other comprehensive income, in which case the deferred tax is also recorded within other comprehensive income.

Deferred tax assets and deferred tax liabilities are offset only where there is a legally enforceable right to set off current tax assets against current tax liabilities; and the deferred tax assets and the deferred tax liabilities relate to income taxes levied by the same taxation authority on either:

- the same taxable entity; or
- different taxable entities which intend either to settle current tax liabilities and assets on a net basis, or to realise the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

Statement of Group accounting policies (continued)

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.

Programme rights for distribution (continued)

Programme rights have been separately disclosed on the face of the balance sheet both in the current and prior year. There is no impact on the net current or net asset position of the Group.

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 associates and joint ventures – this is included in the carrying amount of the associate or joint venture 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.

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.

Statement of Group accounting policies (continued)

Intangible fixed assets (continued)

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:		
Carrier agreements	Straight line	unexpired term of agreement
Software (including internally-generated 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 on the following page, 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 inventories

Programme rights in this context refers to the programme rights acquired for the primary purpose of broadcasting through the regional channels operations. The carrying amount is stated at cost less accumulated amortisation and provision for impairment. 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 period of the licence, which is usually three years.

Other inventories, comprising CDs, DVDs, raw materials and work in progress are stated at the lower of cost (determined on a first-in-first-out basis) and net realisable value.

Statement of Group accounting policies (continued)

Programme rights and other inventories continued

Work in progress comprises direct materials and, where applicable, direct labour costs and those overheads that have been incurred in bringing the assets to their present location and condition. Net realisable value represents the estimated selling price less all estimated costs of completion and costs to be incurred in selling and distribution.

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.

Classification and measurement

Financial assets and liabilities are classified into the following categories specified by IAS 39 Financial Instruments: Recognition and Measurement.

- Loans and receivables - trade receivables, loans and other receivables with fixed or determinable payments that are not quoted in an active market. These are measured at amortised cost using the effective interest method, less any impairment. Interest income is recognised by applying the effective interest rate, except for short-term receivables when the recognition of interest would be immaterial. Any allowance for impairment is based on objective evidence that the Group will not be able to recover all amounts due. Changes in the carrying amount of the allowance are recognised in the income statement.

- Available for sale financial assets - listed and unlisted shares stated at fair value that are either traded in an active market or for which a fair value can otherwise be reliably measured. Gains and losses arising from changes in fair value are recognised in other comprehensive income with the exception of impairment losses, interest calculated using the effective interest method and foreign exchange gains and losses on monetary assets, which are recognised directly in the income statement.

- Held to maturity investments - the Group does not currently carry any financial instruments classified as held to maturity. Such instruments might include bills of exchange and debentures with fixed or determinable payments and fixed maturity dates and would be measured at amortised cost using the effective interest method less any impairment.

- Financial assets/liabilities at fair value through profit or loss ("FVTPL") - assets and liabilities which are held for trading. An asset or liability is classified as held for trading if: (i) it has been acquired principally for the purpose of selling or repurchasing in the near term; or (ii) on initial recognition it is a part of a portfolio of identified financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or (iii) it is a derivative that is not designated and effective as a hedging instrument. Financial assets and liabilities at FVTPL are stated at fair value, with any gains and losses arising on remeasurement recognised in the income statement.

- Other financial liabilities - financial liabilities, including trade payables and borrowings, which are not classified as financial liabilities at FVTPL are measured at amortised cost using the effective interest method, with interest expense recognised on an effective yield basis.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a debt instrument or financial liability and of allocating interest income or expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash flows over the expected life of the instrument to the net carrying amount on initial recognition.

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 forward contracts and currency options).

Statement of Group accounting policies (continued)

Financial instruments (continued)

Derivative financial instruments continued

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, the current creditworthiness of swap, cap or collar counterparties and the creditworthiness of the BBC.

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

Hedge accounting

The Group designates certain derivatives as cash flow hedges by documenting the relationship between the hedging instrument and the hedged item along with the risk management objectives and its strategy for undertaking various hedge transactions. Where the hedge is deemed to have been effective, the effective portion of any changes in the fair value of the derivatives that are designated in the hedge are recognised in other comprehensive income. Any ineffective portion is recognised immediately in the Consolidated income statement.

Amounts previously recognised in other comprehensive income and accumulated in equity are reclassified to the Consolidated income statement in the periods in which the hedged items are recognised in the Consolidated income statement, in the same line of the Consolidated income statement as the recognised hedged item. However when the forecast transaction that is hedged results in the recognition of a non-financial asset or a non-financial liability, the gains and losses previously accumulated in equity are transferred from equity and included in the initial measurement of the cost of the non-financial asset or non-financial liability.

Hedge accounting is discontinued when the Group de-designates the hedging relationship, when the hedging instrument expires or is sold, terminated, or exercised, or when the relationship no longer qualifies for hedge accounting. Any gain or loss recognised in other comprehensive income upon discontinuation of hedge accounting is either recognised in the Consolidated income statement at the same time as the forecast transaction affects profit or loss, or is recognised in the Consolidated income statement immediately if the forecast transaction is no longer expected to occur.

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.

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.

Retirement benefit plans

Employees of the Group also participate in defined benefit schemes operated by the Group's ultimate parent, the British Broadcasting Corporation. 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 Willis 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*.

Statement of Group accounting policies (continued)

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.

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.

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, associates or joint ventures. In such circumstances, the Group has assessed its ability to control or influence those entities. The Group controls an investee if, and only if, the Group has power over the investee (i.e. existing rights that give it the current ability to direct the relevant activities of the investee), exposure, or rights, to variable returns from its involvement with the investee, and the ability to use its power over the investee to affect its returns. 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 or associated undertaking.

Fair value of financial instruments
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.

Distribution rights and programme rights
The assessment of the appropriate profile over which to recognise the amortisation of distribution rights and programme rights 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 accounting standards
The following new and revised standards and Interpretations have been adopted for the first time, as they became effective for this financial year. They have been applied since 1 April 2015 and have not had a significant impact on the results or financial position of the Group:

- amendments resulting from Annual improvements 2010 - 2012 Cycle (2013)
- amendments resulting from Annual improvements 2011 - 2013 Cycle (2013)
- amendments to IFRS 7 (2011 and 2013) Financial Instruments: Disclosures
- amendments to IAS 19 Employee Benefits (2013)

Statement of Group accounting policies (continued)

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 (and in some cases had not yet been adopted by the EU):

IFRS 9	*Financial Instruments*
IFRS 15	*Revenue from Contracts with Customers*
IFRS 7	*Financial Instruments: Disclosures*
IFRS 16	*Leases*
IFRS 14	*Regulatory Deferral Accounts*
Amendments resulting from Annual Improvements 2012 - 2014 Cycle	
IFRS 10 (amendments) and IAS 28 (amendments)	*Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*
IFRS 11	*Joint Arrangements*
IFRS 12	*Disclosures of Interests in Other Entities*
IAS 1 (amendments)	*Presentation of Financial Statements*
IAS 16 (amendments) and IAS 38 (amendments)	*Clarification of Acceptable Methods of Depreciation and Amortisation*
IAS 27	*Separate Financial Statements*
IAS 7	*Statement of Cash Flows*
IAS 12	*Income Taxes*

The directors do not expect that the adoption of the standards and interpretations listed above would have a material impact on the financial statements of the Group in future periods, except that IFRS 9 will impact both the measurement and disclosures of financial instruments, IFRS 16 will impact both the measurements and disclosures of leases and IFRS 15 may have an impact on revenue recognition and related disclosures.

IFRS 9, published in July 2014, replaces the existing guidance in IAS 39 Financial Instruments: Recognition and Measurement. It includes revised guidance on the classification and measurement of financial instruments, including a new expected credit loss model for calculating impairment on financial assets, and the new general hedge accounting requirements. The Group is assessing the potential impact on its consolidated financial statements resulting from the application of IFRS 9.

IFRS 16 replaces the existing guidance in IAS 17 Leases. A single model for lessees will be required, eliminating off balance sheet accounting for non-exempt operating leases. Related lease assets and liabilities will therefore come onto the balance sheet and the presentation and timing of income and expense recognition in the income statement will change. The Group is assessing the potential impact on its consolidated financial statements resulting from the application of IFRS 16.

IFRS 15 is a converged standard from the IASB and FASB on revenue recognition. It provides a single, principles based five-step model to be applied to all contracts with customers and establishes a comprehensive framework for determining whether, how much and when revenue is recognised. It replaces existing revenue recognition guidance, including IAS 18 Revenue, IAS 11 Construction Contracts and IFRIC 13 Customer Loyalty Programmes. This is likely to impact the Group's royalty based income. New disclosures about revenue will also be introduced.

Beyond the information above, it is not practicable to provide a reasonable estimate of the effect of IFRS 9 and IFRS 15 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 Group - The revenue is primarily generated by worldwide television channels, sales and distribution, production & formats and consumer products;
- BBC Global News Group – Incorporates BBC World Distribution Limited, BBC Global News Limited and bbc.com. 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; and
- BBC Studioworks Limited – The revenue is generated by the provision of equipment, facilities and services for use in programme production.

The results of the holding Company and other commercial entities 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

2016	Note	BBC Wolrdwide £m	BBC Global News £m	BBC Studio-works £m	Holding Companies & other commercial entities £m	Group adjustments £m	Group £m
Joint venture revenue		174.0	-	-	-	-	174.0
Revenue*		810.2	101.4	24.8	5.8	(6.0)	936.2
Royalties		45.2	-	-	-	-	45.2
		1,029.4	101.4	24.8	5.8	(6.0)	1,155.4
Less joint venture revenue		(174.0)	-	-	-	-	(174.0)
Total revenue	1b	855.4	101.4	24.8	5.8	(6.0)	981.4

2015	Note	BBC Wolrdwide £m	BBC Global News £m	BBC Studio-works £m	Holding Companies & other commercial entities £m	Group adjustments £m	Group £m
Joint venture revenue		150.5	-	-	-	-	150.5
Revenue*		807.2	93.6	29.5	44.3	(36.8)	937.8
Royalties		44.1	0.1	-	-	-	44.2
		1,001.8	93.7	29.5	44.3	(36.8)	1,132.5
Less joint venture revenue		(150.5)	-	-	-	-	(150.5)
Total revenue	1b	851.3	93.7	29.5	44.3	(36.8)	982.0

* Revenue represents the sale of goods and provision of services

1 Segmental reporting continued

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

2016	Note	BBC Wolrdwide £m	BBC Global News £m	BBC Studio-works £m	Holding Companies & other commercial entities £m	Group adjustments £m	Group £m
Total revenue	1a	855.4	101.4	24.8	5.8	(6.0)	981.4
Depreciation and amortisation	2a	(134.5)	(0.4)	(1.6)	-	-	(136.5)
Other operating (costs)/income		(661.8)	(100.8)	(25.7)	(14.2)	1.1	(801.4)
Share of profit of associates and joint ventures	14	41.8	-	-	-	-	41.8
Operating profit/(loss)		100.9	0.2	(2.5)	(8.4)	(4.9)	85.3
Analysed as:							-
Operating profit/(loss) before specific items		123.9	0.8	(1.1)	(8.4)	(4.9)	110.3
Interest and taxation on profits of associates and joint ventures	3b	(10.6)	-	-	-	-	(10.6)
Reorganisation costs	3a	(5.2)	(0.3)	(0.7)	-	-	(6.2)
Other specific items	3c	(7.2)	(0.3)	(0.7)	-	-	(8.2)
Operating profit/(loss)		100.9	0.2	(2.5)	(8.4)	(4.9)	85.3
Other gains and losses	10						1.5
Financing income	7a						7.6
Financing costs	7b						(10.1)
Profit before taxation							84.3
Taxation	8a						(3.8)
Profit for the year							80.5

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

2015	Note	BBC Wolrdwide £m	BBC Global News £m	BBC Studio-works £m	Holding Companies & other commercial entities £m	Group adjustments £m	Group £m
Total revenue	1a	851.3	93.7	29.5	44.3	(36.8)	982.0
Depreciation and amortisation	2a	(125.4)	(0.8)	(3.2)	-	-	(129.4)
Other operating (costs)/income		(652.3)	(107.5)	(30.6)	(62.6)	37.2	(815.8)
Share of profit of associates and joint ventures	14	35.8	-	-	-	-	35.8
Operating profit/(loss)		109.4	(14.6)	(4.3)	(18.3)	0.4	72.6
Analysed as:							-
Operating profit/(loss) before specific items		134.3	(3.9)	(1.2)	(18.3)	0.4	111.3
Interest and taxation on profits of associates and joint ventures	3b	(9.4)	-	-	-	-	(9.4)
Reorganisation costs	3a	(2.6)	-	(0.1)	-	-	(2.7)
Other specific items	3c	(12.9)	(10.7)	(3.0)	-	-	(26.6)
Operating profit/(loss)		109.4	(14.6)	(4.3)	(18.3)	0.4	72.6
Gain on sale of operations	10						115.9
Financing income	7a						14.1
Financing costs	7b						(22.8)
Profit before taxation							179.8
Taxation	8a						(24.9)
Profit for the year							154.9

1 Segmental reporting continued

1c Geographical location of revenue and non-current assets

2016	BBC Wolrdwide £m	BBC Global News £m	BBC Studioworks £m	Holding Companies & other commercial entities £m	Group adjustments £m	Group £m
Non-current assets excluding deferred tax and derivative financial instruments:						-
UK	353.4	0.6	3.7	-	(1.0)	356.7
Rest of world	201.1	0.3	-	-	-	201.4
	554.5	0.9	3.7	-	(1.0)	558.1
Additions included in non-current assets	192.0	2.1	3.3	-	-	197.4
External revenue:						
UK	200.5	-	24.8	5.8	(6.0)	225.1
Rest of World:						
America	267.1	28.8	-	-	-	295.9
Australia	68.6	24.8	-	-	-	93.4
Europe	175.1	18.8	-	-	-	193.9
Other	144.1	29.0	-	-	-	173.1
	855.4	101.4	24.8	5.8	(6.0)	981.4

2015	BBC Wolrdwide £m	BBC Global News £m	BBC Studioworks £m	Holding Companies & other commercial entities £m	Group adjustments £m	Group £m
Non-current assets excluding deferred tax and derivative financial instruments:						-
UK	298.8	0.5	3.6	-	-	302.9
Rest of world	155.8	0.4	-	-	-	156.2
	454.6	0.9	3.6	-	-	459.1
Additions included in non-current assets	220.8	0.1	1.4	-	-	222.3
External revenue:						
UK	194.8	-	29.5	44.3	(36.8)	231.8
Rest of World:						
America	299.1	25.7	-	-	-	324.8
Australia	81.1	25.0	-	-	-	106.1
Europe	160.1	17.8	-	-	-	177.9
Other	116.2	25.2	-	-	-	141.4
	851.3	93.7	29.5	44.3	(36.8)	982.0

1 Segmental reporting continued

1d Analysis of total operating costs by activity

2016	BBC Wolrdwide £m	BBC Global News £m	BBC Studio-works £m	Holding Companies & other commercial entities £m	Group adjustments £m	Group £m
Cost of sales	572.7	91.2	23.0	-	(1.1)	685.8
Distribution costs	70.8	-	-	-	-	70.8
Administration expenses	152.8	10.0	4.3	14.2	-	181.3
	796.3	101.2	27.3	14.2	(1.1)	937.9

2015	BBC Wolrdwide £m	BBC Global News £m	BBC Studio-works £m	Holding Companies & other commercial entities £m	Group adjustments £m	Group £m
Cost of sales	528.0	84.3	28.7	-	(37.2)	603.8
Distribution costs	83.5	-	-	-	-	83.5
Administration expenses	166.2	24.0	5.1	62.6	-	257.9
	777.7	108.3	33.8	62.6	(37.2)	945.2

Notes to the financial statements

2 Total operating costs

2a Total operating costs

Profit is stated after charging/(crediting):

	Note	2016 £m	2015 £m
Intangible fixed assets and property, plant and equipment			
Depreciation - owned assets	13	8.0	12.0
Amortisation of intangible fixed assets	12	128.5	117.4
Impairment of property, plant and equipment	13	0.1	1.5
Impairment of investments in associates and joint ventures		-	2.0
Inventories			
Included in cost of sales		48.5	116.6
Write-downs		10.4	4.4
Other operating costs			
Rentals on operating leases and similar arrangements		19.1	24.4
Sub-lease rentals received on operating leases		(0.6)	(0.2)
Net exchange differences on settled transactions		1.1	(2.2)
Impairment of trade debtors	18	3.6	2.3
Staff costs	4b	163.6	173.3

2b Auditor's remuneration

Ernst & Young LLP served as independent external auditors for the year ended 31 March 2016 and 31 March 2015. The external auditors are subject to reappointment at the Annual General Meeting.

The audit fee was £10,000 (2015: £10,000) for the audit of the Company's annual accounts. Fees payable for services provided across the Group are shown below.

	2016 £m	2015 £m
The audit of the Company's subsidiaries pursuant to legislation	0.8	0.7
Tax services	0.1	0.2
Other services	-	0.1
Total non-audit fees	0.1	0.3

Notes to the financial statements

3 Specific items

	Note	2016 £m	2015 £m
Reorganisation costs	3a	(6.2)	(2.7)
Interest and taxation on profits of associates and joint ventures	3b	(10.6)	(9.4)
Other specific items:			
Gain/(loss) in fair valuation of derivative financial instruments	3c	(3.8)	(15.0)
Pension deficit reduction payment	3c	(4.4)	(11.6)
Total other specific items		(8.2)	(26.6)
		(25.0)	(38.7)

3a Reorganisation costs

Reorganisation costs in both years are tax-deductible and settled in cash, and include redundancy, business exit and other restucturing costs arising as a result of changes to the Group's organisation structure, and, in the year ended 31 March 2015, costs associated with the relocation of the Group's head office.

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

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 associates and joint ventures on an after-tax, after-interest basis. The interest and taxation on profits of associates and joint ventures 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.

3c Other specific items

The impact of fair value changes of derivative financial instruments is a gain of £3.8million (2015: £15.0million 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. Fair value changes on interest rate swaps are recognised within net financing costs, see note 7 for further details.

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 £4.4million (2015: £11.6million) 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.

4 Staff numbers and costs

4a Persons employed

	2016 £m	2015 £m
BBC Commercial Holdings Limited	-	3
BBC Studioworks Limited	114	120
BBC Worldwide Limited	1,759	1,829
BBC Global News Limited	123	124
Total	1,996	2,076

Within the averages above, 234 (2015: 229) part-time employees have been included at their full-time equivalent of 152 (2015: 150).

In addition, the Group employed an average full-time equivalent of 28 (2015: 35) persons on a casual basis.

4b Staff costs (including directors)

	2016 £m	2015 £m
Salaries and wages	128.5	134.4
Social security costs	12.3	12.2
Pension costs	16.6	24.0
Restructuring costs	6.2	2.7
Total	163.6	173.3

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, all funded from assets held in separate trustee-administered funds; there are four sections to the BBC Pension Scheme, closed to new entrants, Old Benefits and New Benefits, Career Average Benefits 2006 (CAB 2006) and the Career Average Benefits 2011 (CAB 2011).

The defined benefit pension schemes give rise to liabilities which are included on the BBC Group balance sheet as the BBC bears the risk on investment returns, life expectancy (mortality) and inflation related to meeting future pension payments. 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 £6.1million in the year (2015: £7.2million). No contributions were prepaid or accrued at 31 March 2016 (2015: £nil).

5b Pension liability included in the BBC Group balance sheet

	Pension liability	
	2016 £m	2015 £m
BBC Pension Scheme	(1,003.4)	(940.7)
Unfunded Scheme	(7.3)	(7.5)
Total	(1,010.7)	(948.2)

5 Pensions continued

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.

5ci Scheme financial position

IAS 19 valuation	2016 £m	2015 £m
Scheme assets*	12,821.4	12,766.3
Scheme liabilities	(13,824.8)	(13,707.0)
Deficit	(1,003.4)	(940.7)
Percentage by which scheme assets cover liabilities	93%	93%

* Excluding Additional Voluntary Contribution (AVC) funds.

5cii 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.

	2016 £m	2015 £m
Opening present value of plan liabilities	13,707.0	12,192.7
Current service cost	185.4	181.0
Past service cost	(30.9)	1.1
Administration cost	7.7	8.4
Interest on pension plan liabilities	459.3	533.1
Remeasurement (gains)/losses:		
- Experience gains arising on plan liabilities	(179.1)	(317.3)
- Changes in financial assumptions	125.3	1,499.4
Contributions by plan participants	0.9	0.8
Liabilities extinguished on settlements	(32.9)	-
Benefits paid and expenses	(417.9)	(392.2)
Closing present value of plan liabilities	13,824.8	13,707.0

5ciii 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.

	2016 £m	2015 £m
Opening fair value of plan assets	12,766.3	10,684.2
Interest income on assets	429.4	473.6
Remeasurements on plan assets	(146.5)	1,672.5
Contributions by employer	219.8	327.4
Contributions by plan participants	0.9	0.8
Assets distributed on settlements	(30.6)	-
Benefits paid and expenses	(417.9)	(392.2)
Closing present value of plan assets*	12,821.4	12,766.3

* Excluding AVC funds.

5 Pensions continued

5c BBC Pension Scheme continued

5civ 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	2016 £m	2016 %	2015 £m	2015 %
Equities - quoted	1,279.2	10	1,491.8	12
Equities - unquoted	4.9	-	6.6	-
Pooled vehicles - quoted	1,222.9	10	1,228.8	10
Pooled vehicles - unquoted	767.0	6	840.8	7
Repurchase agreements	(1,718.1)	(13)	(763.2)	(6)
Derivatives	(33.5)	-	(54.6)	-
Fixed interest bonds				
- Public sector	617.0	5	558.9	4
- Other	1,076.7	8	1,055.9	8
Index-linked bonds				
- Public sector	4,939.0	39	4,377.5	34
Property				
- UK	855.1	7	743.1	6
- Overseas	391.7	3	368.3	3
Alternatives*	3,055.1	22	2,494.0	19
Cash and other current assets	364.4	3	418.4	3
Total assets	12,821.4	100	12,766.3	100
Actual return on pension plan assets**	282.9		2,146.1	

* 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.

5cv Funding the Scheme

The 2013 actuarial valuation by Willis Towers Watson of the pension scheme showed a funding shortfall of £2,054million. Consequently a recovery plan was agreed between the BBC and the pension scheme Trustees which details the contribution amounts to be paid by the BBC over a 12 year period commencing 2014. £119million of this is expected to be contributed by the BBC Commercial Holdings Group.

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

The next formal actuarial valuation being performed as at 1 April 2016.

Contribution rates	Projection 2017 %	2016 %	2015 %
Employer	16.7	16.7	16.7
Employee (Old and New Benefits)	7.5	7.5	7.5
Employee (Career Average Benefits 2006)	4.0	4.0	4.0
Employee (Career Average Benefits 2011)	6.0	6.0	6.0

On the basis of pension assumptions made, the BBC Group expects to make contributions to the scheme totalling £132.2million in 2015/16.

5 Pensions continued

5c BBC Pension Scheme continued

5cvi Principal actuarial assumptions

The calculation of the scheme liabilities and pension charges, for IAS 19 purposes, requires a number of assumptions, both financial and demographic, to be made. The principal assumptions used by the actuaries, at the balance sheet date were:

Principal actuarial assumptions	2016 %	2015 %
Rate of increase in salaries	1.0	1.0
Rate of increase in pension payments:		
Old Benefits	**3.0**	2.9
New Benefits	**2.8**	2.7
Career Average Benefits (2006)	**2.4**	2.4
Career Average Benefits (2011)	**1.9**	1.8
Inflation assumptions (RPI)	**3.0**	2.9
Inflation assumption (CPI)	**2.0**	1.9
Discount rate	**3.4**	3.4

The sensitivities regarding the principal assumptions used to measure the Scheme's liabilities are set out below:

2016	Assumption used		Impact on Scheme liabilities %	Impact on Scheme liabilities £m
Discount rate	3.4%	decrease 0.1%	2.2%	(302.0)
Discount rate	3.4%	increase 0.1%	1.6%	227.0
Retail price inflation rate	2.9%	decrease 0.1%	1.7%	237.0
Retail price inflation rate	2.9%	increase 0.1%	1.8%	(244.0)
Mortality rates	see below	decrease 0.1%	3.4%	476.0
Mortality rates	see below	increase 0.1%	3.6%	(493.0)

2015	Assumption used		Impact on Scheme liabilities %	Impact on Scheme liabilities £m
Discount rate	3.4%	decrease 0.1%	2.2%	(308)
Discount rate	3.4%	increase 0.1%	1.7%	230
Retail price inflation rate	2.9%	decrease 0.1%	1.8%	245
Retail price inflation rate	2.9%	increase 0.1%	1.8%	(251)
Mortality rates	see below	decrease 0.1%	3.5%	477
Mortality rates	see below	increase 0.1%	3.6%	(494)

The average life expectancy assumptions for members after retirement at 60 years of age, are as follows:

Principal demographic assumptions	2016 Number of years	2015 Number of years
Retiring today		
Male	**27.6**	27.5
Female	**30.0**	29.9
Retiring in 20 years		
Male	**29.5**	29.4
Female	**32.0**	31.9

5 Pensions continued

5c BBC Pension Scheme continued

5cvi Principal actuarial assumptions continued

The mortality assumptions have been selected to reflect the characteristics and experience of the membership of the scheme and are based on those used for the actuarial investigation which was carried out for funding purposes as at 1 April 2013. The standard 'S1' series of tables, published by the CMI, reflect recent research into mortality experience in the UK. A subset of these tables has been used for males and females, with a multiplier of 122% for males and 107% for females. For the allowance for future improvements, the CMI 2012 core projection has been adopted with a long term trend of 1.25% for both males and females.

Group LifePlan and other scheme

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 £6.0million in the year (2015: £5.3million).

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 one of the three 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:

	2016 £m	2015 £m
Short term employee benefits	0.7	0.7

Retirement benefits accrue to key management under the following schemes:

	2016 Number	2015 Number
Defined benefit schemes	1	1

The Directors of BBC Commercial Holdings Group Limited did not received any remuneration from the Group during the year (2015: £nil).

7 Net financing costs

7a Financing income

	2016 £m	2015 £m
Other interest receivable	1.2	0.6
Fair value gains on interest rate swaps and caps	6.4	13.5
Total financing income	7.6	14.1

7 Net financing costs continued

7b Financing costs

	2016 £m	2015 £m
Interest on bank loans	4.5	5.7
Fair value loss on interest rate swaps and caps	1.3	-
Exchange loss on borrowings	3.8	16.3
Other interest payable	0.5	0.8
Total financing costs	10.1	22.8

8 Taxation

8a Taxation recognised in the income statement

The charge for the year, based on the rate of corporation tax of 20% (2015: 21%) comprised:

	Note	2016 £m	2015 £m
Current tax			
UK corporation tax		1.5	5.5
Group relief receivable		(3.1)	(5.0)
Double tax relief		(9.3)	(8.2)
Adjustments in respect of prior years		(4.0)	(3.4)
Foreign tax		15.5	18.2
Total current tax		0.6	7.1
Deferred tax			
Origination and reversal of temporary differences		3.6	16.6
Tax rate change		0.4	0.3
Adjustments in respect of prior years		(0.8)	0.9
Total deferred tax	8d	3.2	17.8
Total charge for the year		3.8	24.9

Corporation tax is calculated at 20% (2015: 21%) of the estimated assessable UK profit for the year. Taxation for other jurisdictions is calculated at the rates prevailing in the respective jurisdictions.

8b Reconciliation of effective tax rate

The effective rate of tax for the year ended 31 March 2016 was different from the standard rate of tax in the UK of 20% (2015: 21%) as a result of the following:

	2016 £m	2015 £m
Group profit before taxation	84.3	179.8
Profit on ordinary activities before taxation multiplied by standard rate of corporation tax in the UK of 20% (2015: 21%)	16.9	37.8
Effects of		
Disallowed expenditure (includes goodwill impairment)	3.1	3.1
High-end television tax relief	(10.7)	(12.6)
Tax exempt capital gain	(0.3)	(11.3)
Tax differential on wholly owned overseas earnings	5.6	16.1
Tax differential in associates and joint ventures	(6.4)	(6.1)
Other differences		
Tax rate decrease	0.4	0.3
Adjustments in respect of prior years	(4.8)	(2.4)
Total tax charge for the year	3.8	24.9

8 Taxation continued

8c Factors that may affect future tax charges

The UK corporation tax rate reduced from 21% to 20% on 1 April 2015.

On 26 October 2015 The Summer Finance Bill 2015, which reduces the main rate of corporation tax to 19% from April 2017 and 18% from April 2020 were substantively enacted. As these reductions to the rate were substantively enacted at the balance sheet date, the deferred tax assets have been calculated at 18% in line with when the company anticipates temporary differences to unwind.

The Chancellor announced his Budget 2016 on 16th March 2016 including the publication of the Business Tax Road Map, which sets out a further reduction in the main rate of corporation tax from 18% to 17% from 1 April 2020, and measures relating to the OECD Base Erosion and Profit Shifting Actions,. These include limiting the utilisation of brought forward losses and interest deductions, to be effective from 1 April 2017. Whilst a full analysis cannot be presently carried out until final legislation is published, it is expected that these measures will have limited impact on these current year financial statements.

8d Analysis of deferred tax balance

	Note	Accelerated capital allowances £m	Provisions £m	Financial instruments £m	Joint ventures and associates £m	Programme rights £m	Other £m	Net deferred tax asset/ (liability) £m
At 1 April 2015		4.2	4.4	(0.1)	1.3	(5.7)	2.0	**6.1**
Charge to income statement	8a	(0.3)	1.5	0.2	(28.1)	(0.8)	9.7	**(17.8)**
Credit to reserves		-	-	2.3	-		-	**2.3**
Exchange differences		-	1.0	-	-	0.4	(0.8)	**0.6**
At 1 April 2016		**3.9**	**6.9**	**2.4**	**(26.8)**	**(6.1)**	**10.9**	**(8.8)**
Charge to income statement	8a	(0.8)	(3.4)	(0.8)	13.1	-	(11.3)	**(3.2)**
Credit to reserves		-	-	2.5	-	-	-	**2.5**
Exchange differences		(0.1)	0.3	-	(2.0)	(0.2)	1.1	**(0.9)**
At 31 March 2016		**3.0**	**3.8**	**4.1**	**(15.7)**	**(6.3)**	**0.7**	**(10.4)**

Deferred tax assets/(liabilities) presented within:	2016 £m	2015 £m
Non-current assets	**10.8**	10.5
Non-current liabilities	**(21.2)**	(19.3)
	(10.4)	(8.8)

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 £145.2million (2015: £170million). 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	2016 £m	2015 £m
Dividends were paid/proposed as follows:		
March 2015 of 1,227.12p per share	-	15.3
March 2016 of 7,437.28p per share	93.0	-
Total dividends	93.0	15.3

10 Disposals

	2016 £m	2015 £m
New Video Channel America LLC	-	115.9
Temple Street	1.5	-
	1.5	115.9

Temple Street
On 25 April 2015, BBC Worldwide disposed of its interested in Temple Street Productions for a cash consideration of £4.5million, resulting in a gain on disposal of £1.5million. Net assets at the date of disposal were £3.0million.

In the year ended 31 March 2015, the following disposal took place:

BBC America
On 23 October 2014, BBC Worldwide sold a 49.9% stake in New Video Channel America LLC ("NVCA"), formerly a wholly-owned subsidiary of BBC Worldwide Americas Inc. ("WWA") to AMC Networks Inc. ("AMCN") in return for proceeds of $200million (£123.0million), with BBCW retaining an investment of 50.1% in NVCA. The $200million proceeds comprised $160million (£98.4million) in cash and $40million (£24.6million) deferred consideration in the form of a six-month promissory note, due by 23rd April 2015 settled in the year ended 31 March 2016.

The disposal was a strategic move to take advantage of the greater negotiating power and sector knowledge of the larger US networks. While the Group retains a 50.1% shareholding in NVCA, AMCN has control over the key decision-making activities. Therefore, whilst the Group retains significant influence over NVCA, and has the right to variable returns, it no longer has control, and hence the Group has deconsolidated NVCA from the date of the sale and accounts for its retained interest since that date as an associate.

NVCA operates the US TV Channel BBC America ("BBCA"), which represented a significant proportion of both the Group's channels business (37.6% of channels statutory revenue in the year to 31 March 2014) and also its North American operations (28.8% of North America statutory revenue in the year to 31 March 2014). However whilst material to the Group's results, NVCA and the disposal of the BBCA channels business have not been treated as discontinued operations under IFRS 5 ("Non-Current Assets Held for Sale and Discontinued Operations") as they do not represent the disposal of either a separate major line of business or a separate geographical area of operation.

10 Disposals continued

The net assets of NVCA at the date of disposal were

	23 October 2014 £m
Property, plant and equipment	0.1
Programme rights and their inventories	54.8
Trade and other receivables	22.0
Trade and other payables	(15.7)
Cash and cash equivalents	0.1
	61.3

Net gain on disposal:

	£m
Consideration for disposal	123.0
Net assets disposed of	(30.6)
Cumulative currency translation losses	(6.1)
Gain on disposal	86.3
Fair value of associate recognised	119.9
Share of net assets reclassified to associates	(30.7)
Gain on fair value uplift of associate	89.2
Fair value of retained liabilities, and transaction costs, in respect of business	(59.6)
Net gain	115.9

Satisfied by:

	£m
Cash and cash equivalents	98.4
Deferred consideration	24.6
	123.0

Net cash inflow arising on disposal

	£m
Consideration received in cash	98.4
Less: Cash and cash equivalents disposed of	(0.1)
Less: Settlement of retained liabilities and transaction costs in resect of business disposal	(33.8)
	64.5

11 Acquisitions

On 28 March 2016, the Group acquired 70% of the shares of Rapid Blue (Pty) Ltd ('Rapid Blue'), a production company based in South Africa, for a total consideration of £1.6million, of which £0.5million is deferred. The acquisition has been accounted for using the purchase method of accounting in accordance with IFRS 3, Business Combinations . The full acquisition note has not been presented as the acquisition is not considered to be material.

As part of the acquisition, the Group holds a call option for the remaining 30% of the shares, and the non-controlling interest party holds a put option. The fair value of the expected consideration for the remaining shares has been recognised as a financial liability, through Other reserves. Until options are exercised or expire, the changes in the fair value for the expected consideration will be recognised in the Income Statement.

12 Intangible assets

	Goodwill £m	Distribution Rights £m	Software £m	Other Intangibles £m	Total £m
Cost					
At 1 April 2014	34.1	474.6	46.1	9.9	564.7
Additions	-	146.0	11.7	-	157.7
Disposals	-	(0.2)	(13.7)	-	(13.9)
Exchange differences	(0.7)	1.6	-	(0.7)	0.2
At 31 March 2015	33.4	622.0	44.1	9.2	708.7
Additions	0.4	127.6	14.5	0.5	143.0
Transfer from property, plant and equipment	-	-	1.2	-	1.2
Disposals	-	(2.8)	(17.4)	-	(20.2)
Exchange differences	0.4	0.5	-	0.4	1.3
At 31 March 2016	**34.2**	**747.3**	**42.4**	**10.1**	**834.0**
Amortisation and impairment					
At 1 April 2014	-	304.5	31.3	3.7	339.5
Charge for the year	-	113.0	3.8	0.6	117.4
Disposals	-	(0.2)	(13.7)	-	(13.9)
Exchange differences	-	1.9	-	(0.3)	1.6
At 31 March 2015	-	419.2	21.4	4.0	444.6
Charge for the year	-	121.0	7.0	0.5	128.5
Disposals	-	(2.8)	(17.4)	-	(20.2)
Transfer from property, plant and equipment	-	-	0.7	-	0.7
Exchange differences	-	0.5	-	0.3	0.8
At 31 March 2016	**-**	**537.9**	**11.7**	**4.8**	**554.4**
Net book value					
At 31 March 2016	**34.2**	**209.4**	**30.7**	**5.3**	**279.6**
At 31 March 2015	33.4	202.8	22.7	5.2	264.1

Other intangibles includes:

Net book value	2016 £m	2015 £m
Acquired carrier agreements	**4.6**	5.0
Other	**0.7**	0.2
	5.3	5.2

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:

	2016 £m	2015 £m
Consumer Distribution business	25.4	25.4
Australian Channels business	8.4	8.0
South African Production	0.4	-
At 31 March	34.2	33.4

The Group tests goodwill for impairment in the accounting period in which a business combination takes place, thereafter annually, or more frequently if 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.

No goodwill impairment has been recognised to date.

Consumer Distribution business

The goodwill in this CGU arose as a result of the acquisition of 2entertain 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 long term growth rate of -6% (2015: -6%).

A discount rate of 14.9% (2015: 11.7%) has been applied to the cash flows.

Management are of the view that any 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 UKTV 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 (2015: five years) and a discount rate of 16.0% (2015: 11.9%). Cash flows beyond the forecast period have been extrapolated using an expected growth rate of 1% (2015: 1%).

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 recently contracted terms.

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

South African Production

The goodwill in this CGU arose as a result of the acquisition of Rapid Blue (Pty) Limited on 28 March 2016. As the acquisition took place so close to year end, no impairment review has been conducted.

13 Property, plant and equipment

	Land and buildings £m	Plant and machinery £m	Furniture and fittings £m	Assets under construction £m	Total £m
Cost					
At 1 April 2014	13.8	95.9	22.0	3.3	135.0
Additions	12.2	6.8	1.5	1.4	21.9
Brought into service	-	1.0	0.7	(1.7)	-
Disposals	(1.5)	(44.5)	(1.1)	-	(47.1)
Exchange differences	0.2	0.5	(0.7)	-	-
At 31 March 2015	24.7	59.7	22.4	3.0	109.8
Additions	0.6	3.1	3.2	1.9	8.8
Transfer to intangibles	-	-	(1.2)	-	(1.2)
Brought into service	-	2.0	-	(2.0)	-
Disposals	(9.5)	(15.0)	(8.9)	-	(33.4)
Exchange differences	0.3	0.4	0.3	-	1.0
At 31 March 2016	**16.1**	**50.2**	**15.8**	**2.9**	**85.0**
Amortisation and impairment					
At 1 April 2014	10.0	84.0	16.7	-	110.7
Charge for the year	3.0	5.6	3.4	-	12.0
Disposals	(1.5)	(44.5)	(1.1)	-	(47.1)
Impairment	0.9	0.6	-	-	1.5
Exchange differences	-	0.2	(0.6)	-	(0.4)
At 31 March 2015	12.4	45.9	18.4	-	76.7
Charge for the year	1.0	4.6	2.4	-	8.0
Disposals	(9.5)	(15.0)	(8.9)	-	(33.4)
Transfer to intangibles	-	-	(0.7)	-	(0.7)
Impairment	-	0.1	-	-	0.1
Exchange differences	0.3	0.2	0.1	-	0.6
At 31 March 2016	**4.2**	**35.8**	**11.3**	**-**	**51.3**
Net book value					
At 31 March 2016	**11.9**	**14.4**	**4.5**	**2.9**	**33.7**
At 31 March 2015	12.3	13.8	4.0	3.0	33.1

Notes to the financial statements

14 Group share of associates' and joint ventures' assets and profit

	2016 £m	2015 £m
Interest in joint ventures	12.1	0.6
Interest in associates	159.7	148.2
Total interest in associates and joint ventures	171.8	148.8
Share of profit of joint ventures	31.0	27.8
Share of profit of associates	10.8	8.0
Total share of profit of associates and joint ventures	41.8	35.8

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

Investments in joint ventures

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

UKTV

The Group's 100% owned subsidiary, BBC Worldwide has a major partnership deal with Scripps Networks Interactive (Scripps) for the production, marketing and supply on a wholesale basis of free-to-air and subscription channels in the UK. The partnership operates through the joint venture company UKTV Media Holdings Limited ("UKTV").

UKTV was the only material joint venture undertaking held by the Group in both the current and the prior year.

14 Group share of associates' and joint ventures' assets and profit continued

Investments in joint ventures continued

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

2016	UKTV £m	Other £m	Total £m
Non-current assets	6.8	0.1	6.9
Current assets	220.0	5.4	225.4
Current liabilities	(137.9)	(7.3)	(145.2)
Non-current liabilities	(54.1)	-	(54.1)
Net assets of joint ventures	34.8	(1.8)	33.0
Adjustment to reflect effective obligation*	(17.5)	1.9	(15.6)
Provision for unrealised profit	(5.3)	-	(5.3)
Interests in joint ventures	12.0	0.1	12.1
Revenue	329.4	17.1	346.5
Expenses	(248.4)	(17.6)	(266.0)
Interest payable	(3.8)	-	(3.8)
Taxation	(15.8)	(0.1)	(15.9)
Profit after taxation	61.4	(0.6)	60.8
Adjustment to reflect effective obligation*	(30.7)	0.9	(29.8)
Group share of profit from joint ventures recognised in consolidated income statement	30.7	0.3	31.0

* 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.

2015	UKTV £m	Other £m	Total £m
Non-current assets	5.6	0.3	5.9
Current assets	186.5	4.7	191.2
Current liabilities	(127.8)	(4.4)	(132.2)
Non-current liabilities	(53.5)	-	(53.5)
Net assets of joint ventures	10.8	0.6	11.4
Adjustment to reflect effective obligation*	(5.5)	(0.3)	(5.8)
Provision for unrealised profit	(5.0)	-	(5.0)
Interests in joint ventures	0.3	0.3	0.6
Revenue	288.0	12.0	300.0
Expenses	(216.4)	(11.2)	(227.6)
Interest payable	(3.7)	-	(3.7)
Taxation	(14.1)	(0.1)	(14.2)
Profit after taxation	53.8	0.7	54.5
Adjustment to reflect effective obligation*	(26.9)	0.2	(26.7)
Group share of profit from joint ventures recognised in consolidated income statement	26.9	0.9	27.8

* 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.

14 Group share of associates' and joint ventures' assets and profit continued

Included within the UKTV balance sheet are cash and cash equivalents of £21.9million (2015: £13.5million), financial liabilities of £130.8million (2015: £125.2million) and non-current financial liabilities of £54.1million (2015: £53.5million). Included within UKTV's expense for the year is a depreciation charge of £2.3million (2015: £2.1million) and an amortisation charge of £118.3million (2015: £106.8million).

Investments in associates

As set out in note 10, on 23 October 2014, the Group sold a 49.9% stake in NVCA, formerly a wholly-owned subsidiary of BBC Worldwide Americas Inc., and retained an investment of 50.1% in NVCA. Whilst the Group retains significant influence over NVCA, and has the right to variable returns, it no longer has control, and hence the Group has deconsolidated NVCA from the date of the sale and accounts for its retained interest since that date as an associate.

The Group has board representation and participates in policy-making decisions affecting Educational Publishers LLP and Woodlands Books 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.

2016	NVCA £m	3sixtymedia Ltd £m	Other £m	Total £m
Non-current assets	135.9	0.8	4.4	**141.1**
Current assets	69.2	5.2	40.5	**114.9**
Current liabilities	(25.5)	(1.9)	(25.8)	**(53.2)**
Non-current liabilities	(6.0)	-	(8.4)	**(14.4)**
Net assets of associates	173.6	4.1	10.7	**188.4**
Group share of net assets	87.0	0.4	3.3	**90.7**
Provision for unrealised profit	(3.7)	(0.4)	(0.2)	**(4.3)**
Goodwill	60.2	-	12.9	**73.1**
Other	-	-	0.2	**0.2**
Interest in associates	**143.5**	**-**	**16.2**	**159.7**
Revenue	113.6	7.7	43.2	**164.5**
Profit after taxation	18.0	(1.4)	1.5	**18.1**
Adjustment to reflect effective obligation	(9.0)	1.4	0.3	**(7.3)**
Group share of results of associates	**9.0**	**-**	**1.8**	**10.8**

14 Group share of associates' and joint ventures' assets and profit continued

Investments in associates continued

2015	NVCA £m	3sixtymedia Ltd £m	Other £m	Total £m
Non-current assets	251.9	0.9	6.1	258.9
Current assets	64.2	6.4	34.1	104.7
Current liabilities	(26.5)	(1.7)	(17.9)	(46.1)
Non-current liabilities	(7.3)	-	(8.1)	(15.4)
Net assets of associates	282.3	5.6	14.2	302.1
Group share of net assets	141.4	0.4	4.0	145.8
Provision for unrealised profit	(3.5)	(0.4)	-	(3.9)
Goodwill	-	-	10.5	10.5
Other	(1.2)	-	-	(1.2)
Total net book value	136.7	-	14.5	151.2
The net book value is presented within:				
Interest in associates and joint ventures				148.2
Assets held for sale				3.0
				151.2
Revenue	42.8	7.4	39.9	90.1
Profit after taxation	15.0	-	4.0	19.0
Adjustment to reflect effective obligation	(7.5)	-	(3.5)	(11.0)
Group share of results of associates	7.5	-	0.5	8.0

15 Available for sale investments

	Note	2016 £m	2015 £m
Unquoted equities	26c	7.5	4.4

16 Assets classified as held for sale

	Note	2016 £m	2015 £m
Non-current assets			
Interests in associates and joint ventures	14	-	3.0

The asset classified as held for sale in the prior year related to the Group's investment in the Temple Street associate, which on 31 March 2015 was approved by the board of BBC Worldwide for disposal. There were no assets classified as held for sale at 31 March 2016.

17 Programme related assets and other inventories

	2016 £m	2015 £m
Rights to broadcast acquired programmes and films	34.8	31.4
Raw materials and consumables	1.8	1.9
Work in progress	6.3	19.2
Finished goods and goods for resale	10.0	15.0
Total programme related assets and other inventories	52.9	67.5

18 Trade and other receivables

18a Other receivables due after more than one year

	2016 £m	2015 £m
Amounts owed by associates and joint ventures	6.0	0.5
Loans to other entities	3.0	8.2
Prepayments and accrued income	56.5	-
	65.5	8.7

The carrying value of other receivables approximates to their fair value.

18b Trade and other receivables due within one year

	2016 £m	2015 £m
Trade receivables	211.0	226.8
Amounts owed by parent undertaking	21.2	24.8
Amounts owed by associates and joint ventures	24.5	24.6
Other receivables	10.3	38.2
Prepayments and accrued income	107.5	103.3
	374.5	417.7

Included in the Group's trade and other receivables at 31 March 2016 are balances of £31.2million (2015: £24.8million) which are past due at the reporting date but not impaired. The aged analysis of these balances is as follows:

	2016 £m	2015 £m
Up to 3 months	25.2	19.4
3 to 6 months	3.4	2.9
Over 6 months	2.6	2.5
	31.2	24.8

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 the 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 £3.8million at 31 March 2016 (2015: £2.6million).*

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

	2016 £m	2015 £m
Balance at the beginning of the year	2.6	4.8
Impairment losses recognised	3.6	2.3
Amounts recovered during the year	(1.1)	(0.9)
Amounts written off as uncollectible	(1.3)	(3.6)
Balance at the end of the year	3.8	2.6

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

Notes to the financial statements

19 Trade and other payables

19a Trade and other payables due within one year

	2016 £m	2015 £m
Trade payables	47.7	51.8
Salaries and wages creditors	29.2	28.5
Rights creditors	150.0	105.3
Amounts owed to parent company	108.1	89.9
Amounts owed to fellow BBC Group subsidiaries	3.3	1.6
Amounts owed to associates and joint ventures	4.2	3.4
Other payables	8.2	41.6
Accruals	61.8	78.7
Deferred income	51.4	64.1
	463.9	464.9

19b Trade and other receivables due within one year

	2016 £m	2015 £m
Other payables	2.3	0.8

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 2016 was 28 days (2015: 25 days).

20 Borrowings

20a Borrowings due within one year

	2016 £m	2015 £m
Bank loan	54.0	35.3

20a Borrowings due after more than one year

	2016 £m	2015 £m
Bank loan	177.9	174.1

See note 26f for further details on borrowing facilities in place.

Notes to the financial statements

21 Provisions and contingent liabilities

	At 1 April 2015 £m	Charge for the year £m	Utilised during the year £m	Released during the year £m	At 31 March 2016 £m
Restructuring	0.8	2.3	(0.9)	-	2.2
Construction contract	10.5	-	(10.5)	-	-
Other	6.6	0.3	(3.7)	(2.3)	0.9
Total	17.9	2.6	(15.1)	(2.3)	3.1
Include in current liabilities	15.8				3.0
Included in non-current liabilities	2.1				0.1
Total	17.9				3.1

	At 1 April 2014 £m	Charge for the year £m	Utilised during the year £m	Released during the year £m	At 31 March 2015 £m
Restructuring	1.8	1.3	(1.7)	(0.6)	0.8
Construction contract	-	10.5	-	-	10.5
Other	3.8	3.5	-	(0.7)	6.6
Total	5.6	15.3	(1.7)	(1.3)	17.9
Include in current liabilities	4.7				15.8
Included in non-current liabilities	0.9				2.1
Total	5.6				17.9

The construction contract provision related to the expected losses on the redevelopment of Television Centre. This was utilised in full during the year. 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.

22 Share capital

	2016 £m	2015 £m
Allotted, called up and fully paid		
1,250,002 Ordinary shares of £1 each	1.3	1.3

23 Equity shareholder's funds and reserves

Retained earnings

At 31 March 2016, the cumulative goodwill written off to reserves on acquisitions prior to 1 April 1998 amounted to £14.2million. This amount is unchanged from the prior year, and remains in equity upon transition to IFRS as permitted by IFRS 1 First time adoption of IFRS.

Translation reserve

The translation reserve comprises all foreign exchange differences arising since the transition to IFRS, from the translation of the financial statements of foreign operations, as well as from the translation of liabilities that hedge the Group's net investment in foreign subsidiaries. Since 1 April 2008, £3.5million of exchange losses on foreign currency borrowings have been offset in reserves against exchange gains on the related investment in overseas subsidiaries.

Other reserve

Other reserve includes revaluation of available-for-sale financial assets of £2.9million (2015: £nil) and the fair value of the put option liabilities arising on acquisition of new subsidiaries.

23 Equity shareholder's funds and reserves continued

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). During the current year, gains of £0.7million were removed from the hedging reserve and credited to revenue in the income statement (2015: gains of £6.2million).

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

	2016 £m	2015 £m
Group profit before tax	**84.3**	179.8
Depreciation, amortisation and impairment	**136.6**	132.9
Gain on derivatives associated with loans	**5.9**	13.5
Loss on other derivatives	**(8.1)**	(14.1)
Share of profits in associates and joint ventures	**(41.8)**	(35.8)
Gain on sale and termination of operations	**-**	(115.9)
Other gains	**(1.5)**	-
Financing income	**(7.6)**	(14.1)
Financing costs	**10.1**	22.8
Increase in inventories	**14.6**	(10.8)
Increase in debtors	**(35.7)**	(57.6)
(Decrease)/increase in creditors	**(9.5)**	77.3
(Decrease)/increase in provisions	**(14.8)**	12.3
Cash generated from operations	**132.5**	190.3

25 Off balance sheet items

25a Contracts placed for future expenditure

2016	Amounts due in less than one year £m	Amounts due between two and five years £m	Amounts due after five years £m	Total £m
Fixed assets	1.7	1.4	-	**3.1**
Programme rights for distribution	61.9	36.6	-	**98.5**
Other commitments	7.6	20.5	-	**28.1**
2015				
Fixed assets	2.7	4.9	-	7.6
Programme rights for distribution	37.5	58.6	-	96.1
Programme rights for broadcast	0.9	0.5	0.1	1.5
Other commitments	11.8	17.3	-	29.1

25b Operating leases

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

	2016 £m	2015 £m
Within one year	**9.9**	10.0
In two to five years	**48.1**	49.3
After five years	**109.9**	59.4
	167.9	118.7

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 agreements.

25 Off balance sheet items continued

25c Post balance sheet events

There are no material events after the balance sheet date to disclose.

25d Contingent liabilities

The Group has a number of contingent liabilities arising from litigation and from the rights of customers and suppliers to undertake routine audits. These arise from trading activities undertaken in the ordinary course of business. The Group makes specific provision for the best estimate of any amounts which might be awarded as a result of these. A 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.

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. The BBC Group Treasury's activity is routinely reported and is subject to review by the internal and external auditor.

The BBC Group Treasury function 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; and
- 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 2016, if the pound had moved adversely by 5% with all other variables being constant, the profit or loss impact would have been a reduction of £8.5million (2015: £9.8million reduction) and the comprehensive income impact would have been £14.0million (2015: £14.4million).

26 Financial Instruments continued

26a Financial risk management continued

Currency risk continued: 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 2016.

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 2016 or 31 March 2015.

Interest rate risk: the Group's main exposure to interest rate fluctuations arises on external borrowings. The 2013 private placement included a tranche of fixed rate sterling debt alongside a tranche of fixed rate US dollar debt, with the latter swapped to fixed rate sterling to eliminate the associated interest rate risk throughout the period of the instrument. Since March 2003 the Group has been borrowing under its revolving credit facilities 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 effect of taking out the interest rate swaps, caps and collars is that in the longer term the Group has no significant underlying sensitivity to interest rate fluctuations and hence no sensitivity analysis has been presented.

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. 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. For 2016, one (2015: nil) customer comprised 9.5% of the Group's total revenues. This same customer comprised 38.2% of the Group's trade receivables balance as at 31 March 2016. No other customer accounted for 10% or more of the Group's revenue for 2016 or 2015.

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 the 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 2016 the net debt limit imposed was £350million (2015: £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.

26 Financial Instruments continued

26a Financial risk management continued

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 2016.

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	Amounts due after five years £m	Total £m
2016 - Liquidity risk analysis				
Financial liabilities at fair value through profit and loss				
Derivative financial instruments	22.6	20.7	-	**43.3**
Embedded derivatives	0.4	2.2	-	**2.6**
Other creditors	2.0	3.5	-	**5.5**
Financial liabilities measures at amortised cost				
Loans and overdrafts	54.0	177.9	-	**231.9**
Trade and other payables	355.4	-	-	**355.4**
2015 - Liquidity risk analysis				
Financial liabilities at fair value through profit and loss				
Derivative financial instruments	19.0	24.9	1.0	44.9
Embedded derivatives	0.5	-	-	0.5
Other creditors	0.5	0.4	-	0.9
Financial liabilities measures at amortised cost				
Loans and overdrafts	35.3	-	174.1	209.4
Trade and other payables	356.1	-	-	356.1

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.

The BBC Trust's principles require strict compliance with the four Commercial Criteria: fit with the 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 Trust's 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.

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 2016:

	Level 2 £m	Level 3 £m	Total £m
Fair value as at 31 March 2016			
Financial assets at fair value			
Derivative financial instruments	9.0	-	9.0
Embedded derivatives	-	-	-
Available for sale investments	-	7.5	7.5
Total assets	9.0	7.5	16.5
Financial liabilities at fair value			
Derivative financial instruments	(25.7)	-	(25.7)
Embedded derivatives	(2.5)	-	(2.5)
Other payables	-	(6.6)	(6.6)
Total liabilities	(28.2)	(6.6)	(34.8)
Fair value as at 31 March 2015			
Financial assets at fair value			
Derivative financial instruments	14.2	-	14.2
Embedded derivatives	0.1	-	0.1
Available for sale investments	-	4.4	4.4
Total assets	14.3	4.4	18.7
Financial liabilities at fair value			
Derivative financial instruments	(22.5)	-	(22.5)
Embedded derivatives	(0.5)	-	(0.5)
Other payables	-	(0.8)	(0.8)
Total liabilities	(23.0)	(0.8)	(23.8)

There were no transfers between levels during the year.

For assets and liabilities that are recognised in the financial statements on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by re-assessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

The fair values of level 2 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 quoted interest rates.

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. Embedded derivatives were also assessed as a level 3 financial liability.

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

	2016		2015	
	Financial asset £m	Financial liability £m	Financial asset £m	Financial liability £m
Opening balance	4.5	(2.3)	4.4	(1.6)
Settlements	-	0.7	-	-
Unwinding of discount recorded in finance expense	-	(0.1)	-	(0.1)
Additions	-	(1.6)	-	-
Change in fair value recorded in reserves	2.9	-	-	-
Change in fair value recorded in operating costs	0.1	(3.3)	0.1	(0.6)
Total impact on comprehensive income	7.5	(6.6)	4.5	(2.3)

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 2016:

	Fair value hierarchy level	Assets £m	Liabilities £m
2016			
Greater than one year			
Derivatives that are designated in effective hedges:			
Forward foreign currency contracts	1	0.1	(5.0)
Derivatives held for trading:			
Forward foreign currency contracts	1	0.1	(2.4)
Interest rate swaps	1	7.7	(0.1)
Embedded derivatives	2	-	(2.2)
		7.9	(9.7)
Less than one year			
Derivatives that are designated in effective hedges:			
Forward foreign currency contracts	1	0.8	(11.9)
Interest rate swaps	1	-	(0.1)
Derivatives held for trading:			
Forward foreign currency contracts	1	0.3	(6.3)
Embedded derivatives	2	-	(0.3)
		1.1	(18.6)
2015			
Greater than one year			
Derivatives that are designated in effective hedges:			
Forward foreign currency contracts	2	2.7	(4.7)
Interest rate swaps	2	-	(0.6)
Derivatives held for trading:			
Forward foreign currency contracts	2	0.2	(3.5)
Interest rate swaps, caps and collars	2	2.5	(0.2)
Embedded derivatives	2	0.1	-
		5.5	(9.0)
Less than one year			
Derivatives that are designated in effective hedges:			
Forward foreign currency contracts	2	7.5	(8.6)
Derivatives held for trading:			
Forward foreign currency contracts	2	1.3	(4.9)
Embedded derivatives	2	-	(0.5)
		8.8	(14.0)

At 31 March 2016 the Group had entered into a net commitment to sell foreign currencies amounting to £415.5million (2015: £476.1million) that mature in the period through to 2019 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.

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 2016 were £13.0million (2015: £10.9million 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 three years.

26 Financial Instruments continued

26d Derivative financial instruments continued

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 June 2020. The impact of a change in interest rates can also be limited by entering into interest rate cap and collar transactions; there are no outstanding caps and collars as at 31 March 2016. In total, £240.3million of swaps were entered during the year (2015: £236.5million). All swaps were effective at 31 March 2016 to ensure borrowings are suitably covered for the foreseeable future. This is £8.4million higher (2015: £27.1million higher) than the current level of borrowings of £231.9million (2015: £209.4million).

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 from the earliest date on which the Group can be required to pay:

	Cash flow £m	Interest £m	Principal £m
2016			
Variable interest rate instruments			
Not later than one year	54.0	-	54.0
Fixed rate instruments			
Not later than one year	4.7	4.7	-
Later than one year but not later than five years	196.8	18.9	177.9
	255.5	23.6	231.9
2015			
Variable interest rate instruments			
Not later than one year	35.3	-	35.3
Fixed rate instruments			
Not later than one year	4.6	4.6	-
Later than one year but not later than five years	20.8	20.8	-
Later than five years	176.4	2.3	174.1
	237.1	27.7	209.4

26 Financial Instruments continued

26f Borrowing facilities

Facility	Interest rate	Total available 31 March 2016 £m	Drawn down at 31 March 2016 £m	Total available 31 March 2015 £m	Drawn down at 31 March 2015 £m	Expiry or review date
BBC Commercial Holdings Limited						
Multicurrency, revolving credit facility agreement for loans	LIBOR* plus 0.6% rising to LIBOR plus 0.15% on utilisations over 1/3 and LIBOR* plus 0.15% on utilisations over 2/3.	210.0	**45.0**	210.0	35.0	July 2019
Overdraft or money market lines*	Money market line - margin of 1.0% (2015: 1.0%)	20.0	**8.7**	20.0	-	Reviewed annually
US Private Placement	Fixed interest at 2.36%	28.0	**28.0**	28.0	28.0	June 2020
US Private Placement**	Fixed interest at 2.71%	149.9	**149.9**	146.1	146.1	June 2020
BBC Worldwide Limited						
Overdraft*	Bank base rate plus 1% up to £100k, bank base rate plus 3% over £100k	2.0	-	2.0	-	Reviewed annually
Overdraft or workings capital loan for Indian Rupees	Market rate at drawdown	1.3	**0.3**	1.3	0.3	Reviewed annually

* The base rate used varies according to the currency drawn. GBP drawings are linked to LIBOR.

** The $216million US placement has been hedged to a sterling value of £143million, valued at the time of the facility being placed. The fair value of this hedge, £6.9million asset (2015: £3.1million asset), is recognised within derivative financial instruments as it was note designated to fulfil hedge accounting requirements from the outset. The £3.8million movement on this during the year is recognised within Financing Costs.

There have been no defaults or breaches of covenants on the facilities above during the year (2015: none).

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.

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, associate 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	
	2016	2015	2016	2015
	£m	£m	£m	£m
Investment in BBC programme rights	(80.5)	(79.4)	-	-
Dividends paid/proposed	(93.0)	(15.3)	-	-
Other income	15.5	19.7	-	-
Other expense	(68.8)	(71.0)	(0.2)	0.1
	(226.8)	(146.0)	(0.2)	0.1

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

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

Name of related party	Income 2016	Expenditure 2016	Dividends received 2016 £m	Income 2015 £m	Expenditure 2015 £m	Dividends received 2015 £m
Joint ventures:						
UKTV Media Holdings Limited	50.0	-	18.8	47.9	-	28.7
Other joint ventures	0.7	(0.6)	0.8	0.7	(0.8)	0.9
Associates:						
New Video Channel America LLC	20.7	(9.2)	6.4	12.7	(3.6)	2.1
Other associates	4.5	(5.4)	0.6	2.5	(14.7)	0.3
	75.9	(15.2)	26.6	63.8	(19.1)	32.0

The following amounts were outstanding at the balance sheet date:

Name of related party	Receivables 2016	Payables 2016	Net balance 2016 £m	Receivables 2015 £m	Payables 2015 £m	Net balance 2015 £m
Joint ventures:						
UKTV Media Holdings Limited	14.4	-	14.4	5.5	-	5.5
Other joint ventures	0.1	-	0.1	-	-	-
Associates:						
New Video Channel America LLC	9.4	(4.0)	5.4	17.4	(3.3)	14.1
Other associates	6.6	(0.2)	6.4	2.2	(0.1)	2.1
	30.5	(4.2)	26.3	25.1	(3.4)	21.7

At 31 March 2016, the Group also had an outstanding balance of £1.0million (2015: £1.0million) payable to a joint venture of the Group's ultimate parent in respect of group relief. This balance is included within other payables.

29 Interests in associates, joint ventures and subsidiaries

29a Significant joint ventures and their activities

The Group has a 50% equity interest in the following significant joint ventures:

Name of entity	Place of incorporation and principle place of business	Activity
UKTV Media Holdings Limited	England and Wales	TV channel operator

29b Significant associates and their activities

The Group holds interests in the following significant associates:

Name of entity	Place of incorporation and principle place of business	Holding of issued ordinary shares %	Activity
New Video Channel America LLC*	United States	50.1	TV channel operator
3sixtymedia Limited**	England and Wales	10	Production

* Whilst BBC Worldwide Limited retains a significant influence over New Video Channel America LLC and has the rights to variable returns, it is not deemed to have control and is therefore recognised as an associate undertaking.

** 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
BBC Grafton House Productions Limited
BBC Children's Productions Limited
BBC Comedy Productions Limited
BBC Store Limited

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

Name of entity	Country of incorporation or establishment	Note	Holdings of ordinary shares %
Held by BBC Ventures Group Limited:			
BBC Studioworks Limited	England and Wales	*	100
BBC Worldwide Limited	England and Wales	*	100
Held by BBC Worldwide Limited:			
BBC Worldwide Investments Limited	England and Wales	*	100
BBC Earth MD (WWD) Limited	England and Wales	*	100
BBC Earth Productions (Life) Limited	England and Wales	*	100
BBC Earth Productions Limited	England and Wales	*	100
BBC Worldwide Productions (UK) Limited	England and Wales	*	100
BBC Magazines Rights Limited	England and Wales	*	100
BBC Magazine Holdings Limited	England and Wales	*	100
BBC World Service Televsision Limited	England and Wales	*	100
beeb Ventures Limited	England and Wales	*	100
European Channel Management Limited	England and Wales	*	100

* Directly held

29 Interests in associates, joint ventures and subsidiaries continued

29c Subsidiary undertakings continued

Name of entity	Country of incorporation or establishment	Note	Holdings of ordinary shares %
Held by BBC Worldwide Limited continued:			
BBC Worldwide Corporate Services Limited	England and Wales	*	100
beeb Rights Limited	England and Wales	*	100
European Channel Broadcasting Limited	England and Wales	*	100
2 entertain Video Limited	England and Wales		100
Demon Music Group Limited	England and Wales		100
DVDS2 Limited	England and Wales		100
BBC Earth Productions (Giant Films) Limited	England and Wales		100
Earth Film Productions Limited	England and Wales		100
BBC Magazines Rights 3 Limited	England and Wales		100
BBC Magazines Rights 5 Limited	England and Wales		100
2 Entertain Management Limited	England and Wales		100
BBC Video Limited	England and Wales		100
MCI Music Publishing Limited	England and Wales		100
Crimson Productions Limited	England and Wales		100
F-Beat Records Limited	England and Wales		100
Demon Records Limited	England and Wales		100
Bedder 6 Limited	England and Wales	*	100
BBC Worldwide Music Limited	England and Wales	*	100
BBC Worldwide Productions (Africa) (Pty) Limited	Africa		100
BBC Worldwide (Africa) (Pty) Limited	Africa		100
BBC Worldwide Australia Pty Limited	Australia		100
BBC Worldwide Australia Publishing Pty Limited.	Australia		100
BBC Worldwide Intermediadora de Programadora Estangeira Limited	Brazil	*	100
Nine Productions1 Incorporated	Canada	*	100
Worldwide Channel Investments (Ontario) Limited	Canada		100
2004370 Ontario Incorporated	Canada		100
Worldwide Knowledge (Beijing) Business Consulting Company Ltd	China		100
BBC Worldwide Productions Nordics ApS	Denmark	*	100
Erste Weltweit Medien GmbH	Germany	*	100
BBC Worldwide Media Private Limited	India		100
BBC Worldwide Channels Mexico S.A de C.V	Mexico	*	100
BBC Worldwide Mexico S.A de C.V	Mexico	*	100
BBC Worldwide Polska	Poland	*	100
BBC Worldwide Channels (Singapore) Pte. Limited	Singapore	*	100
BBC.com US, Incorporated	USA	*	100
BBC Worldwide Americas (401) k Plan Trustees	USA		100
Worldwide Americas Investments Incorporated	USA		100
Global Hybrid Productions LLC	USA		100
Sun Never Sets Productions LLC	USA		100
Bad Wolf Productions LLC	USA		100
Adjacent Productions, LLC	USA		100
BBC Worldwide Reality Productions LLC	USA		100
DWTS Productions LLC	USA		100
Worldwide Competition Productions LLC	USA		100

* Directly held

29 Interests in associates, joint ventures and subsidiaries continued

29c Subsidiary undertakings continued

Name of entity	Country of incorporation or establishment	Note	Holdings of ordinary shares %
Held by BBC Worldwide Limited continued:			
2 entertain Limited	England and Wales	*	100
BBC Worldwide Americas Incorporated	USA	*	100
BBC Worldwide Australia Holdings Pty Limited	Australia	*	100
BBC Worldwide Canada Limited	Canada	*	100
BBC Worldwide France Sarl	France	*	100
BBC Worldwide Germany GmbH	Germany	*	100
BBC Worldwide Holdings B.V	Netherlands	*	100
BBC Worldwide Japan Limited	Japan	*	100
DVDS3 Limited	England and Wales		100
Rapid Blue	South Africa	*	100
Tonto Films and Television Limited	England and Wales	*	100
UK Programme Distribution Limited	England and Wales	*	100
Worldwide Channel Investments Limited	England and Wales	*	100
Held by BBC Global News Holdings Limited:			
BBC Global News Limited	England and Wales	*	100
BBC World Distribution Limited	England and Wales		100
BBC World Japan Limited (Incorporated in Japan)	Japan		100
BBC World (Singapore) Private Limited (Incorporated in Singapore)	Singapore		100
BBC Global News India Private Limited (Incorporated in India)	India		100
BBC.com Limited	England and Wales	*	100
BBC Global News US LLC (incorporated in America)	America		100

* Directly held

Company Financial Statements

Balance sheet
as at 31 March 2016

	Note	Company 2016 £m	Company 2015 £m
Fixed assets			
Investment in subsidiaries	A	256.8	256.8
Derivative financial instruments		7.7	2.5
		264.5	259.3
Current assets			
Debtors			
- due within one year	B	243.4	199.4
- due within more than one year	B	-	1.6
Cash at bank and in hand		1.7	18.3
		245.1	219.3
Creditors: amounts falling due within one year			
Trade and other payables	C1	(43.1)	(55.4)
Borrowings	C1	(53.7)	(35.0)
Provisions	C1	-	(10.5)
		(96.8)	(100.9)
Net current assets		148.3	118.4
Total assets less current liabilities		412.8	377.7
Creditors: amounts falling due after more than one year			
Borrowings	C2	(177.9)	(174.1)
Deferred tax liabilities	C2	(1.4)	-
		(179.3)	(174.1)
Net assets		233.5	203.6
Represented by			
Share capital	D	1.3	1.3
Retained earnings	D	232.2	202.3
Total equity shareholder's funds		233.5	203.6

The financial statements were approved by the directors on 13 June 2016 and signed on their behalf by:

Charlie A. Villar

Charlie Villar
Director

BBC Commercial Holdings Limited

Registered number 0446

31 March 2016

Company Financial Statements

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 $259million US Private Placement, fixed through foreign exchange swap transactions at £170million expiring in June 2020 which was fully drawn down as at 31 March 2016. The financial covenants associated with the 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 company meets the definition of a qualifying entity under FRS 100 (Financial Reporting Standard 100) issued by the Financial Reporting Council. Accordingly, in the year ended 31 March 2016 the company has changed its accounting framework from UK GAAP to FRS 101 as issued by the Financial Reporting Council and has, in doing so, applied the requirements of IFRS 1.6-33 and related appendices. These financial statements were prepared in accordance with FRS 101 (Financial Reporting Standard 101) 'Reduced Disclosure Framework' as issued by the Financial Reporting Council, for all periods presented.

As permitted by FRS 101, the company has taken advantage of the following disclosure exemptions under FRS101:

- IFRS 2 Share based payments
- IFRS 3 Business combinations
- IFRS 5 Non-current assets held for sale and discontinued operations
- IFRS 7 Financial instruments
- IFRS 13 Fair value measurement
- IAS 1 Presentation of financial statements
- IAS 7 Statement of cashflows
- IAS 8 Accounting policies, changes in accounting estimates and errors
- IAS 24 Related party disclosures
- IAS 36 Impairment of assets

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 £122.9million (2015: £96.4million). The Company did not have any other comprehensive income and consequently no statement of other comprehensive income has been presented either.

Reconciliation with previously United Kingdom Generally Accepted Accounting Practice
In preparing the accounts, the directors have considered whether in applying the accounting policies required by FRS 101 a restatement of comparative items was needed. No restatements were required.

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

Statement of accounting policies

Investment in subsidiaries continued
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 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.

Cash and liquid resources
Cash comprises cash in hand and deposits repayable within three months. 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.

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.

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

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.

Trade and other debtors
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.

Statement of accounting policies

Long-term contracts
Where the outcome of a contract can be estimated reliably, revenue and costs are recognised by reference to the stage of completion of the contract activity at the balance sheet date. The Group uses the 'percentage of completion method' to determine the appropriate amount to recognise in a given period. The assessment of the stage of completion is dependent on the nature of the contract, but will generally be based on the estimated proportion of the total contract costs which have been incurred to date. If a contract is expected to be loss-making, a provision is recognised for the entire loss.

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.

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.

Judgements and key sources of estimation uncertainty
The preparation of financial statements requires management to make judgements, estimates and assumptions that affect the amounts reported for assets and liabilities as at the balance sheet date and the amounts reported for revenues and expenses during the year. However, the nature of estimation means that actual outcomes could differ from those estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

The following judgements (apart from those involving estimates) have had the most significant effect on amounts recognised in the financial statements.

Impairment of investments in subsidiaries
Determining whether the company's investments in subsidiaries have been impaired required estimations of the investments' values in use. The value in use calculations require the entity to estimate the future cash flows expected to arise from the investments and suitable discount rates in order to calculate present value. The carrying amount of investments in subsidiaries at the balance sheet date was £256.8million with no impairment loss recognised in 2016 or 2015.

Notes to the financial statements

A Investment in subsidiary undertakings

	Company shares in subsidiaries £m
Cost	
At 31 March 2015	256.8
At 31 March 2016	**256.8**
Net book value	
At 31 March 2016 and 31 March 2015	**256.8**

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:

Name of entity	Place of incorporation and principle place of business	Nature of business
BBC Global News Holdings Limited	England and Wales	Holding Company
BBC Ventures Group Limited	England and Wales	Holding Company
Grafton House Productions Limited	England and Wales	Programme making
Comedy Productions Limited	England and Wales	Programme making
BBC Childrens Productions Limited	England and Wales	Programme making
BBC Store Limited	England and Wales	Broadcasting

B Debtors

	Company 2016 £m	Company 2015 £m
Amounts falling due within one year:		
Amounts owed by subsidiaries	**226.8**	189.7
Amounts owed by parent undertaking	**16.6**	8.9
Prepayments and accrued income	-	0.2
Other debtors	-	0.6
Total debtors due within one year	**243.4**	199.4

	Company 2016 £m	Company 2015 £m
Amounts falling due within more than one year:		
Deferred tax assets*	-	1.6
Total debtors due after more than one year	-	1.6

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

Notes to the financial statements

C Creditors

C1 Amounts falling due within one year

	Company 2016 £m	Company 2015 £m
Amounts owed to parent	24.9	29.4
Amounts owed to fellow subsidiaries	18.0	16.1
Provisions	-	10.5
Borrowings	53.7	35.0
Accruals and deferred income	0.2	9.9
	96.8	100.9

C2 Amounts falling due after more than one year

	Company 2016 £m	Company 2015 £m
Borrowings	177.9	174.1
Deferred tax liability	1.4	-
	179.3	174.1

C3 Maturity of financial liabilities

The Company arranges its borrowings to meet forecast cash flows such that is has access to sufficient funds to meet its commitments. The maturity profile of the Company's financial liabilities, other than short-term creditors, at 31 March was:

	Bank loans and overdrafts £m	Total £m
2016		
Between two and five years	177.9	177.9
	177.9	177.9
2015		
Between two and five years	174.1	174.1
	174.1	174.1

Notes to the financial statements

C Creditors continued

C4 Borrowing facilities

Facility	Interest rate	Total available 31 March 2016 £m	Drawn down at 31 March 2016 £m	Total available 31 March 2015 £m	Drawn down at 31 March 2015 £m	Expiry or review date
BBC Commercial Holdings Limited						
Multicurrency, revolving credit facility agreement for loans	LIBOR* plus 0.6% rising to LIBOR plus 0.15% on utilisations over 1/3 and LIBOR* plus 0.15% on utilisations over 2/3.	210.0	**45.0**	210.0	35.0	July 2019
Overdraft or money market lines*	Money market line - margin of 1.0% (2015: 1.0%)	20.0	**8.7**	20.0	-	Reviewed annually
US Private Placement	Fixed interest at 2.36%	28.0	**28.0**	28.0	28.0	June 2020
US Private Placement**	Fixed interest at 2.71%	149.9	**149.9**	146.1	146.1	June 2020

* The base rate used varies according to the currency drawn. GBP drawings are linked to LIBOR.

** *The $216million US placement has been hedged to a sterling value of £143million, valued at the time of the facility being placed.*

There have been no defaults or breaches of covenants on the facilities above during the year (2015: 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	Retained earnings £m	Total £m
At 1 April 2015	1.3	202.3	203.6
Profit for the financial year	-	122.9	122.9
Dividends declared in year	-	(93.0)	(93.0)
At 31 March 2016	**1.3**	**232.2**	**233.5**

E Auditor's remuneration

The audit fee of £10,000 (2015: £10,000) relating to the Company, has been borne by another Group company.