

BBC

Pension Scheme

PENSIONS

2014

REPORT AND ACCOUNTS



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A Message from the Chairman

Welcome to the Report and Accounts for the BBC Pension Scheme for the year ended 31 March 2014

I am pleased to report that we finalised our 2013 triennial actuarial valuation well within the statutory timeframe allowed. The full results were communicated to all members in January 2014. The valuation disclosed a deficit of £2 billion which meant that the funding had deteriorated since the last triennial valuation in 2010. It is disappointing that the deficit had increased, but not unexpected, given the economic conditions. The fund, itself, has performed well, but interest rates and correspondingly, government bond yields continue to be much lower than they were in 2010. Life expectancy has also increased.

We have agreed with the BBC that it will pay increased additional contributions. These, together with the returns from our investments, should eliminate the deficit by 2026.

I would like to thank my fellow Trustees, pensions staff and our advisers for their time and effort in completing the valuation.

Turning to the financial report for the year ended 31 March 2014, the fund's investments delivered a return of 6% over the year, resulting in a fund value of £10.8bn. We have continued to manage the Scheme's risk and to monitor the funding position, which I am pleased to say, has improved over the year, due to a combination of rising asset levels and a lower assumption for liabilities. The Trustees have moved investments into less volatile assets during the year and have built on the framework, put in place in 2011, to reduce the level of interest rate and inflation risk that the Scheme is exposed to, compared to its liabilities. We have also continued to reduce the Scheme's exposure to equities and to add to its investments in assets such as UK corporate bonds and infrastructure. We monitor our investment strategy regularly (in conjunction with our investment advisors) to ensure it remains appropriate.

The Trustees are committed to exercising their influence and controls to promote the long term sustainability of the Scheme's investments and I am delighted that our efforts, in this area, were recognised in the ShareAction survey of responsible practice by leading UK pension schemes, which rated the Scheme equal first.

Finally, there have been a number of changes to the Board during the year. Anne Bulford and Graham Ellis were appointed as BBC Trustees; David Gallagher was elected by active members and Geoff Jones was re-elected as the pensioner Trustee. We said farewell to Rhodri Lewis, Andy Griffee and Zarin Patel, each of whom I would like to thank for their significant contribution to the work of the Board.

Bill Matthews, Chairman of the Trustees

Summary of the year

The total number of Scheme beneficiaries at 31 March 2014 was 52,447, 1.5% less than last year.

The Scheme closed to new entrants on 1 December 2010.

A breakdown of membership is on page 5.

Fund

The value of the Scheme's investments (including AVC investments) rose by 4.7% from £10.3 billion last year to £10.8 billion as at 31 March 2014.

In the five years since 2009 the Scheme's investments have risen by 65.1% from £6.5 billion.

Details of the distribution of investments are on pages 10 and 11.

Performance

The Scheme's assets produced a return of 6.0% in the year ended 31 March 2014. Over the last five years the Scheme's investments have generated an annualised return of 12.1%.

More details are on page 6.

Valuation

The actuarial valuation of the Scheme as at 1 April 2013 revealed a shortfall (liabilities, calculated on the technical provisions basis, minus the value of the assets) of £2,054m. Details are on page 6.

Movement of the fund

The Consolidated Fund Account on page 15 shows that income from contributions was £226.8m and outgoings were £375.5m, giving net withdrawals from dealings with members of £148.7m. Included in contributions is a deficit recovery payment of £100m received from the BBC in March 2014. Income from investments, net of expenses, was £182.5m providing a total net inflow of £33.8m.

The market value of the Scheme's assets rose during the year by £452.1m

Trustees' report

This report for the year ended 31 March 2014 is presented in compliance with the Occupational and Personal Pension Schemes (Disclosure of Information) Regulations 2013. 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. Active Old and New Benefits members of the Scheme 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.

The Scheme is registered with the Pensions Regulator: Registration number 10149485.

Changes to the Trustee Board

Anne Bulford was appointed as a BBC Trustee on 4 July 2013. Graham Ellis was appointed as a BBC Trustee on 1 September 2013.

Andy Griffie left the Board on 14 June 2013 and Zarin Patel left the Board on 30 August 2013.

Geoff Jones was re-elected to serve a further six year term as a Member Nominated Trustee (MNT) with effect from 1 January 2014. Rhodri Lewis ceased to be a Trustee on 30 April 2014. David Gallagher was elected for a six year term as a MNT with effect from 1 May 2014.

Ken MacQuarrie ceased to sit on the Finance Risk and Audit Committee (FRAC) and joined the Investment Committee during the year. Anne Bulford took over from him as Chair of the FRAC.

Appointment and nomination of Trustees

The power to appoint and remove the BBC Trust Trustee is vested in the BBC Trust. The BBC Trust nominates one of the Trustees to be the Chair of the Trustees.

The power to appoint and remove the BBC Trustees is vested in the BBC. Three of the BBC Trustees hold senior positions in the BBC. 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. The term of office is also six 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.

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. During the year Trustees comprised:



Bill Matthews
(BBC Trust,
Chair)

Attendance at Board Meetings - 5 of 5
Membership of sub-committee
Committee of Directors (Chair) - 6 of 6



Kevin Carter
(BBC)

Attendance at Board Meetings - 5 of 5
Membership of sub-committee
Committee of Directors - 6 of 6
Investment Committee (Chair) - 7 of 7



Ken MacQuarrie
(BBC)

Attendance at Board Meetings - 5 of 5
Membership of sub-committee
Committee of Directors - 6 of 6
Finance Risk and Audit (Chair) - 1 of 1
Investment Committee - 3 of 3



Graham Ellis
(BBC)

Attendance at Board Meetings - 2 of 3
Membership of sub-committee
Benefits Committee 2 of 2
Finance Risk and Audit - 2 of 2



Anne Bulford
(BBC)

Attendance at Board Meetings - 3 of 3
Membership of sub-committee
Finance Risk and Audit - 2 of 2



Geoff Jones
(MNT)

Attendance at Board Meetings - 5 of 5
Membership of sub-committee
Committee of Directors - 6 of 6
Finance Risk and Audit - 3 of 3



Rhodri Lewis
(MNT)

Rhodri's term ended on 30 April 2014
Attendance at Board Meetings - 5 of 5
Membership of sub-committee
Committee of Directors - 6 of 6
Benefits Committee (Chair) 3 of 3



Grant Cassidy
(MNT)

Attendance at Board Meetings - 5 of 5
Membership of sub-committee
Committee of Directors - 5 of 6
Investment Committee - 6 of 7



Andy Baker
(MNT)

Attendance at Board Meetings - 5 of 5
Membership of sub-committee
Committee of Directors - 6 of 6
Benefits Committee - 3 of 3

Andy Griffiee and Zarin Patel also served as Trustees during the year.

Actuarial Valuation

The actuarial valuation of the Scheme as at 1 April 2013 revealed a shortfall (liabilities (calculated on the technical provision basis) minus value of assets) of £2,054m.

To eliminate this funding shortfall, the Trustees, have agreed with the BBC that additional contributions will be paid to the Scheme by the participating employers in accordance with the table shown in note 13 in the financial statements on page 25.

The funding shortfall is expected to be eliminated within 13 years of the valuation date, which is by April 2026.

Further information on the actuarial valuation can be found on the Scheme's website: bbc.co.uk/my pension.

Investment Report

Overview

Taking bond and equity markets together, 2013/14 was the fifth successive year of positive investment returns for financial markets. The low level of short term interest rates and progressive signs of improvement in the economic health of developed markets continued to provide strong support for asset prices.

UK government bond yields started the year close to record lows but rose through the summer of 2013 as the economy recovered and unemployment fell. Since then long term government bond yields have settled into a range of 3.40% to 3.70%, which is significantly higher than the levels of the start of the year, but still looks low from a long-term historical perspective.

The UK equity market generated positive returns, with small and mid-cap stocks once again materially outperforming the FTSE 100 Index of large cap stocks. The market as a whole (as measured by the FTSE All Share Index) returned 8.8% during the year, lagging the US equity market (11.0%) and Europe ex-UK (18.3%). Softer commodity prices, weaker economic growth, political instability in Ukraine, and concerns over the health of the Chinese financial system caused many emerging market currencies to weaken against the Dollar, while emerging market equities (-10.8%) underperformed developed markets.

Investment Performance

The table below gives the performance of the Scheme over the last 1, 3 and 5 years, and compares those figures with the Scheme's benchmark as well as WM's UK Pension Fund universe (net of estimated fees), which measures the performance of a large sample of UK pension schemes.

Helped by the strong performance of markets, the value of the Scheme's net assets reached a record level of £10.8bn, up from £10.3bn a year ago. After adjusting for cash flows in and out of the Scheme, this corresponds to an investment return of 6.0%, following increases of 13.1% in 2012/13 and 5.8% in 2011/12. Over the past five years, a period which runs from the financial crisis, the Scheme's investment return is 12.1% on an annualised basis, while the annualised return over ten years has been 8.0%.

	Year to 31 March 2014	3 years to 31 March 2014	5 years to 31 March 2014
BBC Pension Scheme	6.0%	8.3%	12.1%
Primary Benchmark	-4.0%	-	-
Market Benchmark	4.7%	8.7%	12.5%
WM UK Pension Fund (net)	4.1%	7.4%	11.7%

The Scheme adopted the performance of its liabilities as its primary investment benchmark from 1 April 2012. The Trustees believe that this approach aligns the management of the Scheme's assets directly with the objective of being able to pay pensions to beneficiaries as they fall due, recognising that the Scheme will start to mature now that it is closed to new members.

Most asset classes contributed to the strong performance of the Scheme's assets during the year, with equities generating the highest returns and the Scheme's private equity, property and infrastructure investments also performing well. Some timely additions to the Scheme's programme for hedging inflation and interest rate risk contributed to performance, while the weakness of other currencies such as the US Dollar detracted from the value of the Scheme's overseas assets in Sterling terms. Liability matching bonds was the weakest major asset class for the Scheme in 2013/14, generating a negative return of -4% as bond yields rose from the record lows of the end of March 2013.

The Scheme's market benchmark is a composite of indices representing the underlying asset classes in which the Scheme invests. This benchmark may change during the course of the year as the Trustees adapt the Scheme's investment strategy to changing circumstances. In the year to 31 March 2014, the Scheme's liability driven investment portfolio outperformed its benchmark, while the Scheme's active equity managers, taken together, also had a good year.

Investment policy

The Trustees set investment policy. They consult the BBC and take advice from the Scheme Actuary and their investment consultants. They engage independent members of the Investment Committee with relevant investment experience and are supported by an in-house investment team. The investment policy is reviewed at least annually and following each actuarial valuation or asset liability study.

The Trustees delegate responsibility for implementing investment policy to the Investment Committee. It appoints, monitors the performance of and removes investment managers. It oversees asset allocation and directs the cash flow of the Scheme amongst investment mandates, adjusting portfolios as necessary. It monitors, reviews and recommends changes to the Trustees' policies in respect of investment, corporate governance, socially responsible investment and engagement.

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' overall investment policy is to invest in a wide range of long term assets such as equities, bonds, property and a range of alternative assets (private equity, hedge funds, infrastructure, etc.) whilst ensuring that there are sufficient holdings of readily marketable assets that can meet the short term liabilities of the fund. Derivative instruments are used to manage the Scheme's risk and for efficient portfolio management purposes.

The Trustees and the BBC have agreed a long-term journey plan for achieving full funding by 2026 on a discount rate equal to the yield on liability-matching gilts plus 0.5% p.a. This plan is important to the Trustees because until the Scheme is fully funded on this more prudent method of funding it will continue to be heavily reliant on the BBC.

The Trustees have also established a framework for setting the Scheme's strategic asset allocation based on the Scheme's funding ratio, with the intention of not taking more risk than is necessary to return to full funding over the duration of the journey plan.

As part of this process, the Trustees have reviewed the Scheme's strategic asset allocation and benchmarking arrangements. The chart below shows the asset allocation as at 31 March 2014 and the permitted ranges around that allocation.

Asset Class	Current asset allocation %	Permitted Ranges %	
		Minimum	Maximum
Equities	33.5	30.0	45.0
Private Markets	19.9	11.0	26.0
Absolute Return	6.5	1.0	16.0
Return Seeking Bonds	6.6	1.5	16.5
Liability Matching Bonds*	30.9	21.5	41.5
Cash held centrally	2.6	0.0	15.0

The Scheme holds an additional 3.8% exposure to equities through equity futures.

*The Scheme's allocation to liability matching bonds includes unfunded exposure and the gross exposure to liability matching bonds exceeds the market value shown in this table.

Current management arrangements

A number of changes were made to the line-up of investment managers to whom the management of the Scheme's assets is delegated. An Allocation to a long lease property fund managed by BlackRock was added. The Scheme also ended its relationship with a number of managers during the year.

The Trustees delegate day to day investment decisions to suitably qualified independent investment managers, who are required to comply with the Investment Regulations and the Scheme's Statement of Investment Principles. Their activities are defined and constrained by detailed mandates. Investment managers have discretion to buy and sell investments within the terms of their agreements.

To aid diversification the Trustees employ a number of managers with varying investment styles, both passive and active. A performance monitoring agency, HSBC, measures the performance of the managers and that of the Scheme.

Fees are charged either as a proportion of the assets under management or are related to performance targets. They are negotiated individually when a manager is appointed and are reviewed periodically.

Investment strategy and activity

The Trustees took further steps in 2013/14 to reduce the level of risks embedded in the Scheme's investments, while continuing to look for opportunities to generate the strong investment returns that are required to meet the Scheme's journey plan.

In 2011 the Trustees put in place a framework to reduce the level of interest rate and inflation risk to which the Scheme is exposed to compared to the Scheme's liabilities. Legal and General Insurance (Pensions Management) Ltd was appointed as the Scheme's liability driven investment manager and took over the management of the Scheme's portfolio of UK government bonds. Since then, the Trustees have increased the extent to which the Scheme is protected against movements in bond yields and inflation.

The Scheme has been reducing its exposure to equities for over ten years although care has been taken to avoid selling at very depressed levels. Equity markets have recovered strongly over the last five years and in the last 12 months further reductions in equity exposure have been made. The Scheme has benefited from the fact that this has been done in a gradual and measured way. The Scheme has captured the equity market recovery of the past few years and has generally avoided buying Index-linked government bonds at the sub-zero levels of real yields that have been prevalent over most of the past few years. The Investment Committee has also continued its programme of adding to the Scheme's investments in assets (such as UK corporate bonds, infrastructure investments and properties with long leases) that offer the prospects of stable long term cash flows. These are not expected to be as effective as a short term hedge for the Scheme's liabilities as Index-linked government bonds, but should deliver higher returns and cash flows that are well aligned to the Scheme's liabilities over the longer term.

At the end of December 2013, following a broader review of the Scheme's strategic asset allocation, the permitted range for the Scheme's allocation to equities was reduced by 2.5%, with the central point of the range falling from 40.0% to 37.5%, while the Scheme's allocation to liability matching bonds was increased by the same amount. The Scheme also hedges a material amount of its foreign exchange exposure.

Responsible investment

The Trustees recognise that with ownership comes responsibility and they are committed to exercising their influence and control to promote the long term sustainability of the Scheme's investments.

The Trustees believe that well governed companies that manage their businesses in a responsible way will produce higher returns over the long term. The Scheme's responsible investment strategy has an important role to play in safeguarding and enhancing the long term value of the Scheme's assets.

Through employing a voting and engagement overlay service the Scheme looks to engage with companies in which it invests to encourage them to maintain high standards of governance and to operate in a socially and environmentally responsible way.

The Trustees have appointed Hermes Equity Ownership Services (EOS) to vote at company meetings on behalf of Trustees. EOS also engages with companies on governance, ethical and environmental considerations. In addition EOS works with public, industry and regulatory bodies in the various markets in which the Scheme invests to promote better practices.

The Scheme's efforts in this area were recognised in the ShareAction survey of responsible investment practices by leading UK pension schemes, which rated the BBC Pension Scheme equal first.

The Trustees have signed up to the UK Stewardship code and the UNEP Finance Initiative principles for Responsible Investment (UNPRI) and is also a member of the Institutional Investors Group on Climate Change (IIGCC). The Scheme's full responsible investment policy can be viewed on the Scheme's website, together with the Scheme's voting record and annual voting and engagement report at bbc.co.uk/myPension

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. 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 Myner's 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 ISAE 3402 statement for the year ended 31 December 2013.

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.

Self investment

There were no employer related investments during the year (2013: none).

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 2014.

Investments	£m	£m	%	%
Global equities				
Baillie Gifford & Co	505.7		4.7	
BlackRock Advisors Ltd (passive)	754.7		7.0	
Sanders Capital, LLC	301.2		2.8	
State Street Global Advisors Ltd (passive)	520.2		4.9	
LGIM Futures	20.4	2,102.2	0.2	19.6
UK equities				
Artemis Investment Management Ltd	369.8		3.5	
NewSmith Asset Management LLP	401.6		3.7	
State Street Global Advisors Ltd (passive)	637.1		5.9	
Invesco Asset Management Ltd	33.5		0.3	
LGIM Futures	56.1	1,498.1	0.5	13.9
Total equities		3,600.3		33.5
Liability Matching Bonds				
Legal & General Assurance (Pensions Management) Ltd	2,754.1		25.6	
Pimco Europe Ltd (Sterling Long Dated Corporate Bonds)	222.1		2.1	
M&G Investment Management Ltd	338.9	3,315.1	3.2	30.9
Return Seeking Bonds				
Pimco Europe Ltd (Global Corporate Bonds)	497.3		4.6	
M&G Investment Management Ltd	211.9	709.2	2.0	6.6
Private Markets				
BlackRock UK Long Lease Property Fund	87.5		0.8	
Henderson Equity Partners Ltd	42.5		0.4	
GS & Co Infrastructure Partners	91.3		0.8	
Hg Pooled Management	26.0		0.2	
Infared Capital Partners Ltd	79.8		0.7	
Lloyds Bank UK Infrastructure Partners, LP	2.2		0.0	
M&G Investment Management Ltd (Inflation Linked)	94.7		0.9	
Uberior Fund Manager Ltd	127.4		1.2	
GS & Co Mezzanine Advisors	43.0		0.4	
Hg Pooled Management	143.9		1.3	
Hony Capital Fund L.P	18.2		0.2	
PGSFIII GP Ltd	30.9		0.3	
Sun Capital Partners, Inc	41.0		0.4	
The Carlyle Group	96.5		0.9	
Warburg Pincus LLC	130.0		1.2	
UK – CBRE Global Investors Ltd	411.3		3.8	
UK - Orchard Street Investment Management LLP	288.9		2.7	
USA – Grosvenor Americas Ltd	298.2		2.8	
Europe – CBRE Global Collective Investors UK Limited	71.5		0.7	
Europe – Pan European Property Unit Trust	18.8	2,143.6	0.2	19.9
Absolute Return				
Bridgewater Associates, LP	173.8		1.6	
Cambridge Associates Ltd	227.9		2.1	
Nephila Capital Ltd	80.7		0.8	
Prisma Capital Partners	151.2		1.4	
Rogge Global Partners Plc	64.3	697.9	0.6	6.5
Currency Overlay				
State Street Global Advisors Ltd	7.2	7.2	0.1	0.1
Miscellaneous cash balances	277.4	277.4	2.6	2.6
Total investments		10,750.7	100.0	100.0

Distribution of investments by asset class

Summaries of the investments showing market values at 31 March 2014 and analysed by category, are shown below:

		£m	%
Equities	UK	1,414.3	13.2
	Europe (other than UK)	508.0	4.7
	USA	884.9	8.2
	Japan	44.7	0.4
	Pacific Basin (ex Japan)	293.5	2.7
	Other markets	345.0	3.2
Fixed interest bonds		1,246.5	11.6
Index-linked government bonds		2,531.5	23.5
Property		1,028.5	9.6
Alternatives		1,964.7	18.3
Cash		468.8	4.4
Derivatives		20.3	0.2
		10,750.7	100.0

The direct and indirect investments in quoted securities are considered to be readily marketable, but the investments in property, alternatives 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

	£m	%
UK	6,050.2	56.3
USA	2,250.8	21.0
Europe (other than UK)	1,290.5	12.0
Japan	80.2	0.7
Pacific Basin (ex Japan)	603.0	5.6
Other markets	476.0	4.4
	10,750.7	100.0

Twenty largest holdings

The twenty largest individual equity investments of the Scheme as at 31 March 2014 are as follows:

		£m
1	Tencent Holdings Ltd	41.8
2	Amazon.com Inc	40.7
3	Royal Dutch Shell	39.6
4	BP plc	37.7
5	Baidu Inc	36.9
6	Barclays plc	34.5
7	Google Inc	34.0
8	Illumina Inc	33.2
9	Rio Tinto plc	31.7
10	Lloyds Banking Group plc	31.3
11	Inditex	25.1
12	Vodafone Group plc	24.9
13	International Consolidated Airlines Group	23.4
14	Apple Inc	22.8
15	Kering	20.6
16	Intuitive Surgical Inc	19.1
17	WPP plc	19.1
18	Salesforce.com Inc	18.4
19	Whole Foods Market Inc	18.1
20	Facebook Inc	18.0

The total value of the investments shown above is £570.9m, which represents 5.3% of the Scheme's total net investment assets of £10,773.5m.

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 2014 the Scheme owned 83 properties in the UK, with a total market value of £653.9m, 92.2% by value being freehold and the remainder held on leases exceeding 96 years. Tenants' leases were let on leases subject to rent reviews not later than 2029.

Statement of Trustee's responsibilities

The accounts, which are prepared in accordance with UK Generally Accepted Accounting Practice, are the responsibility of the Trustee. Pension scheme regulations require the Trustee to make available to Scheme members, beneficiaries and certain other parties, audited accounts 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.

The Trustee is responsible for supervising the preparation of the accounts and for agreeing suitable accounting policies, to be applied consistently, making any estimates and judgements on a prudent and reasonable basis.

The Trustee is also responsible for making available certain other information about the Scheme in the form of an annual report.

The Trustee is responsible under pensions legislation for preparing, and from time to time reviewing and if necessary revising, a schedule of contributions showing the rates of contributions payable towards 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 Trustee is also responsible for keeping records in respect of contributions received in respect of any active member of the Scheme and for monitoring whether contributions are made to the Scheme by the employer in accordance with the schedule of contributions. Where breaches of the schedule occur, the Trustee is required by the Pensions Acts 1995 and 2004 to consider making reports to the Pensions Regulator and to members.

The Trustee also has a general responsibility for ensuring that adequate accounting records are kept and for taking such steps as are reasonably open to it to safeguard the assets of the Scheme and to prevent and detect fraud and other irregularities, including the maintenance of an appropriate system of internal control.

The Trustee is also responsible for the maintenance and integrity of the bbc.co.uk/my pension website. Legislation in the United Kingdom governing the preparation and dissemination of accounts may differ from legislation in other jurisdictions.

Further information

Further information about the Scheme is available from the Secretary, Pension and Benefits Centre, Broadcasting House, Cardiff CF5 2YQ or on bbc.co.uk/my pension

For and on behalf of BBC Pension Trust Limited

Sandra Phillips
Secretary
4 June 2014

Consolidated Statement of Net Assets as at 31 March 2014

(As restated)

	Notes	2014		2013	
		£m	£m	£m	£m
Investment assets	3	10,951.4		10,449.5	
Investment liabilities	3	(177.9)		(156.6)	
Net investment assets			10,773.5		10,292.9
Current assets	10	14.8		15.6	
Current liabilities	10	(10.4)		(16.5)	
Net current assets / (liabilities)			4.4		(0.9)
Total Net Assets			10,777.9		10,292.0

The notes on pages 16 to 28 form part of the financial statements.

The Financial Statements summarise the transactions of the Scheme and deal with the net assets at the disposal of the Trustees. They do not take account of obligations to pay pensions and benefits which fall due after the end of the Scheme year. The actuarial position of the Scheme, which does take account of such obligations, is dealt with in the actuarial certificates on page 32 and these financial statements should be read in conjunction with them.

The Financial Statements on pages 14 to 28 were approved by the Board of the Trustees on 4 June 2014 and signed on its behalf by:

Director

Director

Consolidated Fund Account for the year ended 31 March 2014

	Notes	2014		(As restated) 2013	
		£m	£m	£m	£m
Contributions and benefits					
Contributions receivable	13		226.8		197.0
Benefits payable	15	(358.2)		(347.8)	
Payments to and on account of leavers	16	(9.0)		(8.4)	
Administrative expenses	17	(8.3)		(7.8)	
			(375.5)		(364.0)
Net withdrawals from dealings with members			(148.7)		(167.0)
Returns on investments					
Investment income	18	208.4		198.8	
Change in market value of investments	11	452.1		1,000.3	
Investment expenses	19	(25.9)		(23.6)	
Net return on investments			634.6		1,175.5
Net increase in fund during the year			485.9		1,008.5
Opening net assets of fund			10,292.0		9,283.5
Closing net assets of fund			10,777.9		10,292.0

Notes to the Financial Statements for the year ended 31 March 2014

1. 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 (revised May 2007).

(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 page 32.

2. Accounting policies

(a) Consolidation

Subsidiaries are all entities over which the Scheme has the power to govern the financial and operating policies generally accompanying an interest in a limited property partnership or tenancy in common of over fifty percent. Subsidiaries are fully consolidated from the date on which control is transferred to the Scheme.

As a result of a change in BBCAF Inc.'s accounting policies, whereby they have retrospectively adopted IFRS 10 (Consolidated Financial Statements), BBCAF Inc. changed the manner in which it accounts for joint arrangements from 2012. As a result the Scheme has restated the comparative BBCAF Inc. figures in these accounts to reflect this change in BBCAF Inc.'s accounting policy.

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 20 to the financial statements.

(b) Foreign currency translation – group entities

The results and financial position of all entities incorporated in North America are translated into sterling as follows:-

- Assets and liabilities are translated at the closing exchange rate on 31 March;
- Income and expenses are translated at the average exchange rate; and
- All resulting exchange differences are accounted for as part of the change in market value of investments.

(c) Contributions

- Normal contributions, both from the members and employers, are accounted for as they fall due under the Schedule of Contributions.
- Additional and special contributions from the employers 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.
- Deficit recovery payments made by the employer are accounted for on the earlier of the due date as stipulated in the Schedule of Contributions or the date of receipt.

(d) Pensions and benefits

Members can choose whether to take their benefits as a pension or as a 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.

e) Investment and cash deposits

- Listed investments are included at the bid price of the quoted prices at 31 March.
- Investments held in quoted pooled investment vehicles are valued at the closing bid price 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.
- Unquoted securities and pooled investment vehicles are valued by the Trustees, based on confirmed values recommended by the investment managers. With reference to confirmed valuations from investment managers, where confirmed valuation data is not available at 31 March, 31 December data is rolled forward for any subsequent investment movements together with other factors considered to be appropriate in determining these values.
- UK freehold and leasehold properties are valued by GVA Grimley Ltd, Chartered Surveyors, at 31 December, and are included at open market value. No depreciation is provided on freehold or long leasehold property.
- Investments and cash deposits in overseas currencies are translated into sterling at the relevant rates of exchange at 31 March.
- Exchange traded futures contracts are stated at market value. For those contracts which are assets, market value is based on quoted bid prices, for those which are liabilities, market value is based on quoted offer prices.
- Swap valuations are calculated using pricing models where inputs are based on market value. Net receipts or payments are reported within change in market value.
- Options are valued at their mark to market value.
- Forward foreign exchange contracts are valued by determining the gain or loss that would arise from closing out the contract at the reporting date by entering into an equal and opposite contract at that date.
- Accrued interest is excluded from the market value of fixed interest securities but is included in accrued investment income.
- Investment management fees are accounted for on an accruals basis. Acquisition costs are included in the purchase cost of investments.
- Transaction costs are included in the cost of purchases and sales proceeds. Transaction costs include costs charged directly to the Scheme such as fees, commissions, stamp duty and other fees.

- 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.

(f) Income from investments

The different sources of investment income are recognised as follows:

- Dividends on an ex-div. basis.
- Interest (including that on fixed interest securities) on an accruals basis.
- Property rents on an accruals basis.
- Investment income arising from the underlying investments of the quoted pooled investment vehicles is reinvested within the vehicles and reflected in the unit price. It is therefore reported within "change in market value".

(g) Transfers

Transfer values represent the capital sums 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. Net investment assets

(As restated)

		2014	2013
	Notes	£m	£m
Investment assets			
Equities	4	1,570.7	2,192.2
Fixed interest securities	4	1,246.4	522.3
Index linked securities	4	2,531.5	2,249.3
Property	4	740.7	613.8
Pooled investment vehicles	4	4,172.2	4,242.7
Derivatives	6	88.7	120.0
		10,350.2	9,940.3
Cash deposits	7	468.8	380.9
Other investment assets	8	38.7	37.4
AVC investments	14	93.7	90.9
		10,951.4	10,449.5
Investment liabilities			
Derivatives	6	(68.4)	(67.6)
Borrowings	9	(17.0)	(19.6)
Other investment liabilities	8	(92.5)	(69.4)
		(177.9)	(156.6)
Net investment assets		10,773.5	10,292.9

4. Investment assets

	2014			(As restated) 2013		
	UK £m	Overseas £m	Total £m	UK £m	Overseas £m	Total £m
Equities						
Quoted	682.0	883.0	1,565.0	1,054.7	1,137.5	2,192.2
Unquoted	4.5	1.2	5.7	-	-	-
Total Equities	686.5	884.2	1,570.7	1,054.7	1,137.5	2,192.2
Fixed interest securities						
Quoted – public sector	216.9	165.8	382.7	46.3	87.9	134.2
Quoted – other	291.1	572.6	863.7	45.7	342.4	388.1
Total fixed interest securities	508.0	738.4	1,246.4	92.0	430.3	522.3
Index linked securities						
Quoted – public sector	2,428.3	103.2	2,531.5	2,248.2	1.1	2,249.3
Properties						
Directly held	653.9	86.8	740.7	553.1	60.7	613.8
Derivatives	84.6	4.1	88.7	114.1	5.9	120.0
Pooled investment vehicles						
Unitised insurance policies – quoted	1,157.3	-	1,157.3	1,471.6	-	1,471.6
Managed funds:						
Quoted – other	158.6	1,813.8	1,972.4	6.2	10.0	16.2
Unquoted – other	754.7	-	754.7	810.0	1,656.0	2,466.0
Unquoted – property unit trust	0.1	-	0.1	1.4	-	1.4
Unquoted – other property	-	287.7	287.7	0.0	287.5	287.5
Total pooled investment vehicles	2,070.7	2,101.5	4,172.2	2,289.2	1,953.5	4,242.7
Total securities, properties and pooled investment vehicles	6,432.0	3,918.2	10,350.2	6,351.3	3,589.0	9,940.3

(a) Pooled vehicles

At 31 March 2014 the Scheme had £1,724.3m (2013: £2,014.8m) invested in pooled investment vehicles registered in the United Kingdom and £2,447.9m (2013: £2,110.1m) invested in pooled investment vehicles not registered in the United Kingdom.

(b) Significant holdings

At 31 March 2014 the Scheme had 5.9% (2013: 5.6%) of its assets invested in a passive UK equity fund managed by State Street Global Advisors Ltd.

5. Property

UK property investments

(As restated)

	2014	2013
	£m	£m
Freehold and long leasehold properties:		
Offices	59.6	36.4
Industrial	174.8	168.4
Shops	198.2	143.8
Retail warehouses	185.2	184.1
Hotels / other	36.0	20.4
	653.8	553.1
Interests in pooled investments	0.1	1.4
	653.9	554.5
Overseas property investments		
North America directly held	86.8	60.7
North American pooled vehicles	197.4	201.2
European pooled vehicles	90.4	86.3
	374.6	348.2

6. Derivative contracts

Derivatives included in investment assets	2014	2013
	£m	£m
Forward foreign exchange contracts	14.4	9.2
Interest rate swaps	4.2	12.9
Inflation rate swaps	35.3	69.2
Credit default swaps	1.8	1.3
Total return swaps	32.4	26.0
Futures contracts - exchange traded	0.6	1.4
	88.7	120.0
Derivatives included in investment liabilities		
Options	(0.2)	-
Forward foreign exchange contracts	(6.6)	(17.3)
Interest rate swaps	(2.1)	(4.4)
Inflation rate swaps	(54.1)	(44.5)
Credit default swaps	-	(1.2)
Total return swaps	(1.3)	-
Futures contracts - exchange traded	(4.1)	(0.2)
	(68.4)	(67.6)

The economic exposure value of the credit default swaps at 31 March 2014 was £59.6m (2013: £142.6m). Economic exposure represents the notional value of stock purchased under the contract and therefore the value subject to market movements. All of the credit default swaps expire within 10 years. The notional principal of the inflation rate swaps was £1,466.1m (2013: £1,289.7m), the interest rate swaps was £177.0m (2013: £434.5m) and the total return swaps was £1,399.7m (2013: £413.3m). The notional principle of the swap is the amount used to determine the value of the swapped cash flows. All of the interest rate swaps expire within 31 years and all of the inflation rate swaps expire within 25 years and all of the total return swaps expire within 1 year. The notional principle of the options was £155.2m (2013: £26.6m). All of the options expire within 6 months.

Futures

Type of future	Expiry	Economic exposure value	Market Value
		£m	£m
EUX Euro Bund Future	Less than one year	17.8	(0.1)
CBT USD IRS 5YR Primary Fix Rate Future	Less than one year	3.9	-
CBT USD IRS 5YR Primary Fix Rate Future	Less than one year	(4.8)	(0.1)
LIF Long Gilt Future	Less than one year	22.3	-
CME S And P 500 E-Mini Index Future	Less than one year	35.2	(0.1)
EUX Euro Stoxx 50 Future	Less than one year	46.8	(1.9)
OSE Topix Index Future	Less than one year	40.4	0.6
LIFFE FTSE 100 Index Future	Less than one year	362.9	(1.9)

The Scheme enters into exchange traded futures contracts to cost effectively gain or reduce exposure to certain markets.

Forward foreign exchange contracts

Forward foreign exchange contracts are used by some of the Scheme's fund managers to hedge against adverse currency movements and the Scheme operates a currency overlay program to hedge against a fall in the currencies of the countries where it has significant equity and bond investments.

At 31 March 2014, the Scheme's fund managers had 13 open forward exchange contracts with durations all expiring on or before 25 June 2014. The Scheme had bought sterling against foreign currencies with a sterling equivalent value of £532.9m, sold sterling against foreign currencies with a sterling equivalent of £0.3m, and contracts with other currency pairs had a sterling equivalent value of £3.6m.

The principal net exposure in these contracts was the sale of US dollars against sterling (sterling equivalent: £398.8m).

Additionally, the Scheme operates a currency overlay program within which at 31 March 2014 it had sold the Euro: £141.5m, Japanese Yen: £27.5m and the US Dollar: £1,200.4m all against sterling. At 31 March 2014 the unrealised gains on positions within the overlay program was £7.2m.

All forward contracts listed above are over the counter (OTC) contracts.

7. Cash

	2014	(As restated) 2013
	£m	£m
Sterling	444.7	313.9
Foreign currency	24.1	67.0
	468.8	380.9

Sterling cash deposits and some US dollar and Euro balances were managed by BlackRock Advisors (UK)Ltd, the Scheme's cash manager. Other foreign currencies were managed by the relevant investment and property managers.

8. Other investment balances

	2014	(As restated) 2013
	£m	£m
Other investment assets		
Receivable on sales of securities	6.8	6.3
Accrued investment income	23.4	18.7
Tax recoverable	4.6	1.6
Other debtors	3.9	10.8
	38.7	37.4
Other investment liabilities		
Derivatives	(68.4)	(67.6)
Payable on purchases of securities	(18.3)	(12.1)
Borrowings (note 9)	(17.0)	(19.6)
Other creditors	(74.2)	(57.3)
	(177.9)	(156.6)

9. Investment borrowings

	2014	(As restated) 2013
	£m	£m
Repayment analysis		
Between two and seven years	17.0	19.6
	17.0	19.6
Floating rate loans		
Mortgage payable	16.2	17.9
Interest rate swap valuation	0.9	1.8
Unamortised deferred loan cost	(0.1)	(0.1)
	17.0	19.6
Security analysis		
Secured	17.0	19.6

10. Current assets and liabilities

	2014	2013
	£m	£m
Current assets		
Other debtors and prepayments	14.8	15.6
Current liabilities		
Tax due	(6.8)	(4.7)
Other creditors	(3.6)	(11.8)
	(10.4)	(16.5)

11. Changes in investments

	(As restated) Market value at 1 April 2013	Purchases at cost and derivative payments	Sale proceeds and derivative receipts	Change in market value	Market value at 31 March 2014
	£m	£m	£m	£m	£m
Fixed interest securities	522.2	1,785.3	(999.2)	(61.9)	1,246.4
Index linked securities	2,249.3	1,921.5	(1,583.8)	(55.5)	2,531.5
Equities	2,192.2	1,206.7	(2,039.8)	211.6	1,570.7
Equities and bonds: passive	2,153.1	873.3	(1,182.4)	75.7	1,919.7
Derivatives	52.5	102.9	(329.1)	194.0	20.3
Alternatives	1,800.7	447.0	(345.6)	62.6	1,964.7
Property	902.7	136.8	(27.9)	17.0	1,028.6
AVCs	90.9	3.2	(5.2)	4.8	93.7
Total	9,963.6	6,476.7	(6,513.0)	448.3	10,375.6
Cash	380.9			3.8	468.8
Other investment balances	(51.6)				(70.8)
	10,292.9			452.1	10,773.6

Derivative payments and receipts are recognised in the table as follows:

Options - premiums paid and received are reported as payments or receipts together with any close out costs or proceeds arising from early termination;

Futures - on close out or expiry of the futures contract the variation margin balances held in respect of unrealised gains or losses are recognised as cash receipts or payments, depending on whether there is a gain or loss;

Swaps - the payments or receipts from any close out costs or proceeds arising on early termination;

Forward foreign exchange - the forward foreign exchange trades settled during the year.

12. Transaction costs

Transaction costs incurred in the year amounted to £3.2m (2013: £3.6m). In addition to these transaction costs, indirect costs were incurred through the bid-offer spreads on investments.

13. Contributions receivable

In accordance with the Actuary's recommendation, the employers' contributions were 14.5% of pensionable salaries for the year, inclusive of contributions under the matching provisions of the AVC Plus arrangement.

		2014	2013
		£m	£m
Members	- normal	1.0	0.7
	- added years	0.1	0.1
	- additional voluntary	0.5	0.5
Employers	- normal	79.8	86.1
	- salary sacrifice employee normal	34.5	37.4
	- salary sacrifice added years	1.9	2.1
	- salary sacrifice additional voluntary	1.8	1.9
	- deficit recovery payment	100.0	60.0
	- augmentations	2.8	3.9
	- additional voluntary	0.9	0.9
	- PPF levy	3.5	3.4
		226.8	197.0

The Employer augmentation contributions were additional payments made by the employers to increase the pensions of certain employees made redundant.

Following the 2013 valuation the recovery plan was amended by the Trustees to satisfy the requirements of s226 of the Pensions Act 2004, after taking account of the advice of the Scheme Actuary.

To eliminate the funding shortfall of £2,054m revealed by the actuarial valuation of the Scheme as at 1 April 2013 the Trustees have agreed with the BBC that additional contributions would be paid to the Scheme by participating employers on or before the due dates shown below.

Due Date	Amount	Due Date	Amount
1 April 2014	£200m	1 April 2022	£100m
1 April 2015	£100m	1 April 2023	£250m
1 April 2016	£100m	1 April 2024	£150m
1 April 2017	£220m	1 April 2025	£100m
30 June 2017	£120m	1 April 2026	£250m
1 April 2019	£95m	1 April 2027*	£150m
1 April 2020	£240m	1 April 2028*	£100m
1 April 2021	£130m		

*The BBC intends to make further payments into the Scheme beyond the 13 year recovery plan.

14. Additional voluntary contributions

Additional voluntary contributions are paid over to Santander UK plc and Fidelity Pensions Management, in accordance with the members' elections. Members no longer contribute towards Equitable Life Assurance Society or Aviva. 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:

	2014	2013
	£m	£m
Santander UK plc	19.1	20.1
Equitable Life Assurance Society	4.3	4.4
Fidelity Pensions Management	55.2	50.8
Aviva	15.1	15.6
	93.7	90.9

The movements in the year are as follows:

	£m
Value at 1 April 2013	90.9
Purchases at cost	3.2
Sale proceeds	(5.2)
Interest and bonuses	4.8
Value at 31 March 2014	93.7

15. Benefits payable

	2014	2013
	£m	£m
Pensions	342.7	330.3
Lump sum retirement benefits	8.5	10.5
Lump sum death benefits	2.5	2.1
Lump sum AVC benefits	4.5	4.9
	358.2	347.8

16. Payments to and on account of leavers

	2014	2013
	£m	£m
Refunds of contributions	1.4	1.3
Individual transfers out to other schemes	7.6	7.1
	9.0	8.4

17. Administrative expenses

	2014	(As restated) 2013
	£m	£m
Administration - staff costs	2.4	2.2
Administration - other costs	1.6	1.5
Actuarial fees	0.5	0.4
Audit fees	0.2	0.2
Pension Protection Fund levy	3.6	3.5
	8.3	7.8

18. Investment income

	2014	(As restated) 2013
	£m	£m
Fixed interest	47.1	23.0
Index linked	16.8	12.2
Equities	75.4	95.9
Property	68.1	68.1
Interest on cash deposits	1.0	0.8
Other income	0.3	0.2
Sub-total	208.7	200.2
Irrecoverable taxation	(0.3)	(1.4)
	208.4	198.8

19. Investment expenses

The following amounts were payable in respect of investment services:

	2014	(As restated) 2013
	£m	£m
Investment management – stocks and shares	13.9	13.7
Investment management – property	1.8	1.7
Custody	0.3	0.3
Other investment expenses	9.9	7.9
	25.9	23.6

20. 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	% held directly	% held indirectly	Year-end date	Activity
BBCAF Inc (USA)	100%		31 December	Investment Holding
Grosvenor Urban Retail LP(USA)		75%	31 December	Investment Holding
1900 Duke Street LP (USA)		75%	31 December	Investment Holding
Rice Lake Square (USA)		75%	31 December	Investment Holding
Parklands North Creek (TIC) USA		75%	31 December	Investment Holding

In addition, at 31 December 2013, BBCAF Inc was a general partner with a 50% interest in one general partnership, a 50% limited partner in two limited partnerships, a Member with a 50% interest in two limited liability companies and holds a 50% interest in a 'Tenant-In-Common'

21. Capital and contractual commitments

As at 31 March 2014 the Scheme was committed to providing additional funding to certain managers investing in unquoted securities. These commitments amounted to £435.6m (2013: £501.6m).

22. Contingent liabilities

Other than the liability to pay future benefits, there are no material contingent liabilities of the Scheme at 31 March 2014 (2013: £Nil).

23. 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 37 - administration of the Scheme, and costs thereof.
- Of the Trustees noted on page 4 and 5, the BBC Trust Trustee and another Trustee were not members. The remaining Trustees were members of the Scheme during the past year. All transactions with these parties were in accordance with the Scheme rules. The Pensioner Trustee was a pensioner of the Scheme in receipt of a pension.
- Bill Matthews receives an annual fee of £10,000 (2013:£10,000) as a Trustee and as Chair of the Trustees. Geoff Jones receives an annual fee for his services as Pensioner Trustee of £6,000 (2013: £6,000). Kevin Carter is remunerated by the BBC for his services to the Scheme. The amount of his remuneration during the year was £115,000 (2013:£115,000), this is not separately recharged to the Scheme.
- The co-investor in each of the investment properties in North America is Grosvenor Americas Limited, a wholly owned subsidiary of Grosvenor Group Limited.
- The Partnerships, Limited Liability Companies and Tenancy In Common in which the Scheme's subsidiary BBCAF Inc is an investor, have entered into various management agreements (the "Agreements") with certain affiliates of Grosvenor (the "Manager") whereby the Manager will earn asset management and development fees as stated in the Agreements. Total asset management fees earned by the Manager were approximately £3.0 million and £3.4 million during the years ended 31 December, 2013 and 2012, respectively. BBCAF Inc's share of asset management fees incurred amounted to approximately £2.0 million and £2.2 million in 2013 and 2012, respectively.
- Development fees earned by the Manager were £80,176 and £8,943 during the years ended 31 December 2013 and 2012, respectively. BBCAF Inc's share of development fees incurred amounted to approximately £60,139 and £6,705 in 2013 and 2012, respectively.
- The Scheme also holds an interest in a pooled investment vehicle where Grosvenor Group Limited is the investment manager. The value of this interest at 31 March 2014 was £0.1 million (2013: £0.3 million). The Scheme's share of investment management fees payable to Grosvenor Group Ltd was £2,311 (2013: £11,198).
- The BBC has given the Trustee and all of its Directors an indemnity against all unrecovered costs which they may be liable for as a result of a successful challenge and all costs of whatever nature which arise out of the Trustee's participation in the conduct of any challenge.
- Except as disclosed above, there are no transactions, balances or relationships that require disclosure under Financial Reporting Standard 8.

24. Self investment

There were no employer related investments during the year (2013: none)

Independent Auditors' report to the Trustee of the BBC Pension Scheme - Report on the accounts

Our opinion

In our opinion the accounts, defined below:

- show a true and fair view of the financial transactions of the Scheme during the year ended 31 March 2014, and of the amount and disposition at that date of its assets and liabilities, other than liabilities to pay pensions and benefits after the end of the year;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- 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, made under the Pensions Act 1995.

This opinion is to be read in the context of what we say in the remainder of this report.

What we have audited

The accounts, which are prepared by BBC Pension Scheme, comprise:

- the net assets statement as at 31 March 2014;
- the fund account for the year then ended; and
- the notes to the accounts, which include a summary of significant accounting policies and other explanatory information.

The financial reporting framework that has been applied in their preparation comprises applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

In applying the financial reporting framework, the Trustee has made a number of subjective judgements, for example in respect of significant accounting estimates. In making such estimates, they have made assumptions and considered future events.

What an audit of accounts involves

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) ("ISAs (UK & Ireland)"). An audit involves obtaining evidence about the amounts and disclosures in the accounts sufficient to give reasonable assurance that the accounts are free from material misstatement, whether caused by fraud or error. This includes an assessment of:

- whether the accounting policies are appropriate to the Scheme's circumstances and have been consistently applied and adequately disclosed;
- the reasonableness of significant accounting estimates made by the Trustee; and
- the overall presentation of the accounts.

In addition, we read all the financial and non-financial information in the annual report to identify material inconsistencies with the audited accounts and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Responsibilities for the accounts and the audit

Our responsibilities and those of the Trustee

As explained more fully in the statement of Trustee's responsibilities, the Trustee is responsible for the preparation of the accounts and being satisfied that they show a true and fair view.

Our responsibility is to audit and express an opinion on the accounts in accordance with applicable law and ISAs (UK & Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

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.



PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Bristol

11 June 2014

Independent Auditors' statement about contributions to the Trustee of the BBC Pension Scheme

Statement about contributions

Our opinion

In our opinion, the contributions required by the schedule of contributions for the Scheme year ended 31 March 2014 as reported in the summary of contributions have in all material respects been paid in accordance with the schedules of contributions certified by the Scheme actuary on 23 March 2011 and 18 December 2013.

This opinion is to be read in the context of what we say in the remainder of this statement.

What we have examined

The summary of contributions for the Scheme year ended 31 March 2014, which has been prepared by BBC Pension Scheme, is set out on the following page.

What an examination of the summary of contributions involves

Our examination involves obtaining evidence sufficient to give reasonable assurance that contributions reported in the summary of contributions have been paid in accordance with the relevant requirements. This includes an examination, on a test basis, of evidence relevant to the amounts of contributions payable to the Scheme under the schedule of contributions and the timing of those payments.

Responsibilities for the statement about contributions

Our responsibilities and those of the Trustee

As explained more fully in the statement of Trustee's responsibilities, the Scheme's Trustee is responsible for preparing, and from time to time reviewing and if necessary revising, a schedule of contributions and for monitoring whether contributions are made to the Scheme by the employer in accordance with relevant requirements.

It is our responsibility to provide a statement about contributions and to report our opinion to you.

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.



PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Bristol
11 June 2014

Summary of Contributions payable in the year ended 31 March 2014

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

	Employee £m	Employer £m
Required by the Schedule of Contribution		
Normal contributions	1.0	79.8
Salary sacrifice employee	-	34.5
Deficit recovery payment	-	100.0
Matching AVCs	-	0.9
PPF levy	-	3.5
Total required by the schedule of contribution	1.0	218.7
Other contributions payable		
Additional Voluntary	0.5	-
Salary sacrifice additional voluntary	-	1.8
Waiver payments	-	2.3
Added years	0.1	-
Salary sacrifice added years	-	1.9
Augmentation of benefits	-	0.5
Total	1.6	225.2
Total as per Fund Account		226.8

Signed on behalf of the Board of Trustees on 4 June 2014:

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 could have been expected on 1 April 2013 to be met by 1 April 2026.

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 18 December 2013.

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 18 December 2013

Towers Watson 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

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 2013 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 18 December 2013.

A J Blay
Fellow of the Institute of Actuaries

Date 18 December 2013

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

Trustee and Advisors to the Scheme as at 31 March 2014

Trustee	BBC Pension Trust Ltd, Broadcasting House, London W1A 1AA
Secretary to the Trustee	Sandra Phillips Pension and Benefits Centre, Broadcasting House, Cardiff CF5 2YQ
Actuary	Alison Blay, Towers Watson Ltd
Independent Auditors	PricewaterhouseCoopers LLP
Solicitor	Sacker & Partners LLP
Investment Consultants	Towers Watson Ltd David Gamble Andrew Threadgold Richard L. Greene (USA property)
Investment Managers	Artemis Investment Management Ltd Baillie Gifford & Co BlackRock Investment Management UK Ltd Bridgewater Associates, LP Cambridge Associates Ltd Goldman Sachs & Co Henderson Equity Partners Ltd Hg Pooled Management Hony Capital InfraRed Capital Partners Ltd Invesco Asset Management Ltd Legal & General Assurance (Pensions Management) Ltd M&G Investment Management Ltd Nephila Capital Ltd NewSmith Asset Management LLP PGSFIII GP Ltd (investment adviser: Pantheon Ventures Ltd) Pimco Europe Ltd Prisma Capital Partners Rogge Global Partners Plc Sanders Capital, LLC State Street Global Advisors Ltd Sun Capital Partners, Inc The Carlyle Group Uberior Fund Manager Ltd Warburg Pincus LLC

Trustee and Advisors to the Scheme as at 31 March 2014 (continued)

Cash Manager	BlackRock Advisors (UK) Ltd
Engagement Manager	Hermes Equity Ownership Services Ltd
Property Managers	Grosvenor Americas Ltd (USA) Orchard Street Investment Management LLP CBRE Global Investors Ltd PanEuropean Property Unit Trust
Property Valuer	GVA Grimley Ltd (Chartered Surveyors)
Custodian	HSBC Bank plc
Property Solicitors	Brodies LLP (Scotland) Greene, Radovsky, Maloney & Share (USA) Nabarro LLP
Banker	The Royal Bank of Scotland plc
Covenant adviser	Ernst & Young LLP

Changes to advisors

During the year:

- BlackRock Investment Management (UK) Ltd was appointed to manage an inflation linked mandate;
- Hg Pooled Management was appointed to manage a private equity fund;
- Sun Capital Patners, Inc was appointed to manage a private equity fund;
- M&G Investment Management Ltd was appointed to manage a corporate bond portfolio;
- The global equity mandate with Lazard Asset Management Ltd was terminated; and
- The passive bond mandate with State Street Global Advisors Ltd was terminated..

Participating employers

On 31 March 2014 the participating employers were:

- BBC
- 2 Entertain Management Ltd
- 2 Entertain Video Ltd
- 3SIXTYMEDIA Ltd
- BBC Children in Need
- BBC Studios and Post Production Ltd
- BBC Global News Ltd (formally BBC World News Ltd)
- BBC Worldwide Ltd.

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.

The principal responsibility of the Trustee Board is to ensure that the Scheme is able to pay pensions to beneficiaries as they fall due. It discusses sub-committee reports; sets investment strategy; approves the Scheme accounts, the annual budget and work plan and the appointment of Scheme advisers. It met five times during the year.

In addition to the agenda items mentioned above, it also:

- received regular updates on the BBC's financial position;
- reviewed the Scheme's investment strategy and funding ratio triggers;
- received a report on foreign exchange transactions in the light of reports in the press and noted that the position was being monitored;
- agreed to transfer its US assets from an omnibus to a segregated account as it believed that the protection offered would be greater;
- agreed that the Scheme should look at hedging some of its exposure to increasing longevity;
- executed the 48th deed of variation which gave delegation to designated office holder to implement decisions taken by the Investment Committee and to allow investment in the government bond repurchase agreements (Repos);
- agreed to the BBC's request to defer the rule change in respect of the Scheme Earnings Cap to ensure consistent treatment of members under the 2010/2011 pension reforms regardless of salary.
- considered the key risks affecting the Scheme together with the effectiveness of controls implemented to mitigate the risk and revised the Scheme's risk register;
- reviewed the Scheme's remuneration policy and agreed that it remained appropriate;
- agreed to insure lump sum death benefits;
- agreed a revised Administration Agreement and Services Scheme to replace the Administration/Investment Services Agreement between the BBC and the Trustees;
- approved the appointment of Institution Protection Services Ltd (IPS) to provide the Scheme with services on class actions;
- reviewed the indemnity and exoneration protection and agreed that a revised Deed of Indemnity with the BBC should be executed to include office holders;
- noted that BBC Pension Services Ltd, a subsidiary of BBC Pension Trust Ltd that had been set up to undertake certain limited investment functions under the Financial Services Act 1986 and was no longer needed should be wound up; and

- agreed the process for reviewing the Scheme's legal adviser.

The Board recognised that some members may have a conflict of interest when discussing funding matters. Therefore these matters were discussed by a Committee of Directors of which Zarin Patel and subsequently Anne Bulford elected not to be part.

The Committee of Directors

met six times, It considered the Scheme's funding position, taking advice from Ernst & Young LLP on the employer's covenant and reviewed the assumptions that should be used in the 2013 valuation, taking advice from the Scheme Actuary. It also agreed all the valuation documentation.

The Investment Committee's

objective is to ensure that the assets are sufficient to meet the liabilities as they fall due and are managed in accordance with the investment strategy set by the Trustees. It met six times. During the year the Investment Committee performed a number of key tasks. It:

- provided support during the valuation process;
- reviewed the structure, bench marking and next steps for the LDI portfolio;
- increased the hedge ratio and considered more complex hedging strategies with the aim of reducing risk;
- ensured that the Scheme had the financial and practical flexibility to implement a significant de-risking at short notice if need be;
- reviewed the funding ratio triggers;
- extended the use of alternative matching assets;
- reviewed the Scheme's liquidity and collateral availability;
- further integrated the activities undertaken by the Scheme's engagement manager into the fund manager investment processes, following the review of the Scheme's Environmental Social and Governance strategy undertaken in 2012;
- reviewed the Scheme's investment performance;
- reviewed and decided to retain the Scheme's economic consultant and the UK property lawyers;
- negotiated a reduction in the fees for a number of managers. New managers were hired at a similar or lower cost than existing/outgoing managers recognising the Scheme's desire to lower costs and current market constraints;
- approved both new investment mandates and termination of those no longer appropriate; and
- monitored the investment committee budget.

The Benefits Committee

met three times. The Committee's objective is to ensure that all beneficiaries receive the benefits to which they are entitled under the Rules of the Scheme. It implements all aspects of Scheme administration; monitors compliance and discretions exercised on behalf of the Trustees. During the year, it:

- agreed that Fidelity should be retained as a provider of AVCs following a review by Towers Watson, together with the continuation of the Fidelity BlackRock 50:50 Global Equity Index fund within the Working Life Strategy. It also accepted a proposed reduction in contract charges;
- reviewed the deposit based AVC arrangements and agreed a communication to members setting out the position with regard to cover provided through the Financial Services Compensation Scheme (FSCS) and reminding members of the alternative options available;
- agreed to the continuation of Hewlett Packard as the business continuity provider;
- agreed that BBC Wood Norton be used as the business continuity site following Hewlett Packard's decision to withdraw the provision of the mobile office;
- oversaw the creation of an operational risk register that is monitored at each meeting;
- agreed an Administration Agreement for Services that the Pension and Benefits Centre (P&BC) would provide to the BBC;
- agreed the draft budget for 2014/15;
- noted the results from the customer survey which showed that overall levels of satisfaction with the service provided by the Centre were high with an improvement in some areas and posted the results on the Scheme website;
- oversaw the renegotiation of the contract for the provision of the pensions administration system;
- issued a communication to members who may be impacted by the reduction in Annual Allowance and Lifetime Allowances in April 2014;
- agreed the renegotiation of the contract with the provider of the pension administration system;
- monitored the Benefits Committee budget; and
- agreed a three year plan.

The Finance, Risk and Audit Committee

met three times. The Committee's objective is to ensure that the Scheme has an appropriate control and risk framework in place. It monitors the effectiveness of the Scheme's financial management and internal controls.

During the year, it:

- reviewed and approved the Scheme's annual budgets and quarterly accounts;
- reviewed and approved the Finance Department's annual budgets and quarterly accounts;
- tendered the external auditor role and re-appointed PwC as Scheme auditor;
- reviewed the Scheme's annual statutory accounts;
- enhanced the operational due diligence process for existing and new investments;
- reviewed an internal audit of the Scheme's investment processes;
- reviewed the custody arrangements of the Scheme's assets;
- reviewed the Scheme's risk register; and
- agreed a three year plan.

Disputes

The Scheme has a two stage internal disputes resolution procedure (IDRP). The first stage is determined by the Service Delivery Manager or the Pension Accountant. If a matter is not resolved to a member's satisfaction it can be referred to a committee of Trustees who will consider the matter.

The Pension and Benefits Centre dealt with one dispute during the year. This was rejected under the first stage of the IDRP and no further action taken.

Contributions

During the year the BBC's contributions rate (inclusive of AVC Plus contributions) was 14.5% of Pensionable Salaries. The BBC also reimbursed the Scheme for the cost of the PPF Levy (£3.4m). Old and New Benefits members paid 7.5%, Career Average Benefits 2006 members paid 4% and Career Average Benefits 2011 members paid 6%. Most members' contributions were paid by salary sacrifice (Smart Pensions).

Increases in pensions and deferred pensions

Pensions in payment increases are made from 1 April each year.

Old and New Benefits

For Old Benefits members, pensions in payment increase by the rise in the Retail Prices Index (RPI) during the year ending 31 December last, up to a maximum of 10%.

For New Benefits members, pensions in payment increase by the rise in the RPI during the year ending 31 December last, up to a maximum of 5%.

Old and New Benefits deferred pensions receive the same increase as pensions in payment. Pensions in deferment and in payment for less than a year for Old and New Benefits members are increased pro rata.

The increase paid on 1 April 2013 was 3.1% and on 1 April 2014 was 2.7% for Old and New Benefits members.

Career Average Benefits 2006 (CAB 2006)

For CAB 2006 members, pensions in payment increase by the rise in the RPI during the year ending 31 December last, up to a maximum of 2.5%. The increase paid on 1 April 2013 and 2014 was 2.5%.

The discretionary revaluation of CAB 2006 benefits built up for active and deferred members was 3.1% on 1 April 2013 and 2.7% on 1 April 2014.

Career Average Benefits 2011 (CAB 2011)

For CAB 2011 members, pensions in payment increase by the rise in the Consumer Prices Index (CPI) during the year ending 31 December last, up to a maximum of 4%. The increase paid on 1 April 2014 was 2.0%.

The revaluation of CAB 2011 benefits built up for active and deferred members on 1 April 2014 was 2.0%, with no further discretionary increase.

Additional Voluntary Contributions (AVCs)

A total of 974 members paid AVCs during the year (2013: 1,034). The contributions are invested with Santander UK plc or Fidelity Pensions Management in accordance with members' wishes. At 31 March 2014 1,289 members were buying added years (2013: 1,465).

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. 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 system costs, stationery and postage, together with accommodation and other administrative overheads.

The remuneration of one Trustee is paid by the BBC.

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 1 of Schedule 1 of the Data Protection Act 1998.

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