

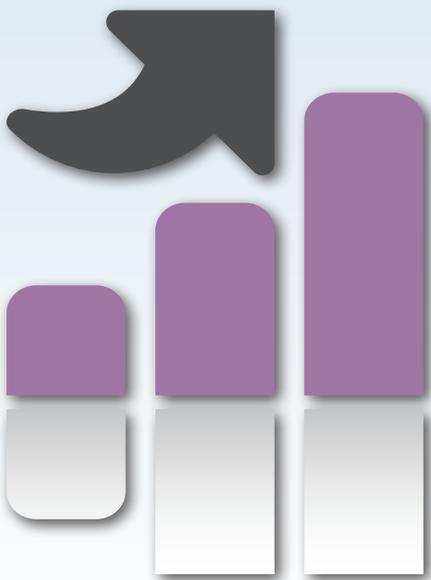
BBC

Pension Scheme

PENSIONS

2015

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 2015

I am pleased to report that the value of the Scheme's assets has risen to an all-time high of £12.9bn and that the fund's investments delivered a return of 20% over the year. Unfortunately, the cost of providing the pensions due to members has also increased due to the impact of Government bond yields, which were at an all-time-low. As Trustees, we have continued to mitigate the Scheme's risk and to monitor the funding position as the deficit still remains sizeable.

The main contributors to the Scheme's return in 2014/15 were the Scheme's holdings of long dated UK bonds and global equities. The year also saw a very strong return from the Scheme's UK property portfolio and from assets with a claim on long term cash flows such as infrastructure and private equity. The fall in the price of oil and some other commodities has been dramatic, but the Scheme is fortunate to have very little direct commodity exposure, although it does have some exposure to oil related business, and to emerging market equities.

The Scheme has continued to reduce its equity exposure when the market has been high and to purchase assets that offer the prospect of stable long term cash flows, such as UK corporate bonds, infrastructure investments and properties with long leases. It has not bought more UK government bonds at current yield levels.

During the year we said farewell to Geoff Jones, who made a significant contribution to the Board in his nine years as a Trustee and welcomed Leslie Huss-Smickler, who was elected to succeed him.

Bill Matthews, Chairman of the Trustees

Summary of the year

The total number of Scheme beneficiaries at 31 March 2015 was 51,658, 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 19% from £10.8 billion last year to £12.9 billion as at 31 March 2015.

In the five years since 2010 the Scheme's investments have risen by 57% from £8.2 billion.

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

Performance

The Scheme's assets produced a return of 20.1% in the year ended 31 March 2015. Over the last five years the Scheme's investments have generated an annualised return of 10.6%.

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 £330.8m and outgoings were £398.7m, giving net withdrawals from dealings with members of £67.9m. Included in contributions is a deficit recovery payment of £200.0m received from the BBC in March 2015. Income from investments, net of expenses, was £205.8m providing a total net inflow of £137.9m.

The market value of the Scheme's assets rose during the year by £1,946.5m.

Trustees' report

This report for the year ended 31 March 2015 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

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

Geoff Jones resigned with effect from 31 October 2014. Leslie Huss-Smickler was elected to serve for the remainder of Geoff Jones' term from 6 February 2015 to 31 December 2019.

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 the Trustees comprised:



Bill Matthews
(BBC Trust,
Chair)

Attendance at Board Meetings - 5 of 6
Committee of Directors (Chair) - 3 of 3



Kevin Carter
(BBC)

Attendance at Board Meetings - 5 of 6
Committee of Directors - 2 of 3
Investment Committee (Chair) - 7 of 7



Ken MacQuarrie
(BBC)

Attendance at Board Meetings - 5 of 6
Committee of Directors - 2 of 3
Investment Committee - 5 of 7



Graham Ellis
(BBC)

Attendance at Board Meetings - 6 of 6
Committee of Directors 3 of 3
Finance Risk and Audit - 1 of 1
Finance and General Purposes
Committee (Chair) - 2 of 2



Anne Bulford
(BBC)

Attendance at Board Meetings - 5 of 6
Finance Risk and Audit - 0 of 1



Grant Cassidy
(MNT)

Attendance at Board Meetings - 6 of 6
Committee of Directors - 3 of 3
Investment Committee - 6 of 7



Andy Baker
(MNT)

Attendance at Board Meetings - 6 of 6
Committee of Directors - 3 of 3
Finance and General Purposes
Committee - 2 of 2



**Leslie
Huss-Smickler**
(MNT)

Attendance at Board Meetings - 1 of 1
Committee of Directors - 1 of 1
Leslie was appointed during the year



David Gallagher
(MNT)

Attendance at Board Meetings - 5 of 5
Committee of Directors - 3 of 3
Finance and General Purposes
Committee - 2 of 2



Geoff Jones
(MNT)

Attendance at Board Meetings - 2 of 3
Committee of Directors - 2 of 3
Finance Risk and Audit - 1 of 1
Geoff resigned during the year.

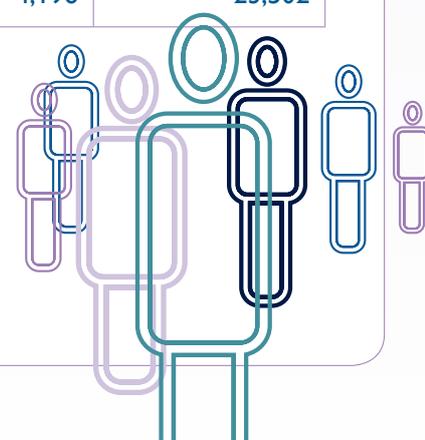
Rhodri Lewis also served as a Trustee during the year

Membership

	2015	2014	
Total membership			
Contributing members	12,237	13,100	
Deferred pensioners	29,374	29,349	
Pensioners	23,502	23,365	
	65,113	65,814	
Contributing members			
At 1 April 2014	13,100		
New members*	42		
Flexible Retirement	0		
Leavers	(613)		
Retired with pension (normal health)	(278)		
Retired with pension (ill health)	(7)		
Died in service	(7)		
At 31 March 2015	12,237		
Deferred pensioners			
At 1 April 2014	29,349		
Leavers from active status (including re-instatements)	623		
Subsequently transferred	(76)		
Pensions becoming payable	(473)		
Deaths	(33)		
Surrendered, commuted or refunded	(16)		
At 31 March 2015	29,374		
	Former contributors	Spouses and dependants	Total
At 1 April 2014	19,214	4,151	23,365
Contributing members who retired (including re-instatements)	343	0	343
Deferred pensions becoming payable	473	0	473
Spouses and dependants	0	367	367
Cessations	(724)	(322)	(1,046)
At 31 March 2015	19,306	4,196	23,502

The total number of Scheme beneficiaries as at 31 March 2015 was 51,658 (2014: 52,447), excluding dependants. Membership numbers in the table above are higher as members can hold more than one record. For example, existing members who have joined the Career Average Benefits 2011 section from another section of the Scheme may have a deferred pensioner record for their benefits built up in the Old Benefits, New Benefits or Career Average Benefits 2006 sections and a contributing record for their Career Average Benefits 2011 benefits.

*New members were individuals re-joining the Scheme following their return from a career break.



Actuarial Valuation

The actuarial valuation of the Scheme as at 1 April 2013 reported 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 12 in the financial statements on page 24.

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 policy and management arrangements

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 Statement of Investment Principles, are used as foundation blocks for developing investment strategy.

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 agreements. Investment managers have discretion to buy and sell investments within the terms of their agreements. A performance monitoring agency measures their performance, and that of the Scheme.

The Scheme invests 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). Derivative instruments are used to manage the Scheme's risk and for efficient portfolio management purposes.

The Trustees and the BBC have agreed to a long-term Journey Plan of 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 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 horizon of the Journey Plan.

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.

2014/15 Overview and Performance

Taking bond and equity markets together, 2014/2015 was the sixth successive year of positive investment returns for financial markets and for the Scheme. The low level of short term interest rates and inflation, and progressive signs of improvement in the economic health of developed markets continued to provide strong support for asset prices.

UK government bond (Gilt) yields fell steadily during the year, with long term fixed rate Gilt yields falling from 3.5% to 2.3% and long term index-linked Gilt yields falling from 0.0% to -0.9%. The level of long term bond yields is particularly important for the funding position of the Scheme. The yields are used to calculate the present value of the Scheme's future liabilities and the Scheme has a large portfolio of long term bonds. Last year's fall in yields corresponded to high short term returns, which has contributed to the rise in the Scheme's asset value over the year, but the same effect can also be seen on the present value of the Scheme's liabilities, with the Scheme's benchmark posting a 24.0% return during 2014/15.

The UK equity market (as measured by the FTSE All Share Index) returned 6.6% during the year, lagging the 16.6% return of the broad global equity market (as measured by the FTSE All World on a 50% hedged basis).

Helped by the strong performance of markets, the value of the Scheme's net assets reached a record level of £12.9bn, up from £10.8bn a year ago. After adjusting for cash flows in and out of the Scheme, this corresponds to an investment return of 20.1%, following increases of 6.0% in 2013/14 and 13.1% in 2012/13. Over the past five years, the Scheme's investment return is 10.6% on an annualised basis, while the annualised return over ten years, a period which includes the financial crisis, has been 8.9%. It is very unlikely that returns will be so strong in coming years.

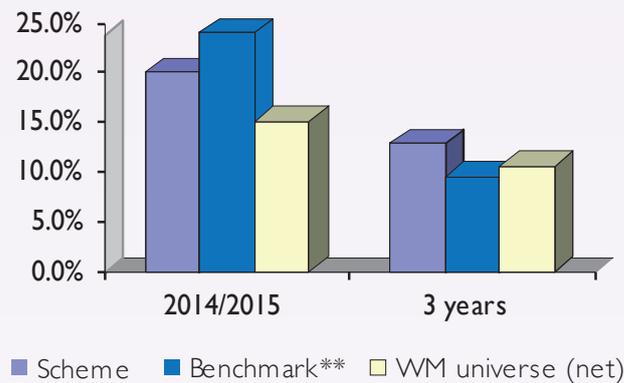
Chart 1 shows the Scheme's assets and liabilities since 2011. Chart 2 gives the performance of the Scheme over the last 1 and 3 years, and compares those figures with the Scheme's benchmark as well as WM's UK Pension Fund universe (net of estimated fees), which measures the performance of a large sample of UK pension schemes.

Chart 1

Chart 2

Value of Scheme assets and liabilities (£bn)

Investment returns over 1 and 3 years



*Assets ex AVCs; Liabilities shown on a technical provision bases with preliminary estimate for 2015

**Proxy Liability Benchmark using Gilts 0.5% basis, as calculated by Towers Watson

The main contributors to the Scheme's 20.1% return in 2014/15 were the Scheme's holdings of long dated UK bonds and global equities. The Scheme was unable to match the 24.0% return of its benchmark in 2014/15. However, over the last three years, the Scheme's investments have outperformed the benchmark and the average UK pension Scheme as measured by the WM CAPS universe.

The experience of the last year continues to illustrate the benefit of the Scheme's liability driven investment portfolio, which was built up in 2012 and 2013, without materially selling down the Scheme's return seeking assets. This strategy was put in place to manage the risk to the Scheme of falling bond yields. It has resulted in the Scheme being at least £1bn better off than if the Scheme had not increased its protection against interest rate movements in this way.

The year also saw a very strong return from the Scheme's UK property portfolio and from other assets with a claim on long term cash flows (such as infrastructure and private equity). The rise in the value of the Dollar also increased the Sterling value of our US investments. The fall in the price of oil and some other commodities has been quite dramatic. Although the Scheme is fortunate to have very little direct commodity exposure it does have some exposure to commodity related business, and to emerging market equities, which have underperformed the US market.

Investment strategy and activity

At the end of March 2015, 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 37.5% to 35.0%, while the Scheme's allocation to private markets increased by 2.5%. The chart below shows the asset allocation as at 31 March 2015.

Asset Allocations	Current %	Permitted Ranges % (1/4/15)	
		Minimum	Maximum
Equities (ex futures*)	28.4	27.5	42.5
Private Markets	22.5	13.5	28.5
Absolute Return	5.0	0.0	14.5
Return Seeking Bonds	7.5	3.0	18.0
Liability Matching Bonds**	35.3	21.5	100.0
Cash held centrally	1.5	0.0	15.0

*The Scheme holds an additional 5.6% exposure to equities through equity derivative instruments.

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

The Trustees took further steps in 2014/15 to reduce the level of risks embedded in the Scheme's investments, while continuing to look for opportunities to generate the strong investment returns, relative to liabilities, that are required to meet the Scheme's journey plan.

The Scheme has not been buying more UK government bonds at current levels of yields but has continued to purchase 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 a short term hedge for the Scheme's liabilities as UK government bonds, but should deliver higher returns and cash flows that are well aligned to the Scheme's obligations over the longer term.

The Scheme has continued to reduce its equity exposure when the market has been high. It has also replaced some of its equity holdings with call options which should increase in value if the market goes up but which have limited downside in the event that the market falls.

A number of changes were made to the Scheme's line-up of investment managers. Macquarie was selected to manage a portfolio of infrastructure debt and the Scheme has committed to an investment in UK renewable energy assets with BlackRock. The Scheme also ended its relationship with a number of managers during the year.

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. The investment team has worked hard to ensure that the Scheme receives the best possible value for money from its relationships with investment managers and other suppliers. The Scheme's investment management expenses for stocks, shares and property, as reported in the accounts, have fallen from £17.0m in 2010/11 (equivalent to 0.19% based on the March 2011 asset value of £8.9bn) to £14.3m in 2014/15 (equivalent to 0.11% based on the March 2015 asset value). The Scheme also tracks a very broad measure of investment costs which includes fee and performance fee accruals in funds, commissions, administration and custody costs, property expenses and other investment governance and advisory costs. This measure shows a similar fall in costs of more than one third as a percentage of assets under management since 2011.

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 to engagement at the company level, 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 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.

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 2014.

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 (2014: 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 2015.

Investments	£m	£m	%	%
Global equities				
Baillie Gifford & Co	535.6		4.1	
BlackRock Advisors Ltd	840.8		6.5	
Sanders Capital, LLC	357.5		2.8	
State Street Global Advisors Ltd	543.3		4.2	
LGIM Futures	13.0		0.1	
		2,290.2		17.7
UK equities				
Artemis Investment Management Ltd	405.0		3.1	
BlackRock Advisors Ltd	203.2		1.6	
State Street Global Advisors Ltd	679.7		5.3	
Invesco Asset Management Ltd	33.7		0.3	
LGIM Futures	11.5		0.1	
		1,333.1		10.4
Liability Matching Bonds				
Legal & General Assurance (Pensions Management) Ltd	4,090.5		31.7	
Pimco Europe Ltd	285.9		2.2	
M&G Investment Management Ltd	384.8		3.0	
		4,761.2		36.9
Return Seeking Bonds				
Pimco Europe Ltd	577.8		4.5	
M&G Investment Management Ltd	261.8		2.0	
ICG Alternative Investments Ltd	161.9		1.3	
		1,001.5		7.8
Private Markets				
Aberdeen UK Infrastructure Partners, LP	134.0		1.0	
BlackRock UK Long Lease Property Fund	148.0		1.1	
BlackRock Renewables Fund	3.2		0.0	
The Carlyle Group	115.3		0.9	
GS & Co Infrastructure Partners	136.9		1.1	
GS & Co Mezzanine Advisors	75.9		0.6	
Hg Pooled Management (Renewables)	18.0		0.1	
Hg Pooled Management (Private Equity)	130.8		1.0	
Hony Capital Fund LP	29.9		0.2	
Infared Capital Partners Ltd	80.1		0.6	
NAVIS Capital Partners	16.8		0.1	
Macquarie Financial Products Management Ltd	92.0		0.7	
M&G Investment Management Ltd	197.8		1.5	
PGSFIII GP Ltd	27.8		0.2	
Sun Capital Partners, Inc	52.0		0.4	
Warburg Pincus LLC	171.3		1.3	
UK – CBRE Global Investors Ltd	487.2		3.8	
UK - Orchard Street Investment Management LLP	345.3		2.7	
USA – Grosvenor Americas Ltd	359.0		2.8	
Europe – CBRE Global Collective Investors UK Limited	53.4		0.4	
Europe – Pan European Property Unit Trust	46.2		0.4	
		2,720.9		21.1
Absolute Return				
Bridgewater Associates, LP	187.6		1.5	
Cambridge Associates Ltd	273.1		2.1	
Prisma Capital Partners	179.8		1.4	
		640.5		5.0
Currency Overlay				
State Street Global Advisors Ltd	(23.6)		(0.2)	(0.2)
		(23.6)		
Miscellaneous cash balances		187.5	1.4	1.4
Total investments		12,911.3	100.0	100.0

Distribution of investments by asset class

Summaries of the investments showing market values at 31 March 2015 and analysed by category, are shown below:

		£m	%
Equities	UK	1,354.8	10.5
	Europe (other than UK)	457.0	3.5
	USA	968.8	7.5
	Japan	56.8	0.4
	Pacific Basin (ex Japan)	376.1	2.9
	Other markets	354.5	2.8
Fixed interest bonds		1,614.8	12.5
Repurchase agreements		(763.2)	(5.9)
Index-linked government bonds		4,377.5	33.9
Property		1,173.8	9.1
Alternatives		2,494.0	19.3
Cash		501.0	3.9
Derivatives		(54.6)	(0.4)
		12,911.3	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	7,569.9	58.6
USA	2,663.2	20.6
Europe (other than UK)	1,315.0	10.2
Japan	97.7	0.8
Pacific Basin (ex Japan)	691.8	5.4
Other markets	573.7	4.4
	12,911.3	100.0

Twenty largest holdings

The twenty largest individual equity investments of the Scheme as at 31 March 2015 are as follows:

		£m
1	Amazon.com Inc	49.2
2	Tencent Holding Ltd	47.5
3	Illumina Inc	41.6
4	Baidu Inc	39.3
5	Royal Dutch Shell	35.8
6	Imperial Tobacco Group plc	32.6
7	Facebook Inc	30.9
8	Google Inc	25.7
9	Inditex	25.1
10	Vodafone Group plc	24.1
11	AstraZeneca plc	24.0
12	Novartis International AG	22.4
13	BP plc	20.2
14	Intuitive Surgical Inc	20.0
15	Tesla Motors Inc	19.8
16	Lloyds Banking Group plc	19.3
17	GlaxoSmithKline plc	18.1
18	Barclays plc	17.9
19	Whole Foods Market Inc	17.2
20	Burberry Group plc	16.6

The total value of the investments shown above is £ 547.3m, which represents 4.3% of the Scheme's total net investment assets of £12,858.8m.

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 2015 the Scheme owned 79 properties in the UK, with a total market value of £743.2m, 93% by value being freehold and the remainder held on leases exceeding 95 years. Tenants' leases were let on leases subject to rent reviews not later than 2028.

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 adopting risk-based processes to monitor 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/mypension 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/mypension

For and on behalf of BBC Pension Trust Limited

Sandra Phillips
Secretary
2 June 2015

Consolidated Statement of Net Assets as at 31 March 2015

	Notes	2015		2014	
		£m	£m	£m	£m
Investment assets					
Equities	2	1,498.4		1,570.7	
Bonds	2	5,992.3		3,777.9	
Property	2	842.6		740.7	
Pooled Investment Vehicles	2	4,894.8		4,172.2	
Derivatives	4	89.4		88.7	
AVC investments	13	96.3		93.7	
Cash	5	501.0		468.8	
Other investment balances	6	32.9	13,947.7	38.7	10,951.4
Investment liabilities					
Repurchase agreements	7	(763.2)			
Derivatives	4	(144.0)		(68.4)	
Other investment balances	6	(181.7)	(1,088.9)	(109.5)	(177.9)
Total net investments			12,858.8		10,773.5
Current assets	9	17.8		14.8	
Current liabilities	9	(13.8)		(10.4)	
Net current assets / (liabilities)			4.0		4.4
Total Net Assets			12,862.8		10,777.9

The notes on pages 16 to 27 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 31 and these financial statements should be read in conjunction with them.

The Financial Statements on pages 14 to 27 were approved by the Board of the Trustees on 2 June 2015 and signed on its behalf by:

**Trustee
Director**

**Trustee
Director**

Consolidated Fund Account for the year ended 31 March 2015

	Notes	2015		2014	
		£m	£m	£m	£m
Contributions and benefits					
Employer contributions	12	329.7		225.2	
Employee contributions	12	1.1		1.6	
Total contributions			330.8		226.8
Benefits payable	14	(375.4)		(358.2)	
Payments to and on account of leavers	15	(14.9)		(9.0)	
Administrative expenses	16	(8.4)		(8.3)	
			(398.7)		(375.5)
Net withdrawals from dealings with members			(67.9)		(148.7)
Returns on investments					
Investment income	17	235.3		208.4	
Change in market value of investments	10	1,946.5		452.1	
Investment expenses	18	(29.0)		(25.9)	
Net return on investments			2,152.8		634.6
Net increase in fund during the year			2,084.9		485.9
Opening net assets of fund			10,777.9		10,292.0
Closing net assets of fund			12,862.8		10,777.9

Notes to the Financial Statements for the year ended 31 March 2015

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 31.

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.

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 19 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 March, 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.
- Securities sold subject to repurchase agreements (repos), where substantially all of the risks and rewards are retained, continue to be recognised within investment assets. Funds received under these arrangements are shown as a liability under the heading 'Repurchase agreements'. The difference between sale and repurchase price is treated as interest and accrued over the life of the agreements.

(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.

(h) Expenditure

Expenditure is recognised on an accruals basis.

2. Investment assets

	2015			2014		
	UK £m	Overseas £m	Total £m	UK £m	Overseas £m	Total £m
Equities						
Quoted	581.4	910.4	1,491.8	682.0	883.0	1,565.0
Unquoted	4.8	1.8	6.6	4.5	1.2	5.7
Total Equities	586.2	912.2	1,498.4	686.5	884.2	1,570.7
Fixed interest securities						
Quoted – public sector	443.2	115.7	558.9	216.9	165.8	382.7
Quoted – other	336.6	719.3	1,055.9	291.1	572.6	863.7
Total fixed interest securities	779.8	835.0	1,614.8	508.0	738.4	1,246.4
Index linked securities						
Quoted – public sector	4,119.9	257.6	4,377.5	2,428.3	103.2	2,531.5
Properties						
Directly held	743.2	99.4	842.6	653.9	86.8	740.7
Derivatives	68.4	21.0	89.4	84.6	4.1	88.7
Pooled investment vehicles						
Unitised insurance policies – quoted	1,223.0	-	1,223.0	1,157.3	-	1,157.3
Managed funds:						
Quoted – other	5.8	-	5.8	5.5	2.2	7.7
Unquoted – other	1,810.7	1,524.1	3,334.8	907.8	1,811.6	2,719.4
Unquoted – property unit trust	0.1	-	0.1	0.1	-	0.1
Unquoted – other property	-	331.1	331.1	-	287.7	287.7
Total pooled investment vehicles	3,039.6	1,855.2	4,894.8	2,070.7	2,101.5	4,172.2
Total securities, properties and pooled investment vehicles	9,337.1	3,980.4	13,317.5	6,432.0	3,918.2	10,350.2

(a) Pooled vehicles

At 31 March 2015 the Scheme had £2,745.2m (2014: £1,724.3m) invested in pooled investment vehicles registered in the United Kingdom and £2,149.6m (2014: £2,447.9m) invested in pooled investment vehicles not registered in the United Kingdom.

(b) Significant holdings

At 31 March 2015 the Scheme had 5.3% (2014: 5.9%) of its assets invested in a passive UK equity fund managed by State Street Global Advisors Ltd.

3. Property

UK property investments

	2015	2014
	£m	£m
Freehold and long leasehold properties:		
Offices	64.6	59.6
Industrial	206.6	174.8
Shops	210.0	198.2
Retail warehouses	210.7	185.2
Hotels / other	51.1	36.0
	743.0	653.8
Interests in pooled investments	0.1	0.1
	743.1	653.9
Overseas property investments		
North America directly held	99.4	86.8
North American pooled vehicles	232.3	197.4
European pooled vehicles	98.9	90.4
	430.6	374.6

4. Derivative contracts

Derivatives included in investment assets	2015	2014
	£m	£m
Forward foreign exchange contracts	6.2	14.4
Interest rate swaps	10.6	4.2
Inflation rate swaps	17.4	35.3
Credit default swaps	3.3	1.8
Total return swaps	16.5	32.4
Futures contracts - exchange traded	2.1	0.6
Options	33.3	-
	89.4	88.7
Derivatives included in investment liabilities		
Options	-	(0.2)
Forward foreign exchange contracts	(42.5)	(6.6)
Interest rate swaps	(12.9)	(2.1)
Inflation rate swaps	(77.9)	(54.1)
Credit default swaps	-	-
Total return swaps	(7.2)	(1.3)
Futures contracts - exchange traded	(3.5)	(4.1)
	(144.0)	(68.4)

4. Derivative contracts (continued)

The Scheme uses a number of financial derivatives to help manage its exposure to a number of financial risks.

Equity futures and options allow the Scheme to acquire economic exposure to various markets without having to deploy significant capital, the options offer some additional downside protection in the case of market falls. Inflation, interest rate and credit default swaps are used to hedge part of the Scheme's exposure to changes in inflation, interest rate and credit expectations. Total return swaps allow the Scheme to acquire economic exposure to Government bonds without having to deploy significant capital. Foreign exchange forward contracts are used to hedge currency risk.

The economic exposure value of the credit default swaps at 31 March 2015 was £161.0m (2014: £59.6m). 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 8 years.

The notional principal of the inflation rate swaps was £1,457.1m (2014: £1,466.1m), the interest rate swaps was £520.5m (2014: £177.0m) and the total return swaps was £513.2m (2014: £1,399.7m). The notional principal of the swap is the amount used to determine the value of the swapped cash flows.

All of the interest rate swaps expire within 30 years, all of the inflation rate swaps expire within 25 years and all of the total return swaps expire within 5 years.

The notional principal of the options was £316.1m (2014: £155.2m). All of the options expire within 3 years.

Collateral held under derivative contracts as at March 31st 2015 was £138.2m (2014: £25.0m).
Collateral held under derivative contracts as at March 31st 2015 £76.8m (2014: £6.9m).

Futures

Type of future	Expiry	Economic exposure value	Market Value
		£m	£m
CBT USD IRS 30YR Future	Less than one year	(0.8)	0
EUX Euro Bund Future	Less than one year	19.4	0.2
CBT USD 10YR Future	Less than one year	(2.7)	(0.3)
CBT USD IRS 5YR Primary Fix Rate Future	Less than one year	(4.4)	0
LIF Long Gilt Future	Less than one year	17.5	0.3
CBT USD IRS 10YR Primary Future	Less than one year	(7.4)	0
EUX Euro Stoxx 50 Future	Less than one year	69.2	0.6
OSE Topix Index Future	Less than one year	61.5	0.9
LIFFE FTSE 100 Index Future	Less than one year	444.5	(3.2)

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 2015 the Scheme's fund managers had 13 open forward exchange contracts with durations all expiring on or before 25 June 2015. The Scheme had bought sterling against foreign currencies with a sterling equivalent value of £568m, sold sterling against foreign currencies with a sterling equivalent of £0.2m, and contracts with other currency pairs had a sterling equivalent value of £10.2m.

The principal net exposure in these contracts was the sale of US dollars against sterling (sterling equivalent: £442.8m).

Additionally, the Scheme operates a currency overlay program, within which at 31 March 2015, it had sold the Euro: £104.2m, and the US Dollar: £1,362.4m all against sterling. At 31 March 2015 the unrealised loss on positions within the overlay program was £23.6m.

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

5. Cash

	2015	2014
	£m	£m
Sterling	451.0	444.7
Foreign currency	50.0	24.1
	501.0	468.8

Sterling cash deposits were managed by BlackRock Advisors (UK)Ltd, the Scheme's cash manager and Legal and General Assurance (Pensions Management) Ltd. Foreign currencies and some sterling balances were managed by the relevant investment and property managers.

6. Other investment balances

	2015	2014
	£m	£m
Other investment assets		
Receivable on sales of securities	6.2	6.8
Accrued investment income	22.6	23.4
Tax recoverable	0.5	4.6
Other debtors	3.6	3.9
	32.9	38.7
Other investment liabilities		
Derivatives	(144.0)	(68.4)
Payable on purchases of securities	(74.7)	(18.3)
Borrowings (note 8)	(19.0)	(17.0)
Other creditors	(88.0)	(74.2)
	(325.7)	(177.9)

7. Repurchase agreements

As at 31 March the Scheme had 8 repurchase contracts (index linked repos) in place for a total of £763.2m (2014:nil). The Scheme has sold index linked gilts for cash and at the same time and as part of the same transactions has committed to repurchase the gilts back on a specified future date and at a specified price.

These repos allow the Scheme to gain further exposure to inflation linked bonds by utilising the cash raised to buy more of these bonds.

8. Investment borrowings

	2015 £m	2014 £m
Repayment analysis		
Between two and seven years	19.0	17.0
	19.0	17.0
Floating rate loans		
Mortgage payable	18.2	16.2
Interest rate swap valuation	0.9	0.9
Unamortised deferred loan cost	(0.1)	(0.1)
	19.0	17.0
Security analysis		
Secured	19.0	17.0

9. Current assets and liabilities

	2015 £m	2014 £m
Current assets		
Other debtors and prepayments	17.8	14.8
Current liabilities		
Tax due	(6.2)	(6.8)
Other creditors	(7.6)	(3.6)
	(13.8)	(10.4)

10. Changes in investments

	Market value at 1 April 2014	Purchases at cost and derivative payments	Sale proceeds and derivative receipts	Change in market value	Market value at 31 March 2015
	£m	£m	£m	£m	£m
Fixed interest securities	1,246.4	1,425.5	(1,235.3)	178.2	1,614.8
Index linked securities	2,531.5	1,315.6	(451.5)	981.9	4,377.5
Equities	1,570.7	635.1	(914.4)	207.0	1,498.4
Equities and bonds: passive	1,919.7	717.9	(790.0)	221.9	2,069.5
Derivatives	20.3	373.5	(451.9)	3.8	(54.3)
Alternatives	1,964.7	569.7	(278.1)	237.6	2,493.9
Property	1,028.6	75.1	(33.3)	103.3	1,173.7
AVCs	93.7	2.6	(7.2)	7.2	96.3
Total	10,375.6	5,115.0	(4,161.7)	1,940.9	13,269.8
Cash	468.8			5.6	501.0
Other investment balances	(70.8)				(148.8)
	10,773.6			1,946.5	13,622.0

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.

11. Transaction costs

Transaction costs incurred in the year amounted to £3.1m (2014: £3.2m). In addition to these transaction costs, indirect costs were incurred through the bid-offer spreads on investments.

12. Contributions receivable

In accordance with the Actuary's recommendation, the employers' contributions were 16.7% of pensionable salaries for the year, inclusive of contributions under the matching provisions of the AVC Plus arrangement.

		2015	2014
		£m	£m
Members	- normal	0.8	1.0
	- added years	-	0.1
	- additional voluntary	0.3	0.5
Employers	- normal	87.9	79.8
	- salary sacrifice employee normal	32.8	34.5
	- salary sacrifice added years	1.7	1.9
	- salary sacrifice additional voluntary	1.6	1.8
	- deficit recovery payment	200.0	100.0
	- augmentations	1.3	2.8
	- additional voluntary	0.7	0.9
	- PPF levy	3.7	3.5
		330.8	226.8

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

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

I3. 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:

	2015	2014
	£m	£m
Santander UK plc	18.7	19.1
Equitable Life Assurance Society	4.1	4.3
Fidelity Pensions Management	59.1	55.2
Aviva	14.4	15.1
	96.3	93.7

The movements in the year are as follows:

	£m
Value at 1 April 2014	93.7
Purchases at cost	2.6
Sale proceeds	(7.2)
Interest and bonuses	7.2
Value at 31 March 2015	96.3

I4. Benefits payable

	2015	2014
	£m	£m
Pensions	355.5	342.7
Lump sum retirement benefits	11.0	8.5
Lump sum death benefits	2.4	2.5
Lump sum AVC benefits	6.5	4.5
	375.4	358.2

I5. Payments to and on account of leavers

	2015	2014
	£m	£m
Refunds of contributions	1.4	1.4
Individual transfers out to other schemes	13.5	7.6
	14.9	9.0

I6. Administrative expenses

	2015	2014
	£m	£m
Administration - staff costs	2.3	2.4
Administration - other costs	1.7	1.4
Actuarial fees	0.3	0.5
Audit fees	0.2	0.3
Trustee fees	0.1	0.1
Pension Protection Fund levy	3.8	3.6
	8.4	8.3

17. Investment income

	2015	2014
	£m	£m
Fixed interest	66.8	47.1
Index linked	15.2	16.8
Equities	77.6	75.4
Property	73.2	68.1
Interest on cash deposits	1.3	1.0
Other income	1.2	0.3
Sub-total	234.8	208.7
Irrecoverable taxation	-	(0.3)
	235.3	208.4

18. Investment expenses

The following amounts were payable in respect of investment services:

	2015	2014
	£m	£m
Investment management – stocks and shares	12.2	13.9
Investment management – property	2.0	1.8
Custody	0.3	0.3
Other investment expenses	14.5	9.9
	29.0	25.9

19. 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 2014, 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 held a 50% interest in a 'Tenant-In-Common'

20. Capital and contractual commitments

As at 31 March 2015 the Scheme was committed to providing additional funding to certain managers investing in unquoted securities. These commitments amounted to £1,066.8m (2014: £435.6m).

21. Contingent liabilities

Other than the liability to pay future benefits, there are no material contingent liabilities of the Scheme at 31 March 2015 (2014: £Nil).

22. Related party transactions

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

- Page 33 - participating employers; Page 4 - BBC management on the Trustee Board and Scheme membership of the Trustees; and Page 34 - administration of the Scheme, and costs thereof.
- Of the Trustees noted on page 4, the BBC Trust Trustee and another Trustee were not members. The remaining Trustees were members of the Scheme during the past year. Three Trustees are in receipt of a pension. All transactions with these parties were in accordance with the Scheme rules.
- Bill Matthews receives an annual fee of £10,000 (2014:£10,000) as a Trustee and as Chair of the Trustees. Geoff Jones received a fee for his services as Pensioner Trustee of £3,500 (2014: £6,000). Leslie Huss-Smickler receives an annual fee for his services as Pensioner Trustee of £6,000. His fee for the year was £888 (2014: nil). Kevin Carter is remunerated by the BBC for his services to the Scheme. The amount of his remuneration during the year was £115,000 (2014:£115,000), this is not separately recharged to the Scheme. One of the Trustees has a spouse who is a beneficiary of 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 £4.2 million and £3.0 million during the years ended 31 December, 2014 and 2013, respectively. BBCAF Inc's share of asset management fees incurred amounted to approximately £2.7 million and £2.0 million in 2014 and 2013, respectively.
- Development fees earned by the Manager were £0 and £80,176 during the years ended 31 December 2014 and 2013, respectively. BBCAF Inc's share of development fees incurred amounted to approximately £0 and £60,139 in 2014 and 2013, 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 2015 was £0.1 million (2014: £0.1 million). The Scheme's share of investment management fees payable to Grosvenor Group Ltd was £1,936 (2014: £2,311).
- 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.

23. Self investment

There were no employer related investments during the year (2014: none)

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

Our opinion

In our opinion the BBC Pension Scheme's accounts, defined below:

- show a true and fair view of the financial transactions of the scheme during the year ended 31 March 2015, 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.

What we have audited

BBC Pension Scheme's accounts comprise:

- the net assets statement as at 31 March 2015;
- 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 the preparation of the accounts is 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.

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 International Standards on Auditing (UK and Ireland) ("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.

What an audit of accounts involves

We conducted our audit in accordance with 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.

We primarily focus our work in these areas by assessing the Trustee's judgements against available evidence, forming our own judgements, and evaluating the disclosures in the accounts.

We test and examine information, using sampling and other auditing techniques, to the extent we consider necessary to provide a reasonable basis for us to draw conclusions. We obtain audit evidence through testing the effectiveness of controls, substantive procedures or a combination of both.

In addition, we read all the financial and non-financial information in the Report and accounts 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.

PricewaterhouseCoopers LLP
Chartered Accountants and Statutory
Auditors
Bristol
02 June 2015

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 2015 as reported in BBC Pension Scheme's summary of contributions have in all material respects been paid in accordance with the schedule of contributions certified by the scheme actuary on 18 December 2013.

What we have examined

BBC Pension Scheme's summary of contributions for the scheme year ended 31 March 2015 is set out on the following page.

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.

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, in all material respects, 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.

We test and examine information, using sampling and other techniques, to the extent we consider necessary to provide a reasonable basis for us to draw conclusions. We obtain evidence through testing the effectiveness of controls, substantive procedures or a combination of both.

PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Bristol
02 June 2015

Summary of Contributions payable in the year ended 31 March 2015

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

	Employee £m	Employer £m
Required by the Schedule of Contribution		
Normal contributions	0.8	87.9
Salary sacrifice employee	-	32.8
Deficit recovery payment	-	200.0
Matching AVCs	-	0.7
PPF levy	-	3.7
Total required by the schedule of contribution	0.8	325.1
Other contributions payable		
Additional Voluntary	0.3	-
Salary sacrifice additional voluntary	-	1.6
Waiver payments	-	1.3
Added years	-	-
Salary sacrifice added years	-	1.7
Augmentation of benefits	-	-
Total	1.1	329.7
Total as per Fund Account		330.8

Signed on behalf of the Board of Trustees on 2 June 2015:

**Trustee
Director**

**Trustee
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 2015

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 ICG Alternative Investments Ltd Invesco Asset Management Ltd Legal & General Assurance (Pensions Management) Ltd Macquarie Financial Products Management M&G Investment Management Ltd NAVIS Capital Partners PGSFIII GP Ltd (investment adviser: Pantheon Ventures Ltd) Pimco Europe Ltd Prisma Capital Partners Sanders Capital, LLC State Street Global Advisors Ltd Sun Capital Partners, Inc The Carlyle Group Aberdeen UK Infrastructure Partners Warburg Pincus LLC

Trustee and Advisors to the Scheme as at 31 March 2015 (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 Rockspring Property Investment Managers LLP
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:

- Macquarie Financial Products Management Ltd was appointed to manage an infrastructure debt mandate;
- Blackrock Investment Management Ltd was appointed to manage a renewable income fund;
- The UK equity mandate with NewSmith Asset Management LLP was terminated;
- The emerging market currency mandate with Rogge Global Partners plc was terminated; and
- The insurance linked mandate with Nephila Capital Ltd was terminated..

Participating employers

On 31 March 2015 the participating employers were:

- BBC
- 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; considers the funding position; approves the Scheme accounts, the risk register, the annual budget and work plan and the appointment of Scheme advisers. It met six 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 triggers for de-risking;
- undertook a feasibility study to better understand the extent of longevity risk that the Scheme carries and agreed not to pursue a longevity swap at this point, but that it should be reviewed on an annual basis;
- reviewed the Scheme's remuneration policy and agreed that it remained appropriate;
- reviewed the indemnity and exoneration protection provided to Trustees;
- reviewed the Statement of Investment Principles;
- decided to allow members to commute in line with the 2014 budget limits;
- executed the 49th Deed of Variation accommodating the payment of benefits following the introduction of same sex marriage;
- agreed the 50th Deed of Variation to allow members to transfer different tranches of their benefits and their AVCs separately to benefit from new investment and drawdown arrangements outside the Scheme;
- carried out a tender process for the role of legal adviser to the Scheme. Sackers LLP was reappointed;
- considered the proposals from the European Commission for a new occupational Pension Funds Directive, noting that the provisions would need to be enacted into UK legislation before they could affect the Scheme;
- agreed to the merger of the Finance Risk and Audit Committee (FRAC) and Benefits Committee into a Finance and General Purposes Committee – the Benefits Committee did not meet during the year;
- agreed a procedure to be followed in the event of a catastrophic event involving the Scheme assets;
- considered The Pensions Regulator's revised code on DB funding and an analysis of the Scheme's compliance against this;
- undertook a factor review;

- looked at the pros and cons of establishing an FCA authorised company;
- commenced a Board effectiveness exercise;
- received a report from the Scheme's Solicitor looking at the role of the Trustees in assessing covenant; and
- agreed David Gamble and Andrew Threadgold should be reappointed to the Investment Committee for a further three years term each.

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 which Anne Bulford elected not to be part of.

The Committee of Directors met three times.

It agreed to enter into a flexible apportionment arrangement with 2 Entertain Management Ltd, 2 Entertain Video Ltd and BBC Worldwide under which 2Entertain's liabilities under the Scheme would be apportioned to BBC Worldwide, following the decision to wind the companies up with the staff being transferred to BBC Worldwide; and drew up a conflicts protocol with Ernst & Young, (EY) following EY's appointment as the BBC's auditor.

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 seven times. During the year the Investment Committee performed a number of key tasks. It:

- implemented conclusions of the 2013 valuation process and updated the Journey Plan;
- continued to reduce Scheme risk – to the extent allowed by the funding ratio following the outcome of the valuation and recovery plan discussions;
- considered the further incorporation of tail hedging strategies, implemented a call option strategy on a proportion of the equity portfolio and carried out further scenario analysis as part of the Scheme's risk management process;
- extended the use of alternative matching assets to the extent that further assets could be sourced with secure long term cash flows and materially better expected returns than index-linked Gilts;
- made further investments in areas such as private equity and opportunistic credit, in a way consistent with the long-term return requirement, risk profile and liquidity needs of the fund;
- reviewed the Scheme's liability driven investment strategy and next steps. Ensured that the Scheme has the financial and practical flexibility to implement further de-risking at short notice if need be;
- continued to upgrade operational capabilities in the areas of risk, analytics, performance, attribution and reporting; and
- developed a clear strategy towards longevity risk.

The Finance, Risk and Audit

Committee met once and was disbanded in September. The Committee's objective was to ensure that the Scheme has an appropriate control and risk framework in place. It monitored the effectiveness of the Scheme's financial management and internal controls.

During that meeting, it:

- reviewed the Scheme's quarterly accounts;
- reviewed and approved the Finance Department's quarterly accounts;
- reviewed the Scheme's annual statutory accounts;
- reviewed the Scheme's risk register; and
- considered a Value for Money review paper.

The Finance and General Purposes

Committee met twice. The Benefits and Finance and Risk and Audit Committees were merged into the Finance and General Purposes Committee in June 2014. 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 and compliance and discretions exercised on behalf of the Trustees in the administration of the Scheme to ensure that all beneficiaries receive the benefits to which they are entitled under the Rules of the Scheme. During the year, it

- reviewed and approved the Scheme's annual 2014/15 budget and quarterly accounts;
- reviewed and approved the Finance and Administration Departments' annual 2015/16 budget and quarterly accounts;
- reviewed the Scheme's annual statutory accounts;
- appointed Amaces Ltd to undertake a review of the custodian;
- re-appointed PWC as Scheme auditor and reviewed their audit plan;
- reviewed the Scheme's risk register;
- reviewed actuarial factors and made a number of recommendations to the Board;
- reviewed an internal audit of the Scheme's financial controls which found there to be a generally sound system of financial controls; and agreed an audit of the property managers;
- considered a "value for money" review and agreed that the April payslip, annual pension increase letter and P60 would be consolidated into one document; and
- considered the appropriateness of the panel of Independent Financial Advisers and agreed that this should be discontinued with effect from 1 April 2015.

Disputes

The Scheme has a two stage internal disputes resolution procedure (IDRP). The first stage is determined by the Pension Operations 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 three disputes during the year. All were rejected under stage one of the IDR procedure. One case was taken to the second stage of the IDR and the stage one decision was upheld.

Contributions

During the year the BBC's contributions rate (inclusive of AVC Plus contributions) was 16.7% of Pensionable Salaries. The BBC also reimbursed the Scheme the cost of the PPF Levy (£3.7m). 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 2014 was 2.7% and on 1 April 2015 was 1.6%.

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 2014 was 2.5% and on 1 April 2015 was 1.6%.

The discretionary revaluation of CAB 2006 benefits built up for active and deferred members was 2.7% on 1 April 2014 and 1.6% on 1 April 2015.

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% and on 1 April 2015 was 0.5%

The revaluation of CAB 2011 benefits built up for active and deferred members on 1 April 2014 was 2.0%, and on 1 April 2015 was 0.5%

Additional Voluntary Contributions (AVCs)

A total of 846 members paid AVCs during the year (2014: 974). The contributions are invested with Santander UK plc or Fidelity Pensions Management in accordance with members' wishes.

At 31 March 2015: 1,166 members were buying added years (2014: 1,289).

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.

Produced by: Pension and Benefits Centre
Telephone: 029 2032 2811
Fax: 029 2032 2408
Email: myPension@bbc.co.uk
Website: bbc.co.uk/mypension

June 2015

find out more at bbc.co.uk/mypension