

BBC Pension Scheme



**ANNUAL REPORT**

**FOR THE YEAR ENDED  
31 MARCH 2008**





## **BBC Pension Scheme**

### **Annual Report for the year ended 31 March 2008**

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## Summary of the Year

### Membership

The membership of the Scheme fell slightly during the year. As at 31 March 2008 the total membership was 58,389; 0.7% less than last year, but 7.1% more than five years ago.

Details of the breakdown of membership are on page 12.

### Fund

The value of the Scheme's investments (including AVC investments) fell from £8.2 billion last year to £8.1 billion as at 31 March 2008, a fall of 0.9%.

The Scheme's investments have increased 64% from £5.0 billion in 2003.

Details of the distribution of investments are on pages 17 and 18.

### Performance

The Scheme's assets suffered a negative return of 0.6% in the year ended 31 March 2008. Over the last five years the Scheme's investments have generated an annualised return of 13.0%.

More details are on page 21.

### Valuation

The Scheme undertook a valuation as at 1 April 2007. The Scheme remains in surplus. Details are on page 10.

## Movement of the Fund

The Consolidated Fund Account on page 25 shows that income from contributions and transfers in was £242.9m and outgoings were £291.5m, giving a net outflow from dealings with members of £48.6m. Income from investments, net of expenses, was £188.1m; providing a total net inflow of £139.5m.

The market value of the Scheme's assets fell during the year by £213.6m.

## **Trustee and Advisers to the Scheme as at 31 March 2008**

<b>Trustee</b>	BBC Pension Trust Ltd, Broadcasting House, London W1A 1AA
<b>Secretary to the Trustee</b>	Sandra Phillips Pension and Benefits Centre, Broadcasting House, Cardiff CF5 2YQ
<b>Actuary</b>	Alison Blay, Watson Wyatt Ltd
<b>Auditors</b>	PricewaterhouseCoopers LLP
<b>Investment Consultants</b>	Watson Wyatt Ltd David Gamble Richard L. Greene (USA property)
<b>Investment Managers</b>	Alliance Bernstein Ltd Alliance Bernstein LP Artemis Investment Management Ltd Baillie Gifford & Co Capital International Ltd Goldman Sachs & Co Henderson Equity Partners Ltd Henderson Global Investors Ltd Hg Pooled Management Invesco Asset Management Ltd Marvin & Palmer Associates, Inc Morley Fund Management Ltd NewSmith Asset Management LLP NewSmith UK Hedge Fund Ltd PGSFIII GP Ltd (investment adviser: Pantheon Ventures Ltd) State Street Global Advisors Ltd Sun Capital Partners, Inc Trilogy Global Advisors, LLC Warburg Pincus LLC Western Asset Management Company Ltd
<b>Cash Manager</b>	Barclays Global Investors Ltd
<b>Engagement Manager</b>	Hermes Equity Ownership Services Ltd
<b>Property Managers</b>	Grosvenor Americas Ltd (USA) CB Richard Ellis (UK) CB Richard Ellis Investors (UK) PanEuropean Property Unit Trust
<b>Property Valuer</b>	Cushman & Wakefield (Chartered Surveyors)
<b>Custodian</b>	HSBC Bank plc
<b>Solicitor</b>	Sacker & Partners LLP
<b>Property Solicitors</b>	Brodies LLP (Scotland) Greene, Radovsky, Maloney & Share (USA) Nabarro LLP
<b>Bankers</b>	The Royal Bank of Scotland plc

## **Trustees' report**

This report for the year ended 31 March 2008 is presented in compliance with the Occupational Pension Schemes (Disclosure of Information) Regulations 1996. The financial statements have been prepared and audited in accordance with the regulations made under sections 41 (1) and 41 (6) of the Pensions Act 1995.

## **How the Scheme is run**

The BBC Pension Scheme (the Scheme) is a defined benefit scheme. It provides benefits for employees of the British Broadcasting Corporation (BBC) and other participating employers.

The Scheme is established and governed by a Trust Deed and Rules. Members of the Scheme (other than members of the Career Average Benefits section) are contracted out of the State Second Pension. The Scheme is registered with HM Revenue & Customs under Chapter 2, Part 4 of the Finance Act 2004.

## **Participating employers**

On 31 March 2008 the participating employers were:

- BBC
- 2 Entertain Management Ltd
- 2 Entertain Video Ltd
- 3SIXTYMEDIA Ltd
- BBC Audio Books Ltd
- BBC Children in Need
- BBC Resources Ltd
- BBC World Ltd
- BBC Worldwide Ltd.

## The Corporate Trustee

BBC Pension Trust Ltd exists only for the purpose of acting as corporate trustee of the Scheme. The Board of Directors corresponds exactly with how the Board of Trustees would otherwise be composed and is referred to as 'the Trustees' throughout this report.

On 31 March 2008 the Trustees comprised:

		Attendance at Board Meetings (excluding standing committees)
Trust Trustee:	Jeremy Peat	6/6
BBC Trustees:	Mark Byford	5/6
	Stephen Kelly	4/6
	Zarin Patel	6/6
	Caroline Thomson	4/6
Member Trustees:	Grant Cassidy	6/6
	Ian Pollock	5/6
	Dan Cooke	6/6
Pensioner Trustee:	Geoff Jones	6/6

## Changes to the Trustee Board

Following a review of the constitution of the Board the role of Alternate Chairman was discontinued. Dermot Gleeson ceased to be a director of BBC Pension Trust Ltd on 19 August 2007. Mark Byford ceased to be a Trustee on 31 March 2008. His successor is Helen Boaden. Ian Pollock ceased to be a Trustee on 30 April 2008 and was succeeded by Rhodri Lewis.

## Trustee meetings

During the year, the full Board of Trustees met six times; the Investment Committee met four times; the General Purposes Committee met twice, a Funding Committee met seven times to consider funding related issues and the Internal Disputes Resolution Committee met three times.

## **Appointment and nomination of Trustees**

The power to appoint and remove the BBC Trust Trustee is vested in the BBC Trust. The BBC Trust appoints the Chairman of the Trustees.

The power to appoint and remove the BBC Trustees is vested in the BBC. All BBC Trustees are active members. Member Trustees are nominated from and by the active members. They hold office for six years and retire in rotation. If the number of nominations exceeds the number of vacancies, a ballot of the active members is held.

The Pensioner Trustee is nominated from and by the pensioners. He or she holds office for four years. If there is more than one nomination, a ballot of the pensioners is held.

The Trustees have a duty to act in the best interests of all beneficiaries. As a group and as individuals they represent all members equally, rather than sectional interests.

## **Advisers**

During the year:

- Goldman Sachs & Co was appointed to manage a debt fund;
- Warburg Pincus LLC was appointed to manage a private equity portfolio; and
- Alliance Bernstein LP was appointed to manage a currency fund.

## Governance

The Trustees have adopted a governance policy intended to reassure members that the Scheme is well run and provide a means of monitoring the effectiveness of the arrangements put in place to manage the Scheme.

### During the year the Trustees:

- reviewed the structure of the Board and agreed that:
  - BBC Trust should continue to appoint a Trustee, subject to approval by the Board;
  - BBC Trust should nominate the Chairman, subject to approval by the Board;
  - the role of Alternate should be discontinued and that the Board should decide from amongst its members who should chair the meeting in the absence of the Chairman;
  - the arrangements in place met the new requirements for schemes to have one-third Member Nominated Trustees (MNTs) from August 2007. They noted that at the time that the Pensions Act 1995 introduced the requirement for schemes to have one third MNTs, the Scheme complied because four of the nine Trustees were member nominated. It was, however, necessary for the BBC to 'opt out' so that the Scheme could keep the requirements for MNTs to be resident in the UK and for those elected by the active members to be employees. They agreed that the current MNTs would serve out their terms of office and the new arrangements would apply to each new election of an MNT. The Memorandum and Articles of Association of BBC Pension Trust Ltd were amended to include the new arrangements;
  - the Board should have the power to ask a Trustee who was leaving service and becoming a pensioner to continue for the remainder of his or her term of office; and
  - the Trust Trustee, the Chairman and the pensioner Trustee should be paid;
- recognised that some Trustees may have a conflict of interest when discussing funding matters. A Funding Committee was set up for which Zarin Patel, Group Finance Director and Stephen Kelly, Director, BBC People elected not to be part;
- reviewed and revised the terms of reference for the Investment and General Purposes Committees;
- considered the impact of Section 75 of the Pensions Act 1995. This requires a participating employer, who ceases to participate in a scheme after 2005, to pay its share of any deficit that arises as a result of the amount of assets a scheme holds being less than the value of its liabilities when assessed on a buy out basis (i.e. an estimate of the amount an insurance company would charge to take over the liabilities). The Trustees introduced an apportionment rule, which gives them discretion over how to calculate any sum due as a result of a participating employer's leaving the Scheme;
- agreed a cross acceleration agreement formalising the offer made by the BBC at the time of the 2005 valuation to provide additional security by accelerating payment to the Trustees of any deficit recovery repayments due, if the BBC accelerated payment to its bond holders;

- reviewed the Scheme's risk register;
- considered the feedback in respect of levelling and agreed to defer taking any steps to remove the option for the time being;
- agreed that the Trustees should sign the statement issued by the Institutional Investors Group on Climate Change (IIGC);
- reviewed the Scheme's investment strategy;
- revised the Statement of Investment Principles; and
- agreed the benefit changes outlined on page 9.

### The Investment Committee:

- undertook an asset liability modelling review to help the Trustees assess their funding objective; the appropriate balance between contributions and investment returns and the degree of investment risk that was appropriate; and to see if there were ways in which the efficiency of the investment strategy could be improved;
- considered ways in which the Scheme could switch from equities to bonds and rebalance back to its strategic position;
- reviewed the Scheme's existing commitment to alternative assets;
- undertook a foreign exchange review which showed that the Scheme's managers operated efficiently; and
- were pleased to note, when considering a report on the correlation of relative returns between the Scheme's equity managers, that the performance of the Scheme's managers was not correlated with each other and that the different styles (value and growth) were negatively correlated.

### The General Purposes Committee:

- reviewed the training provided for Trustees against the knowledge and understanding requirements identified by the Pensions Regulator. Trustees and Scheme officers agreed to undertake the Pension Regulator's online training known as the "Trustee Toolkit";
- updated the Governance Statement to reflect changes in Scheme practice and legislative changes;
- considered whether or not to set up a separate audit committee but concluded that the General Purposes Committee performed the function of an audit committee and that it should continue to be responsible for overseeing internal controls in consultation with internal or external audit;
- approved an updated version of the Trustee handbook which reflected changes during the year and incorporated updated key Scheme documents;
- reviewed the performance of the Scheme's advisers; and
- noted that the Pension and Benefits Centre met its target of completing 95% of all cases within minimum standard times.

### The Funding Committee:

- appointed Ernst & Young to provide financial advice;
- considered the BBC's financial position;
- looked at valuation assumptions and valuation results;
- considered the impact of BBC World Distribution Ltd's cessation to participate in the light of Section 75 of the Pensions Act 1995. The Trustees agreed to apportion the liabilities relating to BBC World Distribution Ltd to BBC World Ltd on the basis that payment would be guaranteed firstly by BBC World Ltd and secondly by BBC Worldwide Ltd;
- considered the impact if BBC Resources Ltd and 3SIXTYMEDIA Ltd ceased to participate; and
- agreed the format of the Statement of Funding Principles.

## **Benefit changes during the year**

In order to comply with Age Discrimination legislation the Trustees agreed that the option to buy outstanding added years should be removed with effect from April 2010. New added years contracts received by the Pension and Benefits Centre after 15 October 2007 did not carry with them the option to purchase outstanding added years on retirement.

Flexible payment of pensions was introduced from April 2008.

A late retirement increase, to be applied when an Old or New Benefits members' pension starts after age 60, was introduced.

The BBC announced its intention to end pension augmentation after 5 April 2011 for staff leaving on the grounds of redundancy. The Trustees agreed that the preferential rates applied to Old Benefits members made redundant aged between 45 and 50, would cease after 5 April 2010.

The BBC announced its intention to introduce salary sacrifice, (known as Smart Pensions) for employees' pension contributions for Old and New Benefits members with effect from June 2008.

## **Increases in pensions and deferred pensions**

Pensions in payment and deferred pensions, including any guaranteed minimum pension, are increased each 1 April by the rise in the Retail Prices Index (RPI) during the twelve months ending 31 December last, up to a maximum of 10% for Old Benefits members and 5% for New Benefits members. For Old and New Benefits members deferred pensions and pensions in payment for less than a year are increased pro rata. The pension increase paid on 1 April 2007 was 4.4% and the increase paid on 1 April 2008 was 4.0%.

The revaluation of Career Average Benefits (CAB) for active and deferred members for the Scheme year to 31 March 2008 was 4.0%.

## **Additional Voluntary Contributions (AVCs)**

A total of 2,192 members paid AVCs during the year (2007: 2,346). The contributions are invested with Abbey National plc, Norwich Union Life and Pensions Ltd or Fidelity Pensions Management in accordance with the members' elections. At 31 March 2008, 3,449 members were buying added years (2007: 3,484).

During the year the Trustees reviewed the AVC arrangements offered by Norwich Union and Fidelity. The Trustees decided that with profits investments were no longer suitable investments. Future contributions were directed from Norwich Union to Fidelity from April 2008. The Trustees agreed that existing funds should not be moved pending further information on the reattribution exercise being undertaken by Norwich Union. The Trustees also reviewed the funds offered by Fidelity and selected new funds.

## Contributions

During the year the BBC's contribution rate (inclusive of AVC Plus contributions) was 19.1% of pensionable salaries. The BBC also paid £25.7m into the Scheme (including £1.2m reimbursement of the PPF levy). The Old and New Benefit members' contribution rate was 6.0% during the year, and CAB members paid 4.0% by salary sacrifice.

## Actuarial position

The Actuary issued the following statement on 14 May 2008.

"A full investigation of the Scheme's financial strength was made as at 1 April 2007. This valuation is the first to take place under the new Scheme Specific Funding Requirement of the Pensions Act 2004. The valuation showed that the Scheme continued to be in a satisfactory financial position with a surplus of £275 million, before allowing for the additional contribution of just over £24 million that the BBC had previously agreed to pay to the Scheme on 1 April 2007.

For the BBC Pension Scheme, the full funding rate disclosed by the 2007 valuation is 25.65% of Pensionable Salaries (including the BBC's contributions under the AVC Plus arrangement). Following detailed discussions between the Trustees and the BBC it was agreed that, with effect from 1 July 2008, the BBC will pay 25.65% of Pensionable Salaries to the Scheme less the members' normal rate of contributions. The BBC's contributions may be subject to deductions in each of July, August and September 2008, with a total deduction of £24 million.

All contribution rates are subject to review at the next valuation, which is due no later than as at 1 April 2010. I confirm that, in my view, this is a reasonable funding plan for the Scheme at the current time.

My formal statements complying with the statutory requirements are set out on pages 43 to 44.

In recent months equity markets have been volatile and the outlook for future investment returns has reduced. It is important to monitor the progress of the Scheme regularly, although it should be noted that pension schemes are investing for the long term and the contribution requirements should not be unduly influenced by short term fluctuations in investment markets.

An interim review of the Scheme's financial position as at 1 April 2008 is currently in progress, and the results will be communicated to members in due course."

## **Transfer values**

Payments made in respect of employees or deferred pensioners to other pension arrangements have been calculated in accordance with the provisions of Section 97 of the Pension Schemes Act 1993, using tables supplied by the Actuary. Payments made during the year fully reflected the value of the members' accrued benefit rights. Similarly, benefits granted to those joining the Scheme and bringing with them transfers from previous pension schemes have been determined using tables supplied by the Actuary. Allowance is made for all discretionary benefits calculated on actuarial advice.

## **Administration**

BBC Pension Trust Ltd is the Scheme Administrator. The management and staff involved in running the Scheme (including the Secretary to the Trustees) are employed by the BBC. The Scheme bears all costs of investment, direct staff and computer costs, stationery and postage, together with accommodation and other administrative costs.

## Membership

31 March

	2008	2007	
<b>Total membership</b>			
Contributing members	18,736	19,974	
Deferred pensioners	18,286	17,723	
Pensioners	21,367	21,116	
	<b>58,389</b>	<b>58,813</b>	
<b>Contributing members</b>			
At 1 April 2007	19,974		
New members	851		
Leavers	(1,813)		
Retired with pension (normal health)	(256)		
Retired with pension (ill health)	(6)		
Died in service	(14)		
At 31 March 2008	18,736		
<b>Deferred pensioners</b>			
At 1 April 2007	17,723		
Leavers from active status	1,096		
Subsequently transferred	(71)		
Pensions becoming payable	(385)		
Deaths	(17)		
Surrendered, commuted or refunded	(60)		
At 31 March 2008	18,286		
<b>Pensioners</b>			
	<b>Former contributors</b>	<b>Spouses and dependants</b>	<b>Total</b>
At 1 April 2007	17,372	3,744	21,116
Contributing members who retired	262	0	262
Deferred pensions becoming payable	385	0	385
Spouses and dependants	0	262	262
Deaths/cessations	(450)	(208)	(658)
At 31 March 2008	17,569	3,798	21,367

## **Investment report (forming part of the Trustees' annual report)**

### **Investment policy**

The Trustees are responsible for setting and reviewing investment policy. In accordance with Section 35 of the Pensions Act 1995, they have adopted a Statement of Investment Principles (SIP), which sets out the principles governing decisions about the Scheme's investments. A copy of the SIP is available on request.

The Trustees' overall investment policy is to invest in a wide range of long term assets such as equities, property and bonds and a range of alternative assets (private equity, hedge funds, infrastructure, currency overlay etc) whilst ensuring that there are sufficient holdings of readily marketable assets that can meet the short term liabilities of the fund.

The Trustees have created a set of investment beliefs which, together with the SIP, are used as foundation blocks for developing investment strategy. The Trustees also use asset liability modelling to assist with strategic asset allocation and an asset liability modelling review was undertaken in 2007. The conclusion of the process was that the current strategic asset allocation of 25% UK equities, 25% overseas equities, 30% bonds, 10% property and 10% alternative assets should remain unchanged.

As at 31 March 2008 the Scheme was invested 22% in UK equities, 35% in overseas equities, 21% bonds, 13% property, 6% alternative assets and 3% in cash.

The overweighting of equities and underweighting of bonds against the benchmark, which has been an extremely successful strategy over the last few years, performed less well in the year to 31 March 2008. The now well documented sub-prime mortgage crisis in the US triggered a credit crunch in all developed markets and in the UK led to the bailing out of Northern Rock and ultimately its nationalisation. As a result of these events, investors took fright and looked for ultra-safe homes for their money. Equities fell back to end the year little changed whereas government bonds rose in price.

Whilst the outlook remains very uncertain in the short term the Trustees expect to make further new commitments in the alternative assets area funded out of equities. In the medium term as markets return to more normal levels they expect to make further moves out of equities into lower risk, lower return bonds.

## **Current management arrangements**

The Trustees have delegated the management of all investments to external managers who are given a range of different mandates. There are nine quoted equity managers, four bond managers and four property managers. The Scheme has invested in 11 alternative asset funds. Cash is swept daily from all of the Scheme's sterling bank accounts into an interest bearing fund.

The performance targets for the quoted equity and bond portfolios are based on the relevant equity and bond indices. One of the UK property portfolios is benchmarked to the performance of a number of similarly sized UK property portfolios, with the other having an objective to produce a real return of 5%-6% a year. For overseas property, local property index benchmarks are used. The pooled vehicles in which the Scheme has invested have a range of different benchmarks. Some target absolute returns, whilst the remainder have benchmarks related to equity indices.

No changes were made during the year to the management of the Scheme's quoted equity and bond portfolios.

In property the two UK property managers were given authority to invest up to 20% of their portfolios in pooled vehicles operating in Continental Europe and an additional £50m was committed to be directly invested in this area. £60m was invested in an active currency overlay programme managed by Alliance Bernstein.

The Investment Committee, a sub-committee of the Trustee Board, monitors the performance of the investment managers on a quarterly basis. The in-house executive team meet with the managers quarterly and a Trustee joins those meetings from time to time. Each year a minimum of two investment managers give formal presentations to the Investment Committee although additional presentations are organised in the event of poor performance or other concerns.

Investment managers are remunerated on scales linked to the value of assets under management. In some cases these fees have been reduced and an additional fee agreed related to the performance of the underlying portfolio. Fees payable to UK property managers are related to the value of assets under management, but fees are also paid to the managers for purchases, sales and day to day management of the portfolio.

## Responsible investment

The Trustees believe that companies which adopt responsible policies and act in their shareholders' long-term interests are likely to produce superior returns over the long run. They also believe that companies whose shareholders are informed and active in their stewardship are more likely to outperform than those companies whose shareholders are not.

Hermes Equity Ownership Services Limited (Hermes EOS) has been appointed to co-ordinate all voting at company meetings and engagement with companies in which the Scheme is invested on a global basis. They have been delegated responsibility for voting on all resolutions at annual and extraordinary meetings. Hermes EOS also engages with companies through dialogue, discussions and meetings with company representatives and by co-operating with other investors.

Hermes EOS is expected to exercise votes in accordance with Myners' Principles and Institutional Shareholders' Committee (ISC) principles and such higher standards as agreed with the Trustees, unless they believe that doing so would not be in the best financial interests of the Scheme. Hermes EOS is expected to develop policies on socially, ethically and environmentally responsible investing and to encourage these practices in the course of engagements where these will enhance or protect companies' long-term prospects.

Besides engagement at the company level, Hermes EOS, works on the Scheme's behalf to engage with public, industry and regulatory bodies in the various markets in which the Scheme invests to promote better practices.

The Trustees expect Hermes EOS to:

- monitor various aspects of corporate performance (including Corporate Governance);
- maintain details of their monitoring process;
- maintain a regular dialogue with the management of the companies in which they hold a significant percentage of the issued capital;
- intervene in a company if they believe that such action will enhance value for the Scheme after taking account of the costs involved. Intervention is seriously considered when Hermes has concerns about any aspect of corporate performance and where it believes that shareholder value may be at risk. Intervention may take several forms, according to the circumstances and may include the following:
  - exercising votes;
  - discussion with management;
  - communicating concerns in writing for the attention of the board as a whole;
  - communicating concerns to the company's brokers or advisers;
  - exchanging information with other shareholders;
  - working with other shareholders to requisition a shareholder meeting; and
  - attendance at general meetings, which may involve calling a poll;
- manage conflicts of interest effectively;
- monitor the response of a company during and after the period of intervention, looking for evidence that the company has addressed the concerns and responded accordingly; and

- report back to the Trustees on a quarterly basis where Hermes EOS has taken meaningful steps to intervene in a company.

The Scheme has signed up to the UN Principles for Responsible Investment (UNPRI) and is also a member of the Institutional Investors Group on Climate Change (IIGCC) where Peter Dunscombe, the Scheme's Head of Pensions Investments, is chair of the Steering Committee.

Active Old and New Benefits members of the Scheme have the option to contribute to an ethical AVC fund.

## **Custody**

Custody of securities is with HSBC Bank plc. Securities are normally registered in the name of the nominee of the custodian or its sub custodians, but this is subject to local market practice, regulations and law. However, through HSBC, UK securities (CREST) are specifically registered in a segregated style allowing clear identification of the Scheme's specific assets. Such designation is a practice recommended in the Myners report for the Shareholder Voting Working Group, looking at various aspects of Corporate Governance.

The Trustees monitor the administration and processing of investment transactions by the custodian. The controls in place to secure safe custody are subject to both internal and external audit testing, the findings of the latter being published in HSBC's FRAG 2 I statement for the year ended 31 December 2007.

The deeds for all UK properties are held by the Scheme's property solicitors, Nabarro LLP in England and Wales and Brodies LLP in Scotland.

## Distribution of investments – by mandate and manager

The following table gives the distribution of investment assets, including cash, by mandate and manager as at 31 March 2008.

	£m	£m	%	%
<b>Investments</b>				
<b>Global equities (including UK equities)</b>				
Alliance Bernstein Ltd (a unit of Alliance Capital)	906.8		11.3	
Baillie Gifford & Co	367.3		4.6	
Capital International Ltd	687.5		8.6	
Marvin & Palmer Associates Inc	728.9		9.1	
Trilogy Global Advisors LLC	333.0		4.1	
<b>UK equities</b>				
State Street Global Advisors Ltd	696.9		8.7	
NewSmith Asset Management LLP	410.2		5.1	
Artemis Investment Management Ltd	406.2		5.1	
Invesco Asset Management Ltd	241.1		3.0	
<b>Bonds</b>				
State Street Global Advisors Ltd	572.0		7.1	
Western Asset Management Company Ltd	239.1		3.0	
Morley Fund Management Ltd	452.0		5.6	
Henderson Global Investors	447.8		5.6	
<b>Alternative assets</b>				
Bernstein Currency	54.2		0.7	
GS & Co Infrastructure	79.9		1.0	
GS & Co Mezzanine	14.0		0.2	
Hg Pooled Management (HG SPLP LP)	51.7		0.6	
Hg Pooled Management (HG Capital SLP)	56.5		0.7	
Hg Pooled Management (HG Renewable Power Partners LP)	7.6		0.0	
Henderson Equity Partners Ltd	84.0		1.0	
NewSmith UK Hedge Fund Ltd	61.7		0.8	
PGSF III GP Ltd	25.2		0.3	
Sun Capital Partners, Inc	3.5		0.0	
Warburg Pincus LLC	16.5		0.2	
Total securities and alternative assets		6,943.6		86.4
<b>Property Investments</b>				
UK – CB Richard Ellis	326.4		4.1	
UK – CB Richard Ellis Investors	371.4		4.6	
USA – Grosvenor Americas Ltd	216.4		2.7	
Europe – CB Richard Ellis	21.0		0.3	
Europe – CB Richard Ellis Investors	86.8		1.1	
Europe – Pan European Property Unit Trust	42.5		0.4	
Total Property Investments		1,064.5		13.2
Miscellaneous cash balances	32.1	32.1	0.5	0.4
Total investments		8,040.2		100.0

## Distribution of investments by asset class

Summaries of the investments showing market values at 31 March 2008, analysed by category, are shown below:

		£m	%
Equities	UK	1,788.6	22.2
	Europe (other than UK)	1,290.8	16.1
	USA	627.6	7.8
	Japan	348.8	4.3
	Pacific Basin (ex Japan)	309.2	3.8
	Other markets	269.8	3.4
Property		1,001.1	12.5
Index-linked government bonds		333.2	4.1
Fixed interest bonds		1,359.5	16.9
Cash		239.0	3.0
Futures		17.9	0.2
Alternatives		454.7	5.7
		8,040.2	100.0

The direct and indirect investments in quoted securities are considered to be readily marketable, but the investments in property, private equity and other unquoted investments are generally illiquid investments. It may not be possible to liquidate some of these assets fully and some may require sufficient time to find buyers willing to pay full market value.

## Distribution of assets by geographical sector

	Market value £m	%
UK	4,576.4	56.9
USA	1,461.4	18.2
Europe (other than UK)	1,025.4	12.7
Japan	359.4	4.5
Pacific Basin (ex Japan)	319.3	4.0
Other markets	298.3	3.7
	8,040.2	100.0

## Twenty largest holdings

The twenty largest individual equity investments of the Scheme are as follows:

	Market value £m
1 Vodafone Group plc	90.2
2 Royal Dutch Shell	70.3
3 GlaxoSmithKline plc	68.2
4 BP plc	64.9
5 British American Tobacco plc	60.9
6 BG Group plc	47.4
7 BHP Billiton	46.9
8 TOTAL S.A.	35.2
9 Vestas Wind Systems A/S	34.7
10 Aviva plc	34.6
11 Nestle Sa	32.6
12 Petroleo Brasileiro S.A.	32.0
13 OAO Gazprom Neft	31.5
14 Nokia Corp	28.7
15 Standard Chartered plc	27.7
16 Rio Tinto plc	27.4
17 AstraZeneca plc	27.1
18 E.ON Ag	25.5
19 ING Group N.V	25.5
20 ALSTOM Sa	24.2

The total value of the investments shown above is £835.5m, which represents 10.4% of the Scheme's total investment assets.

## Unquoted securities

The Scheme has several portfolios of unquoted securities. By their very nature, the companies in which the investments are held tend to be small and the Scheme's proportionate holdings in these companies are greater than would be the case for quoted companies.

## Property

At 31 March 2008 the Scheme owned 63 properties in the UK, with a total market value of £573.8m (excluding cash awaiting investment of £63.3m), 94.2% by value being freehold and the remainder held on leases exceeding 103 years. Tenants' leases were let on leases subject to rent reviews not later than 2022.

## Investment performance

Over the last year equity markets around the world made little progress whilst bond markets were in positive territory. However this masks some very significant movements over the period which has been dominated by the widely reported credit crunch.

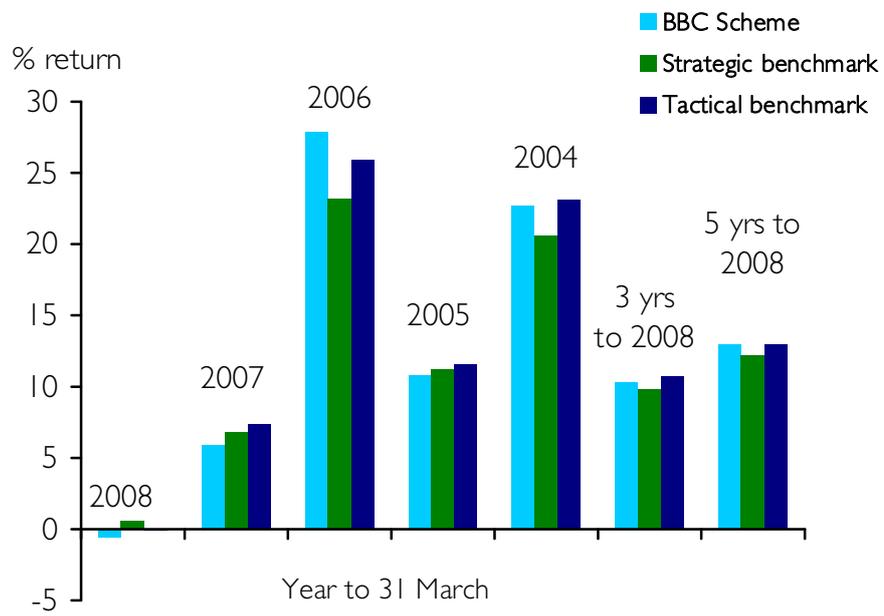
For each year, and the longer term rolling periods three figures are given in the table on page 21. The strategic benchmark is the return that the Scheme would have attained if the assets had been invested in line with the strategic asset allocation and indexed returns achieved in each asset class. The tactical benchmark shows the return that the Scheme would have made given the tactical positions taken (primarily overweight equities and underweight bonds) if indexed returns had been achieved in each asset class. The total Scheme return is the actual return achieved by the Scheme across all of its assets.

Comparing the tactical benchmark with the strategic benchmark provides a measure of the value added or detracted by the asset allocation decisions taken by the Investment Committee. Comparing total Scheme performance with the tactical benchmark provides a measure of how our investment managers have performed against their benchmarks.

Although the results for individual years are important, the longer term results are more significant as these enable consistency of performance to be judged. Over the year to 31 March 2008 the Scheme produced a negative total return of 0.6%, which was 1.2% behind the strategic benchmark. Within those figures the tactical positions taken by the Investment Committee reduced performance by 0.7% and the investment managers underperformed by 0.5%. Over five years the Scheme has produced annualised performance of 13.0% compared with the annual strategic benchmark of 12.2%. Tactical positions taken by the Investment Committee added 0.8% a year over the period, whilst our investment managers performed in line with their benchmark.

The Investment Committee monitor very closely the tactical decisions taken against the benchmark and the positions regularly reviewed at their quarterly meetings. In addition they monitor the performance of their investment managers.

## Investment performance



## Statement of Trustees' responsibilities

The financial statements are the responsibility of the Trustees. Pension scheme regulations require them to make available to Scheme members, beneficiaries and certain other parties, audited financial statements for each Scheme year which:

- show a true and fair view of the financial transactions of the Scheme during the Scheme year and of the amount and disposition at the end of the Scheme year of its assets and liabilities, other than liabilities to pay pensions and benefits after the end of the Scheme year, and
- contain the information specified in the Schedule to the Occupational Pension Schemes (Requirement to obtain Audited Accounts and a Statement from the Auditor) Regulations 1996, including a statement whether the financial statements have been prepared in accordance with the Statement of Recommended Practice "Financial Reports of Pension Schemes".

The Trustees have supervised the preparation of the financial statements and have agreed suitable accounting policies, to be applied consistently, making any estimates and judgements on a prudent and reasonable basis.

The Trustees are also responsible under pensions legislation for ensuring that there is prepared, maintained and from time to time revised a Schedule of Contributions showing the rates of contributions (other than voluntary contributions) payable to the Scheme by or on behalf of the employer and the active members of the Scheme and the dates on or before which such contributions are to be paid.

The Trustees are also responsible for keeping records of contributions received in respect of any active member of the Scheme, and for ensuring that contributions are made to the Scheme in accordance with the Schedule of Contributions.

The Trustees also have a general responsibility for ensuring that adequate accounting records are kept and for taking such steps as are reasonably open to them to safeguard the assets of the Scheme and to prevent and detect fraud and other irregularities.

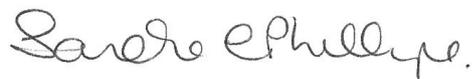
## **Data protection**

There is a formal agreement in place between the Trustees and the BBC for the transfer of data. This is necessary to ensure that the Scheme complies with the data protection principles detailed in Part I of Schedule I of the Data Protection Act 1998.

## **Further information**

Further information about the Scheme is available from the Secretary at the address shown on page 2.

For and on behalf of BBC Pension Trust Limited

A handwritten signature in cursive script that reads "Sandra Phillips".

Sandra Phillips  
Secretary

3 June 2008

## Consolidated Statement of Net Assets as at 31 March 2008

	Notes	2008		2007	
		£m	£m	£m	£m
Investment assets	3	8,049.7		8,151.1	
AVC investments	11	78.7		76.9	
Current assets and liabilities	9	2.7		(22.8)	
Total Net Assets			8,131.1		8,205.2

The Financial Statements on pages 24 to 39 were approved by the Board of the Trustees on 3 June 2008 and signed on its behalf by:

Director



Director



## Consolidated Fund Account for the year ended 31 March 2008

	Notes	2008		2007	
		£m	£m	£m	£m
<b>Contributions and benefits</b>					
Contributions receivable	10	238.0		149.6	
Individual transfers in		4.9		14.0	
			242.9		163.6
<hr/>					
Benefits payable	12	277.3		277.5	
Payments to and on account of leavers	13	9.2		26.1	
Administrative expenses	14	5.0		4.7	
			(291.5)		(308.3)
<hr/>					
Net withdrawals from dealings with members			(48.6)		(144.7)
<hr/>					
<b>Returns on investments</b>					
Investment income	15	225.1		206.4	
Change in market value of investments	16	(213.6)		249.8	
Investment expenses	17	(37.0)		(28.8)	
Net return on investments			(25.5)		427.4
<hr/>					
Net (decrease)/increase in fund during the year			(74.1)		282.7
Opening balance of fund			8,205.2		7,922.5
Closing balance of fund			8,131.1		8,205.2

## **Notes to the Financial Statements for the year ended 31 March 2008**

### **I Basis of preparation**

#### **(a) Compliance with SORP**

The Financial Statements have been prepared in accordance with the Occupational Pension Schemes (Requirement to obtain Audited Accounts and a Statement from the Auditor) Regulations 1996, and in accordance with the Statement of Recommended Practice "Financial Reports of Pension Schemes" (SORP) issued in November 2002.

#### **(b) Scope of financial statements**

The Financial Statements summarise the transactions and net assets of the Scheme. They do not take account of the liabilities to pay pensions and other benefits in the future. The actuarial position of the fund is dealt with by The Actuary in her Certificates on pages 43 to 44.

### **2 Accounting policies**

The principal accounting policies adopted and applied consistently by the Trustees are as follows:

#### **(a) Consolidation**

These consolidated financial statements include the Scheme's subsidiary undertakings and joint ventures.

The Scheme has taken advantage of the exemption included in FRS9 (Associates and Joint Ventures) which allows the Scheme to account for its subsidiary companies and joint ventures using the net equity method of accounting. This results in the Scheme's financial statements including the Scheme's share of the valuation of the North American properties and one property in the United Kingdom.

The results of the subsidiary undertakings and related joint ventures incorporated in North America are derived from the latest financial statements of the entities as at 31 December each year unless significant transactions have taken place since that date when adjustments are made to reflect such transactions. The results of all other subsidiary undertakings are derived from their latest unaudited financial statements as at 31 March.

The Scheme's investment in its subsidiary undertaking is re-valued annually on a net assets basis, such that there is no difference between the Scheme's total net assets and those of the Group.

Further information about the subsidiary undertakings and joint ventures is given in note 18 to the financial statements.

## **(b) Contributions**

(i) Normal contributions, both from the members and from the employers, are accounted for as they fall due under the Schedule of Contributions.

(ii) Additional and special contributions from the employer are accounted for in accordance with the agreement under which they are paid, or in the absence of such an agreement, when received. AVCs from the members are accounted for in the month that they are deducted from the payroll.

## **(c) Pensions and benefits**

Members can choose whether to take their benefits as a pension or reduced pension and lump sum. Pensions and lump sums are accounted for on an accruals basis from the later of the date of retirement or the date the option is exercised.

## **(d) Investment and cash deposits**

(i) Listed investments are included at the mid-point of the quoted prices at 31 March. The exception is UK securities within the FTSE 100 index which are quoted on the order matching system called the Stock Exchange Trading Service (SETS). SETS uses the single last trade (i.e. last automatically executed trade before the market close) rather than the mid-point of the bid and offer prices. Market values listed in overseas currencies are translated into sterling at the rate of exchange ruling at 31 March.

(ii) Investments held in quoted pooled investment vehicles are valued at the average of the closing bid and offer prices at 31 March. The geographical analysis of pooled investment vehicles is shown by reference to the location of the underlying assets. In the opinion of the Trustees this better reflects the underlying risks attached to the securities.

(iii) Unquoted securities and pooled investment vehicles are valued by the Trustees, based on recommendations by the investment managers. Valuations are as at 31 March each year except where data is not available, in which case the valuations are as at 31 December, updated for any net subsequent investment and after allowing for estimated investment management fees.

(iv) UK freehold and leasehold properties are valued by Cushman & Wakefield, Chartered Surveyors, at 31 March, and are included at open market value. No depreciation is provided on freehold or long leasehold property. Properties in development are valued at cost until their completion.

(v) Investments and Cash deposits in overseas currencies are translated into sterling at the relevant rates of exchange ruling at 31 March.

(vi) Futures contracts are entered into for the purpose of obtaining economic exposure and are reflected in the accounts on the basis of associated economic exposure. The associated economic exposure of a futures contract is the value of an amount of securities which, if held as an alternative to the futures contract, would provide a similar return in the market to that obtained on the futures contract. Open contracts are valued at market price at the year end. Gains and losses on open contracts are treated as unrealised.

(vii) Accrued interest is excluded from the market value of fixed interest securities but is included in accrued investment income (note 8).

(viii) Investment management fees are accounted for on an accruals basis. Acquisition costs are included in the purchase cost of investments.

(ix) AVC investments are included at valuations provided by the AVC providers as at 31 March or 31 December. Where valuations are as at 31 December, these are updated for subsequent receipts and payments as indicated by the Scheme's records.

(x) Where stock lending has been carried out the securities 'loaned' have been included in the net assets statement to reflect the Scheme's continuing economic interest of a proprietorial nature in those securities. The total amount of stock lent at the year end has been disclosed in note 4 (c) to the financial statements together with a description of the related collateral.

#### **(e) Income from investments**

The different sources of investment income are recognised as follows:

(i) Dividends on an ex-div. basis.

(ii) Interest (including that on fixed interest securities) on an accruals basis.

(iii) Property rents on an accruals basis for the four quarters 25 March 2007 to 24 March 2008.

(iv) Sub-underwriting commission on a receipts basis.

(v) Interest earned on deposits backing futures contracts is recognised on the accruals basis and is attributed to the classes of investments to which the futures contracts relate.

#### **(f) Transfers**

Transfer values represent the capital sums either receivable in respect of members from other pension arrangements or payable to the pension arrangements for members who have left the scheme. They take account of transfers where the trustees of the receiving scheme have agreed to accept the liabilities in respect of the transferring members before the year end, and where the amount of the transfer can be determined with reasonable certainty.

### 3. Investment Assets

		2008	2007
	Notes	£m	£m
Securities and pooled investment vehicles	4	6,800.1	6,912.4
UK freehold & long leasehold property	5	634.4	738.5
Other property investments	5	366.7	242.9
Loans & cash deposits	7	239.0	257.4
<b>Sub-total</b>		<b>8,040.2</b>	<b>8,151.2</b>
Other investment balances	9	9.5	(0.1)
		8,049.7	8,151.1

### 4. Securities and pooled investment vehicles

	2008			2007		
	UK £m	Overseas £m	Total £m	UK £m	Overseas £m	Total £m
Quoted investments						
Fixed interest securities						
Government	375.3	27.8	403.1	297.4	66.3	363.7
Other	182.4	196.8	379.2	298.5	22.4	320.9
Index futures contract	67.1	(49.2)	17.9	33.2	(21.8)	11.4
Index-linked securities	332.4	0.8	333.2	352.1	-	352.1
Equities (inc convertibles)	1,091.7	2,801.5	3,893.2	1,390.1	2,746.7	4,136.8
Pooled investment vehicles	1,274.1	44.7	1,318.8	1,418.6	73.6	1,492.2
<b>Total</b>	<b>3,323.0</b>	<b>3,022.4</b>	<b>6,345.4</b>	<b>3,789.9</b>	<b>2,887.2</b>	<b>6,677.1</b>
Unquoted investments						
Pooled investment vehicles	308.0	146.7	454.7	213.0	22.3	235.3
<b>Total</b>	<b>308.0</b>	<b>146.7</b>	<b>454.7</b>	<b>213.0</b>	<b>22.3</b>	<b>235.3</b>
<b>Total securities and pooled investment vehicles</b>			<b>6,800.1</b>			<b>6,912.4</b>

**(a) Pooled vehicles**

Pooled investment vehicles comprise: unitised insurance policies £1,269.0m (2007: £1,413.2m) and other managed funds £504.5m (2007: £314.3m). At 31 March 2008 the Scheme had £326.1m (2007: £197.2m) invested in pooled investment vehicles not registered in the United Kingdom and £1,447.4m (2007: £1,530.3m) invested in pooled investment vehicles registered in the United Kingdom.

**(b) Futures contracts**

The Scheme's Statement of Investment Principles permits its investment managers to utilise traded index and bond futures contracts for the purposes of asset allocation. At the year end, investments included open futures contracts amounting to £17.9m (2007: £11.4m) which represents 0.2% (2007: 0.1%) of the Scheme's assets. Unrealised gains and losses at the year end are immaterial and are not, therefore, disclosed separately.

**(c) Stock lending**

The Scheme lends certain fixed interest and equity securities under a Trustee approved stock lending programme operated by the custodian. At the year end the Scheme had lent £579.7m (2007: £432.7m) of UK fixed interest securities, £125.2m (2007: £90.3m) of UK quoted equities and £301.1m (2007: £194.8m) of overseas quoted equities. The Scheme held collateral in the form of equities and fixed interest securities with a value of 106% (2007: 105%) of stock lent.

**5. Property**

**(a) UK property investments**

	2008	2007
	£m	£m
Freehold and long leasehold properties		
Offices	86.0	147.5
Industrial	172.7	199.3
Shops	137.2	156.0
Retail warehouses	173.0	208.6
Hotels	4.9	0.0
	573.8	711.4
Interests in pooled investments	60.6	27.1
	634.4	738.5
<b>(b) Other property investments</b>		
North America joint ventures	216.4	207.3
European pooled vehicles	150.3	35.6
	366.7	242.9

## 5. Property contd

(c) The property pooled investment vehicles comprise: other managed funds £210.9m (2007: £51.7m) and unit trusts £13.6m (2007: £11.0m). At 31 March 2008 the Scheme had £97.8m (2007: £nil) invested in pooled investment vehicles not registered in the United Kingdom and £113.1m (2007: £62.7m) invested in pooled investment vehicles registered in the United Kingdom.

## 6. Changes in investment assets

	Market value at 1 April 2007	Purchases at cost	Sale Proceeds	Change in market value	Market value at 31 March 2008
	£m	£m	£m	£m	£m
<b>Manager</b>					
<b>Global equities (including UK equities)</b>					
Alliance Bernstein Ltd	961.0	288.9	(277.1)	(72.2)	900.6
Baillie Gifford & Co	339.5	106.6	(102.8)	17.2	360.5
Capital International Ltd	703.1	395.5	(388.9)	(37.9)	671.8
Marvin & Palmer Associates Inc	629.2	972.3	(982.4)	72.1	691.2
Trilogy Global Advisors LLC	358.6	365.8	(367.6)	(40.0)	316.8
<b>UK equities</b>					
State Street (sterling)	891.8	0.0	(140.0)	(54.9)	696.9
NewSmith Asset Management LLP	442.5	359.2	(371.3)	(52.7)	377.7
Artemis Investment Management Ltd	457.4	248.5	(258.0)	(65.0)	382.9
Invesco Asset Management Ltd	259.1	71.8	(62.9)	(26.9)	241.1
<b>Bonds</b>					
State Street (Fixed Income)	521.5	0.9	0.0	49.6	572.0
Western Asset Management Company Ltd	212.7	268.3	(223.1)	(6.9)	251.0
Morley Fund Management Ltd	434.0	1,483.6	(1,472.9)	5.9	450.6
Henderson Global Investors Ltd	406.7	354.6	(340.8)	11.9	432.4
<b>Alternative assets</b>					
Alliance Bernstein Currency	0.0	60.0	0.0	(5.8)	54.2
G S & Co. Infrastructure	11.5	69.3	0.0	(0.9)	79.9
G S & Co Mezzanine	0.0	13.6	0.0	0.4	14.0
Hg Pooled Management (SPLP)	112.1	2.6	(114.6)	51.5	51.6
Hg Pooled Management (Renewables)	2.6	4.5	(0.2)	0.7	7.6
Hg Pooled Management (Hg5)	30.6	35.1	(14.2)	5.0	56.5
Henderson Equity Partners Ltd	70.3	4.8	(0.9)	9.7	83.9
NewSmith UK Hedge Fund Ltd	60.1	0.0	0.0	1.6	61.7
PGSF III GP Ltd	8.1	14.2	0.0	2.9	25.2
Sun	0.0	4.2	0.0	(0.7)	3.5
Warburg Pincus LLC	0.0	16.4	0.0	0.1	16.5
<b>Sub Total</b>	<b>6,912.4</b>	<b>5,140.7</b>	<b>(5,117.7)</b>	<b>(135.3)</b>	<b>6,800.1</b>
<b>Property</b>					
CB Richard Ellis (UK)	323.7	6.1	0.0	(34.9)	294.9
CB Richard Ellis Investors (UK)	414.8	2.8	(26.8)	(51.3)	339.5
Property – overseas	242.9	98.4	0.0	25.4	366.7
Loans and Cash Deposits	257.4	1,717.0	(1,717.3)	(18.1)	239.0
AVC Investments	76.9	6.2	(5.0)	0.6	78.7
<b>Total Assets</b>	<b>8,228.1</b>	<b>6,971.2</b>	<b>(6,866.8)</b>	<b>(213.6)</b>	<b>8,118.9</b>

## 7. Loans and cash deposits

	2008	2007
	£m	£m
Sterling	375.0	243.9
Foreign currency	(118.1)	24.9
Cash backing open index stock futures	(17.9)	(11.4)
	239.0	257.4

Sterling cash deposits and some US dollar and Euro balances were managed by Barclays Global Investors Ltd, the Scheme's cash manager. Other foreign currencies are managed by the relevant investment and property managers.

## 8. Other investment balances

	2008	2007
	£m	£m
Receivable on sales of stocks, shares, bonds and unit trusts	34.3	45.7
Accrued investment income	34.6	28.5
Tax recoverable	0.3	0.4
Other debtors	0.0	0.2
Property debtors	3.9	5.7
Payable on purchases of stocks, shares, bonds and unit trusts	(50.2)	(58.7)
Property creditors	(8.6)	(16.2)
Other creditors	(4.8)	(5.7)
	9.5	(0.1)

## 9. Current assets and liabilities

	2008	2007
	£m	£m
Other debtors and prepayments	12.7	14.7
Tax due	(4.8)	(3.4)
Other creditors	(5.2)	(34.1)
	2.7	(22.8)

Other debtors and prepayments includes £2.4m (2007: £2.2m) of employer special contributions which were paid in full to the Scheme after the year end in accordance with the Schedule of Contributions.

## 10. Contributions Receivable

In accordance with The Actuary's recommendation, the BBC's contribution for the year was 19.1% of pensionable salaries, inclusive of contributions under the matching provisions of the AVC Plus arrangement.

	2008	2007
	£m	£m
Members - normal	48.2	49.0
- additional	4.7	4.9
Employers - normal	143.4	66.4
- additional	25.7	0.0
- special	14.6	27.3
- additional voluntary	1.4	2.0
	238.0	149.6

The Employer special contributions were additional payments made by the BBC to augment the pensions of those employees made redundant.

## 11. Additional voluntary contributions

Additional voluntary contributions are paid over immediately to Abbey National plc, Norwich Union Life and Pensions Ltd and Fidelity Pensions Management, in accordance with the members' elections. Members participating in this arrangement each receive an annual statement made up to 31 March (1 April for Equitable Life Assurance Society) confirming the amounts held in their account and the movements in the year.

The aggregate amounts of AVC investments are as follows:

	2008	2007
	£m	£m
Abbey National plc	22.8	21.2
Equitable Life Assurance Society	7.5	8.4
Fidelity Pensions Management	29.6	29.9
Norwich Union Life and Pensions Ltd	18.8	17.4
	78.7	76.9

### 11. Additional voluntary contributions (continued)

The movements in the year are as follows:

	£m
Value at 1 April 2007	76.9
Purchases at cost	6.2
Sale proceeds	(5.0)
Interest and bonuses	0.6
Value at 31 March 2008	78.7

### 12. Benefits payable

	2008	2007
	£m	£m
Pensions	254.2	236.1
Lump sum retirement benefits	15.1	30.1
Lump sum death benefits	3.6	4.1
Lump sum AVC benefits	4.4	7.2
	277.3	277.5

### 13. Payments to and on account of leavers

	2008	2007
	£m	£m
Refunds of contributions	2.2	2.3
State scheme premiums	0.3	0.3
Tax payable on repayments	0.1	0.1
Bulk transfer	2.4	16.8
Individual transfers out to other schemes	4.2	6.6
	9.2	26.1

During the year £2.4m (2007: £16.8m) was paid to other retirement benefit schemes in respect of 61 members (2007: 391 members) who had previously transferred from the Scheme.

#### 14. Administrative Expenses

	2008	2007
	£m	£m
Administration - staff costs	1.9	1.5
Administration - other costs	2.4	2.2
Actuarial fees	0.6	0.8
Audit fees	0.1	0.1
Other professional fees	0.0	0.1
	5.0	4.7

#### 15. Investment income

	2008	2007
	£m	£m
Fixed interest	45.9	44.0
Index linked	6.5	4.9
Equities	122.6	109.6
Property	44.8	44.6
Interest on cash deposits	13.3	9.3
Other income	2.6	3.8
<b>Sub-total</b>	<b>235.7</b>	<b>216.2</b>
Irrecoverable taxation	(10.6)	(9.8)
	225.1	206.4

#### 16. Change in market value of investments

	2008	2007
	£m	£m
Unrealised loss on investments	(507.1)	(424.5)
Profit realised on disposals	297.1	659.6
(Loss)/gain on foreign currency translation	(4.2)	13.9
Interest & bonuses on AVCs invested (Note 11)	0.6	0.8
	(213.6)	249.8

## 17. Investment expenses

The following amounts were payable in respect of investment services:

	2008	2007
	£m	£m
Investment management – stocks and shares	29.2	19.7
Investment management – property	2.9	1.9
Custody	0.5	0.6
Other investment expenses	4.4	6.6
	37.0	28.8

## 18. Subsidiary companies, joint ventures and other interests

The names of the subsidiary undertakings (directly and indirectly owned) of the Scheme are shown below together with the percentage of equity capital held by the Scheme, the year-end date of the companies and their activities:

Name of company and country of registration	Percentage of equity capital held		Year-end date	Activity
	directly	indirectly		
BBCAF Inc (USA)	100%		31 December	Investment Holding
Sackville Street (GP) Ltd (UK)		100%	31 March	General Partner
Sackville Street (Nominee) Ltd (UK)		100%	31 March	Nominee
Sackville Street (Unitholder) Ltd (UK)	100%		31 March	Investment Holding
BBC Nominee Ltd (UK)	100%		31 March	Nominee

At 31 December 2007, BBCAF Inc was a general partner with a 50% interest in one general partnership, a 50% limited partner in two limited partnerships, a 75% limited partner in three limited partnerships and a Member with a 50% interest in three limited liability companies. BBCAF Inc also has a 75% interest in a Tenancy in Common and a 50% interest in three Tenancies in Common.

The BBC Pension Scheme is also the controlling party of the following entity:

Entity and country of registration	Direct Interest	Indirect Interest	Year-end date	Activity
Sackville Street Exempt Unit Trust (UK)	99.8%	0.2%	31 March	Property Investment

## 19. Capital and contractual commitments

As at 31 March 2008 the Scheme was committed to providing additional funding to certain managers investing in unquoted securities. These commitments amounted to £376.2m (2007: £291.0m).

## 20. Contingent liabilities

Other than the liability to pay future benefits, there are no material contingent liabilities of the Scheme at 31 March 2008 (2007: £nil).

## 21. Related party transactions

Related parties are referred to in the Trustees' Report as follows:

Page 3 - participating employers; Page 4 - BBC management on the Trustee Board and Scheme membership of the Trustees; and Page 11 - administration of the Scheme, and costs thereof.

Of the Trustees noted on page 4, the Trust Trustee was not a member. The Pensioner Trustee was a pensioner of the Scheme in receipt of a pension. The remaining Trustees were active members of the Scheme during the past year. All transactions with these parties were in accordance with the Scheme rules.

Except as disclosed above, there are no transactions, balances or relationships that require disclosure under Financial Reporting Standard 8.

## 22. Self investment

There were no employer related investments during the year.

## **Independent Auditors' report**

### **To the Trustee of the BBC Pension Scheme**

We have audited the financial statements of the BBC Pension Scheme for the year ended 31 March 2008, which comprise the Consolidated Fund Account, the Consolidated Statement of Net Assets and the related notes. These financial statements have been prepared under the accounting policies set out therein.

### **Respective responsibilities of the Trustee and Auditors**

The Trustee's responsibilities for obtaining an Annual Report, and audited financial statements prepared in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), are set out in the statement of the Trustee's responsibilities.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland). This report, including the opinion has been prepared for and only for the Trustee as a body in accordance with Section 41 of the Pensions Act 1995 and for no other purpose. We do not, in giving this opinion, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

We report to you our opinion as to whether the financial statements give a true and fair view and contain the information required by the relevant legislation. We also report to you if, in our opinion, we have not received all the information and explanations we require for our audit.

We read the other information contained in the Annual Report and consider whether it is consistent with the audited financial statements. This other information comprises only the Summary of the Year Trustee's Report, the Summary of Contributions and the Actuarial Certificates. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. Our responsibilities do not extend to any other information.

## **Independent Auditors' report (continued)**

### **Basis of audit opinion and statement about contributions**

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by or on behalf of the Trustee in the preparation of the financial statements, and of whether the accounting policies are appropriate to the Scheme's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

### **Opinion**

In our opinion:

- the financial statements give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the financial transactions of the Scheme during the year ended 31 March 2008, and of the amount and disposition at that date of its assets and liabilities, other than the liabilities to pay pensions and benefits after the end of the year, and
- The financial statements contain the information specified in Regulation 3 of, and the Schedule to, the Occupational Pension Schemes (Requirement to obtain Audited Accounts and a Statement from the Auditor) Regulations 1996.

PricewaterhouseCoopers LLP  
Chartered Accountants and Registered Auditors  
Bristol

9 June 2008

## **Independent Auditors' statement about contributions**

### **To the Trustee of the BBC Pension Scheme**

We have examined the Summary of Contributions to the BBC Pension Scheme for the year ended 31 March 2008 which is set out on the following page.

### **Respective responsibilities of the Trustee and Auditors**

The Trustee's responsibilities for ensuring that there is prepared, maintained and from time to time revised a schedule of contributions are set out in the statement of Trustee's responsibilities.

Our responsibility is to provide a statement about contributions to the Scheme in accordance with relevant legislation and to report our opinion to you. This report, including the statement about contributions, has been prepared for and only for the Scheme's Trustee as a body in accordance with Section 41 of the Pensions Act 1995 and for no other purpose. We do not, in giving this statement, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

### **Basis of statement about contributions**

We planned and performed our work so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that contributions reported in the attached summary have been paid in accordance with the relevant requirements. For this purpose the work that we carried out included examination, on a test basis, of evidence relevant to the amounts of contributions payable to the Scheme and the timing of those payments under the schedules of contributions. Our statement about contributions is required to refer to those breaches of the schedules of contributions which we consider to be material for this statement and which come to our attention in the course of our work.

### **Statement about contributions to the Scheme**

In our opinion, the contributions payable to the Scheme required by the schedules of contributions during the year ended 31 March 2008 as reported in the Summary of Contributions on the following page have in all material respects been paid in accordance with the schedules of contributions certified by the Actuary on 31 May 2006 and 31 March 2008.

PricewaterhouseCoopers LLP  
Chartered Accountants and Registered Auditors  
Bristol

9 June 2008

## Summary of Contributions payable in the year ended 31 March 2008

During the year the contributions payable to the Scheme were as follows:

	Employee	Employer
	£m	£m
<b>Required by the Schedules of Contributions</b>		
Normal contributions	42.4	134.1
Additional	0.0	25.7
Matching AVCs	0.0	1.4
Total required by the Schedules of Contributions	42.4	161.2
<b>Other contributions payable</b>		
Additional Voluntary	4.7	0.0
Waiver payments	0.0	9.3
Added years	5.8	0.0
Augmentation of benefits	0.0	14.6
Total	52.9	185.1
Total as per Fund Account		238.0

Signed on behalf of the Board of Trustees on 3 June 2008:

Director



Director



## **Actuary's certification of the Schedule of Contributions**

### **BBC Pension Scheme**

#### **Adequacy of rates of contributions**

I hereby certify that, in my opinion, the rates of contributions shown in this schedule of contributions are such that the statutory funding objective can be expected to continue to be met for the period for which the schedule is to be in force.

#### **Adherence to statement of funding principles**

I hereby certify that, in my opinion, this schedule of contributions is consistent with the Statement of Funding Principles dated 13 May 2008.

The certification of the adequacy of the rates of contributions for the purpose of securing that the statutory funding objective can be expected to be met is not a certification of their adequacy for the purpose of securing the Scheme's liabilities by the purchase of annuities, if the Scheme were to be wound up.

#### **Adherence to paragraph 9(6) of Schedule 2 to the Scheme Funding Regulations 2005**

I also certify that the rates of contributions shown in this schedule are not lower than I would have provided for had I had responsibility for preparing or revising the schedule, the Statement of Funding Principles and any recovery plan.

A J Blay  
Fellow of the Institute of Actuaries

Date 3 June 2008

Watson Wyatt Limited  
Watson House,  
London Road,  
Reigate,  
Surrey RH2 9PQ

**Actuarial certification for the purposes of regulation 7(4)(a) of  
The Occupational Pension Schemes (Scheme Funding)  
Regulations 2005**

**Name of scheme: BBC Pension Scheme**

**Calculation of Technical Provisions**

I certify that, in my opinion, the calculation of the Scheme's Technical Provisions as at 1 April 2007 is made in accordance with regulations under section 222 of the Pensions Act 2004. The calculation uses a method and assumptions determined by the Trustees of the Scheme and set out in the Statement of Funding Principles dated 13 May 2008.

A J Blay  
Fellow of the Institute of Actuaries

Date 29 May 2008

Watson Wyatt Limited  
Watson House,  
London Road,  
Reigate,  
Surrey RH2 9PQ

## **Myners Compliance statement**

In March 2001 Paul Myners produced a report for the Government on Institutional Investment.

The Myners Report is important for the Trustees and Members of the Scheme because it contains a set of ten “Principles” on which all trustees of defined benefit schemes, such as the BBC Scheme, are expected to act.

The Trustees have assessed their practices against the original Principles. The Scheme complies in all the Principles. HM Treasury is currently consulting on revising the principles and the Trustees will review what action is necessary.





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