

BBC Commercial Holdings Limited

(Registered number 04463534)

STRATEGIC REPORT, DIRECTORS' REPORT AND CONSOLIDATED FINANCIAL STATEMENTS

Year ended 31 March 2015

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COMPANIES HOUSE

Officers and advisers

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 2015. The Group has chosen to prepare its financial statements in accordance with International Financial Reporting Standards as adopted by the EU ('IFRS'). The Company continues to prepare its financial statements under UK GAAP which can be seen on pages 75 to 81.

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 and BBC Studios & Post Production Limited (together the 'Group'). BBC Commercial Holdings Limited is the BBC's holding company for all of its commercial activities and operates under the BBC Charter and Agreement, which sets out four commercial criteria with which its activities must comply. The activities must:

- fit with the BBC's public purposes, as set out in its Charter;
- be commercially efficient;
- not jeopardise the good reputation of the BBC or the value of the BBC brand; 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; 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:

	BBC Worldwide £m	BBC America £m	BBC Global News £m	BBC Studios & Post Production £m	Holding Companies & other commercial entities £m	Group Adjustments £m	Group £m
2015							
Revenue including joint ventures	948.1	53.7	93.7	29.5	44.3	(36.8)	1,132.5
Operating profit/(loss) before specific items	122.9	11.4	(3.9)	(1.2)	(18.3)	0.4	111.3
2014							
Revenue including joint ventures	944.5	97.8	100.9	28.6	–	(2.6)	1,169.2
Operating profit/(loss) before specific items	120.2	35.2	(13.5)	(3.6)	11.6	1.9	151.8

Overall revenue including joint ventures reduced by 3.1% to £1,132.5million (2014: £1,169.2million) as a result of the partial disposal of the Group's investment in New Video Channel America LLC (BBC America) during the year. BBC Worldwide Limited sold a 49.9% stake in BBC America in October 2014 to AMC Networks Inc. Despite the Group's residual 50.1% shareholding in BBC America, AMC Networks Inc. has control over the key decision making activities. BBC America has therefore been deconsolidated from the date of sale and accounted for as an associate since that date as the Group retains significant influence. The overall revenue including joint ventures for the ongoing businesses remained broadly consistent with prior year, increasing by only 0.7% to £1,078.8million (2014: £1,071.4million).

Strategic report, Directors' report and Consolidated Financial Statements

Strategic report CONTINUED

Business review (continued)

Revenue in BBC Worldwide Limited (ongoing businesses) and BBC Studios & Post Production Limited remained broadly consistent increasing 0.4% and 3.1% respectively. The fall in BBC Global News Limited of 7.1% was offset by the revenue recognised within BBC Commercial Holdings Limited on the completion of the Stage 6 element of the redevelopment of Television Centre.

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 businesses operating profit before specific items decreased by 14.3% to £99.9million (2014: £116.6million) despite the rise in revenue as a result of the expenditure incurred on the redevelopment of Television Centre (see BBC Commercial Holdings Limited section below).

Dividends of £15.3million were declared by the Group during the year (2014: £66.8million).

Including the £115.9million gain on the partial divestment of BBC America, the consolidated profit attributable to the Company's shareholder for the year was £154.9million (2014: £95.2million).

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 the Stage 6 as offices for BBC Worldwide Limited and Studios 1-3 for Studios & Post Productions Limited. A redevelopment project was set up in the parent company to deliver this.

Stage 6 fit-out is now complete and the office is fully operational. Studios & Post Productions Limited have agreed a revised return date of March 2017 with Stanhope in order to facilitate the demolition and construction programme on the wider TVC site. Stanhope will pay Studios & Post Production £7million compensation for the delayed return. The Studios 1-3 project will complete during 2015/16.

Project spend to date is £31million, including a £10.5million provision against expected losses on the project. This has been more than offset by an additional £27million of TVC sale proceeds secured for the BBC post year-end in the form of £19million of overage payments and an £8million profit share from Stanhope's sale of the Stage 6 lease.

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. Notable achievements against the strategy this year included three new genre channels BBC First, BBC Earth and BBC Brit all of which offer international audiences premium drama, factual and factual entertainment programmes.

BBC Studios and Post Production Limited

BBC Studios and Post Production Limited provides equipment, facilities and services for use in television production and digital media handling. The year ended 31 March 2015 has seen significant stabilisation and a positive turnaround in the financial performance of the company following its relocation from Television Centre into new facilities in Elstree Studios and South Ruislip during the prior year.

Strategic report

CONTINUED

BBC Studios and Post Production Limited (continued)

The company has seen a significant improvement in their operating loss of £0.6million (before specific items and impairment of fixed assets) compared with the £3.0million loss reported in the previous year. This was achieved through sales growth and rigorous cost management.

BBC Global News Limited

BBC Global News Limited 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 8% with bbc.com attracting over 85million monthly unique browsers on average, whilst TV distribution increased to 398million households (up from 388million in 2013/14).

Despite the increase seen in reach, advertising sales reduced reflecting the challenge in monetising digital traffic. The reduction in revenue was however partially offset by cost reductions made primarily in sales commission, staff costs and a reduction in TV production costs. The results for the year also benefited from the impact of exchange rate movements, particularly the strength of the US dollar at the year end.

Future outlook

While the external commercial environment is expected to remain competitive in 2015, 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
Reputation and standards Risk that audiences lose confidence in the integrity of our business or our content. Risk we fail to represent the character 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 as a platform for the company's culture. Emphasis on honest and open communications. Policy framework, company communications and HR processes requiring and demonstration the appropriate behaviours.
JV & associate relationships Risk we don't maximise the potential from our JV and associates relationships, the principle ones being UKTV, BBC America and Immediate Media.	Under-delivering against audience expectations and our ambitions for the JV and associates relationship.	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 Public Service and alignment, ensure that potential deals benefit the UK licence fee payer are explored.

Strategic Report

CONTINUED

Risk and uncertainties continued

Risk	Strategic Impacts	Mitigation
Content supply pipeline Risk that ongoing acquisition and consolidation across the independent sector (indie) restricts the addressable market for rights in key genres. Potential changes to BBC Production.	Reduced drama and factual entertainment content, impact 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 minority investment stakes to increase the pipeline of creative output. We are committed to maximising indie returns notwithstanding the BBC Store and channels strategy.
Execution of company strategy Risk that in regions we do not get the most from our affiliate relationships or the right 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 from launching new direct to consumer service such as BBC Store.	Reduce our ability to showcase BBC content. More vulnerable to disruptive digital services. Risk operating with sub-scale regional businesses.	International channel team who lead negotiations and manage channel launches. Regions have extensive knowledge of the affiliate landscape and the expertise to get the right channel mix, platforms and relationships. Leadership experience and insight into markets to ensure we secure the right partners, build the right relationships and evolve the right propositions in the context of a global ambition and strategy.
Information security Risk that our information assets are compromised. Risk that content assets are disclosed or used maliciously. Risk of content piracy.	Disclosed assets have reduced editorial or commercial value. Disruption to business operations.	New content path defined for high-value content, including dedicated infrastructure and content handling team. New centralised global solution for regional post-production activities (e.g. localisation and dubbing). Enhanced information security roles and responsibilities, additional resources, and global network convergence.
Trading performance and growth Business performance is sensitive to UK and international economic conditions, especially the USA and Australia and exchange rate movements.	Adverse impact on cash flows and reported financial results	Business is diversified across both regions and revenue streams. Risk-averse approach to foreign currency management. Central management of budgets and performance, cash-flow forecasting, careful debtor management and hedging policy.
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.	Comprehensive and enforced policy framework including Executive sponsorship, mandatory training programme, guidelines, regular reporting, specialist committees and steering groups. Oversight by Board, Executive and Risk Management Committee. Central Business and Legal Affairs resources to support.

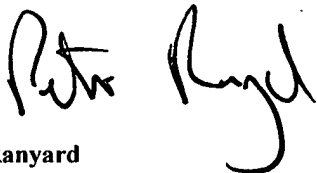
Strategic Report

CONTINUED

Risk and uncertainties continued

Risk	Strategic Impacts	Mitigation
Business continuity and safety Major incident with risk of disruption to operations, infrastructure and loss of revenue.	Potential for injury or death. Disruption to business operations. Reputational damage.	Safety management arrangements supported by policy framework communications, forums and guides and specialist safety advice. Extensive continuity plans encompassing all offices and business operations. Training on international travel safety.

By order of the Board,



P Ranyard

Company Secretary
Date: 11 June 2015

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

Strategic report, Directors' report and Consolidated Financial Statements

Directors' report **CONTINUED**

Health and safety

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

Disabled persons

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

The environment

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

Corporate governance

The 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 £15.3million were declared by the Group during the year (2014: £66.8million). Dividends of £7million were also declared post year end.

Future developments

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

Going concern

As set out on page 20, 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

KMPG LLP resigned as auditor of the company on 29 July 2014. Ernst & Young LLP were subsequently appointed as auditor of the company.

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.

Strategic report, Directors' report and Consolidated Financial Statements

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 25 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.

Strategic report, Directors' report and Consolidated Financial Statements

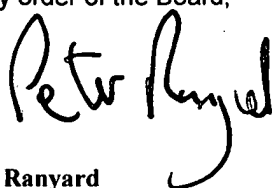
Directors' report
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Statement as to disclosure of information to auditors

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,



P Ranyard

Company Secretary
Date: 11 June 2015

Registered Address

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

Strategic report, Directors' report and Consolidated Financial Statements

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 2015 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 28 and the Parent Company Statement of Financial Position, the Parent Company Statements of Changes in Equity 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).

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 12, 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 2015 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; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

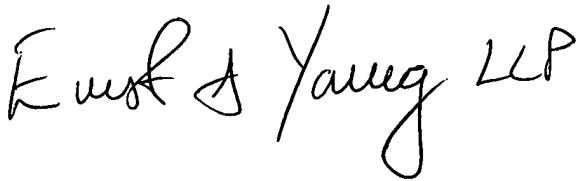
Opinion on other matter prescribed by the Companies Act 2006

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.

A handwritten signature in black ink that reads "Ernst & Young LLP". The signature is written in a cursive, flowing style.

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

11 June 2015

Consolidated income statement

FOR THE YEAR ENDED 31 MARCH 2015

	Note	Ongoing businesses	BBC America^	2015 £m	Ongoing businesses	BBC America^	2014 £m
Revenue including share of joint ventures' revenue*		1,078.8	53.7	1,132.5	1,071.4	97.8	1,169.2
Less: share of joint ventures revenue		(150.5)	–	(150.5)	(150.3)	–	(150.3)
Revenue	1a	928.3	53.7	982.0	921.1	97.8	1,018.9
Total operating costs	1b	(902.9)	(42.3)	(945.2)	(841.1)	(62.6)	(903.7)
Share of profit of associates and joint ventures	13	35.8	–	35.8	25.9	–	25.9
Operating profit		61.2	11.4	72.6	105.9	35.2	141.1
Analysed as:							
Operating profit before specific items**		99.9	11.4	111.3	116.6	35.2	151.8
Reorganisation costs	3a	(2.7)	–	(2.7)	(7.7)	–	(7.7)
Interest and taxation on profits of associates and joint ventures	3b	(9.4)	–	(9.4)	(9.7)	–	(9.7)
Other specific items	3c	(26.6)	–	(26.6)	6.7	–	6.7
		61.2	11.4	72.6	105.9	35.2	141.1
Gain on sale and termination of operations	10	–	115.9	115.9	4.1	–	4.1
Other gains and losses	13	–	–	–	(16.5)	–	(16.5)
Financing income	7a	14.1	–	14.1	6.4	–	6.4
Financing costs	7b	(22.8)	–	(22.8)	(12.6)	–	(12.6)
Profit before taxation		52.5	127.3	179.8	87.3	35.2	122.5
Taxation	8a	1.7	(26.6)	(24.9)	(13.5)	(13.8)	(27.3)
Profit for the year		54.2	100.7	154.9	73.8	21.4	95.2
Attributable to:							
Equity shareholder of the parent company		54.2	100.7	154.9	73.8	21.4	95.2
Profit for the year		54.2	100.7	154.9	73.8	21.4	95.2

* 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.

^ BBC America comprises the results of New Video Channel America LLC up to the date of disposal, together with the Group's gain on disposal (see note 10). Whilst the transaction does not meet the criteria of a discontinued operation under IFRS 5 ("Non-current Assets Held for Sale and Discontinued Operations"), the disposal is considered to be of sufficient importance as to justify the presentation of a separate column for BBC America in order to provide a better understanding of the results for the current and the prior year.

Consolidated statement of comprehensive income
FOR THE YEAR ENDED 31 MARCH 2015

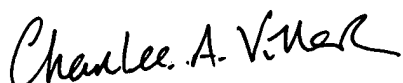
	Ongoing businesses	BBC America	2015 £m	Ongoing businesses	BBC America	2014 £m
Profit for the year	54.2	100.7	154.9	73.8	21.4	95.2
Items that may be reclassified to the income statement in the future:						
Deferred tax on financial instruments	2.3	-	2.3	(3.7)	-	(3.7)
Exchange differences on translation of foreign operations	16.9	2.8	19.7	(1.9)	(5.6)	(7.5)
Recycling of translation reserves on disposal	-	6.1	6.1	-	-	-
Recognition and transfer of cash flow hedges	(10.9)	-	(10.9)	16.4	-	16.4
Other comprehensive income/(loss) for the year (net of tax)	8.3	8.9	17.2	10.8	(5.6)	5.2
Total comprehensive income for the year	62.5	109.6	172.1	84.6	15.8	100.4
Attributable to:						
Equity holders of the parent company	62.5	109.6	172.1	84.6	15.8	100.4
	62.5	109.6	172.1	84.6	15.8	100.4

Consolidated balance sheet

AS AT 31 MARCH 2015

	Note	2015 £m	2014 £m
Non-current assets			
Intangible assets (including goodwill excluding programme rights)	11	61.3	55.1
Programme rights	11	202.8	170.1
Property, plant and equipment	12	33.1	24.3
Interests in associates and joint ventures	13	148.8	12.8
Other receivables	17a	8.7	10.9
Available for sale investments	14	4.4	4.4
Derivative financial instruments	25d	5.5	4.7
Deferred tax assets	8c	10.5	9.0
		475.1	291.3
Current assets			
Programme related assets and other inventories	16	67.5	111.5
Trade and other receivables	17b	417.7	361.9
Current tax assets		25.8	–
Assets classified as held for sale	15	3.0	–
Derivative financial instruments	25d	8.8	12.4
Cash and cash equivalents		91.8	60.7
		615.0	546.5
Current liabilities			
Trade and other payables	18a	(464.9)	(460.5)
Borrowings	19a	(35.3)	(0.7)
Provisions	20	(15.8)	(4.7)
Derivative financial instruments	25d	(14.0)	(1.1)
Current tax liabilities		(4.7)	(3.7)
		(534.7)	(470.7)
Non-current liabilities			
Trade and other payables	18b	(0.8)	(0.8)
Borrowings	19b	(174.1)	(156.5)
Provisions	20	(2.1)	(0.9)
Derivative financial instruments	25d	(9.0)	(13.1)
Deferred tax liabilities	8c	(19.3)	(2.9)
		(205.7)	(174.2)
Net assets			
		349.7	192.9
Attributable to equity shareholders of the parent company			
Share capital	21	1.3	1.3
Retained earnings	22	339.1	199.5
Hedging reserve	22	(3.0)	5.6
Translation reserve	22	12.3	(13.5)
Total equity		349.7	192.9

The financial statements of BBC Commercial Holdings Limited, registered number 04463534, were approved by the directors on 11 June 2015 and signed on their behalf by:



Charlie Villar Director

Consolidated statement of changes in equity **FOR THE YEAR ENDED 31 MARCH 2015**

Group	Share capital £m	Profit and loss reserve £m	Hedging reserve £m	Translation reserve £m	Total £m
At 31 March 2013	1.3	171.1	(7.1)	(6.0)	159.3
Profit for the year	–	95.2	–	–	95.2
Exchange differences on translation of foreign operations	–	–	–	(7.5)	(7.5)
Deferred tax on financial instruments	–	–	(3.7)	–	(3.7)
Recognition and transfer of cash flow hedges	–	–	16.4	–	16.4
Total comprehensive income/(loss) for the year	–	95.2	12.7	(7.5)	100.4
Dividends declared in year	–	(66.8)	–	–	(66.8)
At 31 March 2014	1.3	199.5	5.6	(13.5)	192.9
Profit for the year	–	154.9	–	–	154.9
Exchange differences on translation of foreign operations	–	–	–	19.7	19.7
Recycling of translation reserves on disposal	–	–	–	6.1	6.1
Deferred tax on financial instruments	–	–	2.3	–	2.3
Recognition and transfer of cash flow hedges	–	–	(10.9)	–	(10.9)
Total comprehensive income/(loss) for the year	–	154.9	(8.6)	25.8	172.1
Dividends declared in year	–	(15.3)	–	–	(15.3)
At 31 March 2015	1.3	339.1	(3.0)	12.3	349.7

Consolidated cash flow statement **FOR THE YEAR ENDED 31 MARCH 2015**

	Note	2015 £m	2014 £m
Operating activities			
Cash generated from operations	23	190.3	213.6
Tax paid		(24.6)	(33.4)
Net cash from operations		165.7	180.2
Investing activities			
Interest received		0.6	1.5
Dividends received from associates and joint ventures		32.0	18.2
Proceeds from sale of operations		64.5	11.9
Proceeds from disposal of available for sale investments		-	1.8
Acquisition of interests in associates and joint ventures		(3.6)	(0.4)
Purchases of other intangible assets		(157.7)	(149.9)
Purchases of property, plant and equipment		(21.9)	(5.8)
Net cash used in investing activities		(86.1)	(122.7)
Financing activities			
Interest paid		(6.5)	(12.6)
Proceeds from increase in borrowings		35.0	158.5
Repayments of borrowings		(0.4)	(187.5)
Equity dividends paid		(80.2)	(25.3)
Net cash used in financing activities		(52.1)	(66.9)
Net increase/(decrease) in cash and cash equivalents		27.5	(9.4)
Cash and cash equivalents at beginning of the year		60.7	75.7
Effect of foreign exchange rate changes on cash and cash equivalents		3.6	(5.6)
Cash and cash equivalents at the end of the year		91.8	60.7

Strategic report, Directors' report and Consolidated Financial Statements

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 2015 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 prepared its entity financial statements in accordance with UK GAAP. Those financial statements are set out on pages 75 to 81.

The consolidated financial statements for 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 BBC America column included in the Income statement and the relevant notes comprises the results of New Video Channel America LLC up to the date of disposal, together with the Group's gain on disposal (see note 10). Whilst the transaction does not meet the criteria of a discontinued operation under IFRS 5 Non-Current Assets Held for Sale and Discontinued Operations, it is considered to be of sufficient importance as to justify the presentation of a separate column for BBC America in order to provide a better understanding of the profit and other comprehensive income for the current and the prior year.

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

Non-statutory financial performance measures

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

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

Specific items are not defined under IFRS and may not be comparable to similarly titled measures used by other companies. Items which have been highlighted for consideration include the 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 £380million 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 £209.4million of the facilities available (2014: £158.5million). 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; and
- 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.

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.

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

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

Statement of Group accounting policies

CONTINUED

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.

Statement of Group accounting policies

CONTINUED

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

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

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

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

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

Intangible fixed assets

Programme rights for distribution

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

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

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

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

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

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.

Statement of Group accounting policies

CONTINUED

Intangible fixed assets (continued)

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.

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.

Statement of Group accounting policies

CONTINUED

Intangible fixed assets (continued)

Impairment of assets (continued)

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.

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

Statement of Group accounting policies

CONTINUED

Non-current assets held for sale

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

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

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

Programme rights and other inventory

Programme rights in this context 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.

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.

Statement of Group accounting policies

CONTINUED

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.
- 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.

Statement of Group accounting policies

CONTINUED

Financial instruments (continued)

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).

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.

Statement of Group accounting policies

CONTINUED

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 Towers Watson, consulting actuaries, with formal valuations undertaken at least every three years. Accordingly, the Group accounts for contributions payable to the scheme as if the schemes were defined contribution schemes, as is required by IAS 19 *Employee Benefits*.

Termination benefits

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

Other employee benefits

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

Dividends on shares presented within equity

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

Statement of Group accounting policies

CONTINUED

Use of estimates and judgements

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

Revenue recognition

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

Carrying value of goodwill

The determination of whether goodwill is impaired requires an estimation of the value in use of the cash-generating units to which goodwill has been allocated. The value in use calculation requires the entity to estimate the future cash flows expected to arise from the cash-generating unit and a suitable discount rate that reflects current market assessments of the risks specific to the asset and the time value of money, in order to calculate present value. Please refer to note 11 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.

Accounting treatment and valuation of New Video Channel America LLC (NVCA) as an associate

As described in note 10, in October 2014 the Group sold a 49.9% interest in its former subsidiary NVCA to AMC Networks Inc. (AMCN). Despite the BBC Worldwide residual 50.1% shareholding in NVCA, AMCN obtained control over the key decision-making activities of NVCA. NVCA has therefore been deconsolidated from the date of disposal and, due to the significant influence retained by the Group, NVCA has been equity accounted as an associate from that same date. The carrying value initially ascribed to NVCA as an associate was based on the Board's assessment of the fair value of NVCA at the date of disposal, taking into account the proceeds received for the sale of the controlling interest, the significant influence retained by the Group, and the retained right to variable returns from the investment in NVCA. As disclosed in note 10, the initial fair value recognised for NVCA as an associate generated an £89.2million uplift over the book value of the net assets retained, which has been recognised as part of the gain on disposal. The carrying value of NVCA at 31 March 2015, including the Group's share of equity earnings arising since NVCA's reclassification as an associate, is a key judgement area for the Board, to ensure that there are no indicators of impairment in the value of NVCA that might require a write-down of the Group's investment.

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 2014.

In the current year, the Group has applied for the first time IFRS 10, IFRS 11, IFRS 12 and IAS 28 (as revised in 2011) together with the amendments to IFRS 10, IFRS 11 and IFRS 12 regarding the transitional guidance.

IFRS 10 replaces certain parts of IAS 27 Consolidated and Separate Financial Statements and changes the definition of control such that an investor has control over an investee when a) it has power over the investee, b) it is exposed, or has rights, to variable returns from its involvement with the investee and c) has the ability to use its power to affect its returns. All three of these criteria must be met for an investor to have control over an investee. Previously, control was defined as the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. This new definition of control and the related guidance has not resulted in any associates or subsidiaries being accounted for differently in the consolidated financial statements.

IFRS 11 replaces the parts of IAS 31 Interests in Joint Ventures and SIC-13 Jointly Controlled Entities – Non Monetary Contributions by Venturers. IFRS 11 outlines the accounting by investors that jointly control an arrangement. It is dependent upon the new definition of control introduced in IFRS 10. Joint control involves the contractually agreed sharing of control and arrangements subject to joint control are classified as either a joint venture (representing a share of net assets and equity accounted) or a joint operation (representing rights to assets and obligations for liabilities, accounted for accordingly). The introduction of IFRS 11 has not had a material impact on the BBC financial statements in 2014/15.

IFRS 12 is a new disclosure standard and is applicable to entities that have interests in subsidiaries, joint arrangements, associates and/or unconsolidated structured entities. In general, the application of IFRS 12 has resulted in more extensive disclosures in the consolidated financial statements (please see notes E4 for details).

The following amendments have also been adopted but do not have a material impact on the disclosures or the amounts reported in these financial statements: amendments to IAS 36 'Recoverable Amount Disclosures for Non-Financial Assets'; amendments to IAS 32 'Offsetting financial assets and financial liabilities' and amendments to IAS 39 'Novation of Derivatives and Continuation of Hedge Accounting'.

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 11 (amendments)	Accounting for Acquisitions of Interests in Joint Operations
IFRS 15	Revenue from contracts with customers
IAS 16 (amendments) and IAS 38 (amendments)	Clarification of Acceptable Methods of Depreciation and Amortisation
IAS 19 (amendments)	Defined Benefit Plans: Employee Contributions
IAS 27 (amendments)	Equity Method in Separate Financial Statements
IFRS 10 (amendments) and IAS 28 (amendments)	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture
IAS 1 (amendments)	Presentation of financial statements

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 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 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 Limited** – The revenue is primarily generated by worldwide television channels, sales and distribution, production & formats and consumer products.
- **BBC Global News Holdings Limited** – 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.
- **BBC Studios & Post Production Limited** – The revenue is generated by the provision of equipment, facilities and services for use in programme production.

The results of the holding Company 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

		BBC Worldwide £m	BBC Global News £m	BBC Studios & Post Production £m	Holding Companies & other commercial entities £m	Group Adjustments £m	Group £m
2015	Note						
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

		BBC Worldwide £m	BBC Global News £m	BBC Studios & Post Production £m	Holding Companies & other commercial entities £m	Group Adjustments £m	Group £m
2014	Note						
Joint Venture revenue		150.3	–	–	–	–	150.3
Revenue*		849.5	100.6	28.6	–	(2.6)	976.1
Royalties		42.5	0.3	–	–	–	42.8
		1,042.3	100.9	28.6	–	(2.6)	1,169.2
Less joint venture revenue		(150.3)	–	–	–	–	(150.3)
Total revenue	1b	892.0	100.9	28.6	–	(2.6)	1,018.9

* Revenue represents the sale of goods and provision of services.

Notes to the financial statements**CONTINUED****1 Segmental reporting continued****1b Analysis of revenue, profit/(loss) by activity**

2015	Note	BBC Worldwide £m	Global News £m	BBC Studios & Post Production £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	13	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

Notes to the financial statements**CONTINUED****1 Segmental reporting continued****1b Analysis of revenue, profit/(loss) by activity (continued)**

2014	Note	BBC Worldwide £m	Global News £m	BBC Studios & Post Production £m	Holding Companies & other commercial entities £m	Group Adjustments £m	Group £m
Total revenue	1a	892.0	100.9	28.6	–	(2.6)	1,018.9
Depreciation and amortisation	2a	(115.8)	(0.2)	(4.4)	–	–	(120.4)
Other operating (costs)/income		(662.3)	(107.1)	(29.9)	11.5	4.5	(783.3)
Share of profit of associates and joint ventures	13	25.9	–	–	–	–	25.9
Operating profit/(loss)		139.8	(6.4)	(5.7)	11.5	1.9	141.1
Analysed as:							
Operating profit/(loss) before specific items		155.4	(13.5)	(3.6)	11.6	1.9	151.8
Interest and taxation on profits of associates and joint ventures	3b	(9.7)	–	–	–	–	(9.7)
Reorganisation costs	3a	(7.0)	–	(0.7)	–	–	(7.7)
Other specific items	3c	1.1	7.1	(1.4)	(0.1)	–	6.7
Operating profit/(loss)		139.8	(6.4)	(5.7)	11.5	1.9	141.1
Gain on sale of operations	10						4.1
Other gains and losses	13						(16.5)
Financing income	7a						6.4
Financing costs	7b						(12.6)
Profit before taxation							122.5
Taxation	8a						(27.3)
Profit for the year							95.2

Notes to the financial statements**CONTINUED****1 Segmental reporting continued****1c Geographical location of revenue and non-current assets**

	BBC Worldwide £m	Global News £m	BBC Studios & Post Production £m	Holding Companies & other commercial entities £m	Group Adjustments £m	Group £m
2015						
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
2014						
Non-current assets excluding deferred tax and derivative financial instruments:						
UK	241.6	0.9	6.1	-	-	248.6
Rest of world	28.6	0.4	-	-	-	29.0
	270.2	1.3	6.1	-	-	277.6
Additions included in non-current assets	197.9	0.5	3.4	-	-	201.8
External revenue:						
UK	198.6	-	28.6	-	(0.6)	226.6
Rest of world:						
America	339.5	29.0	-	-	-	368.5
Australia	74.8	26.0	-	-	-	100.8
Europe	156.2	18.1	-	-	-	174.3
Other	122.9	27.8	-	-	(2.0)	148.7
	892.0	100.9	28.6	-	(2.6)	1,018.9

Notes to the financial statements

CONTINUED

1 Segmental reporting continued

1d Analysis of total operating costs by activity

	BBC Worldwide £m	Global News £m	BBC Studios & Post Production £m	Holding Companies & other commercial entities £m	Group Adjustments £m	Total £m
2015						
Cost of sales	528.0	84.3	28.7	-	(37.2)	603.8
Distribution costs	83.5	-	-	-	-	83.5
Administrative expenses	166.2	24.0	5.1	62.6	-	257.9
	777.7	108.3	33.8	62.6	(37.2)	945.2

	BBC Worldwide £m	Global News £m	BBC Studios & Post Production £m	Holding Companies & other commercial entities £m	Group Adjustments £m	Total £m
2014						
Cost of sales	524.7	89.8	29.1	-	(4.5)	639.1
Distribution costs	86.1	-	-	-	-	86.1
Administrative expenses	167.3	17.5	5.2	(11.5)	-	178.5
	778.1	107.3	34.3	(11.5)	(4.5)	903.7

Notes to the financial statements

CONTINUED

2 Total operating costs

2a Total operating costs

Profit is stated after charging/(crediting):

	Note	Ongoing businesses	BBC America	2015 £m	Ongoing businesses	BBC America	2014 £m
Intangible fixed assets and property, plant and equipment							
Depreciation							
– owned assets	12	11.8	0.2	12.0	12.2	0.1	12.3
Amortisation of intangible fixed assets	11	117.4	–	117.4	108.1	–	108.1
Impairment of property, plant and equipment	12	0.6	0.9	1.5	0.4	–	0.4
Impairment of investments in associates and joint ventures		2.0	–	2.0	2.8	–	2.8
Inventories							
Included in cost of sales		102.0	14.6	116.6	49.2	22.3	71.5
Write-downs		3.8	0.6	4.4	4.1	1.2	5.3
Other operating costs							
Rentals on operating leases and similar arrangements		24.0	0.4	24.4	21.5	0.8	22.3
Sub-lease rentals received on operating leases*		(0.2)	–	(0.2)	(0.6)	–	(0.6)
Net exchange differences on settled transactions		(2.2)	–	(2.2)	8.3	–	8.3
Impairment of trade debtors	17	2.2	0.1	2.3	4.1	–	4.1
Staff costs	4b	167.2	6.1	173.3	162.3	11.4	173.7

2b Auditor's remuneration

Ernst & Young LLP were appointed as Group auditor in the current financial year following a competitive tender process and served as independent external auditor for the year ended 31 March 2015. KMPG LLP served as external auditor for the year ended 31 March 2014. The external auditor are subject to reappointment at the Annual General Meeting.

The audit fee was £10,000 (2014: £10,000) for the audit of the Company's annual accounts. Fees payable for services provided across the Group are shown below.

	2015 £m	2014 £m
The audit of the Company's subsidiaries pursuant to legislation	0.7	0.7
Tax services	0.2	0.1
Other services	0.1	–
Total non-audit fees	0.3	0.1

Notes to the financial statements**CONTINUED****3 Specific items**

	Note	2015 £m	2014 £m
Reorganisation costs	3a	(2.7)	(7.7)
Interest and taxation on profits of associates and joint ventures	3b	(9.4)	(9.7)
Other specific items:			
Gain/(loss) in fair valuation of derivative financial instruments	3c	(15.0)	10.5
Pension deficit reduction payment	3c	(11.6)	(3.8)
Total other specific items		(26.6)	6.7
		(38.7)	(10.7)

3a Reorganisation costs

Reorganisation costs relate to redundancy and similar costs arising as a result of changes to the Group component's organisation structure, impairment of associate and costs associated with the relocation of the Group's main subsidiary head office.

Reorganisation costs in the year ended 31 March 2015 arose as a result of changes to the Group's organisation structure, the discontinuation of the BBC Entertainment channel in India, costs associated with the planned relocation of the Group's main subsidiary head office and additional redundancy costs arising from restructuring within the Lonely Planet business.

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 loss of £15.0million (2014: £10.5million 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 £11.6million (2014: £3.8million) to the BBC in connection with the BBC's deficit reduction plan. As this payment is not reflective of the ongoing service cost of active scheme participants, management believes it is appropriate to present this cost as a specific item. The Group anticipates making similar payments in future periods.

Notes to the financial statements

CONTINUED

4 Staff numbers and costs

4a Persons employed

The average number of persons employed in the year was:

	Average for the year					
	Ongoing businesses	BBC America	2015 Number	Ongoing businesses	BBC America	2014 Number
BBC Commercial Holdings Limited	3	-	3	3	-	3
BBC Studios & Post Production Limited	120	-	120	138	-	138
BBC Worldwide Limited	1,743	86	1,829	1,665	151	1,816
BBC Global News Limited	124	-	124	132	-	132
Group total	1,990	86	2,076	1,938	151	2,089

Within the averages above, 229 (2014: 285) part-time employees have been included at their full-time equivalent of 150 (2014: 139).

In addition, the Group employed an average full-time equivalent of 35 (2014: 13) persons on a casual basis.

4b Staff costs (including directors)

	Ongoing businesses	BBC America	2015 £m	Ongoing businesses	BBC America	2014 £m
Salaries and wages	128.8	5.6	134.4	126.9	10.5	137.4
Social security costs	11.9	0.3	12.2	9.6	0.6	10.2
Pension costs	23.8	0.2	24.0	18.1	0.3	18.4
Restructuring costs	2.7	-	2.7	7.7	-	7.7
Total	167.2	6.1	173.3	162.3	11.4	173.7

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

5 Pensions

5a Group pension plans

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

The BBC Pension Scheme provides benefits on a defined benefit basis, 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 £7.2million in the year (2014: £9.7million). No contributions were prepaid or accrued at 31 March 2015 (2014: £nil).

The actuarial valuation was updated for IAS 19 purposes to 31 March 2015 by Towers Watson, consulting actuaries. This valuation identified a deficit of £860.4million in the scheme at 31 March 2015 (2014: £1,508.5million). Additional disclosure about the scheme and its financial position under IAS 19 is presented on the next page:

Notes to the financial statements**CONTINUED****5 Pensions continued****5b Pension liability included in the BBC Group balance sheet**

	Pension liability	
	2015	2014
	£m	£m
BBC Pension Scheme	(940.7)	(1,508.5)
Unfunded Scheme	(7.5)	(7.2)
Total	(948.2)	(1,515.7)

5c BBC Pension Scheme

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

5c i Scheme financial position

	2015	2014
	£m	£m
IAS 19 valuation		
Scheme assets*	12,766.3	10,684.2
Scheme liabilities	(13,707.0)	(12,192.7)
Deficit	(940.7)	(1,508.5)
Percentage by which scheme assets cover liabilities	93%	88%

* Excluding Additional Voluntary Contribution (AVC) funds.

5c ii Changes in the present value of plan liabilities

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

	2015	2014
	£m	£m
Opening present value of plan liabilities	12,192.7	11,809.8
Current service cost	181.0	167.2
Past service cost	1.1	2.4
Administration costs	8.4	8.3
Interest on pension plan liabilities	533.1	523.1
Experience gains arising on plan liabilities	(317.3)	(62.3)
Changes in assumptions underlying plan liabilities	1,499.4	114.1
Contributions by plan participants	0.8	1.1
Benefits paid and expenses	(392.2)	(371.0)
Closing present value of plan liabilities	13,707.0	12,192.7

Notes to the financial statements**CONTINUED****5 Pensions continued****5c BBC Pension Scheme continued****5c iii Changes in the fair value of plan assets**

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

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

	2015 £m	2014 £m
Opening fair value of plan assets*	10,684.2	10,201.1
Expected rate of return on plan assets	473.6	453.5
Remeasurements on plan assets	1,672.5	177.0
Contributions by employer	327.4	222.5
Contributions by plan participants	0.8	1.1
Benefits paid and expenses	(392.2)	(371.0)
Closing present value of plan assets*	12,766.3	10,684.2

* Excluding AVC funds.

5c iv Plan assets

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

Type of asset	2015 £m	2015 %	2014 £m	2014 %
Equities – quoted	1,491.8	12	1,565.0	15
Equities – unquoted	6.6	–	5.7	–
Pooled vehicles – quoted	1,228.8	10	1,165.0	11
Pooled vehicles - unquoted	840.8	7	754.7	7
Derivatives	(817.8)	(6)	20.3	–
Fixed interest bonds				
- Public sector	558.9	4	382.7	4
- Other	1,055.9	8	863.7	8
Index-linked bonds				
- Public sector	4,377.5	34	2,531.5	24
Property				
- UK	743.1	6	653.9	6
- Overseas	430.5	3	374.6	3
Alternatives*	2,494.0	19	1,964.7	18
Cash and other current assets	356.2	3	402.4	4
Total assets	12,766.3	100	10,684.2	100
Actual return on pension plan assets**	2,146.1		630.5	

* Alternatives include private equity, debt and currency.

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

Notes to the financial statements

CONTINUED

5 Pensions continued

5c BBC Pension Scheme continued

5c v Funding the Scheme

The 2013 actuarial valuation by 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 is expected to be performed as at 1 April 2016.

Contribution rates	Projection		
	2016 %	2015 %	2014 %
Employer	16.7	16.7	14.5
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 £129.5million in 2015/16.

Notes to the financial statements**CONTINUED****5 Pensions continued****5c BBC Pension Scheme continued****5c vi 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 financial assumptions	2015 %	2014 %
Rate of increase in salaries	1.0	1.0
Rate of increase in pension payments:		
Old Benefits	2.9	3.4
New Benefits	2.7	3.2
Career Average Benefits (2006)	2.4	2.4
Career Average Benefits (2011)	1.8	2.3
Inflation assumption (RPI)	2.9	3.4
Inflation assumption (CPI)	1.9	2.4
Discount rate	3.4	4.4

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

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)

2014	Assumption used		Impact on scheme liabilities %	Impact on scheme liabilities £m
Discount rate	4.4%	decrease 0.1%	2.1%	(258)
Discount rate	4.4%	increase 0.1%	1.6%	195
Retail price inflation rate	3.4%	decrease 0.1%	1.8%	215
Retail price inflation rate	3.4%	increase 0.1%	1.8%	(220)
Mortality rates	See below	decrease 0.1%	3.3%	404
Mortality rates	See below	increase 0.1%	3.4%	(418)

Notes to the financial statements

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5 Pensions continued

5c BBC Pension Scheme continued

5c vi Principal actuarial assumptions continued

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

	2015 Number of years	2014 Number of years
Principal demographic assumptions		
Retiring today		
Male	27.5	27.4
Female	29.9	29.8
Retiring in 20 years		
Male	29.4	29.3
Female	31.9	31.8

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 schemes

The BBC also operates its own defined contribution pension schemes, including those operated in the USA and Australia. The pension cost represents contributions payable by BBC Commercial Holdings Group to the funds and this amounted to £5.3million in the year (2014: £4.9million).

Notes to the financial statements

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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:

	2015 £m	2014 £m
Short term employee benefits	0.7	0.8
	0.7	0.8

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

Retirement benefits accrue to key management under the following schemes:

	2015 Number	2014 Number
Defined benefit schemes	1	1

The Group contributed £nil (2014: £nil) to defined contribution pension schemes for its Directors during the year.

The remuneration of the highest paid Director included:

	2015 £'000	2014 £'000
Emoluments	-	67

The Group contributed £nil (2014: £nil) to money purchase schemes on behalf of the highest paid Director during the year.

Notes to the financial statements**CONTINUED****7 Net financing costs****7a Financing income**

	2015 £m	2014 £m
Other interest receivable	0.6	1.5
Fair value gains on interest rate swaps and caps	13.5	4.9
Total financing income	14.1	6.4

7b Financing costs

	2015 £m	2014 £m
Interest on bank loans	5.7	6.6
Exchange loss on borrowings	16.3	–
Other interest payable	0.8	6.0
Total financing costs	22.8	12.6

8 Taxation**8a Taxation recognised in the income statement**

The charge for the year, based on the rate of corporation tax of 21% (2014: 23%) comprised:

	Note	Total 2015 £m	Total 2014 £m
Current tax			
UK corporation tax		5.5	10.7
Group relief (receivable)/payable		(5.0)	1.0
Double tax relief		(8.2)	(9.6)
Adjustments in respect of prior years		(3.4)	–
Foreign tax		18.2	22.0
Total current tax		7.1	24.1
Deferred tax			
Origination and reversal of timing differences		16.6	1.6
Tax rate change		0.3	0.7
Adjustments in respect of prior years		0.9	0.9
Total deferred tax	8c	17.8	3.2
Total charge for the year		24.9	27.3

Corporation tax is calculated at 21% (2014: 23%) of the estimated assessable UK profit for the year. Taxation for other jurisdictions is calculated at the rates prevailing in the respective jurisdictions.

Notes to the financial statements

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8 Taxation continued

8b Reconciliation of effective tax rate

The effective rate of tax for the year ended 31 March 2015 was different from the standard rate of tax in the UK of 21% (2014: 23%) as a result of the following:

	2015 £m	2014 £m
Group profit before taxation	179.8	122.5
Profit on ordinary activities before taxation multiplied by standard rate of corporation tax in the UK of 21% (2014: 23%)	37.8	28.2
Effects of		
Disallowed expenditure (includes goodwill impairment)	3.1	2.1
High-end television tax relief	(12.6)	(5.1)
Tax exempt capital gain	(11.3)	(1.2)
Tax differential on wholly owned overseas earnings	16.1	3.9
Tax differential in associates and joint ventures	(6.1)	(2.1)
Other differences		
Tax rate decrease	0.3	0.6
Adjustments in respect of prior years	(2.4)	0.9
Total tax charge for the year	24.9	27.3

The UK government previously announced a phased reduction in the main rate of corporation tax in the UK. On 1 April 2014, the rate reduced to 21%. The corporation tax rate further reduced to 20% from 1 April 2015 with no further reductions announced. Deferred tax has been calculated applying the tax rates that have been enacted at the balance sheet date with no material effect on the BBC group.

The reduction in effective tax rate (total tax charge for the year as a percentage of Group profit excluding tax) arises from film tax credits available on high end drama productions.

Notes to the financial statements**CONTINUED****8 Taxation continued****8c Analysis of deferred tax balance**

	Note	Accelerated capital allowances £m	Provisions £m	Financial instruments £m	Other £m	Net deferred tax asset/ (liability) £m
At 1 April 2013		4.8	3.3	4.3	0.7	13.1
Charge to income statement	8a	(1.0)	(0.1)	(0.6)	(1.5)	(3.2)
Credit to reserves		–	–	(3.7)	–	(3.7)
Exchange differences		0.4	1.2	(0.1)	(1.6)	(0.1)
At 1 April 2014		4.2	4.4	(0.1)	(2.4)	6.1
Charge to income statement	8a	(0.3)	1.5	0.2	(19.2)	(17.8)
Credited to reserves		–	–	2.3	–	2.3
Exchange differences		–	1.0	–	(0.4)	0.6
At 31 March 2015		3.9	6.9	2.4	(22.0)	(8.8)

Other deferred tax balances predominantly relate to deferred tax on deferred capital gains and fair value interest in joint venture intangibles.

	2015 £m	2014 £m
Deferred tax assets/(liabilities) presented within:		
Non-current assets	10.5	9.0
Non-current liabilities	(19.3)	(2.9)
	(8.8)	6.1

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 £170million (2014: £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

	2015 £m	2014 £m
Dividends payable on ordinary equity shares		
Dividends were paid / proposed as follows:		
June 2013 of 736.00p per share	–	9.2
December 2013 of 40.00p per share	–	0.5
March 2014 of 4,648.00p per share	–	58.1
2013 dividends rescinded – April 2013 of 80.00p per share	–	(1.0)
March 2015 of 1,227.12p per share	15.3	–
Total dividends	15.3	66.8

Interim dividends of £1.0million declared in 2013 were legally waived in 2014 and have been reflected as a reduction in the prior year total.

Notes to the financial statements

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10 Disposals

	2015 £m	2014 £m
New Video Channel America LLC	115.9	–
Other	–	4.1
Gain on sale and termination of operations	115.9	4.1

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.

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.

The net assets of NVCA at the date of disposal were:

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

Notes to the financial statements

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10 Disposals continued

	23 October 2014 £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 transactions costs, in respect of business disposal	(59.6)
Net gain	115.9
Satisfied by:	
Cash and cash equivalents	98.4
Deferred consideration	24.6
	123.0
Net cash inflow arising on disposal:	
Consideration received in cash	98.4
Less: Cash and cash equivalents disposed of	(0.1)
Less: Settlement of retained liabilities and transaction costs in respect of business disposal	(33.8)
	64.5

In the year ended 31 March 2014, the following disposals took place:

Ragdoll

On 13 September 2013, the Group disposed of its interest in Ragdoll Worldwide Limited for cash consideration of £8.7million and a £3.5million dividend immediately prior to disposal, resulting in a gain on disposal of £2.3million. Net assets at the date of disposal were £9.9million.

Big Talk

On 26 July 2013, the Group disposed of its interest in Big Talk Productions Limited for cash consideration of £3.1million and £1.3million loan settlement, resulting in a gain on disposal of £1.7million. Net assets at the date of disposal were £1.5million.

Haymarket

On 12 August 2013, the Group disposed of its interest in BBC Haymarket Exhibitions Limited for cash consideration of £0.1million resulting in a gain on disposal of £0.1million. Net assets at the date of disposal were £nil.

Notes to the financial statements

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11 Intangible assets

	Goodwill £m	Distribution rights £m	Other intangibles £m	Total £m
Cost				
At 1 April 2013	36.1	326.9	52.0	415.0
Additions	–	142.2	7.7	149.9
Disposals	–	–	(1.5)	(1.5)
Exchange differences	(2.0)	5.5	(2.2)	1.3
At 31 March 2014	34.1	474.6	56.0	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	53.3	708.7
Amortisation and impairment				
At 1 April 2013	–	195.3	32.5	227.8
Charge for the year	–	103.4	4.7	108.1
Disposals	–	–	(1.5)	(1.5)
Exchange differences	–	5.8	(0.7)	5.1
At 31 March 2014	–	304.5	35.0	339.5
Charge for the year	–	113.0	4.4	117.4
Disposals	–	(0.2)	(13.7)	(13.9)
Exchange differences	–	1.9	(0.3)	1.6
At 31 March 2015	–	419.2	25.4	444.6
Net book value				
At 31 March 2015	33.4	202.8	27.9	264.1
At 31 March 2014	34.1	170.1	21.0	225.2

Other intangibles includes:

Net book value	2015 £m	2014 £m
Software	22.7	14.8
Acquired carrier agreements	5.0	6.1
Other	0.2	0.1
	27.9	21.0

Notes to the financial statements

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11 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:

	2015 £m	2014 £m
Consumer Distribution business	25.4	25.4
Australian Channels business	8.0	8.7
At 31 March	33.4	34.1

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% (2014: -6%).

A discount rate of 11.7% (2014: 14.4%) 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 UK.TV on 1 July 2008. Cash flow projections used in the recoverable amount calculation are based on financial budgets approved by management covering a period of five years (2014: five years) and a discount rate of 11.9% (2014: 14.9%). Cash flows beyond the forecast period have been extrapolated using an expected growth rate of 1% (2014: 1%). The terminal growth rate assumes contractual rates remaining in place and a modest growth of subscribers as per external sources. Cash flow projections are consistent with the business acquisition plans and those used in the previous year.

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

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

Notes to the financial statements

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12 Property, plant and equipment

	Land and buildings £m	Plant and machinery £m	Furniture and fittings £m	Assets under construction £m	Total £m
Cost or valuation					
At 1 April 2013	14.7	97.2	18.0	6.0	135.9
Additions	–	2.7	2.4	0.7	5.8
Brought into service	–	1.0	2.4	(3.4)	–
Disposals	(0.1)	(4.1)	(0.4)	–	(4.6)
Exchange movements	(0.8)	(0.9)	(0.4)	–	(2.1)
At 31 March 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 movements	0.2	0.5	(0.7)	–	–
At 31 March 2015	24.7	59.7	22.4	3.0	109.8
Depreciation					
At 1 April 2013	7.4	82.8	13.7	–	103.9
Charge for the year	2.9	5.9	3.5	–	12.3
Disposals	(0.1)	(4.1)	(0.4)	–	(4.6)
Impairment	0.2	0.1	0.1	–	0.4
Exchange adjustments	(0.4)	(0.7)	(0.2)	–	(1.3)
At 31 March 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 adjustments	–	0.2	(0.6)	–	(0.4)
At 31 March 2015	12.4	45.9	18.4	–	76.7
Net book value					
At 31 March 2015	12.3	13.8	4.0	3.0	33.1
At 31 March 2014	3.8	11.9	5.3	3.3	24.3

Notes to the financial statements

CONTINUED

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

	2015 £m	2014 £m
Interest in joint ventures	0.6	0.7
Interest in associates	148.2	12.1
Total interest in associates and joint ventures	148.8	12.8
Share of profit of joint ventures	27.8	25.4
Share of profit of associates	8.0	0.5
Total share of profit of associates and joint ventures	35.8	25.9

Details of significant associates and joint ventures along with principal subsidiary undertakings, including their activities, are provided in Note 28.

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 is financed by Scripps, and has both trade with and debt in a number of subsidiary operating companies. These companies previously formed a number of discrete legal groups with ownership of each held directly by the joint venture partners. In accordance with IAS 28 Joint Ventures and Associates, BBC Worldwide equity accounted only for those joint ventures which were cumulatively profitable. Accordingly, the Group did not account for two companies within the UKTV group which had net liabilities and where BBC Worldwide had no obligation to provide further funding.

During the prior year, UKTV management agreed in principle a reorganisation of the unified UKTV Group, which involved collapsing the disparate trading subsidiaries into a single trading entity. As a result of this change, which became effective on 30 November 2014, BBC Worldwide recognised a 50% share of those net liabilities not previously recognised, recording a charge of £16.5million in the consolidated income statement for the year to 31 March 2014. As at 31 March 2014 and 31 March 2015, the consolidated UKTV group was in an overall net asset position.

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

Ragdoll Worldwide Limited

In April 2006, BBC Worldwide entered into an agreement with Ragdoll Worldwide Limited to form a joint venture. The purpose of the joint venture was to exploit and manage existing Children's intellectual properties and to invest in the development of new intellectual property rights. In May 2011, the Board resolved to dispose of the Group's interest in the joint venture and the joint venture was classified as held for sale. The joint venture was disposed of in the year ended 31 March 2014.

Notes to the financial statements**CONTINUED****13 Group share of associates' and joint ventures' assets and profit continued**

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

	UKTV £m	Other £m	Total 2015 £m
Non-current assets	5.6	0.3	5.9
Current assets (including UKTV cash and cash equivalents £13.5million)	186.5	4.7	191.2
Current liabilities (including UKTV financial liabilities £125.2million)	(127.8)	(4.4)	(132.2)
Non-current liabilities (including UKTV financial liabilities £53.5million)	(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
Expense (UKTV including depreciation £2.1million)	(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.

Notes to the financial statements

CONTINUED

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

	UKTV £m	Other £m	Restated* Total 2014 £m
Non-current assets	2.8	14.2	17.0
Current assets (including UKTV cash and cash equivalents £24.6million)	189.1	9.3	198.4
Current liabilities (including UKTV financial liabilities £76.4million)	(83.1)	(9.5)	(92.6)
Non-current liabilities (including UKTV financial liabilities £94.4million)	(94.4)	(14.8)	(109.2)
Net assets of joint ventures	14.4	(0.8)	13.6
Adjustment to reflect effective obligation*	(7.2)	0.4	(6.8)
Provision for unrealised profit	(6.1)	–	(6.1)
Interests in joint ventures	1.1	(0.4)	0.7
Revenue	278.4	22.6	301.0
Expense (UKTV including depreciation £1.3million)	(210.1)	(22.7)	(232.8)
Interest payable	(3.7)	–	(3.7)
Taxation	(14.8)	(0.3)	(15.1)
Profit after taxation	49.8	(0.4)	49.4
Adjustment to reflect effective obligation	(24.6)	0.6	(24.0)
Group share of profit from joint ventures recognised in consolidated income statement	25.2	0.2	25.4

* Income disclosed in the current year reflects the gross amount received from joint ventures. Prior year balances have been restated to be on a consistent basis.

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

Investments in 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.

Notes to the financial statements

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

Investments in associates continued

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

	NVCA £m	3sixtymedia Ltd £m	Other £m	Total 2015 £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 tax	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

	3sixtymedia Ltd £m	Other £m	Total 2014 £m
Non-current assets	0.9	30.0	30.9
Current assets	6.4	47.2	53.6
Current liabilities	(1.6)	(23.2)	(24.8)
Non-current liabilities	–	(44.6)	(44.6)
Net assets of associates	5.7	9.4	15.1
Group share of net assets	0.4	3.9	4.3
Provision for unrealised profit	(0.4)	–	(0.4)
Goodwill	–	8.2	8.2
Total net book value	–	12.1	12.1
Income	8.7	53.3	62.0
Profit after tax	0.5	4.6	5.1
Adjustment to reflect effective obligation	(0.5)	(4.1)	(4.6)
Group share of results	–	0.5	0.5

Notes to the financial statements

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14 Available for sale investments

	Note	2015 £m	2014 £m
Unquoted equities	25c	4.4	4.4

15 Assets classified as held for sale

	Note	2015 £m	2014 £m
Non-current assets			
Interests in associates and joint ventures	13	3.0	–

The asset classified as held for sale in the current year relates 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.

16 Programme related assets and other inventories

	2015 £m	2014 £m
Rights to broadcast acquired programmes and films	31.4	72.6
Raw materials and consumables	1.9	2.9
Work in progress	19.2	24.0
Finished goods and goods for resale	15.0	12.0
Total programme related assets and other inventories	67.5	111.5

17 Trade and other receivables

17a Other receivables due after more than one year

	2015 £m	2014 £m
Amounts owed by associates and joint ventures	0.5	0.4
Loans to other entities	8.2	3.7
Other prepayments and receivables	–	6.8
Total	8.7	10.9

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

Notes to the financial statements**CONTINUED****17 Trade and other receivables continued****17b Trade and other receivables due within one year**

	2015 £m	2014 £m
Trade receivables	226.8	192.6
Amounts owed by parent undertaking	24.8	16.1
Amounts owed by fellow BBC Group subsidiaries	–	0.8
Amounts owed by associates and joint ventures	24.6	19.4
Other receivables	38.2	25.7
Prepayments and accrued income	103.3	107.3
Total	417.7	361.9

Included in the Group's trade and other receivables at 31 March 2015 are balances of £24.8million (2014: £31.1million) which are past due at the reporting date but not impaired. The aged analysis of these balances is as follows:

	2015 £m	2014 £m
Trade receivables past due but not impaired		
Up to 3 months	19.4	24.7
3 to 6 months	2.9	3.8
Over 6 months	2.5	2.6
	24.8	31.1

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 £2.6million at 31 March 2015 (2014: £4.8million).

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

	2015 £m	2014 £m
Balance at the beginning of the year	4.8	10.5
Impairment losses recognised	2.3	4.1
Amounts recovered during the year	(0.9)	–
Amounts written off as uncollectible	(3.6)	(9.8)
Balance at the end of the year	2.6	4.8

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

Notes to the financial statements**CONTINUED****18 Trade and other payables****18a Trade and other payables due within one year**

	2015 £m	2014 £m
Trade payables	51.8	39.5
Salaries and wages creditors	28.5	31.0
Rights creditors	105.3	96.8
Amounts owed to parent company	89.9	149.7
Amounts owed to fellow BBC Group subsidiaries	1.6	2.0
Amounts owed to associates and joint ventures	3.4	0.4
Other payables	41.6	5.1
Accruals and deferred income	142.8	136.0
Total	464.9	460.5

18b Trade and other payables due after more than one year

	2015 £m	2014 £m
Other payables	0.8	0.8
Total	0.8	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 2015 was 25 days (2014: 22 days).

19 Borrowings**19a Borrowings due within one year**

	2015 £m	2014 £m
Bank loan	35.3	0.7

19b Borrowings due after more than one year

	2015 £m	2014 £m
Bank loan	174.1	156.5

See note 25f for further details on borrowing facilities in place.

Notes to the financial statements

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20 Provisions and contingent liabilities

	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
Included in current liabilities	4.7				15.8
Included in non-current liabilities	0.9				2.1
Total	5.6				17.9

	At 1 April 2013 £m	Charge for the year £m	Utilised during the year £m	Released during the year £m	At 31 March 2014 £m
Restructuring	3.1	6.3	(7.6)	–	1.8
Share of joint ventures net liabilities	5.9	–	(5.9)	–	–
Other	2.0	2.7	(0.4)	(0.5)	3.8
Total	11.0	9.0	(13.9)	(0.5)	5.6
Included in current liabilities	1.8				4.7
Included in non-current liabilities	9.2				0.9
Total	11.0				5.6

The construction contract provision relates to the expected losses on the redevelopment of Television Centre. This is expected to crystallise over the next twelve months.

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.

21 Share capital

	2015 £m	2014 £m
Allotted, called up and fully paid		
1,250,002 Ordinary shares of £1 each	1.3	1.3

Notes to the financial statements

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22 Equity shareholder's funds and reserves

Retained earnings

At 31 March 2015, 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

In the Group reserves £4.7million of exchange losses on foreign currency borrowings have been offset in reserves against exchange gains on the related investment in overseas subsidiaries. The net investment hedge was discontinued from September 2008 following the settlement of the associated foreign currency borrowings.

Hedging reserve

The hedging reserve is used to record the effective portion of the cumulative net change in the fair value of cash flow hedging instruments, related to hedged transactions that have not yet occurred (net of tax). During the current year, gains of £6.2million were removed from the hedging reserve and credited to revenue in the income statement (2014: gains of £3.1million).

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

	2015 £m	2014 £m
Group profit before tax	179.8	122.5
Depreciation, amortisation and impairment	132.9	123.6
Gain on derivatives associated with loans	13.5	6.8
Loss on other derivatives	(14.1)	(14.3)
Share of profits in associates and joint ventures	(35.8)	(25.9)
Gain on disposal of available for sale investment	-	(1.1)
Gain on sale and termination of operations	(115.9)	(4.1)
Other gains and losses	-	16.5
Financing income	(14.1)	(6.4)
Financing costs	22.8	12.6
Increase in inventories	(10.8)	(13.3)
Increase in debtors	(57.6)	(12.9)
Increase in creditors	77.3	15.0
(Decrease)/increase in provisions	12.3	(5.4)
Cash generated from operations	190.3	213.6

Notes to the financial statements

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24 Off Balance sheet items

24a Contracts placed for future expenditure

	2015 £m	2014 £m
Fixed assets	7.5	8.5
Programme rights for distribution	96.0	75.4
Programme rights for broadcast	1.5	16.8
Other commitments	38.2	32.7
Total	143.2	133.4

24b Operating leases

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

	2015 £m	2014 £m
Within one year	10.0	15.0
In two to five years	49.3	35.3
After five years	59.4	61.0
Total	118.7	111.3

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.

24c Post balance sheet events

Dividends of £7.0million were declared on the 20 May 2015.

24d 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.

Notes to the financial statements

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25 Financial instruments

25a 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 2015, 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 £9.8million (2014: £8.8million reduction) and the comprehensive income impact would have been £14.4million (2014: £7.8million).

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 2015.

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 2015 or 31 March 2014.

Notes to the financial statements

CONTINUED

25 Financial instruments continued

25a Financial risk management continued

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. Despite the existence of some key customers in major geographies, there is no material concentration of credit risk with respect to trade receivables as the Group has a large number of customers, geographically dispersed. Credit terms, where given, are generally for a 30-day period. The carrying amount of financial assets included in the financial statements represents the Group's maximum exposure to credit risk in relation to these assets.

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

Liquidity risk

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. The Group is subject to ceilings imposed on its borrowings by 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 2015 the net debt limit imposed was £350million (2014: £350million). These limits are subject to change going forward.

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

In order to comply with these ceilings together with the terms of any individual debt instruments, the Group manages its liquidity through a number of measures, including regular cash flow reporting, forecasting, hedging against foreign exchange fluctuations and proactively managing working capital. The Company is also active in the monitoring of its debt covenants which have been met at 31 March 2015.

Notes to the financial statements

CONTINUED

25 Financial instruments continued

25a Financial risk management continued

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

	Amounts due in less than one year £m	Amounts due between two and five years £m	Amounts due after five years £m	Total £m
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 measured at amortised cost				
Loans and overdrafts	35.3	–	174.1	209.4
Trade and other payables	356.1	–	–	356.1
2014 – Liquidity risk analysis				
Financial liabilities at fair value through profit and loss				
Derivative financial instruments	7.7	25.3	7.3	40.3
Embedded derivatives	–	1.1	–	1.1
Other creditors	0.3	0.2	–	0.5
Financial liabilities measured at amortised cost				
Loans and overdrafts	0.7	–	157.8	158.5
Trade and other payables	250.8	–	–	250.8

25b 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.

Notes to the financial statements

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25 Financial instruments continued

25c 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 2015:

	Level 2 £m	Level 3 £m	Total £m
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)
Fair value as at 31 March 2014			
Financial assets at fair value			
Derivative financial instruments	17.0	-	17.0
Embedded derivatives	0.1	-	0.1
Available for sale investments	-	4.4	4.4
Total assets	17.1	4.4	21.5
Financial liabilities at fair value			
Derivative financial instruments	(13.1)	-	(13.1)
Embedded derivatives	(1.1)	-	(1.1)
Other payables	-	(0.5)	(0.5)
Total liabilities	(14.2)	(0.5)	(14.7)

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.

Notes to the financial statements**CONTINUED****25 Financial instruments continued****25c Fair value of financial instruments continued**

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

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

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

	2015 £m		2014 £m	
	Financial assets	Financial liability	Financial assets	Financial liability
Opening balance	4.4	(0.5)	5.1	(0.4)
Settlements	-	-	(1.8)	-
Unwinding of discount recorded in finance expense	-	(0.1)	-	(0.1)
Change in fair value recorded in operating costs	-	(0.2)	1.1	-
Total impact on comprehensive income	4.4	(0.8)	4.4	(0.5)

Notes to the financial statements

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25 Financial instruments continued

25d Derivative financial instruments

The following table presents the Group's derivative assets and liabilities by category of instrument at 31 March 2015:

	Fair value hierarchy level	Assets £m	Liabilities £m
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)
2014			
Greater than one year			
Derivatives that are designated in effective hedges:			
Forward foreign currency contracts	2	2.8	(0.1)
Interest rate swaps	2	-	(0.7)
Derivatives held for trading:			
Forward foreign currency contracts	2	1.8	(0.2)
Interest rate swaps, caps and collars	2	-	(11.0)
Embedded derivatives	2	0.1	(1.1)
		4.7	(13.1)
Less than one year			
Derivatives that are designated in effective hedges:			
Forward foreign currency contracts	2	5.7	(0.5)
Derivatives held for trading:			
Forward foreign currency contracts	2	6.7	(0.5)
Interest rate swaps	2	-	(0.1)
		12.4	(1.1)

Notes to the financial statements

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25 Financial instruments continued

25d Derivative financial instruments continued

At 31 March 2015 the Group had entered into a net commitment to sell foreign currencies amounting to £476.1million (2014: £341.4million) 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 2015 were £10.9million (2014: £16.4million net gains). These amounts will be recognised in the income statement in the period when the hedged forecast transaction affects the income statement, at various dates over the next three years.

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 2015. In total, £236.5million of swaps were entered during the year (2014: £260.2million). All swaps were effective at 31 March 2015 to ensure borrowings are suitably covered for the foreseeable future. This is £27.1million higher (2014: £101.7million higher) than the current level of borrowings of £209.4million (2014: £158.5million).

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.

25e 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
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
2014			
Variable interest rate instruments			
Not later than one year	0.7	-	0.7
Fixed rate instruments			
Not later than one year	4.2	4.2	-
Later than one year but not later than five years	18.8	18.8	-
Later than five years	164.1	6.3	157.8
	187.8	29.3	158.5

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Notes to the financial statements

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25 Financial instruments continued

25f Borrowing facilities

Facility	Interest rate	Total available 31 March 2015 £m	Drawn down at 31 March 2015 £m	Total available 31 March 2014 £m	Drawn down at 31 March 2014 £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	35.0	210.0	–	July 2019
Overdraft or money market lines*	Money market line – margin of 1.0% (2014: 1.0%)	20.0	–	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%	146.1	146.1	129.8	129.8	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 working capital loan for Indian Rupees	Market rate at drawdown	1.3	0.3	1.3	0.7	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.

There have been no defaults or breaches of covenants on the facilities above during the year (2014: none).

26 Parent undertaking and controlling party

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

Notes to the financial statements

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27 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 17 and 18 respectively.

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

	Parent company		Other BBC subsidiaries	
	2015	2014	2015	2014
	£m	£m	£m	£m
Investment in BBC programme rights	(79.4)	(75.8)	-	-
Dividends paid/proposed	(15.3)	(66.8)	-	-
Other income	19.7	27.5	-	0.2
Other expense	(71.0)	(62.4)	0.1	(1.3)
	(146.0)	(177.5)	0.1	(1.1)

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	Relationship	Income	Expenditure	Dividends	Income	Expenditure	Dividends
		2015	2015	received	2014	2014	received
		£m	£m	£m	£m	£m	£m
UKTV Media Holdings Limited	Joint Venture	47.9	-	28.7	46.6	-	16.5
Other joint ventures	Joint Venture	0.7	(0.8)	0.9	0.8	(1.9)	1.4
New Video Channel America LLC	Associate	12.7	(3.6)	2.1	-	-	-
Other associates	Associate	2.5	(14.7)	0.3	2.1	(12.9)	0.3
		63.8	(19.1)	32.0	49.5	(14.8)	18.2

The following amounts were outstanding at the balance sheet date:

Name of related party	Relationship	Receivables	Payables	Net balance	Receivables	Payables	Net balance
		2015	2015	2015	2014	2014	2014
		£m	£m	£m	£m	£m	£m
UKTV Media Holdings Limited	Joint Venture	5.5	-	5.5	18.4	-	18.4
Other joint ventures	Joint Venture	-	-	-	-	(0.3)	(0.3)
New Video Channel America LLC	Associate	17.4	(3.3)	14.1	-	-	-
Other associates	Associate	2.2	(0.1)	2.1	1.4	(0.1)	1.3
		25.1	(3.4)	21.7	19.8	(0.4)	19.4

At 31 March 2015, the Group also had an outstanding balance of £1.0million (2014: £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.

Notes to the financial statements

CONTINUED

28 Interests in associates, joint ventures and subsidiaries

28a 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

28b 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 no longer has 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.

28c 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
Grafton House Productions Limited

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

Name of entity	Principle place of business	Holdings of ordinary shares %
Held by BBC Ventures Group Limited:		
BBC Studios and Post Production Limited	England and Wales	100
BBC Worldwide Limited	Global	100
Held by BBC Worldwide Limited:		
BBC Worldwide Australia Pty Limited (incorporated in Australia)	Australia	100
BBC Worldwide Americas Inc.	America	100
2 entertain Video Limited	Global	100
Held by BBC Global News Holdings Limited:		
BBC Global News Limited	Global	100
BBC World Distribution Limited	Global	100
BBC.com Limited	Global	100

Company Financial Statements

Balance sheet

As at 31 March 2015

	Note	Company 2015 £m	Company 2014 £m
Fixed assets			
Investment in subsidiaries	A	256.8	256.8
		256.8	256.8
Current assets			
Work in progress		-	7.3
Debtors due after more than one year		4.1	2.3
Debtors due within one year		199.4	142.5
Total debtors	B	203.5	144.8
Cash at bank and in hand		18.3	12.8
		221.8	164.9
Creditors – amounts falling due within one year	C1	(100.9)	(131.6)
Net current assets		120.9	33.3
Total assets less current liabilities		377.7	290.1
Creditors – amounts falling due after more than one year	C2	(174.1)	(167.6)
Net assets		203.6	122.5
Represented by			
Share capital	D	1.3	1.3
Profit and loss reserve	D	202.3	121.2
Total equity shareholder's funds		203.6	122.5

The financial statements were approved by the directors on 11 June 2015 and signed on their behalf by:

Charles A. Villar

Charlie Villar
Director

BBC Commercial Holdings Limited

Registered number 04463534

31 March 2015

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 2015. The financial covenants associated with the new facilities are unchanged. The Company's forecasts and projections, taking account of reasonably possible changes in trading performance, show that the Company should be able to operate within the level of its current facility for a period of no less than 12 months from the date of signing these accounts. After making enquiries, the directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing the annual report and accounts.

The BBC Group consolidated financial statements for the year ended 31 March 2015 contain related party disclosures. Consequently, the Company has taken advantage of the exemption in FRS 8 Related Party Disclosures, not to disclose transactions with other members of the BBC Group.

As permitted by Section 408 of the Companies Act 2006, a separate profit and loss account reflecting the results of BBC Commercial Holdings Limited has not been presented. The Company's profit after taxation for the financial year was £96.4million (2014: £66.1million).

Under FRS 1 the Company is exempt from the requirement to prepare a cash flow statement on the grounds that a parent undertaking includes the Company in its own published consolidated financial statements.

Investment in subsidiaries

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

Impairment of fixed assets

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

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

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

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

Taxation

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

Company Financial Statements

Statement of accounting policies

CONTINUED

Taxation (continued)

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

Cash and liquid resources

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

Finance costs

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

Financial instruments

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

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

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 receivables

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

Company Financial Statements

Statement of accounting policies

CONTINUED

Work in progress

Works 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

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.

Company Financial Statements

Notes to the financial statements

A Investment in subsidiary undertakings

	Company shares in subsidiaries £m
Cost	
At 31 March 2014	256.8
At 31 March 2015	256.8
Net Book Value	
At 31 March 2015 and 31 March 2014	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	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

B Debtors

	Company 2015 £m	Company 2014 £m
Receivable within one year		
Amounts owed by subsidiaries	189.7	131.4
Amounts owed by parent undertaking	8.9	10.6
Prepayments and accrued income	0.2	–
Other receivables	0.6	0.5
Total debtors due within one year	199.4	142.5
Receivable after more than one year		
Derivatives financial assets	2.5	–
Deferred tax asset*	1.6	2.3
Total debtors due after more than one year	4.1	2.3
Total	203.5	144.8

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

Company Financial Statements

Notes to the financial statements CONTINUED

C Creditors

C1 Amounts falling due within one year

	Company 2015 £m	Company 2014 £m
Amounts owed to parent	29.4	33.7
Amounts owed to fellow subsidiaries	16.1	81.0
Provisions	10.5	-
Borrowings	35.0	-
Accruals and deferred income	9.9	16.9
Total	100.9	131.6

C2 Amounts falling due after more than one year

	Company 2015 £m	Company 2014 £m
Bank and other loans	174.1	156.5
Derivative financial liabilities	-	11.1
Total	174.1	167.6

C3 Maturity of financial liabilities

The Company arranges its borrowings to meet forecast cash flows such that it 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	Derivative financial liabilities £m	Total £m
2015			
After five years	174.1	-	174.1
Total	174.1	-	174.1
2014			
After five years	156.5	11.1	167.6
Total	156.5	11.1	167.6

Company Financial Statements

Notes to the financial statements

CONTINUED

C Creditors continued

C4 Borrowing facilities

Facility	Interest rate	Total Available 31 March 2015 £m	Amount drawn down at 31 March 2015 £m	Total available 31 March 2014 £m	Amount drawn down at 31 March 2014 £m	Expiry or review date
BBC Commercial Holdings Limited						
Multicurrency, revolving credit facility agreement for loans and letters of credit	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	35.0	210.0	–	July 2019
Overdraft or money market lines*	Money market line – margin of 1.0% (2014: 1.0%)	20.0	–	20.0	–	Reviewed at least on an annual basis, until cancelled/terminated
US Private Placement	£28million fixed interest at 2.36%	28.0	28.0	28.0	28.0	June 2020
US Private Placement**	\$216million fixed interest at 2.71%	146.1	146.1	129.8	129.8	June 2020

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

** The \$216million US placement is hedged to a sterling value of £143million, valued at the time of the facility being put in place.

There have been no defaults or breaches of covenants on the facilities above during the year (2014: none).

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

The movement in reserves during the year was as follows:

Company	Share capital £m	Profit and loss reserve £m	Total £m
At 1 April 2014	1.3	121.2	122.5
Profit for the financial year	–	96.4	96.4
Dividends declared in year	–	(15.3)	(15.3)
At 31 March 2015	1.3	202.3	203.6

E Auditor's remuneration

The audit fee of £10,000 (2014: £10,000) relating to the Company, has been borne by another Group company.