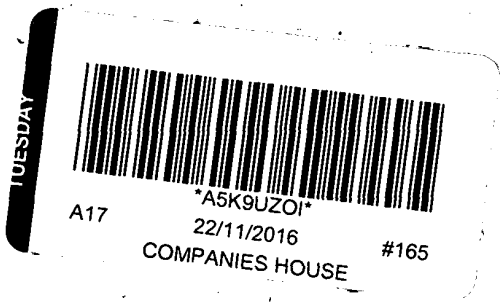
BIS (Postal Services Act 2011) Company Limited

Annual Report and Financial Statements 2015-16

(For the year ended 31 March 2016)

Company Number: 07941521



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Strategic report

The business, its objective and strategy

The principal activity of the group is to hold and dispose of the assets transferred in accordance with the 'Realisation Plan', as adopted by the shareholders in Part 2 of the company's Articles of Association.

The principal objective of the group is to realise the assets in a measured fashion within the context of protecting value for the tax payer, while paying due regard to issues of transparency (where this would not prejudice the commercial interests of the group) and minimising market distortion. In general, the group seeks to dispose of liquid assets into cash and cash equivalents as quickly as possible to minimise any significant exposure to risk.

Cash and cash equivalents realised by the group through the disposal of assets are ultimately transferred to BIS.

The group's residual investment activities are principally managed by Beach Point Capital Management LP, LaSalle Investment Management, Pathway Capital Management LP, Bridgepoint Advisers II Limited, Hamilton Lane COPTL LP and Pantheon Ventures (UK) LLP (the "Investment Managers"), with the global custody arrangements delegated to JPMorgan Chase Bank N.A., London Branch.

Operating and financial review

At 31 March 2016, the group had net assets of £0.7 billion as shown in the consolidated statement of financial position (31 March 2015: £1.2 billion).

For the year ended 31 March 2016, the total cash inflows arising from operating activities amounted to £0.5 billion (31 March 2015: £1.4 billion).

The net profit attributable to equity holders of the group for the year to 31 March 2016 was £109.9 million, as shown in the consolidated statement of comprehensive income and expenditure (31 March 2015 restated: £184.9 million).

The group will continue to keep the realisation strategy of the retained assets under review, with consideration given to holding the assets for an extended period of time where this is likely to deliver value for money for the taxpayer.

Principal risks and uncertainties

The principal risks and uncertainties of the group relate to the exposure to financial risks arising from holding its financial assets. The group's overall risk management strategy seeks to minimise on-going exposure to financial risks by realising assets as promptly as is reasonably practicable, whilst achieving value for money for the taxpayer.

Further disclosure in respect of the group's exposure to financial risks, including market risk, credit risk and liquidity risk, is included in the notes to these financial statement.

Signed on behalf of the board by:

Ruth Elliot

Accounting officer and director

Date: 18th July 2016

Directors' report

Introduction

On 8 February 2012, BIS (Postal Services Act 2011) Company Limited (the "**company**") was incorporated and registered as a private limited company in England and Wales under the Companies Act 2006. The company is the sole shareholder of BIS (Postal Services Act 2011) B Company Limited ("**company B**") (together, the "**group**").

With effect from 1 April 2012 and by way of the provisions of the Postal Services Act 2011 which received Royal Assent on 13 June 2011, the Government assumed responsibility for both the Royal Mail Pension Plan ("**RMPP**") deficit and the majority of the plan's assets. The Government removed RMPP's defined benefit pension deficit by transferring certain historic liabilities to a new unfunded statutory pension scheme – the Royal Mail Statutory Pension Scheme ("**RMSPS**"). In conjunction with this, certain assets were also transferred out of Royal Mail Pensions Trustees Limited ("**RMPP Trustees**") under the Postal Services Act 2011 (Transfer of Assets) Order 2012 (the "Assets Transfer Order"). The RMPP was left fully funded as at the transfer date.

The group was incorporated and established to hold certain assets transferred from the RMPP Trustees to the Government. The ultimate controlling party for the group is the Secretary of State for the Department for Business, Innovation and Skills ("**BIS**").

Key performance indicators (KPIs)

BIS (Postal Services Act 2011) Company Limited is a wholly-owned subsidiary of the Secretary of State for the Department for Business, Innovation and Skills. As a result, both the management and reporting of risk and key performance indicators are undertaken at the Departmental level. For this reason, the group's directors believe that analysis using key performance indicators for the group is not necessary or appropriate for an understanding of the development, performance or position of the business of the group.

Details of directors

Details of the board of directors, including information about the board's composition, its attendance records and coverage of its work, can be found in the governance statement on page 7.

Dividends and payments to the ultimate controlling party

In accordance with Article 14, *'Remittance of Cash Proceeds to the Consolidated Fund'*, and Article 12, *'Retention of Cash'*, of the group's Articles of Association, a total cash distribution of £0.6 billion was made to BIS during the reporting year (31 March 2015: £1.5 billion). This amount has been recognised in the consolidated statement of changes in equity for the year ended 31 March 2016.

Events after the reporting date

The EU Referendum

The result of the referendum held on 23 June was in favour of the UK leaving the European Union. This is a non-adjusting event. A reasonable estimate of the financial effect of this event cannot be made. The directors are continuing to asses any impact due to the referendum.

Machinery of Government change

On 14 July 2016, following a machinery of Government change it was announced that the group's parent entity, the Department for Business, Innovation and Skills, is having its responsibilities changed. The parent entity for the group is now the Department for Business, Energy and Industrial Strategy.

Statement of directors' responsibilities

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

Company law requires the directors to prepare financial statements for each financial year. In accordance with the requirements of the Companies Act, the directors have prepared the consolidated financial statements in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union. 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 the company and of the profit or loss of the group for that year. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable IFRS as adopted by the European Union have been followed subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the group's transactions and disclose with reasonable accuracy at any time the financial position of the group and the company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the company and the group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities. Under Section 454 of the Companies Act 2006, on a voluntary basis, the directors can amend these financial statements if they subsequently prove to be defective.

Directors' statement of disclosure of information to auditors

The directors in office at the date of this annual report and financial statements have each confirmed that, so far as they are aware, there is no relevant information (as defined by section 418 of the Companies Act 2006) of which the group's auditors are unaware, and each of the directors has taken all the steps he/she ought to have taken as a director to make himself/ herself aware of any relevant audit information and to establish that the group's auditors are aware of that information. This confirmation is given and should be interpreted in accordance with the provisions of Section 418 of the Companies Act 2006.

Signed on behalf of the board by:

Ruth Elliot

Accounting officer and director

Date: 18 July 2016

Governance statement

Introduction

The principal objective of the group is to hold and dispose of assets in accordance with the 'Realisation Plan' adopted by the shareholders in Part 2 of the Articles of Association. The group is ultimately owned and controlled by the Secretary of State for the Department for Business, Innovation and Skills ("**BIS**") and is operated by the directors.

This statement sets out the governance structure, risk management and internal control procedures that have been operated within the group during the year to 31 March 2016.

The Governance Structure

Board responsibilities

The board provides the general oversight of the realisation exercise and ensures that it is managed in accordance with the 'Realisation Plan'. Up to 31 March 2016, the board delegated the day-to-day operation of the business, in accordance with appropriate risk parameters, to the Shareholder Executive. On 1 April 2016, the function of the Shareholder Executive was transferred to UK Government Investments (UKGI), a company wholly owned by HM Treasury. The board monitors compliance with policy and achievement against objectives, by holding management accountable for its activities through regular updates. In addition, management is required to update the board on a regular basis, giving the board the opportunity to understand and explore issues in depth as appropriate.

During the financial year ended 31 March 2016, the board considered a wide range of issues, including:

- the progress of the asset realisation exercise;
- the financial position of the group;
- the long-term plan for the group;
- approving full-year results;
- considering opportunities for the realisation of assets; and
- discussing risk management and controls within the group.

Board structure

Directors
Ruth Elliot, accounting officer (appointed as accounting officer 23 March 2016)
Mark Russell
Matthew Toombs
Michael Harrison

All directors were in post for the full year and are subject to retirement, and election or re-election, in accordance with the company's Articles of Association.

Board attendance

The board held 3 scheduled meetings in year ended 31 March 2016. Directors are expected to attend scheduled board meetings, unless they are prevented from doing so by prior commitments. Where directors are unable to attend meetings, they receive the papers scheduled for discussion in the relevant meetings, giving them the opportunity to raise any issues and give any comments in advance of the meeting. Following the meeting any director not present is briefed on the discussions and any decisions taken at the meeting. Directors leave the meeting where matters relating to them, or which may constitute a conflict of interest for them, are being discussed.

The attendance of directors at board meetings held during the year ended 31 March 2016 was as follows:

Directors	Number of possible meetings attended	Actual meetings attended
Ruth Elliot, accounting officer (appointed as accounting officer 23 March 2016)	3	1
Mark Russell	3	3
Matthew Toombs	3	3
Michael Harrison	3	3

Responsibility of the principal accounting officer of BIS

The principal accounting officer of BIS is responsible for approving the 'Realisation Plan' of the group and provides the oversight, in addition to the board, to ensure that the realisation of the assets represents value for money to the taxpayer as a whole. Where the realisation exercise deviates from the 'Realisation Plan', or where it is considered necessary to amend the original plan, the management will report to the board and the principal accounting officer as necessary. The directors and specifically the accounting officer of the group, who was designated by the principal accounting officer of BIS, have certain responsibilities. The primary responsibilities (in addition to those defined in the Companies Act 2006) are: to adhere to chapter three of Managing Public Money; being responsible for safeguarding the public funds, for ensuring propriety and regularity in the handling of public funds, and for day to day operations and management of the group. The directors and the accounting officer of the group also ensure that the group are run on the basis of the standards, in terms of governance, decision making and financial management that are detailed in Chapter 3.1 of Managing Public Money.

Information received by the board and principal accounting officer

Written updates on the progress of the asset realisation exercise were provided by the management to the board on an ad hoc basis for the year to 31 March 2016. The board considers that the written updates provided by the management team during the financial year were relevant, sufficient and timely to satisfy its purpose.

Review of board's effectiveness

The board is currently comprised of four directors all of whom are senior officials within Government Departments or other public sector bodies. Two directors are employed by UKGI, one by BIS (Finance) and one by HM Treasury. It is considered that the size and experience of the board is appropriate given the nature of the group's operations.

During the financial year ended 31 March 2016, no formal evaluation of the board's effectiveness has been carried out. However, the board met 3 times in the year and believes that its structure and monitoring framework are functioning effectively to enable the objectives of the group to be met.

Compliance with Corporate Governance Code

The UK Corporate Governance Code (the 'code') sets out the main principles and specific provisions on how companies should be directed and controlled to follow good governance practice. The rules of the Financial Conduct Authority (the 'FCA') require companies listed in the UK to disclose, in relation to the Code, how they have applied those principles and whether they have complied with the provisions throughout the financial year. Where the provisions have not been complied with, companies must provide an explanation for this.

BIS (Postal Services Act 2011) Company Limited is a private limited company that is ultimately owned by the Secretary of State for the Department for Business, Innovation and Skills. As the company is not listed in the UK, compliance with the code is not required.

The directors follow and comply with the principles detailed in the "Corporate governance in central government departments" code in so far as they are applicable to a company limited by shares incorporated under the Companies Act 2006.

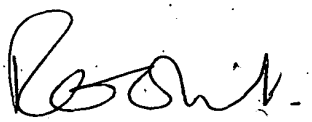
Risk management and internal control

The board attaches considerable importance to, and acknowledges its responsibility for, the group's systems of internal control and risk management. The board's policy is to have systems in place which optimise the group's ability to manage risk in an effective and appropriate manner. The board has delegated to UKGI the principal responsibilities for identifying, evaluating and monitoring risks facing the group and for deciding how these are to be managed.

These include ongoing controls and review procedures in place to monitor the performance of the investment managers that continue to manage investments on behalf of the group.

Given the specific nature of the group, its principal risks and uncertainties reside with the exposure to financial risks arising from its holdings of financial assets.

Signed on behalf of the board by:



Ruth Elliot

Accounting officer and director

Date: 18th July 2016

Independent auditor's report to the shareholders of BIS (Postal Services Act 2011) Company Limited

I have audited the financial statements of BIS (Postal Services Act 2011) Company Limited for the year ended 31 March 2016 which comprise the Consolidated Statement of Comprehensive Income and Expenditure, the Consolidated and Company Statements of Financial Position, the Consolidated and Company Statements of Cash Flows, the Consolidated and Company Statements of Changes in Equity and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards as adopted by the European Union and as regards the parent company financial statements, as applied in accordance with the provisions of the Companies Act 2006.

Respective responsibilities of the directors and the auditor

As explained more fully in the Statement of Directors' Responsibilities, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. My 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 me and my staff 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 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 I read all the financial and non-financial information in the Annual Report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by me in the course of performing the audit. If I become aware of any apparent material misstatements or inconsistencies I consider the implications for my report.

I am required to obtain evidence sufficient to give reasonable assurance that the expenditure and income recorded in the financial statements have been applied to the purposes intended by Parliament and the financial transactions recorded in the financial statements conform to the authorities which govern them.

Opinion on financial statements

In my opinion:

- the financial statements give a true and fair view of the state of the group's and the parent company's affairs as at 31 March 2016 and of the group's net profit for the year then ended; and
- the financial statements have been properly prepared in accordance with International Financial Reporting Standards as adopted by European Union; and
- the financial statements have been prepared in accordance with the Companies Act 2006.

Opinion on regularity

In my opinion, in all material respects the expenditure and income recorded in the financial statements have been applied to the purposes intended by Parliament and the financial transactions recorded in the financial statements conform to the authorities which govern them.

Opinion on other matter prescribed by the Companies Act 2006

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

Matters on which I report by exception

I have nothing to report in respect of the following matters where the Companies Act 2006 requires me to report to you if, in my opinion:

- adequate accounting records have not been kept by the parent company, or returns adequate for my audit have not been received from branches not visited by my staff; or
- the 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
- I have not received all of the information and explanations I require for my audit.



Hilary Lower (Senior Statutory Auditor)

Date: 19-7-16

For and on behalf of the
Comptroller and Auditor General (Statutory Auditor)
National Audit Office
157-197 Buckingham Palace Road
London
SW1W 9SP

Consolidated statement of comprehensive income and expenditure for the year ended 31 March 2016

	Note	Group For the year ended 31 March 2016	Group For the year ended 31 March 2015 restated
		£'000	£'000
Revenue			
Net gains arising from the sale of financial assets	2	101,190	70,419
Finance income	3	3,011	39,527
Other income	4	13,536	23,238
Gain/(Loss) on revaluation of investment properties	7	-	(3,850)
Gain/(Loss) arising from the disposal of investment properties	7	(702)	72,016
Foreign exchange gains/(losses)	6	(1,524)	10,044
Expenses			
Operating expenses	5	(8,937)	(15,876)
Net changes in fair value on financial assets held at fair value through profit or loss	13	3,329	(10,601)
Net profit before tax		**109,903**	**184,917**
Income tax expense	17	-	-
Net profit for the year		**109,903**	**184,917**
Other comprehensive income:			
Available-for-sale reserve:			
Net changes in fair value of available-for-sale financial assets		36,893	73,511
Reclassification adjustments for gains of available-for-sale financial assets included in statement of comprehensive income and expenditure		(42,780)	(10,248)
Total comprehensive income for the year		**104,016**	**248,180**

The notes on pages 16 to 36 form part of these financial statements.

Consolidated statement of financial position as at 31 March 2016

		Group	Company	Group	Company	Group	Company
		At 31 March 2016	At 31 March 2016	At 31 March 2015 restated	At 31 March 2015 restated	At 1 April 2014 restated	At 1 April 2014 restated
	Note	£'000	£'000	£'000	£'000	£'000	£'000
Assets							
Non-current assets							
Investment properties	7	-	-	32,150	32,150	265,325	265,325
Available-for-sale financial assets	9	550,640	550,640	886,342	886,342	1,795,345	1,795,345
Total non-current assets		**550,640**	**550,640**	**918,492**	**918,492**	**2,060,670**	**2,060,670**
Current assets							
Trade and other receivables	11	2,744	2,744	24,273	24,281	33,534	33,537
Derivative financial instruments	12	-	-	5,945	5,945	-	-
Financial assets at fair value through profit or loss	13	9,353	9,353	13,239	13,239	18,679	18,679
Cash and cash equivalents	14	151,580	151,580	256,326	256,326	384,145	384,145
Total current assets		**163,677**	**163,677**	**299,783**	**299,791**	**436,358**	**436,361**
Total assets		**714,317**	**714,317**	**1,218,275**	**1,218,283**	**2,497,028**	**2,497,031**
Current liabilities							
Trade and other payables	15	(2,719)	(2,719)	(4,558)	(4,558)	(11,580)	(11,575)
Derivative financial instruments	12	(36)	(36)	-	-	(1,115)	(1,115)
Total current liabilities		**(2,755)**	**(2,755)**	**(4,558)**	**(4,558)**	**(12,695)**	**(12,690)**
Net assets		**711,562**	**711,562**	**1,213,717**	**1,213,725**	**2,484,333**	**2,484,341**
Capital and reserves							
Available-for-sale reserves		74,701	74,701	80,588	80,588	17,325	17,325
Retained earnings		636,861	636,861	1,133,129	1,133,137	2,467,008	2,467,016
Total equity		**711,562**	**711,562**	**1,213,717**	**1,213,725**	**2,484,333**	**2,484,341**

The notes on pages 16 to 36 form part of these financial statements.

The financial statements were approved by the board of directors and authorised for issue and signed on its behalf by:

Ruth Elliot
Accounting officer and director
Date: 18th July 2016
Company number: 07941521

Consolidated statement of changes in equity for the year ended 31 March 2016

	Attributable to equity holders of the Group restated				Attributable to equity holders of the Company restated			
	Ordinary Share capital	Available-for-sale reserve	Profit and Loss Account	Total	Ordinary Share capital	Available-for-sale reserve	Profit and Loss Account	Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Balance at 1 April 2014 per signed financial statements	-	**114,387**	**2,369,946**	**2,484,333**	-	**114,387**	**2,369,954**	**2,484,341**
Restatement (see note 1.13)	-	**(97,062)**	**97,062**	-	-	**(97,062)**	**97,062**	-
Restated balance at 1 April 2014	-	**17,325**	**2,467,008**	**2,484,333**	-	**17,325**	**2,467,016**	**2,484,341**
Net profit	-	-	184,917	184,917	-	-	184,917	**184,917**
Revaluations in other comprehensive income	-	73,511	-	73,511	-	73,511	-	73,511
Available-for-sale reserves released to statement of consolidated income and expenditure	-	(10,248)	-	(10,248)	-	(10,248)	-	(10,248)
Payment made to BIS	-	-	(1,518,796)	(1,518,796)	-	-	(1,518,796)	**(1,518,796)**
Balance at 31 March 2015	-	**80,588**	**1,133,129**	**1,213,717**	-	**80,588**	**1,133,137**	**1,213,725**

	Attributable to equity holders of the Group				Attributable to equity holders of the Company			
	Ordinary Share capital	Available-for-sale reserve	Profit and Loss Account	Total	Ordinary Share capital	Available-for-sale reserve	Profit and Loss Account	Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Balance at 1 April 2015	-	**80,588**	**1,133,129**	**1,213,717**	-	**80,588**	**1,133,137**	**1,213,725**
Net profit	-	-	109,903	109,903	-	-	109,895	109,895
Revaluations in other comprehensive income	-	36,893	-	36,893	-	36,893	-	36,893
Available-for-sale reserves released to statement of consolidated income and expenditure	-	(42,780)	-	(42,780)	-	(42,780)	-	(42,780)
Payment made to BIS	-	-	(606,171)	(606,171)	-	-	(606,171)	(606,171)
Balance at 31 March 2016	-	**74,701**	**636,861**	**711,562**	-	**74,701**	**636,861**	**711,562**

In accordance with Article 14, 'Remittance of Cash Proceeds to the Consolidated Fund', and Article 12, 'Retention of Cash', of the company's Articles of Association, a total cash distribution of £0.6 billion (31 March 2015: £1.5 billion) was made to BIS during the reporting year.

The notes on pages 16 to 36 form part of these financial statements.

Consolidated statement of cash flows for the year ended 31 March 2016

	Note	Group	Company	Group	Company
		For the year to 31 March 2016	For the year to 31 March 2016	For the year to 31 March 2015 restated	For the year to 31 March 2015 restated
		£'000	£'000	£'000	£'000
Cash flows from operating activities					
Net profit		109,903	109,895	184,917	184,917
Movement in provision for bad debts	5	(28)	(28)	(56)	(56)
Bad debts written off	5	173	170	33	33
(Gain)/Loss on revaluation of investment properties	7	-	-	3,850	3,850
(Gain)/Loss arising from the disposal of investment properties	7	702	702	(72,016)	(72,016)
Net changes in fair value on financial assets at fair value through profit or loss	13	(3,329)	(3,329)	10,601	10,601
Net gain arising from the sale of financial assets	2	(101,190)	(101,185)	(70,419)	(70,419)
Unrealised foreign exchange (gains)/losses and other net (gains)/losses		2,580	2,580	(10,944)	(10,944)
Decrease in trade and other receivables before bad debt provision and unrealised gains	11	21,384	21,390	9,284	9,279
Decrease in trade and other payables	15	(1,839)	(1,839)	(7,022)	(7,017)
Proceeds from the sale of financial assets		462,824	462,824	1,138,635	1,138,635
Proceeds from the sale of investment properties		31,448	31,448	301,420	301,420
Purchases of financial assets	9, 13	(24,605)	(24,605)	(101,111)	(101,111)
Purchases of investment properties	7	-	-	(79)	(79)
Net cash flow from purchase and sale of foreign currency forward contracts	12	3,722	3,722	2,132	2,132
Net cash flows from operating activities		**501,745**	**501,745**	**1,389,225**	**1,389,225**
Cash flows from financing activities					
Payment made to BIS		(606,171)	(606,171)	(1,518,796)	(1,518,796)
Net cash used in financing activities		**(606,171)**	**(606,171)**	**(1,518,796)**	**(1,518,796)**
Net increase/(decrease) in cash and cash equivalents		**(104,426)**	**(104,426)**	**(129,571)**	**(129,571)**
Cash and cash equivalents at the beginning of the year		**256,326**	**256,326**	**384,145**	**384,145**
Foreign exchange gains on cash and cash equivalents during the year		(320)	(320)	1,752	1,752
Cash and cash equivalents at 31 March		**151,580**	**151,580**	**256,326**	**256,326**

The notes on pages 16 to 36 form part of these financial statements.

Notes to the financial statements

Entity information

On 8 February 2012, BIS (Postal Services Act 2011) Company Limited (the "**company**") was incorporated as a private limited company in England and Wales under the Companies Act 2006 (company Number: 07941521). The company is the sole shareholder of BIS (Postal Services Act 2011) B Company Limited ("**company B**") (company Number: 07970529) (together, the "**group**"). The registered office of these companies is Masters House, 107 Hammersmith Road, London, W14 0QH.

With effect from 1 April 2012, a provision was made under the Postal Services Act 2011 (Transfer of Assets) Order 2012 (the "**Assets Transfer Order**") to transfer certain assets previously held by the Royal Mail Pensions Trustees Limited (the "**RMPP Trustees**") into the group.

The principal activity of the group is to hold and realise assets in accordance with the Realisation Plan adopted by the shareholders in Part 2 of the company's Articles of Association. The group's residual investment activities are principally managed by Beach Point Capital Management LP, LaSalle Investment Management, Pathway Capital Management LP, Bridgepoint Advisers II Limited, Hamilton Lane COPTL LP and Pantheon Ventures (UK) LLP (the "**Investment Managers**"), with the global custody arrangements delegated to JPMorgan Chase Bank N.A., London Branch.

The group is ultimately owned and controlled by the Secretary of State for the Department for Business, Innovation and Skills ("**BIS**").

Statement of accounting policies

Basis of preparation

The consolidated financial statements of BIS (Postal Services Act 2011) Company Limited have been prepared in accordance with International Financial Reporting Standards as adopted by the European Union (IFRS as adopted by the EU), IFRIC Interpretations and those parts of the Companies Act 2006 applicable to companies reporting under IFRS. The financial statements are prepared in accordance with the disclosure and accounting requirements contained in the Financial Reporting Manual (FReM) where these do not conflict with the Companies Act and the requirements of IFRS. The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the group's accounting policies.

The financial statements are prepared in accordance with IFRS and Interpretations in force at the reporting date. The group has not adopted any Standards or Interpretations in advance of the required implementation dates. It is not expected that adoption of Standards or Interpretations which have been issued by the International Accounting Standards board but have not been adopted will have a material impact on the financial statements.

These financial statements have been prepared for the year ended 31 March 2016.

Accounting convention

The consolidated financial statements have been prepared under the historical cost convention, as modified by the revaluation of financial assets and financial liabilities (including derivative financial instruments) and the measurement of investment properties at fair value.

These financial statements have been prepared on a going concern basis. The directors have considered the going concern status of the group and feel that the preparation of the financial statements on a going concern basis is not unreasonable. The directors' are of the opinion that the group will continue as a going concern for at least 12 months from the signing of the financial statements for the year ended 31 March 2016.

Presentational currency

The financial statements are presented in pounds sterling and all values are rounded to the nearest thousand pounds. The functional currency of the group is pounds sterling.

Basis of consolidation

Subsidiaries are all entities over which the company has the power to govern the financial and operating policies generally accompanying a shareholding of more than one half of the voting rights. Subsidiaries are fully consolidated from the date on which control is transferred to the company. They are de-consolidated from the date that control ceases. Inter-group transactions, balances and unrealised gains and losses arising on transactions between the companies are eliminated.

The company has taken advantage of the exemption contained within 408 of the Companies Act 2006 not to present its own statement of comprehensive income.

The total net profit for the year to 31 March 2016, in the financial statements of the company was £109.9 million (31 March 2015 restated: £184.9 million).

Note 1 Accounting policies

1.1 Revenue recognition

Revenue comprises the realised gains on the disposal of investments generated in the ordinary course of the group's activities. Revenue is shown net of value-added tax.

The group recognises revenue when the amount of revenue can be reliably measured, and it is probable that future economic benefits will flow to the entity.

1.2 Rental income

Rental income from investment properties is recognised as revenue on a straight-line basis over the term of the lease. Lease incentives granted are recognised as an integral part of the total rental income, over the term of the lease.

1.3 Investment Properties

In accordance with IAS 40 Investment Properties, any investment property recognised is held only for the purpose of earning rental income or for capital appreciation. The fair value model has been adopted for the valuation of these properties. The fair value, which is open market value, is updated annually by external qualified independent valuers. Changes in fair values are recognised in the consolidated statement of comprehensive income and expenditure.

1.4 Investment in subsidiary undertakings

Investment in subsidiary undertakings as stated in the company's balance sheet and in note 8 are held at cost.

1.5 Investment in joint ventures

The group accounts for its interests in joint ventures under the equity method of accounting. Under the equity method of accounting, upon initial recognition investments in joint ventures are recognised at cost and subsequently, post acquisition, the operating results, assets and liabilities of joint ventures are reflected in the consolidated financial statements in accordance with IAS 31.

1.6 Financial instruments

The group recognises and measures financial instruments in accordance with IAS 39 Financial Instruments: Recognition and Measurement as interpreted by the FReM.

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity. Financial assets and financial liabilities are recognised in the statement of financial position when the group becomes a party to the contractual provisions of an instrument.

The fair value of financial instruments is determined by reference to quoted market prices where an active market exists for the trade of these instruments. The fair value of financial instruments which are not traded in an active market is determined using generally accepted valuation techniques.

Financial assets are derecognised when the rights to receive future cash flows have expired or are transferred and the group has transferred substantially all the risks and rewards of ownership. Financial liabilities are derecognised when the obligation is discharged, cancelled or expires.

Financial assets

The group's financial assets have been classified into the following categories, which are determined at initial recognition:

- Loans and receivables
- Cash and cash equivalents
- Held at fair value through profit or loss
- Available-for-sale assets

Fair value is the price that would be received to sell an asset in an orderly transaction between market participants at the measurement date. The fair value of financial assets traded in active markets (such as publicly traded debt and equity securities) are based on quoted market bid prices at the close of trading on the nearest trading day.

Loans and receivables

Loans and receivables principally comprise accrued income and short-term receivables. Given the short-term nature of these assets, they are carried at transaction cost.

Cash and cash equivalents

Cash and cash equivalents comprise current balances with banks and other financial institutions, which are readily convertible to known amounts of cash and which are subject to insignificant risk of changes in value. The carrying amount of these assets approximates their fair value.

Held at fair value through profit or loss (FVTPL)

The group classifies its investments in equity securities, holdings in a qualifying investment fund and derivatives, as financial assets at fair value through profit or loss (FVTPL).

Investments held at FVTPL are initially recognised at fair value. Any consequent movement in the valuation of the investment is recognised in the consolidated statement of comprehensive income and expenditure. This category has two sub-categories: financial assets held for trading; and those designated at FVTPL at inception.

(i) Financial assets held for trading
A financial asset is classified as held for trading if it is acquired or incurred principally for the purpose of selling or repurchasing in the near term or if on initial recognition is part of a portfolio of identifiable financial investments that are managed together and for which there is evidence of a recent actual pattern of short-term profit taking.

(ii) Financial assets designated FVTPL or loss at inception
Financial assets designated at FVTPL are financial instruments that are not classified as held for trading but are managed, and their performance is evaluated on a fair value basis in accordance with the group's investment policy.

The purchases and sales of investments are recognised on the trade date, which is the date on which the group commits to purchase or sell the investment. Financial assets at FVTPL are initially recognised at fair value. Transaction costs are expensed as incurred in the consolidated statement of comprehensive income and expenditure.

Subsequent to initial recognition, all financial assets held at FVTPL are measured at fair value. Gains and losses arising from changes in the fair value of these assets are presented in the consolidated statement of comprehensive income and expenditure in the year in which they arise.

Impairments and derecognition of financial assets held at FVTPL loss

The group assesses at the end of each reporting year whether there is objective evidence that assets held at FVTPL are impaired. Evidence of impairment arises where there is observable data indicating that there is a measurable decrease in the estimated future cash flows from holding financial assets.

When assets held at FVTPL are deemed to be impaired or derecognised, the associated gains and losses are recognised in the statement of comprehensive income and expenditure.

Financial assets held at FVTPL are derecognised when the rights to receive cash flows from the investments have expired or the group has transferred substantially all risks and rewards of ownership.

Available-for-sale assets (AFS)

Available-for-sale (AFS) investments are non-derivative financial assets intended to be held for an indefinite period of time and that may be sold in response to liquidity requirements or changes in market prices. AFS investments are initially recognised at fair value. After initial recognition, these financial assets are carried at fair value. Gains and losses arising from changes in the fair value are recognised in other comprehensive income. When securities classified as AFS are sold or impaired, the accumulated fair value adjustments recognised in other comprehensive income are included in the consolidated statement of comprehensive income and expenditure. AFS assets, held by the group, principally comprise of a number of equity investment vehicles, investments in property funds and debt securities.

The unlisted securities within the private equity investment vehicles are not traded in an active market. The fair value is determined using the latest available valuation provided by the investment managers or at cost less any provisions for impairment when the group is unable to obtain a reliable estimate of fair value from the investment managers. Where a valuation is not available at the reporting date, the most recent valuation from the private equity manager is used, adjusted for cash flows between the most recent valuation and the balance sheet date.

The fair value of the private equity investments are estimated based on a variety of valuation techniques, adopted by the investment managers, that complies with the International Private Equity and Venture Capital (PEVC) Valuation Guidelines or the valuation guidelines produced by the British Venture Capital Association (BVCA). Valuation techniques used by the private equity investment managers include the use of earning multiple, discounted cash flow analysis, net asset value and other valuation techniques commonly adopted by market participants.

Impairments and derecognition of available-for-sale assets

The group assesses at the end of each reporting year whether there is objective evidence that AFS assets are impaired. Evidence of impairment arises where there is observable data indicating that there is a measurable decrease in the estimated future cash flows from holding financial assets.

Gains and losses on AFS assets are recognised as a separate component of equity until the investment is deemed to be impaired at which time the cumulative gain or loss previously reported in equity is included in the consolidated statement of comprehensive income and expenditure.

AFS financial assets are derecognised when the rights to receive cash flows from the investments have expired or the group has transferred substantially all risks and rewards of ownership.

Derivative assets and liabilities

The group does not designate any derivatives as hedge instruments in a hedging relationship for the application of cash flow hedge accounting under IAS 39. As a result, all derivatives have been classified as financial assets or liabilities, held for trading, at fair value through profit or loss in accordance with IAS 39.

Derivative assets and financial liabilities are initially measured at fair value. Subsequent to initial recognition, all derivative assets and liabilities are measured at fair value. Gains and losses arising from changes in the fair value of these assets and liabilities are presented in the consolidated statement of comprehensive income and expenditure in the year in which they arise.

Financial liabilities

The group's financial liabilities have been classified as other financial liabilities at initial recognition. These comprise trade and other payables. Since these balances are expected to be settled within twelve months of the reporting date, there is no material difference between fair value, amortised cost and historical cost. All other financial liabilities are measured at amortised cost, after initial recognition.

1.7 Foreign exchange

Transactions that are denominated in a foreign currency are translated into sterling at the rate of exchange ruling on the date of each transaction, except where rates do not fluctuate significantly, in which case an average rate for a year is used. Monetary assets and liabilities denominated in foreign currencies at the date of the statement of financial position are retranslated at the rates of exchange ruling at that date. These translation differences are recognised in the consolidated statement of comprehensive income and expenditure.

1.8 Corporation tax

BIS (Postal Services Act 2011) Company Limited, with a registered number of 07941521, is exempt from UK corporation tax for any accounting year that begins and ends before 1 April 2015, by virtue of The Postal Services Act 2011 (Taxation) Regulations 2012. It is the directors opinion that exemption will also be provided for the year beginning 1 April 2015 and for future years under secondary legislation planned to be made before the end of the calendar year.

1.9 Significant accounting estimates and judgements

Other than the accounting estimates and judgements as disclosed in the accounting policies there are no other significant accounting estimates or judgements applied by management.

1.10 Cash distributions

Cash distributions are accounted for in the group's financial statements in the year in which they are approved by the group's shareholders.

1.11 Changes in accounting policy

There were no changes to the accounting policies in the reporting year.

1.12 Changes to IFRS

These accounts apply EU adopted IFRS and Interpretations in place as at 1 January 2014. The group has reviewed the potential effects of new accounting standards on its financial statements and no material impact is expected other than the item noted below.

IFRS 9: *Financial Instruments* is being introduced to replace IAS 39: *Financial Instruments: Recognition and Measurement*. The new standard simplifies the classification and measurement of financial assets as well as amending when and how impairments are calculated and reported, moving from an incurred loss to an expected loss model. This will result in impairments being recognised earlier than under IAS 39.

Note 2 Net realised gains arising from the sale of financial assets

The table below sets out the realised gains or losses arising from the sale of financial assets by category under IAS 39.

	Group	Group
	For the year to 31 March 2016	For the year to 31 March 2015 restated
	£'000	£'000
Realised gains/(losses) arising from:		
- the sale of financial assets at fair value through profit or loss	4,339	10,302
- the sale of available-for-sale financial assets	96,851	60,117
Total realised gains	**101,190**	**70,419**

Note 3 Finance income

The interest income below relates to receipts arising from the group's investment holdings in bank deposits, gilts and corporate bonds.

	Group	Group
	For the year to 31 March 2016	For the year to 31 March 2015 restated
	£'000	£'000
Finance income:		
- Dividend income	433	1,850
- Interest income arising from financial assets	2,578	37,677
Finance income	**3,011**	**39,527**

Note 4 Other income

	Group	Group
	For the year to 31 March 2016	For the year to 31 March 2015
	£'000	£'000
Other income:		
- Rental income from investment properties	844	7,457
- Investment income derived from available-for-sale property funds	12,692	15,781
Total other income	**13,536**	**23,238**

Note 5a Operating expenses

	Group	Group
	For the year to 31 March 2016	For the year to 31 March 2015
	£'000	£'000
Investment management fees and custodian fees	7,174	11,070
Investment property maintenance costs	18	832
Movement in provision for bad debts	(28)	(56)
Bad debts written off	173	33
Miscellaneous expenses – See Note 5b	1,600	3,997
Total other costs	**8,937**	**15,876**

Note 5b Auditor's remuneration

The figure of £1.6 million (2014-15: £4.0 million) within Note 5a includes auditor's remuneration as detailed in the following table. During the year to 31 March 2016 the group obtained the following services from the group's auditor and its subsidiary undertakings:

	Group	Company	Group	Company
	For the year to 31 March 2016	For the year to 31 March 2016	For the year to 31 March 2015	For the year to 31 March 2015
	£'000	£'000	£'000	£'000
Audit fees in respect of the audit of the consolidated and company financial statements	42	42	50	50
Audit fees in respect of the audit of the subsidiary company's financial statements	-	-	4	4
Total	**42**	**42**	**54**	**54**

Note 5c Employees and directors

The directors do not receive remuneration for their services to the group. The group has no employees and does not incur any expenses in respect of the services of its directors.

Note 6 Foreign exchange gains/(losses)

The foreign exchange gains/(losses) charged to the consolidated statement of comprehensive income and expenditure are included as follows:

	Group	Group
	For the year to 31 March 2016	For the year to 31 March 2015 restated
	£'000	£'000
Other net loss:		
- Realised foreign exchange gains	4,778	1,232
- Unrealised foreign exchange gains/(losses)	(6,302)	8,812
Total other income	**(1,524)**	**10,044**

Included in the net unrealised foreign exchange loss of £6.3 million (31 March 2015: £8.8 million gain) are £0.3 million of unrealised foreign exchange losses (31 March 2015: £1.8 million gains) in respect of cash and cash equivalents.

Note 7 Investment properties

	Group	Company	Group	Company
	For the year to 31 March 2016	For the year to 31 March 2016	For the year to 31 March 2015	For the year to 31 March 2015
	£'000	£'000	£'000	£'000
At 1 April	**32,150**	**32,150**	**265,325**	**265,325**
Additions	-	-	79	79
Disposals	(32,150)	(32,150)	(229,404)	(229,404)
Net gain/(loss) arising from fair value adjustments	-	-	(3,850)	(3,850)
At 31 March	**-**	**-**	**32,150**	**32,150**

The group's investment properties are formally valued on an annual basis by independent professionally qualified valuers who hold a recognised relevant professional qualification and have recent experience in the locations and categories of the investment properties.

Since 1 April 2015, the net unrealised loss arising from fair value adjustments recognised in the consolidated statement of comprehensive income and expenditure was £nil (year to 31 March 2015: £3.9 million loss).

During the reporting year, total income of £1.2 million (31 March 2015: £7.5 million) was generated from the investment properties and total expenses of £0.1 million (31 March 2015: £2.5 million) in respect of the investment properties was recognised in the consolidated statement of comprehensive income and expenditure.

During the year, investment properties with a net book value of £32.2 million (31 March 2015: £229.4 million) were disposed of, generating a loss on disposal of £0.7 million (31 March 2015: gain of £72.0 million).

Note 8 Investment in subsidiary undertakings

Details of the company's subsidiary at 31 March 2015 and 31 March 2016 is as follows:

Name of subsidiary	Place of incorporation	Proportion of ownership interest	Principal activity
BIS (Postal Services Act 2011) B Company Limited	United Kingdom	100%	Manage and hold general partner interests in limited partnerships

Note 9 Available-for-sale financial assets

The group has determined that the investments in high yield debt securities, private equity investments and property funds are to be classified as available-for-sale financial assets in accordance with IAS 39.

	Group	Company	Group	Company
	At 31 March 2016	At 31 March 2016	At 31 March 2015	At 31 March 2015
	£'000	£'000	£'000	£'000
Available-for-sale financial assets:				
- Corporate bonds (at fair value)	1,008	1,008	114,857	114,857
- Private equity investment (at fair value)	468,788	468,788	563,439	563,439
- Property funds (at fair value)	80,844	80,844	208,046	208,046
Total	**550,640**	**550,640**	**886,342**	**886,342**

	Group	Company	Group	Company
	At 31 March 2016	At 31 March 2016	At 31 March 2015	At 31 March 2015
	£'000	£'000	£'000	£'000
At 1 April	**886,342**	**886,342**	**1,795,345**	**1,795,345**
Additions	24,605	24,605	79,497	79,497
Disposals	(397,200)	(397,200)	(1,062,011)	(1,062,011)
Fair value adjustments	36,893	36,893	73,511	73,511
At 31 March	**550,640**	**550,640**	**886,342**	**886,342**

During the reporting year, £36.9 million of total gains (31 March 2015 restated: £73.5 million) due to the fair value adjustments of available-for-sale financial assets were recognised in other comprehensive income. £42.8 million (31 March 2015 restated: £10.2 million) of fair value gains were reclassified, on de-recognition, from equity to the consolidated statement of comprehensive income and expenditure.

Note 10 Investment in joint ventures

During the year the joint venture holdings in Hermes Factory Outlets GP Limited and Talke General Partner Limited were disposed. There are no joint ventures held at 31 March 2016.

Note 11 Trade and other receivables

	Group	Company	Group	Company
	At 31 March 2016	At 31 March 2016	At 31 March 2015	At 31 March 2015
	£'000	£'000	£'000	£'000
Amounts falling due within one year				
Trade receivables	1,916	1,916	19,817	19,817
Bad debt provision	-	-	(28)	(28)
Amounts due from subsidiary company	-	-	-	8
Accrued income	-	-	4,019	4,019
Prepayments and other receivables	828	828	465	465
Total	**2,744**	**2,744**	**24,273**	**24,281**

Accrued income in primarily relates to accrued interest arising from the investments in corporate bonds.

Note 12 Derivative financial instruments

The group held certain foreign exchange derivatives within its residual investments portfolio. These derivatives were originally entered into for the purpose of hedging the underlying foreign exchange risks of certain investments against USD at the portfolio level. These hedges were not formally designated as hedge instruments in a hedging relationship for the application of cash flow hedge accounting under IAS 39. Therefore, all derivatives have been classified as financial assets or financial liabilities, held for trading, at fair value through profit or loss in accordance with IAS 39.

Liquidity risk

The group settles the foreign currency forward contracts on a net cash flow basis in which it pays or receives the fair values of the forward contracts, equating to the mark-to-market valuation of these contracts, at the date of maturity. The total net cash inflow for foreign currency forward contracts in the year to 31 March 2016 was £3.7 million (31 March 2015: £2.1 million). The total value of derivative financial instruments at 31 March 2016, as shown on the consolidated statement of financial position, was £0.1million liability (31 March 2015: £5.9million asset).

The liquidity risk is monitored on an ongoing basis by management to ensure that there are sufficient resources available to meet any ongoing liabilities. The board of directors is satisfied that the group is a Government-backed entity and that it has sufficient certainty over future cash inflows from investments held and was not therefore exposed to any significant liquidity risk in respect of the settlement of the derivative contracts.

Note 13 Financial assets at fair value through profit or loss

The financial assets held at fair value through profit or loss include equity shares. All of these instruments are classified as financial assets held for trading. In accordance with IAS 39, all financial assets held at fair value through profit or loss were classified as held for trading on transfer in.

	Group and company	Group and company
	At 31 March 2016	At 31 March 2015
	£'000	£'000
Financial assets		
At the beginning of the year	**13,239**	**18,679**
Additions	-	21,614
Disposals	(7,215)	(16,453)
Fair value adjustments	3,329	(10,601)
Reclassifications	-	-
Total financial assets	**9,353**	**13,239**

Note 14 Cash and cash equivalents

	Group	Company	Group	Company
	At 31 March 2016	At 31 March 2016	At 31 March 2015	At 31 March 2015
	£'000	£'000	£'000	£'000
Cash and cash equivalents held by the Government Banking Service (GBS)	143,311	143,311	210,101	210,101
Cash and cash equivalents held at commercial banks	8,269	8,269	46,225	46,225
Total	**151,580**	**151,580**	**256,326**	**256,326**

At 31 March 2016, £3.6 million (31 March 2015: £32.5 million) of cash and cash equivalents held by the group is denominated in USD. Since the group uses GBP as its reporting currency, it is exposed to foreign currency exchange rate movement. Management estimates that a shift of +/-5% in the USD/GBP foreign exchange rate would not be deemed unreasonable and would result in an unrealised foreign exchange gain or loss of £0.2 million (31 March 2015: £1.5 million) being recognised in the consolidated statement of income and expenditure.

At 31 March 2016, £1.8 million (31 March 2015: £6.7 million) of cash and cash equivalents held by the group is denominated in EUR. Since the group uses GBP as its reporting currency, it is exposed to foreign currency exchange rate movement. Management estimates that a shift of +/-5% in the EUR/GBP foreign exchange rate would not be deemed unreasonable and would result in an unrealised foreign exchange gain or loss of £0.1 million (31 March 2015: £0.3 million) being recognised in the consolidated statement of income and expenditure.

Note 15 Trade and other payables

	Group	Company	Group	Company
	At 31 March 2016	At 31 March 2016	At 31 March 2015	At 31 March 2015
	£'000	£'000	£'000	£'000
Amounts falling due within one year				
Trade payables	679	679	405	405
Accrued expenses and deferred income	1,952	1,952	4,153	4,153
Other payables	88	88	-	-
Total	**2,719**	**2,719**	**4,558**	**4,558**

Note 16 Financial instruments

Note 16a Financial risk factors

Financial risk management

The group's activities expose it to a variety of financial risks. The group's overall risk management programme seeks to minimise on-going exposure to financial risks by disposing of assets as promptly as reasonably practicable whilst achieving value for money for the taxpayer.

The day-to-day management of financial risks is carried out by the investment managers under policies approved by the group's management team. The management team provides written principles for overall risk management, as well as specific instructions covering the manner in which different classes of assets should be realised to meet its objectives.

Market risk

The group is exposed to market risk, primarily related to foreign currency exchange rates, interest rates and price risks. To manage the exposure to market risk, the group actively seeks to dispose of any liquid and volatile assets as promptly as reasonably practicable whilst achieving value for money for the taxpayer.

i. Foreign exchange risk

The group uses GBP as its reporting currency. As a result, the group is exposed to foreign currency exchange rate movements. The primary foreign exchange risks are USD and EUR due to its holdings in foreign currency denominated fixed income instruments and its investments in various private equity investment vehicles that have exposure to European and North American regions. The sterling value of the group's balance sheet can be affected by movements in exchange rates.

The table below summarises the sensitivity of the group's monetary assets to changes in foreign exchange movements at 31 March 2016. The analysis is based on the assumption that the relevant foreign exchange rate increased/decreased against GBP by the percentage disclosed in the table below with all other variables held constant. Management estimates that a movement in the foreign exchange rates of +/- 5% would not be unreasonable, having regards to the historical volatility of those rates. The increase or decrease in the net assets arises primarily from a change in the fair value of USD and EUR denominated unquoted equity of the private equity portfolio and fixed interest securities that are classified as available-for-sale financial assets.

Group	Reasonable movement in rate	Impact on net assets	Impact on net assets
		At 31 March 2016	At 31 March 2015
Currency	%	£'000	£'000
US dollar denominated monetary assets	+/- 5%	+/- 12,691	+/- 18,080
Euro denominated monetary assets	+/- 5%	+/- 10,708	+/- 13,075

ii. Price risk

The group's strategy for managing price risk principally focuses on the disposal of highly volatile and liquid assets as promptly as possible whilst realising value for money for the taxpayer. During the financial year, the group continued to actively dispose of its investments, where practicable, to minimise its on-going exposure to price risk. The residual investments at 31 March 2016 were predominantly comprised of less liquid and highly diversified investments, including investments in private equity investment vehicles, high yield debt securities and property funds.

The sensitivity analysis below has been determined based on the exposure to each material price risk at the reporting date.

The group's private equity portfolio is primarily composed of investments in European and North American unquoted shares. During the year the group recognised a market value increase on its private equity portfolio of £28.9 million (31 March 2015: £55.8 million). If the valuation had been 5% higher/lower, the total value would have increased/decreased by £1.4 million (31 March 2015: £2.8 million), with the movement being recognised in other comprehensive income.

The fair value movement of debt securities is driven by the fluctuations in market interest rates. The fair value interest risk is further discussed below. The price risk on the investments in property funds is not expected to be material.

The performance of investments held by the group is monitored by management on a monthly basis.

iii. Interest rate risk

Interest rate risk arises from the effects of fluctuations in the prevailing levels of market interest rates on the fair value of financial assets and future cash flows. The group holds fixed interest securities that expose the group to fair value interest rate risk. The group also holds floating rate securities that are exposed to cash flow interest rate risk.

The group's principle risk management strategy is to manage the fair value risk by holding the high yield debt securities until maturity. At 31 March 2016, the high yield debt securities were valued at £1 million (31 March 2015: £114 million). Of this 100% are fixed interest debt securities (31 March 2015: 89%).

The group have no short or long term borrowings and is not therefore exposed to risk in respect of variable interest rate payments.

Credit risk

The group is exposed to credit risk, which is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. The main concentration to which the group is exposed arises from the group's investments in debt securities. The overall risk of the debt securities is deemed to be immaterial.

Liquidity risk

Liquidity risk is the risk that an entity will encounter difficulty in meeting its obligations associated with financial liabilities. The liquidity risk is monitored on an ongoing basis to ensure that there are sufficient resources available to meet any ongoing liabilities. The group is a Government-backed entity. In addition, the board of directors are satisfied that it has sufficient certainty over future cash inflows from the investments held and that the group was not therefore exposed to any significant liquidity risk.

In addition, cash flow is monitored on an ongoing basis to ensure there are sufficient cash balances to pay any ongoing operational costs or commitments in respect of uncalled capital amounts payable to relevant investment managers, as and when they fall due.

Note 16b Fair value estimation

The following table analyses financial instruments carried at fair value, by valuation method. The different levels have been defined as follows:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (Level 1).
- 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 2).
- Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (Level 3).

The following table presents the group's assets and liabilities that are measured at fair value at 31 March 2016.

Group	Level 1	Level 2	Level 3	Total
	£'000	£'000	£'000	£'000
Assets				
Financial assets at fair value through profit or loss				
- Trading securities	9,353	-	-	**9,353**
Available-for-sale assets	1,008	-	549,632	**550,640**
Total assets	**10,361**	-	**549,632**	**559,993**
Liabilities				
Financial liabilities at fair value through profit or loss				
- Derivatives	-	(36)	-	**(36)**
Total liabilities	-	(36)	-	**(36)**

The following table presents the group's assets and liabilities that are measured at fair value at 31 March 2015.

Group	Level 1	Level 2	Level 3	Total
	£'000	£'000	£'000	£'000
Assets				
Financial assets at fair value through profit or loss				
Derivatives	-	5,945	-	**5,945**
Trading securities	13,239	-	-	**13,239**
Available-for-sale assets	114,857	-	771,485	**886,342**
Total assets	**128,096**	**5,945**	**771,485**	**905,526**
Liabilities				
Financial liabilities at fair value through profit or loss				
Derivatives	-	-	-	-
Total liabilities	-	-	-	-

The following table presents the movement in Level 3 instruments for the year ended 31 March 2016 by class of financial instrument:

Group	Private equity investments	Property funds	Total
	£'000	£'000	£'000
At the beginning of the year	**563,440**	**208,045**	**771,485**
Additions	19,991	-	**19,991**
Disposals	(143,124)	(130,394)	**(273,518)**
Net changes in fair value	28,481	3,193	**31,674**
At 31 March 2016	**468,788**	**80,844**	**549,632**

The following table presents the movement in Level 3 instruments for the year ended 31 March 2015 by class of financial instrument:

Group	Private equity investments	Property funds	Total
	£'000	£'000	£'000
At the beginning of the year	**762,229**	**411,306**	**1,173,535**
Additions	32,558	931	**33,489**
Disposals	(287,143)	(188,274)	**(475,417)**
Net changes in fair value	55,796	18,420	**74,216**
Reclassifications	-	(34,338)	**(34,338)**
At 31 March 2015	**563,440**	**208,045**	**771,485**

Note 16c Financial instruments by category

31 March 2016

Group	Loans and receivables	Assets at fair value through profit or loss	Available-for-sale	Total
	£'000	£'000	£'000	£'000
Assets as per balance sheet				
Available-for-sale financial assets	-	-	550,640	**550,640**
Trade and other receivables excluding prepayments	2,744	-	-	**2,744**
Financial assets at fair value through profit or loss	-	9,353	-	**9,353**
Cash and cash equivalents	151,580	-		**151,580**
Total	**154,324**	**9,353**	**550,640**	**714,317**

31 March 2015

Group	Loans and receivables	Assets at fair value through profit or loss	Available-for-sale	Total
	£'000	£'000	£'000	£'000
Assets as per balance sheet				
Available-for-sale financial assets	-	-	886,342	**886,342**
Trade and other receivables excluding pre-payments	24,273	-	-	**24,273**
Financial assets at fair value through profit or loss	-	5,945	-	**5,945**
Cash and cash equivalents	256,326	-	-	**256,326**
Total	**280,599**	**5,945**	**886,342**	**1,172,886**

Note 17 Income tax expense

	For the year to 31 March 2016	For the year to 31 March 2015 restated
	£'000	£'000
Profit before tax	**109,903**	**184,917**
Tax on profit at 20% (31 March 2015 – 21%)	21,981	38,833
Items not chargeable to UK corporation tax	(21,981)	(38,833)
Income not taxable	-	-
Expenses allowable for tax purposes	-	-
Tax expense for the year	-	-

BIS (Postal Services Act 2011) Company Limited is exempt from UK corporation tax for any accounting year that begins and ends before 1 April 2015, as set out in The Postal Services Act 2011 (Taxation) Regulations 2012. BIS (Postal Services Act 2011) B Company Limited is not exempt from UK corporation tax. Further information is given in note 1.8.

Note 18 Share capital

	Group and company		Group and company	
	At 31 March 2016		At 31 March 2015	
	Number of shares	Ordinary shares	Number of shares	Ordinary shares
		£'000		£'000
Allotted				
1 allotted, called up and unpaid share of £1	1	-	1	-
At 31 March	1	-	1	-

At the date of incorporation, one share was issued at par with a nominal value of £1. The £1 remains unpaid at 31 March 2016.

Note 19 Contingent liabilities

At 31 March 2016, there was a contingent liability in relation to assets previously disposed of. The aggregate total of the contingent liability in respect of investments that were disposed of is less than £1.5m.

Note 20 Commitments

At 31 March 2016, the group and company had contractual obligations in respect of repair, maintenance or enhancement of the investments properties of £0.1 million (31 March 2015: £0.1 million). These amounts are due in less than one year.

The group and company are required to fulfil capital contributions in respect of the private equity funds and property funds classified within the available-for-sale financial instruments. At 31 March 2016, the total unfunded commitment was £101.1 million (31 March 2015: £116.3 million) which is payable on demand with no set date for repayment.

Note 21 Ultimate controlling party

The ultimate controlling party for the group is the Secretary of State for the Department for Business, Innovation and Skills. These group financial statements are consolidated within the Department for Business, Innovation and Skills financial statements.

Note 22 Related-party transactions

Under Article 14, *'Remittance of Cash Proceeds to the Consolidated Fund'*, and Article 12, *'Retention of Cash'*, of the company's Articles of Association, the company has an obligation to reimburse 'excess cash' to its immediate parent company BIS. A total cash remittance of £0.6 billion was paid to BIS during the year to 31 March 2016 (31 March 2015: £1.5 billion).

During the year, the company paid costs of £nil, as noted in the auditor's remuneration note, on behalf of its subsidiary undertaking, BIS (Postal Services Act 2011) B Company Limited (31 March 2015: £0.1 million). At 31 March 2016, the company was owed £nil by its subsidiary undertaking (31 March 2015: £0.1 million). During the year the company wrote off all trade receivables and trade payables balances owed to or from its subsidiary undertaking. The bad debt written off was £0.1 million.

Note 23 Events after the reporting period

The EU Referendum

The result of the referendum held on 23 June was in favour of the UK leaving the European Union. This is a non-adjusting event. A reasonable estimate of the financial effect of this event cannot be made. The directors will continue to asses any impact due to the referendum.

Machinery of Government change

On 14 July 2016, following a machinery of Government change it was announced that the group's parent entity, the Department for Business, Innovation and Skills, is having its responsibilities changed. The parent entity for the group kis now the Department for Business, Energy and Industrial Strategy.

Note 24 Prior period restatement

The comparatives for the year ended 31 March 2015 and at 1 April 2014 have been restated. In accordance with IAS 21, foreign exchange movements for non-monetary assets should be included within the available-for-sale reserve. Previously, foreign exchange movements for non-monetary assets were included within the consolidated statement of income expenditure. Consequently this has led to a restated realised gains position in the consolidated statement of income and expenditure due to a re-assessment of the values included in the reclassification adjustments for gains of available-for-sale financial assets included in other comprehensive income. The impact of the restatement for the year to 31 March 2015 and at 1 April 2014 is shown below.

Impact of restatements	Group		
	Balance at 31 March 2015 per 2014-15 signed financial statements	Prior period adjustment	Restated balance at 31 March 2015
	£'000	£'000	£'000
Consolidated statement of income and expenditure			
Revenue			
Net gains arising from the sale of financial assets	125,647	(55,228)	70,419
Finance income	39,527	-	39,527
Other income	23,238	-	23,238
Gain/(Loss) on revaluation of investment properties	(3,850)	-	(3,850)
Gain/(Loss) arising from the disposal of investment properties	72,016	-	72,016
Foreign exchange gains/(losses)	41,944	(31,900)	10,044
Expenses			
Operating expenses	(15,876)	-	(15,876)
Net changes in fair value on financial assets held at fair value through profit or loss	(10,601)	-	(10,601)
Net profit before tax	**272,045**	(87,128)	**184,917**
Other comprehensive income:			
Available-for-sale reserve:			
Net changes in fair value of available-for-sale financial assets	41,611	31,900	73,511
Reclassification adjustments for gains of available-for-sale financial assets included in statement of comprehensive income and expenditure	(65,476)	55,228	(10,248)
Total comprehensive income for the year	**248,180**	-	**248,180**
Consolidated statement of financial position			
Available-for-sale reserves	90,522	(9,934)	80,588
Retained earnings	1,123,195	9,934	1,133,129
Total equity	**1,213,717**	-	**1,213,717**

Impact of restatements	Group		
	Balance at 1 April 2014 per 2013-14 signed financial statements	Prior period adjustment	Restated balance at 1 April 2014
	£'000	£'000	£'000
Consolidated statement of financial position			
Available-for-sale reserves	114,387	(97,062)	17,325
Retained earnings	2,369,946	97,062	2,467,008
Total equity	**2,484,333**	**-**	**2,484,333**