

**BBC World Service**

**Annual Review 2013/14**



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### DIRECTOR'S OVERVIEW

After more than 70 years of being funded by a direct grant from the UK government, BBC World Service's transition to licence fee funding has brought with it certainty and stability. We embraced this historical change and planned meticulously to ensure a smooth transition. We now sit at the heart of the BBC's international news coverage. With unmatched diversity of voices, we have continued to deliver vivid reporting and depth of understanding to a global audience which stands at 191.4 million. Our journalism has been broadcast to the UK on a scale that would have seemed unimaginable a few years ago.

### ORGANISATIONAL CHANGES

BBC World Service continues to be one of the most credible and trusted news organisations in the world. Whilst preserving our values of independence and impartiality, we have continually been evolving to keep up with the transformation of the media environment around the world.

Radio has remained vital despite the continued decline in shortwave listeners. WS English radio is still our largest platform with an audience of 41.4 million. We have been investing in new programmes to offer a broader and richer mix of genres. One example is a weekly business programme, Business Matters, which launched on WS English in April 2013.

Developing innovative multiplatform output has been one of our top priorities. The weekday programme, Outside Source, launched on WS English in October 2013, and its TV and online formats were developed later. Outside Source is a ground-breaking show which opens up the news process and links the BBC's global network of journalists with a worldwide audience. To spot and report topics trending on social media around the world, a weekly show, BBC Trending, launched on WS English in November 2013. It has an online blog and regular live TV slots on BBC World News. BBC Trending output is enhanced by a global network of journalists from WS Languages and BBC Monitoring. We have also developed two other key WS English programmes, Witness and Health Check, into multiplatform brands.

In many countries TV is now the main source of news. To continue WS Languages' journey towards becoming multiplatform services, we launched three new TV bulletins in Pashto, Kyrgyz and French for Africa in January 2014. More have been in the pipeline, including a TV bulletin in Burmese which launched in April 2014. These bulletins are broadcast by local partner stations and aired on our own websites. From a three-day-a-week bulletin, the Urdu TV programme, Sairbeen, was re-launched in March 2014, only a year after it started. It now has a new look and extended schedule and is broadcast at primetime on a new partner station. BBC Hindi's TV programme, Global India, which launched in 2012 as a weekly 30-minute programme, now has an audience of 6 million.

Internet access has taken off in our key markets, initially via PCs, and now rapidly via mobile devices. BBC Hausa's Mobile First project – shorter stories that fit mobile phones formats – has proved a big success. After its launch in August 2013, the project was rolled out to other African Services. The Hindi website also re-launched with a special focus on social media. BBC Turkish shifted its resources innovatively to a Social First project following the suspension of its partnership with its local TV partner in Turkey due to the government's pressures on media. We have seen significant increases in traffic with the full responsive rollout of all BBC World Service mobile sites. (Responsive is when the layout is automatically adjusted to the screen size and connectivity of the user's mobile phone).

### STRONG JOURNALISM

BBC World Service continues to deliver first-class journalism to both global and UK audiences. Our coverage of the death of Nelson Mandela stood out as strong, insightful and sensitive. It was one of the finest examples of how journalism that lives the story can bring the world alive for audiences. It earned BBC World Service a Radio Academy Gold award.

The coverage of the Watergate shopping mall attack in Kenya and the collapse of the garment factory building in Bangladesh demonstrated the strength of our bilingual journalists in covering stories for various audiences both in the UK and globally. Syria, Egypt and Ukraine crises dominated our news output. We covered the escalating violence in Mali, the Central African Republic and South Sudan. Protests in Turkey, Brazil and Venezuela were also high on our agenda. Elections in Iran, Pakistan and India provided us with a good opportunity to take a deeper look at these countries and go beyond the day-to-day reporting.

In a special season in October 2013, we invited 100 women from around the world to share their views on the position of women today and set out their goals for the future. The final conference trended on Twitter globally. And as part of the Freedom2014 season which launched in January 2014, we broadcast hard-hitting programmes and explored what freedom meant to people around the world, drawing on the expertise of our global network of journalists to give local knowledge and context to powerful investigative journalism.

Our teams have shown admirable courage, commitment and resilience in reporting from dangerous places. There have been threats in Pakistan against BBC journalists forcing them to re-locate. In Uganda, threats against one of our reporters and his family forced them to move to another country. BBC Turkish reporter, Selin Girit, came under direct attack by the Turkish authorities whilst covering the Gezi Park protests in Istanbul in May 2013. Despite initial hopes in Iran that Hassan Rouhani's presidency might mark the start of a new chapter, the harassment of the BBC Persian's staff and their families has continued. Syria, Somalia, Nigeria and Mali have been dangerous places for journalists. The personal security of staff has been tested in the Democratic Republic of Congo and Nigeria with direct and indirect threats to staff.

There have been other threats against our impartial and independent journalism. Jamming of BBC World Service English transmissions on shortwave has continued within China. This has also affected reception outside China, for example, in India, Northern Pakistan, Bangladesh, Burma and Vietnam. Our Uzbek shortwave service has also suffered extensive jamming. We have continued to work actively to seek international regulatory and technical changes that will help counter interference to satellites and transmissions

However, we have also witnessed encouraging signs that Burma, also known as Myanmar, is moving towards media freedom. In December 2013, the Myanmar Ministry of Information gave the BBC permission to open a news bureau in the country. A significant decision as, for decades, the BBC had been banned from reporting from the country.

Despite all these pressures and risks, our digital audiences have been steadily growing. In February 2014 visitors to BBC World Service online broke the 50m monthly visitors mark. Our presence on social media has been growing substantially; BBC Arabic's Facebook fans went up to 2.1 million in March 2014 and the Facebook fans of WS English have been increasing at a rate of 20% a month.

We have also established a remarkable presence in the UK on the BBC's domestic output. WS English has an audience of more than 1.4m in the UK, 2.2 million if we include the overnight audiences on other networks.

More broadly, the international coverage of the BBC's domestic output has been enhanced by the unique knowledge and understanding of BBC World Service staff. Licence fee payers see and hear more of BBC World Service's expertise, including journalists from 27 language services, on the BBC's domestic news output, as the BBC's international and UK newsrooms have been integrated in Broadcasting House in London.

## **OUR VISION**

We aim to stay the most trusted news provider in the world whilst helping the BBC to increase its global reach to 500 million people by 2022. In February 2014, I set out our ambitions for the future in an Invest to innovate plan. The BBC World Service's budget for the financial year 2014/15 is £245 million – a £6.5 million increase over our 13/14 budget – which allows us to make some new investments in our content. By making extra savings and generating some commercial income, further investments will be made. Both the Foreign and Commonwealth Office (FCO) and the BBC Trust have asked the BBC World Service to increase its commercial income.

This type of funding has the potential to enable BBC World Service to invest more in its content and services, without significantly increasing the cost to our new funders – licence fee payers. However, maintaining our editorial integrity will always take precedence over any commercial goals.

More of our future listening on radio is going to come to us through partners, so we plan to invest more in this area. We will also try to reach out to younger audiences by launching Global News beat in several languages. It will be new short radio bulletins with a style and agenda that will appeal to younger listeners, along with a digital offer to engage them.

We will continue our journey towards becoming a truly multimedia, multilingual news organisation by increased investment in BBC Trending and Witness. We will invest further in social media technology and skills.

We'll continue to develop bilingual reporters from BBC World Service Languages who bring immediacy, authenticity, expertise and understanding of global stories to all our English outlets both internationally and domestically. The BBC World Service's Operating Licence, which defines the characteristics of BBC World Service, requires it to primarily serve its global audiences. But it also requires BBC World Service to serve the UK audience by adding international depth to the domestic output. Serving the UK audience, our new funders, is an essential and welcome part of our mission.

## **THE FUTURE**

BBC World Service entered a new chapter of its history in April 2014 when the responsibility for its funding was transferred to the BBC. Now that the transition to Licence Fee funding has taken place, BBC World Service will be part of a longer Licence Fee settlement period, as opposed to three-yearly Comprehensive Spending Reviews. The BBC Trust, which has taken over the responsibility of approving the BBC World Service budget, has committed to continued investment in BBC World Service to make sure it provides as much value to audiences in the future as it has in the past.

Our international audiences will continue to benefit from BBC World Service's insight and analysis of global events. We will reach more people around the world and in the UK than ever before. We will make outstanding content delivered in ways we had never imagined. We face the future beyond April 1 2014 with confidence.

Pursuant to Section 487 of the Companies Act 2006, the auditors will be deemed to be reappointed and KPMG LLP will therefore continue in office. Following a recent external audit tender process, the Executive Audit Committee of the BBC have decided that for the March 2015 year end the audit of the BBC (including its subsidiaries) will be performed by Ernst & Young LLP. As such, KPMG LLP will resign as auditors of the Company prior to 31 March 2015 at which point Ernst & Young LLP will be appointed.

This Annual Review will be the last one in this form as from now on BBC World Service reporting will be incorporated into the BBC's Annual Report.

**Peter Horrocks**

**Director, BBC World Service**

**FINANCIAL REVIEW**

2013/14 has seen the continuation of BBC World Service's transformation from a primarily radio – based service with two television channels to a multimedia broadcasting operation with an increasing digital presence. Building on the launch of new TV output in 2012/13, we have launched TV bulletins in four languages, new programming on WS English and developed our digital offer, in particular our reach on mobile devices. In order to fund these developments, manage rising costs and deal with lower Grant-in-Aid funding in the third year of the 2010 Comprehensive Spending Review settlement, BBC World Service has also made savings totalling £12m in the year. These savings were announced in October 2012 and were made up of distribution and content savings. The distribution savings were delivered through ending shortwave transmissions of Arabic radio from Cyprus in March 2013, reducing hours of transmission of English and Arabic on medium wave. Editorial savings were achieved through the closure of around 70 posts affecting English and Languages output.

The year also saw the BBC preparing for BBC World Service being funded by the Licence Fee from 1 April 2014. The BBC Trust put out its draft Operating Licence for public consultation in the summer of 2013 and the finalised document was published in January 2014. This document sets out how BBC World Service will be governed from 1<sup>st</sup> April. It also states that the cash funding for BBC World Service in 2014/15 is £245m, a £6.5m increase on the Grant-in-Aid funding in 2013/14. After the CSR funding reductions, the increase is extremely welcome but BBC World Service will still need to make savings in the three remaining years of the current licence fee period if it is to make the investments it needs to compete in fast-changing international media markets as well as deal with rising costs. The £5.5m savings required for 2014/15 will come from distribution savings already announced, including the ending of shortwave transmissions from the Seychelles in March 2014, and reductions in support costs. The Operating licence also set out a 2014/15 budget for content and distribution spend of £210m which will allow comparison of BBC World Service spend in those areas against the budgets of other BBC services.

**OPERATING PERFORMANCE**

BBC World Service recorded an operating deficit (before interest and tax) of £2.3m in 2013/14. The deficit is mainly caused by non-cash items such as depreciation and capital write-offs being in excess of capital grant-in-aid, which is to be expected following the reduction in Grant-in-Aid funding in the 2010 CSR settlement.

Operating expenditure was £22.9m lower than in 2012/13 because in addition to the £12m savings made in the year, BBC World Service did not have asset write-offs and depreciation on the scale which it had in 2012/13 when it moved out of Bush House and announced the closure of the Cyprus transmission site. Restructuring costs were also lower in 2013/14 because the savings for 2014/15 come from a combination of distribution savings (which do not require the closure of BBC staff posts) and from post closures which had already been announced. Spend on production, including digital, was £1.9m higher than in 2012/13, showing that most of the savings were required to manage reducing income and rising costs rather than new investment, but the importance of the new investment can be seen in the audience figures where TV and digital gains provided the growth while radio audiences reduced.

In 2012/13 we had a £13m charge relating to the reduction in shortwave capacity. Decommissioning of the Cyprus site has been delayed as we look at ways to relocate medium wave transmissions on the 1323 MW band but work has started in the Seychelles which is a much smaller site. We now believe that we will be required to do less work on the Seychelles site than was originally expected and we have reduced the provision for decommissioning by £0.6m as a result.

**INCOME**

Total Grant-in-Aid funding for 2013/14 was £238.5m, of which £222.5m was for operating activity and £16m for capital. This compares to £244m in 2012/13 and reflects the reduction in funding announced as part of the 2010 CSR and the in-year reduction of £1.7m which was BBC World Service's share of the additional 1% funding cut imposed on the FCO. Income from external sources was £1.2m lower in 2013/14. The 2012/13 figures included a one-off £1m gain from the sale of assets in Bush House. While BBC World Service has had some success in securing new commercial income, e.g. from advertising on some of its languages websites and licensing output for online distribution, these have been offset by reductions in radio

and TV co-production income which have been affected by the drop in advertising revenues in the related markets.

## **CAPITAL**

Capital Grant-in-Aid funding for the year was £16m, as per 2012/13, and completes the near 50% reduction in capital funding for BBC World Service announced in the 2010 CSR.

The major capital projects in 2013/14 included the upgrading of BBC Arabic and BBC Persian Television technical facilities in the Peel Wing of Broadcasting House. One benefit of this will be to enable them to share material much more easily with other BBC World Service languages teams and colleagues from BBC domestic news services which are now located with BBC World Service in New Broadcasting House. Other projects included refreshing and enhancing capability in international offices, providing appropriate tools and kit to reporters in the field to enable delivery of quality content and the replacement of essential infrastructure across the international transmitter sites. These capital investment projects enable BBC World Service to continue its newsgathering, production and programme distribution arrangements in the UK and internationally.

## **BALANCE SHEET**

Non-current assets on the balance sheet have a carrying value of £100.1m which reflects the investment made in four international transmission sites and production facilities in international bureaux over many years and more recently in the technical facilities in the New Broadcasting House building in London W1.

Current assets and current liabilities are broadly consistent with 2012/13. Provisions are lower than in 2012/13 due to payments being made against the previous year's restructuring provision and a reduction in new provisions being made during the year because of 2014/15 savings being delivered, in the main, without additional post closures.

## **LOOKING AHEAD**

From 1 April 2014, BBC World Service has been funded by the Licence Fee. BBC World Service is now largely funded from the same source as domestic news output and is sharing the same accommodation, in London and in many of its international bureaux. This will facilitate even greater sharing of content and resources across all BBC News output, benefitting global and UK audiences and allowing the BBC to reduce costs, which is vital with a flat Licence Fee and increasing international competition. Other broadcasters, such as CCTV and Al Jazeera, are investing heavily in international news so it is important that the BBC maximises the value it can generate from all its resources – funding, expertise, international bureaux network, multimedia presence – if it is to attract audiences to its output when they have so many options competing for their attention. For this reason, BBC World Service will continue to invest in new output in languages, in English and in various platforms. It will need to continue to make savings and develop new ways of working, not just to save money, but also so that it can deliver its journalism and other output to all the types of devices on which its audiences want to engage with BBC News content.

BBC World Service will also want to increase its funding from sources other than the Licence Fee to develop its international presence. In 2013/14, funding from other sources was roughly 3% of income. While we do not expect commercial income to rise dramatically, in part because the parts of the world prioritised by BBC World Service are those not well served by commercial media, BBC World Service will be seeking to bring in funding from non-commercial sources and to develop partnerships to provide content and access markets which on Licence Fee funding alone we could not reach. This will take time to build but will be beneficial if BBC World Service is to play its part in the BBC reaching its target of a 500 million international audience by 2022.

**Richard Thomas**

**Chief Operating Officer and Director of Finance, BBC World Service**

**INDEPENDENT AUDITOR'S REPORT TO THE EXECUTIVE BOARD OF THE BRITISH BROADCASTING CORPORATION ("BBC")**

We have audited the group financial statements of BBC World Service for the year ended 31 March 2014 set out on pages 9 to 35. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the EU.

This report is made solely to the BBC Executive Board on terms that have been agreed. Our audit work has been undertaken so that we might state to the BBC Executive Board those matters we are required to state to them in an auditor's report. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than BBC World Service and the BBC Executive Board as a body, for our audit work, for this report, or for the opinions we have formed.

**Respective responsibilities of the BBC Executive Board and BBC World Service Board and auditor**

As explained more fully in the Board responsibilities Statements set out on page 37, the Boards are responsible for the preparation of the group financial statements and for being satisfied that they give a true and fair view.

Our responsibility, in accordance with the terms of our engagement letter, is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

**Scope of the audit of the financial statements**

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the BBC World Service's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the Annual Report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by 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.

**Opinion on financial statements**

In our opinion the group financial statements:

- give a true and fair view of the state of the Group's affairs as at 31 March 2014 and of its deficit for the year then ended; and
- have been properly prepared in accordance with IFRSs as adopted by the EU.

**Opinion on other matters prescribed by the terms of our engagement**

In our opinion the information given in the Director's overview on pages 3 to 5, the financial review on pages 6 to 7 and the governance reports on pages 36 to 47 is consistent with the group financial statements.

**Matters on which we are required to report by exception by the terms of our engagement**

Under the terms of our engagement we are required to report to you if, in our opinion, we have not received all the information and explanations we require for our audit. We have nothing to report in respect of this matter.

**John Bennett (Senior Statutory Auditor)  
for and on behalf of KPMG LLP, Statutory Auditor**

*Chartered Accountants*

15 Canada Square London E14 5GL

18 June 2014

**CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME**

For the year ended 31 March 2014

	Note	2014 £m	2013 £m
Grant-in-Aid		238.5	244.2
Licence Fee		-	1.5
Other income		6.6	7.8
<b>Total income</b>	1c	<b>245.1</b>	253.5
Operating expenditure excluding exceptional restructuring costs		(248.0)	(270.9)
Exceptional items	6	0.6	(13.0)
<b>Total operating costs</b>	2	<b>(247.4)</b>	(283.9)
<b>Operating (Deficit) before interest and taxation</b>		<b>(2.3)</b>	(30.4)
Net financing income		-	0.1
<b>(Deficit) before taxation</b>		<b>(2.3)</b>	(30.3)
Taxation	4	-	(0.1)
<b>(Deficit) for the financial year</b>		<b>(2.3)</b>	(30.4)

There were no other recognised gains or losses other than the deficit stated above.

**CONSOLIDATED BALANCE SHEET**

At 31 March 2014

	Note	2014 £m	2013 £m
<b>ASSETS</b>			
<b>Non-current assets</b>			
Intangible assets	5	0.5	1.4
Property, plant & equipment	5	99.6	105.3
Investments	14	-	-
		<b>100.1</b>	<b>106.7</b>
<b>Current assets</b>			
Trade and other receivables	7	8.4	11.1
Cash and cash equivalents	12	8.8	5.3
		<b>17.2</b>	<b>16.4</b>
<b>LIABILITIES</b>			
<b>Current liabilities</b>			
Trade and other payables	8	(13.6)	(12.5)
Provisions	10	(4.2)	(8.1)
		<b>(17.8)</b>	<b>(20.6)</b>
<b>Non-current liabilities</b>			
Provisions	10	(5.4)	(6.1)
		<b>(5.4)</b>	<b>(6.1)</b>
<b>Net assets</b>		<b>94.1</b>	<b>96.4</b>
<b>Capital and reserves</b>			
Capital reserve		107.1	100.5
Operating reserve		(13.0)	(4.1)
<b>Total capital and reserves</b>		<b>94.1</b>	<b>96.4</b>

The balance sheet comprises the consolidated results of BBC World Service and its subsidiaries. The full list of subsidiaries can be found in note 14 to the financial statements.

The financial statements were approved by the BBC Executive Board and the BBC World Service Board on 17 June 2014 and signed on their behalf by:

**Tony Hall**, Director-General, BBC

**Peter Horrocks**, Director and Accounting Officer, BBC World Service

**Richard Thomas**, Chief Operating Officer and Director of Finance, BBC World Service

## CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 March 2014

	Capital reserve £m	Operating reserve £m	Total £m
<b>At 1 April 2013</b>	100.5	(4.1)	96.4
Total comprehensive deficit for the year	-	(2.3)	(2.3)
Capital reserve transfer	6.6	(6.6)	-
<b>At 31 March 2014</b>	<b>107.1</b>	<b>(13.0)</b>	<b>94.1</b>

## CONSOLIDATED CASH FLOW STATEMENT

For the year ended 31 March 2014

	Note	2014 £m	2013 £m
<b>Operating activities</b>			
Cash generated from operating activities	11	<b>20.2</b>	6.2
<b>Net cash from operating activities</b>		<b>20.2</b>	6.2
<b>Investing activities</b>			
Purchases of property, plant and equipment	5	<b>(16.7)</b>	(11.0)
Proceeds from sale of property, plant and equipment		-	1.0
<b>Net cash used in investing activities</b>		<b>(16.7)</b>	(10.0)
<b>Financing activities</b>			
Net finance income		-	0.1
Payments of obligations under finance leases		-	(0.1)
<b>Net cash used in financing activities</b>		-	-
<b>Net increase in cash and cash equivalents</b>		<b>3.5</b>	(3.8)
Cash and cash equivalents at the beginning of the year	12	<b>5.3</b>	9.1
<b>Cash and cash equivalents at the end of the year</b>	12	<b>8.8</b>	5.3

### STATEMENT OF ACCOUNTING POLICIES

BBC World Service, funded principally by Parliamentary Grant-in-Aid, is a division of the British Broadcasting Corporation, a body incorporated by Royal Charter.

### BASIS OF PREPARATION

The Financial Memorandum between BBC World Service and the Foreign and Commonwealth Office requires BBC World Service to produce an Annual Review which incorporates a set of financial statements. These financial statements are required to be prepared in accordance with the provisions of the BBC's Charter.

The consolidated financial statements for BBC World Service have been prepared in accordance with International Financial Reporting Standards issued by the International Accounting Standards Board (IASB) and interpretations issued by the IFRS Interpretations Committee of the IASB as adopted by the EU (IFRS).

### GOING CONCERN

The BBC World Service 2013/14 annual accounts have been drawn up on a going concern basis (refer to page 38). BBC World Service funding by the Foreign and Commonwealth Office through Grant-in-Aid, ended on 31 March 2014.

From 1 April 2014 BBC World Service will become funded by the BBC's Licence Fee and its funding in 2014/15 will be £245m. In the light of this funding level, the BBC World Service Board is satisfied that the going concern assumption remains appropriate.

### BASIS OF CONSOLIDATION

The financial statements are principally prepared on the historical cost basis. Areas where other bases are applied are identified in the accounting policies below. The accounting policies have, unless otherwise stated, been applied consistently to all periods presented in these group financial statements.

BBC World Service has produced consolidated financial statements. The results are consolidated under acquisition accounting and intra-group transactions are eliminated on consolidation. All income and expenditure figures in the financial statements relate to transactions external to BBC World Service only.

BBC World Service and its subsidiaries comprise the "BBC World Service Group". Subsidiaries are entities controlled by BBC World Service. Control exists when the BBC World Service Group has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, the BBC World Service Group takes into consideration potential voting rights that are currently exercisable. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

Associates are those entities in which the BBC World Service Group has significant influence, but not control, over the financial and operating policies. Significant influence is presumed to exist when the BBC World Service Group holds between 20 and 50 percent of the voting power of another entity. Associates are accounted for using the equity method (equity accounted investees).

BBC Media Action, a registered charity, is excluded from these consolidated financial statements, although BBC World Service is technically its parent entity. The trustees have a fiduciary duty to act in the best interests of the beneficiaries. Substantially all of BBC Media Action's income is made up of grants, classified as restricted funds because their use is specified by donors. As a result, BBC World Service has no direct control over, or financial interest in, the assets of BBC Media Action.

**ADOPTION OF NEW AND REVISED ACCOUNTING STANDARDS**

The following new and revised Standards and Interpretations have been adopted for the first time, as they became effective for this financial year. They have been applied since 1 April 2013.

**Amendments to IAS 1 Presentation of Financial Statements**

Amendments that are relevant to the Group are the amendments to IAS 1 regarding when a statement of financial position as at the beginning of the preceding period (third statement of financial position) and the related notes are required to be presented. The amendments specify that related notes are not required to accompany the third statement of financial position.

**IFRS 13 Fair Value Measurement**

The Group has applied IFRS 13 for the first time in the current year. IFRS 13 establishes a single source of guidance for fair value measurements and their disclosures. The application of IFRS 13 has not had a material impact on the amounts recognised in the consolidated financial statements apart from some additional disclosures.

**NEW STANDARDS AND INTERPRETATIONS NOT YET ADOPTED**

At the date of authorisation of these financial statements, the following Standards and Interpretations which have not been applied in these financial statements were in issue but not yet effective (and in some cases had not yet been adopted by the EU):

IFRS 9	Financial instruments
IFRS 10	Consolidated financial statements
IFRS 11	Joint arrangements
IFRS 12	Disclosures of interests in other entities
IFRS 10 and 12 and IAS 27 (amendments)	Investment entities
IFRS 15	Revenue from contracts with customers
IAS 16 (amendments)	Property, plant and equipment
IAS 27 (amendments)	Separate financial statements (2011)
IAS 28	Investment in associates and joint ventures (2011)
IAS 32 (amendments)	Offsetting financial assets and liabilities
IAS 36 (amendments)	Recoverable amount disclosures for non-financial assets
IAS 38 (amendments)	Intangible assets
IAS 39 (amendments)	Novation of derivatives and continuation of hedge accounting

The directors do not expect that the adoption of the Standards and Interpretations listed above would have a material impact on the financial statements of the Group in future periods, with the exception of IFRS 9 and IFRS 15.

IFRS 15 will impact revenue recognition, in particular royalty based income.

**INCOME**

Grant-in-Aid is recognised when received from the Foreign and Commonwealth Office. It is intended to meet estimated expenditure in the year but unexpended receipts for the year are not liable to surrender. Grant-in-Aid is recognised as income in the financial year to which it relates.

Licence Fee Income relates to funding made available by BBC Group to pay for restructuring costs incurred in delivering the Comprehensive Spending Review savings. Income is recognised when the cash is received.

Other income, or revenue, arises primarily from activities such as the provision of services and is presented net of sales taxes and, where appropriate, discounts given. Revenue is recognised at the point the service has been delivered and the receipt of the income is probable. Where the delivery is over a period of time, the revenue is recognised on a straight-line basis.

**SEGMENTAL ANALYSIS**

The Group has voluntarily analysed its financial performance in accordance with IFRS 8 "Operating segments". The identified operating segments of BBC World Service are reported in a manner consistent with the internal reports provided to the chief operating decision maker. The chief operating decision maker has been identified as the BBC World Service Board.

**FOREIGN CURRENCY TRANSLATION**

Transactions in foreign currencies are translated into sterling at the rates of exchange ruling at the date of the transactions.

Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are translated into sterling at the rate of exchange ruling at that date. Foreign currency gains or losses arising from the translation of assets and liabilities at these rates of exchange, together with exchange differences arising from transactions settled during the year, are included in the income statement. Non-monetary assets and liabilities measured at historical cost are translated into sterling at the rate of exchange on the date of initial recognition.

**EMPLOYEE BENEFITS**

The BBC operates both defined benefit and defined contribution schemes for the benefit of employees.

***Defined benefit plans***

The defined benefit schemes provide benefits based on pensionable pay. The assets of the BBC's Pension Scheme, to which the majority of employees belong, are held separately from those of the BBC Group. The BBC Pension Scheme is a Group wide scheme and there is no contractual agreement or stated policy for charging the net defined benefit cost to scheme participants. The contribution rates are set by the pension scheme trustees based on valuations which take a longer-term view of the assets required to fund the scheme's liabilities. Valuations of the scheme are performed by Towers Watson, consulting actuaries, with formal valuations undertaken at least every three years. Therefore as required by IAS 19: Employee Benefits BBC World Service accounts for the contributions payable to the scheme for the year.

IAS 19 (as revised in June 2011) was applied by the Group in the current year, and adopted retrospectively in accordance with IAS 8. Consequently, the Group has adjusted opening equity as of 1 April 2012 and the figures for 2013 have been restated as if IAS 19 (revised) had always been applied.

***Defined contribution plans***

The amounts charged as expenditure for the defined contribution plans represent the contributions payable by BBC World Service for the accounting period in respect of these plans.

***Termination benefits***

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

**Other employee benefits**

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

**TAXATION**

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

BBC World Service is not liable to corporation tax on any surplus Grant-in-Aid income received. However, it is fully liable for corporation tax on capital gains and on all its other income. Expenditure on capital assets is not eligible for capital allowances.

Where applicable, deferred tax is provided for using the balance sheet liability method on any temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes, and the amounts used for taxation purposes. Any deferred tax asset is recognised only to the extent that it is probable that sufficient taxable surplus will be available to utilise the temporary difference. Deferred tax assets and liabilities are disclosed net to the extent that they relate to taxes levied by the same authority and BBC World Service has the right of set off within the BBC Group.

**LEASES****Operating leases**

Payments made under operating leases are recognised in the income statement on a straight-line basis over the lease term.

**Finance leases**

Payments made under finance leases are apportioned between financing costs and the reduction of the outstanding liability. The financing costs are allocated to each period so as to produce a constant periodic rate of interest on the remaining balance of the liability.

**FINANCING INCOME AND EXPENSES**

Financing expenses comprise interest payable and finance leases recognised in profit or loss using the effective interest method, unwinding of the discount on provisions, and net foreign exchange losses that are recognised in the income statement (see foreign currency accounting policy). Borrowing costs that are directly attributable to the acquisition, construction or production of an asset that takes a substantial time to be prepared for use, are capitalised as part of the cost of that asset. Financing income comprise interest receivable on funds invested, dividend income, and net foreign exchange gains.

Interest income and interest payable is recognised in profit or loss as it accrues, using the effective interest method.

**INTANGIBLE FIXED ASSETS****Research and development expenditure – internally-generated intangible assets**

Expenditure on research activities is written-off in the income statement when incurred.

Expenditure on development activities is capitalised only if all of the following conditions are met:

- An identifiable asset is created;
- It is probable that the asset will generate future economic benefits; and
- The development costs of the asset can be measured reliably.

The assets are measured at cost less accumulated amortisation and any accumulated impairment losses.

**Other intangible assets**

Other intangible assets acquired separately by BBC World Service are stated at cost less accumulated amortisation and any accumulated impairment losses.

**Amortisation**

Amortisation is charged to the income statement on a straight-line basis over the estimated useful lives of intangible assets, from the date that they are available for use, unless such lives are indefinite. The useful lives and amortisation methods for each major class of intangible asset are as follows:

- Other intangibles, including IT software – 2 to 4 years

Amortisation methods, useful lives and residual values are reviewed at each balance sheet date and adjusted if appropriate.

**PROPERTY, PLANT AND EQUIPMENT**

Property, plant and equipment are stated at cost less accumulated depreciation and any accumulated impairment losses. Certain items of property, plant and equipment that had been revalued to fair value on or prior to 1 April 2009, the date of transition to Adopted IFRSs, are measured on the basis of deemed cost, being the revalued amount at the date of that revaluation.

Cost includes expenditure that is directly attributable to the acquisition of the asset. Where parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items of property, plant and equipment.

BBC World Service recognises decommissioning liabilities as part of the initial cost of the asset, discounted to present value. The group reassesses whether there has been a change in this liability based on the facts and circumstances at each balance sheet date.

Assets held under finance leases are capitalised within property, plant and equipment and depreciation is provided as appropriate. On initial recognition, the asset is measured at the lower of its fair value and the present value of the minimum lease payments.

Depreciation is provided to write off the cost of each item of property, plant and equipment, less its estimated residual value, on a straight-line basis over its estimated useful life. The major categories of property, plant and equipment are depreciated as follows:

**Land and buildings**

Freehold land	- not depreciated
Freehold buildings	- 50 years
Freehold building improvements	- 10 to 50 years
Long leasehold buildings	- shorter of 50 years or life of lease
Long leasehold building improvements	- 10 to 50 years
Short leasehold land and buildings	- unexpired lease term

**Plant and machinery**

Computer equipment	- 3 to 5 years
Electrical and mechanical infrastructure	- 10 to 25 years
Other	- 3 to 10 years

**Furniture and fittings**

- 3 to 10 years

Depreciation methods, estimated useful lives and residual values are reviewed at each reporting date.

**WORK IN PROGRESS**

Work in progress, including programmes commissioned from independent producers, is stated at the lower of cost and net realisable value. The full stock value is written off on first transmission.

**ACQUIRED PROGRAMMES**

The costs of acquired programmes are written off on first transmission.

**TRADE AND OTHER RECEIVABLES**

These are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method less an allowance for estimated impairment. The allowance is based on objective evidence that BBC World Service will not be able to recover all amounts due, through a review of all accounts and prior experience collecting outstanding balances. Changes in the carrying amount of the allowance are recognised in the income statement.

**CASH AND CASH EQUIVALENTS**

Cash and cash equivalents comprise cash balances and call deposits with maturities of less than or equal to three months.

**TRADE AND OTHER PAYABLES**

Trade and other payables are recognised initially at fair value and subsequently at amortised cost using the effective interest method.

**PROVISIONS**

A provision is recognised in the balance sheet when BBC World Service has a present legal or constructive obligation arising from past events, it is probable that an outflow of economic benefits will be required to settle the obligation and the amount can be reliably estimated. Provisions that are payable over a number of years are discounted to net present value at the balance sheet date using a discount rate appropriate to the particular provision concerned.

**RESERVES**

Grant-in-Aid is used to fund both capital and revenue expenditure. BBC World Service voluntarily discloses a capital and revenue reserve, with the capital reserve representing the amount spent on capital assets less accumulated depreciation and any impairment losses. This year and last year it also includes a decommissioning provision for international transmitter sites. A transfer is made each year to or from the capital reserve equal to the movement in the historic cost net book value of non-current assets during the year. The transfer this year represents the movement in the historic net book value of non-current assets after accounting for the decommissioning charge and for the utilisation of the dilapidation provision.

The operating reserve is the accumulated surplus of the income and expenditure account to the balance sheet date.

**USE OF ESTIMATES AND JUDGEMENTS**

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires the BBC World Service Board to exercise judgement in applying the BBC Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions or estimates are significant to the consolidated financial statements, are disclosed below:

***Property, plant and equipment***

Depreciation is charged to the income statement over the useful economic life of an asset, which requires an assessment to be made of the useful economic life and residual value of each asset.

***Leases***

In assessing whether a lease is an operating lease or a finance lease, judgement needs to be exercised in determining whether or not substantially all the risks and rewards of ownership of the leased asset are held by BBC World Service.

***Provisions***

Judgement and estimation techniques are employed in the calculation of the best estimate of the amount required to settle obligations, including determining how likely it is that expenditure will be required by BBC World Service. This can be very complex, especially when there is a wide range of possible outcomes.

## NOTES TO THE FINANCIAL STATEMENTS

### 1. SEGMENT REPORTING

#### *1a. Reporting to the BBC World Service Board*

BBC World Service income primarily arises in the United Kingdom. Grant-in-Aid income from the Foreign and Commonwealth Office accounts for around 97% of the income of BBC World Service. This funding is granted by HM Government.

Given the relative certainty of Grant-in-Aid income in any one year, management reporting is focused on the costs of the business units which comprise BBC World Service. Grant-in-Aid income is accounted for centrally and is not allocated across the business. External income is attributable to business units.

The business units are arranged into production areas and support functions. The production areas are determined by the languages in which BBC World Service broadcasts and the target audiences for those language services. Language services are grouped into regions. The majority of programming is created within the UK although output for some services is produced locally.

English language programmes are produced for the BBC World Service English department by other BBC departments using a "service level agreement" (SLA) model. In addition to programmes in English, the department also provides some central news services to the rest of BBC World Service.

In recent years, BBC World Service has undertaken a number of exercises to centralise costs in order to better identify and achieve savings. Where possible only direct, controllable costs remain within programme making areas. Central and support costs are not allocated to spending departments for operational or reporting purposes and consequently have not been re-allocated below.

#### *1b. Assets and liabilities*

Net assets and liabilities are not reported using the business unit structure. Reporting of assets is performed at the entity level and so no presentation of assets by region has been provided. Where issues arise relating to specific assets or liabilities these are reported to the BBC World Service Board by exception.

Non-current assets are not reported by operating segment. As with current assets and liabilities, issues may be reported by exception but reviews of non-current assets generally take place at the entity level. BBC World Service has voluntarily shown the geographical split of non-current assets in note 1d.

1c. Reportable segments

<b>Segmental Analysis 2014</b>	<b>Income £m</b>	<b>Operating expenditure £m</b>	<b>Operating deficit before interest and taxation £m</b>
<b>Production areas</b>			
Africa	0.8	(12.3)	(11.5)
Americas	0.5	(8.3)	(7.8)
Europe	0.2	(4.6)	(4.4)
East Asia	-	(2.9)	(2.9)
South Asia	-	(5.1)	(5.1)
West and Central Asia	-	(6.8)	(6.8)
Near East	0.7	(38.9)	(38.2)
World Service English	3.0	(42.8)	(39.8)
Languages other	0.3	(3.3)	(3.0)
Programme Technical Operations	-	(10.4)	(10.4)
	<b>5.5</b>	<b>(135.4)</b>	<b>(129.9)</b>
Digital	1.1	(17.1)	(16.0)
Distribution	-	(29.2)	(29.2)
Accommodation, support and central areas	-	(47.5)	(47.5)
Depreciation and amortisation	-	(18.8)	(18.8)
Decommissioning costs	-	0.6	0.6
	<b>6.6</b>	<b>(247.4)</b>	<b>(240.8)</b>
<b>Grant-in-Aid Funding</b>	<b>238.5</b>	<b>-</b>	<b>238.5</b>
<b>Total operating deficit before interest and taxation</b>	<b>245.1</b>	<b>(247.4)</b>	<b>(2.3)</b>

Notes:

1. Assets and liabilities are primarily held centrally and are not allocated to business units.
2. External income attributable to production areas arises outside the UK and is derived from co-productions, business development and local distribution arrangements.
3. Accommodation includes the cost of BBC World Service's share of the accommodation costs of Broadcasting House.
4. Support and central areas include marketing, HR, finance, strategy, legal, central provisions (including restructuring costs) and the costs of the BBC World Service Board.

<b>Segmental Analysis 2013</b>	<b>Income £m</b>	<b>Operating expenditure £m</b>	<b>Operating deficit before interest and taxation £m</b>
<b>Production areas</b>			
Africa	1.4	(13.0)	(11.6)
Americas	0.7	(4.9)	(4.2)
Europe	0.2	(4.5)	(4.3)
East Asia	-	(2.9)	(2.9)
South Asia	0.2	(4.6)	(4.4)
West and Central Asia	-	(6.2)	(6.2)
Near East	0.5	(38.9)	(38.4)
World Service English Languages other	3.2	(45.9)	(42.7)
Programme Technical Operations	-	(3.0)	(3.0)
	-	(10.1)	(10.1)
	<b>6.2</b>	<b>(134.0)</b>	<b>(127.8)</b>
Digital	0.3	(16.6)	(16.3)
Distribution	-	(35.4)	(35.4)
Accommodation, support and central areas	1.3	(55.7)	(54.4)
Depreciation and amortisation	-	(36.2)	(36.2)
Decommissioning costs	-	(6.0)	(6.0)
	<b>7.8</b>	<b>(283.9)</b>	<b>(276.1)</b>
<b>Grant-in-Aid Funding</b>	<b>244.2</b>	-	<b>244.2</b>
<b>Licence Fee Income</b>	<b>1.5</b>	-	<b>1.5</b>
<b>Total operating deficit before interest and taxation</b>	<b>253.5</b>	<b>(283.9)</b>	<b>(30.4)</b>

**1d. Geographical split of non-current assets**

The geographical split of non-current assets is:

	<b>United Kingdom £m</b>	<b>Rest of the world £m</b>	<b>Total £m</b>
<b>2014</b>			
<b>Total non current assets</b>	<b>41.8</b>	<b>58.3</b>	<b>100.1</b>
<b>Other net (liabilities)/assets</b>	<b>(9.4)</b>	<b>3.4</b>	<b>(6.0)</b>
<b>Net assets</b>	<b>32.4</b>	<b>61.7</b>	<b>94.1</b>
<b>2013</b>			
Total non current assets	45.7	61.0	106.7
Other net (liabilities)/assets	(12.4)	2.1	(10.3)
Net assets	33.3	63.1	96.4

**2. TOTAL OPERATING COSTS**

	2014 £m	2013 £m
<b>Intangible fixed assets and property, plant and equipment</b>		
Depreciation and amortisation		
- owned assets	18.7	36.0
- leased assets	0.1	0.2
	<b>18.8</b>	<b>36.2</b>
<b>Other operating costs</b>		
Payments under operating leases		
- land and buildings	2.1	5.5
Staff costs	70.9	83.4
Other	155.6	158.8
	<b>228.6</b>	<b>247.7</b>
<b>Total</b>	<b>247.4</b>	<b>283.9</b>

“Other” costs include direct costs of programme production, costs of programmes produced under SLA arrangements with other divisions of the BBC, transmission costs and all other costs with the exception of those disclosed separately above.

Fees paid during the year to KPMG LLP are as follows:

	2014 £m	2013 £m
For the Audit of Annual Accounts	0.1	0.1
For Audit and Assurance related Services	-	-
<b>Total fees paid</b>	<b>0.1</b>	<b>0.1</b>

**3. EMPLOYEES AND REMUNERATION**

**3a. Persons employed**

The average number of persons (including Board Members) employed (full-time equivalent) in the year was:

	2014 Number	2013 Number
<b>Total BBC World Service</b>	<b>1,583</b>	<b>1,774</b>

The main factor behind the reduction in staff numbers was the transfer of approximately 200 World Service Studio Managers to News Production Operations.

Within the averages above, 123 (2013: 119) part-time employees have been included at their full-time equivalent of 75 (2013: 73) and 12 (2013: 10) persons on guaranteed minimum contracts have been included at their full-time equivalent of 4 (2013: 3).

In addition to this, BBC World Service employed an average of 63 persons on a casual basis (2013: 78) at a cost of £2.3m (2013: £2.0 m).

**3b. Staff costs**

	2014 £m	2013 £m
Salaries and wages	50.9	56.5
Social security costs	6.0	7.4
Pension costs	14.7	13.1
Restructuring costs	(0.7)	6.4
<b>Total</b>	<b>70.9</b>	<b>83.4</b>

A salary sacrifice arrangement was introduced on 1 June 2008 for Old and New Benefit Pension Scheme members. The contributions paid via the salary sacrifice arrangement have been treated as employer contributions, and a reduction in salary. Pension costs include payments made as part of the BBC World Service's share of the accumulated pension scheme deficit.

Staff costs in 2013/14 (including Board Members remunerations) incorporate the effects of the standard BBC pay award and the implementation of recruitment controls as a result of the reduction in Grant-in-Aid funding in the year and planned for future years.

Restructuring costs of (£0.7m) were due mainly to the release of provisions held at end of 12/13 being greater than the amount of new provisions created during the year, which was much lower than usual. Provisions were released either because staff were redeployed within the BBC or because payments were lower than anticipated,

**3c. Key management**

Within the overall structure of the BBC, BBC World Service forms part of BBC World Service Group. The key management of BBC World Service for the purposes of IAS 24 "Related Party Disclosures" comprises the BBC World Service Board.

Increasingly BBC World Service Board members have roles which extend across BBC World Service Group and as such a proportion of their costs are charged to other entities within BBC Global News. Throughout 2013/14 World Service Group Director Peter Horrocks' time was divided between BBC World Service and BBC Global News Limited.

The total remuneration of the key management of BBC World Service is shown below. This represents the proportions of the remuneration of the BBC World Service Board members which are attributable to Grant-in-Aid funded activity.

	2014 £000	2013 £000
Short term employee benefits	1,049.0	927.0
Termination benefits	-	-
Subtotal	1,049.0	927.0
Post employment benefits	134.4	124.5
Other long term benefits	-	-
<b>Total</b>	<b>1,183.4</b>	<b>1,051.5</b>

As set out in note 3b above, the BBC operates a salary sacrifice scheme for members of the BBC Pension Scheme. Total salary sacrifice by the key management of BBC World Service was £80,732 (2013: £77,563).

The aggregate of remuneration for Peter Horrocks, Director, BBC World Service, charged to Grant-in-Aid in the year to 31 March 2014 was £120,394 (2013: £121,400). His time allocation with BBC World Service has remained constant at 50%. As a member of the BBC Pension Scheme, his total accrued annual pension at 31 March 2014 was £219,767.

The highest Board member salary allocation to BBC World Service in the year received remuneration of £144,000 (2013: £139,000), increase on 2012/13 because of higher proportion of salary allocated to BBC World Service.

All 12 of the full-time members of the BBC World Service Board at 31 March 2014 have retirement benefits accruing under the BBC Pension Scheme (2013: 12 permanent members).

#### 4. TAX

##### 4a. Recognised in the consolidated income statement -

The charge for the year, based on a rate of corporation tax of 23% (2013: 24%), comprised:

##### Recognised in the statement of comprehensive income

	2014 £m	2013 £m
<b>Current tax</b>		
UK corporation tax	-	0.1
<b>Total current tax charge</b>	<b>-</b>	<b>0.1</b>

The BBC World Service tax charge in 2012/13 was based on interest receivable and proceeds from sale of assets. Grant-in-Aid, the principal component of BBC World Service's income, is not subject to tax.

Any deferred tax asset is recognised only to the extent that it is probable that sufficient taxable surplus will be available to utilise the temporary difference. Given that Grant-in-Aid is not subject to tax, it is not anticipated that any deferred tax assets would be utilised by BBC World Service and hence no deferred tax assets have been recognised.

##### 4b. Reconciliation of taxation expense

	2014 £m	2013 £m
(Deficit) before tax	<b>(2.3)</b>	(30.3)
(Deficit) before tax multiplied by the standard rate of corporation tax in the UK of 23% (2013: 24%)	<b>(0.5)</b>	(7.3)
Adjustment relating to Grant-in-Aid funded activities	<b>0.5</b>	7.2
<b>Total taxation expense in the consolidated income statement</b>	<b>-</b>	<b>(0.1)</b>

##### 4c. Factors that may affect future tax charges

From 2014, BBC World Service will be funded through the Licence Fee and subject to the tax rate changes applicable to BBC Group.

5. PROPERTY, PLANT & EQUIPMENT AND INTANGIBLE ASSETS

5a. Property, plant & equipment and intangible assets at 31 March 2014

	Property, plant and equipment				Total	Intangible
	Land and buildings	Plant and machinery	Furniture and fittings	Assets under construction		Assets
						Software
	£m	£m	£m	£m	£m	£m
<b>Cost or valuation</b>						
At 1 April 2012	56.7	260.1	19.1	38.8	374.7	22.0
Additions	0.6	9.3	0.1	1.0	11.0	-
Brought into service	0.1	30.1	-	(30.2)	-	-
Disposals	(24.2)	(74.7)	(8.4)	-	(107.3)	(14.2)
<b>At 1 April 2013</b>	<b>33.2</b>	<b>224.8</b>	<b>10.8</b>	<b>9.6</b>	<b>278.4</b>	<b>7.8</b>
Additions	-	-	-	16.6	16.6	0.1
Brought into service	-	7.8	0.1	(7.9)	-	-
Disposals	(1.3)	(9.9)	(1.1)	(4.3)	(16.6)	(1.4)
<b>At 31 March 2014</b>	<b>31.9</b>	<b>222.7</b>	<b>9.8</b>	<b>14.0</b>	<b>278.4</b>	<b>6.5</b>
<b>Depreciation</b>						
At 1 April 2012	48.3	182.7	14.3	-	245.3	19.4
Charge for the year	1.4	32.3	1.3	-	35.0	1.2
Elimination in respect of disposals	(24.1)	(74.7)	(8.4)	-	(107.2)	(14.2)
<b>At 1 April 2013</b>	<b>25.6</b>	<b>140.3</b>	<b>7.2</b>	<b>-</b>	<b>173.1</b>	<b>6.4</b>
Charge for the year	1.1	15.8	0.9	-	17.8	1.0
Elimination in respect of disposals	(1.2)	(9.8)	(1.1)	-	(12.1)	(1.4)
<b>At 31 March 2014</b>	<b>25.5</b>	<b>146.3</b>	<b>7.0</b>	<b>-</b>	<b>178.8</b>	<b>6.0</b>
<b>Net book value</b>						
<b>At 31 March 2014</b>	<b>6.4</b>	<b>76.4</b>	<b>2.8</b>	<b>14.0</b>	<b>99.6</b>	<b>0.5</b>
At 31 March 2013	7.6	84.5	3.6	9.6	105.3	1.4

Land and buildings at net book value comprise:	2014	2013
	£m	£m
Freeholds	0.2	0.3
Short leaseholds	6.2	7.3
<b>Total</b>	<b>6.4</b>	<b>7.6</b>

**5b. Property, plant and equipment held under finance leases**

Assets held under finance leases, capitalised and included in plant and machinery within non-current assets are as follows:

	2014 £m	2013 £m
<b>Finance Leases</b>		
Cost	0.2	0.3
Accumulated depreciation	(0.2)	(0.2)
<b>Net book value</b>	-	0.1

**5c. Intangible assets**

Intangible assets are software systems purchased and developed by BBC World Service, predominantly for programme editing, scheduling and transmission purposes.

**6. EXCEPTIONAL ITEMS**

	2014 £m	2013 £m
Accelerated depreciation	-	(7.0)
Decommissioning costs	0.6	(6.0)
<b>Total</b>	<b>0.6</b>	<b>(13.0)</b>

In 2013/14 there has been a small release of £0.6m in decommissioning provision due to anticipated deduction in likely costs. In 2012/13 the accelerated depreciation of £7m was in relation to the assets at the shortwave transmitter site in Cyprus which was closed during the year. The decommissioning costs relate to the closure of some international transmitter sites.

**7. TRADE AND OTHER RECEIVABLES**

	2014 £m	2013 £m
<b>Receivable within one year</b>		
Trade receivables	2.3	1.7
Amounts owed by BBC Group	-	1.1
Amounts owed by other BBC subsidiaries	1.7	2.2
VAT recoverable	1.0	1.4
Other receivables	0.4	1.4
Prepayments	3.0	3.3
<b>Total</b>	<b>8.4</b>	<b>11.1</b>

**8. TRADE AND OTHER PAYABLES****8a. Supplier payment policy**

It is the BBC's policy to comply with the Better Payment Practice Code in relation to the payment of suppliers, provided that the supplier is complying with the relevant terms and conditions of their contract. BBC World Service monitors compliance against the terms of this code. BBC World Service's creditor days outstanding at 31 March 2014 was 19 (2013: 13).

**8b. Amounts falling due within one year**

	2014 £m	2013 £m
<b>Trade payables</b>		
Programme payables	0.2	0.5
Amounts owed to BBC Group	1.8	-
Other trade payables	2.4	2.4
	<b>4.4</b>	<b>2.9</b>
<b>Other payables</b>		
Salaries and wages	4.6	4.8
Fixed asset payables	0.3	0.1
Corporation tax	-	-
Accruals and deferred income	4.3	4.7
	<b>9.2</b>	<b>9.6</b>
<b>Total</b>	<b>13.6</b>	<b>12.5</b>

**9. FINANCIAL INSTRUMENTS****9a. Financial risk management**

BBC World Service manages its financial risk using a number of routes.

*Liquidity risk:*

BBC World Service is primarily funded by means of Grant-in-Aid received from the Foreign and Commonwealth Office (FCO). BBC World Service submits monthly cash draw down requests to the FCO in order to secure sufficient funds to meet its obligations as they fall due. This method enables BBC World Service to manage its cash risk. Within this process, BBC World Service generally maintains a positive cash balance and, as a result, has no requirement for borrowings.

*Credit risk:*

BBC World Service receives a small amount of income from third parties under programme-making and distribution arrangements. This external income arises outside the UK and amounts due at year end are reflected in trade receivables. Any amounts which are considered to be impaired are provided for in line with the BBC policy. The credit risk associated with these trade receivables is considered to be low.

*Market risk:*

BBC World Service is an international organisation and undertakes some transactions in currencies other than sterling. Due to movements in exchange rates over time, the amount BBC World Service expects to receive or pay when it enters into a transaction may differ from the amount that it actually receives or pays when it settles the transaction. Working through the BBC's Group Treasury function, BBC World Service enters into forward currency arrangements, for expected expenditure in US Dollars and Euros to manage this currency risk. These allow BBC World Service to settle transactions at known exchange rates, thereby eliminating much of this uncertainty. As a result of this relative certainty in exchange rates BBC World Service has no significant underlying sensitivity to currency fluctuations and hence no sensitivity analysis is presented. These forward currency requirements are managed by the BBC's Group Treasury department as part of their management of the BBC's overall currency risk. The forward contracts are not specifically attributable to BBC World Service and hence are not reflected in the accounts of BBC World Service. BBC World Service does not undertake speculative treasury transactions.

*Other risks:*

As referred to above, BBC World Service does not have any requirement for external borrowings so is not exposed to interest rate risk. Due to the funding agreement with the FCO, BBC World Service does not hold excessive cash throughout the year and so is not subject to other price risks, such as market price risk.

**9b. Fair values of financial instruments**

The following table shows the fair value and carrying value of BBC World Service's financial instruments, in categories according to how the financial instrument is measured. It also shows the maturity profile for each category of financial asset and liability.

	Amounts due in less than one year £m	Amounts due between one and five years £m	Amounts due after more than five years £m	<b>Total £m</b>
<b>2014 – Carrying value and fair value</b>				
<b>Loans and receivables</b>				
Trade receivables	2.3	-	-	<b>2.3</b>
<b>Cash at bank and in hand</b>	<b>8.8</b>	-	-	<b>8.8</b>
<b>Financial liabilities measured at amortised cost</b>				
Trade payables	(4.4)	-	-	<b>(4.4)</b>
<b>2013 – Carrying value and fair value</b>				
<b>Loans and receivables</b>				
Trade receivables	1.7	-	-	<b>1.7</b>
<b>Cash at bank and in hand</b>	<b>5.3</b>	-	-	<b>5.3</b>
<b>Financial liabilities measured at amortised cost</b>				
Trade payables	(2.9)	-	-	<b>(2.9)</b>

**9c. Derivative financial instruments**

In accordance with IAS 39 "Financial Instruments", BBC World Service has reviewed contracts for embedded derivatives that are required to be separately accounted for if they do not meet certain requirements set out in the standard. The fair value of embedded derivatives held by BBC World Service is not material.

At 31 March 2014, there were no differences (2013: no differences) between the carrying value and the fair value of the financial instruments of BBC World Service.

10. PROVISIONS

	Restructuring £m	Decommissioning £m	Other £m	Total £m
At 1 April 2013	6.8	6.0	1.4	14.2
Utilised during the year	(3.5)	-	-	(3.5)
Released during the year	(1.0)	(0.6)	(0.3)	(1.9)
Charge for the year	0.2	-	0.6	0.8
<b>At 31 March 2014</b>	<b>2.5</b>	<b>5.4</b>	<b>1.7</b>	<b>9.6</b>
Included in current liabilities	2.5	0.4	1.3	4.2
Included in non current liabilities	-	5.0	0.4	5.4
<b>Total</b>	<b>2.5</b>	<b>5.4</b>	<b>1.7</b>	<b>9.6</b>
At 1 April 2012	5.9	-	1.2	7.1
Utilised during the year	(2.2)	-	(0.3)	(2.5)
Released during the year	(1.8)	-	(0.3)	(2.1)
Charge for the year	4.9	6.0	0.8	11.7
<b>At 31 March 2013</b>	<b>6.8</b>	<b>6.0</b>	<b>1.4</b>	<b>14.2</b>
Included in current liabilities	6.6	0.1	1.4	8.1
Included in non current liabilities	0.2	5.9	-	6.1
<b>Total</b>	<b>6.8</b>	<b>6.0</b>	<b>1.4</b>	<b>14.2</b>

The number of post closures announced in 2013/14 was significantly lower than in previous years. The opening restructuring provision was reduced by payments made to staff leaving during the year and redeployments within the BBC. As a result, the total restructuring provision at 31 March 2014 is lower than at the last year-end.

Following the announcement of reductions in shortwave transmissions, a decommissioning provision for the closure of international transmitter sites has been set up which currently stands at £5.4m. As shortwave audiences continue to decline and future growth is expected to come from digital expansion and broadcasts through partners, BBC World Service will not require coverage from the number of international transmitter sites it currently operates. A provision has been created to account for the costs which are likely to be incurred in decommissioning some of the international sites once they cease being operational. The exact quantum of the liability and the timing of spend are uncertain.

In the normal course of business, BBC World Service has a number of potential liabilities arising from litigation. When an outflow of resources is considered unlikely or possible, no provision is made. In cases where it is considered probable that an outflow of resources will arise, BBC World Service provides for its best estimate of probable damages and costs. Other provisions include an estimate for possible international tax liabilities in countries where BBC World Service is not currently registered.

11. RECONCILIATION OF (DEFICIT) TO CASH GENERATED FROM OPERATIONS

	2014 £m	2013 £m
(Deficit) before taxation	(2.3)	(30.3)
Gain on disposal of Bush House assets	-	(1.0)
Net finance income	-	(0.1)
Depreciation, amortisation and loss on disposals	23.3	36.2
Decrease / (increase) in receivables	2.7	(3.5)
Increase / (decrease) in payables	1.1	(2.2)
(Decrease) / increase in provisions	(4.6)	7.1
<b>Cash generated from operations</b>	<b>20.2</b>	<b>6.2</b>

**12. CHANGES IN NET FUNDS**

	At 1 April 2013 £m	Cash flow £m	Non-cash changes £m	At 31 March 2014 £m
<b>Net cash</b>				
Cash in hand and at bank	5.3	3.5	-	<b>8.8</b>
<b>Net funds</b>	<b>5.3</b>	<b>3.5</b>	<b>-</b>	<b>8.8</b>

**13. LONG TERM COMMITMENTS NOT REFLECTED IN THE BALANCE SHEET**

**13a. Contracts placed for future expenditure**

	2014 £m	2013 £m
Fixed asset additions	<b>1.0</b>	0.1
Programme acquisitions and sports rights	<b>1.4</b>	1.5
Other commitments	<b>12.8</b>	18.2
<b>Total</b>	<b>15.2</b>	19.8

Commitments relating to future expenditure show the minimum payments expected under contracts with third parties. Commitments disclosed in other commitments include the contract between BBC World Service and Babcock International Group Plc for the provision of transmission services. The current contract took effect from 1 April 2012.

**13b. Operating leases – minimum lease commitments**

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

	Land & buildings 2014 £m	Land & buildings 2013 £m
Not later than one year	<b>1.0</b>	1.0
Later than one year and not later than five years	<b>1.1</b>	0.6
Later than five years	-	-
<b>Total</b>	<b>2.1</b>	1.6

From 2014, BBC World Service will be funded through the Licence Fee as part of the BBC Group. As a consequence, there are Service Level Agreements in place relating to property and other services that represent BBC World Service's share of the overall cost. Due to the nature of the agreements, these amounts have not been included in the above.

**14. RELATED PARTY DISCLOSURES**

**14a. Ultimate controlling party**

BBC World Service forms part of BBC World Service Group, a division of the British Broadcasting Corporation, a body incorporated by Royal Charter. The largest group in which the results of BBC World Service are consolidated is that headed by the BBC. The consolidated accounts of this group may be obtained from the Company Secretary, BBC, Broadcasting House, Portland Place, London W1A 1AA.

**14b. Investments**

BBC World Service holds the following interests in companies, at cost:

	Holding of issued ordinary shares %	Activity
<b>Subsidiaries</b>		
BBC Bangladesh Limited (incorporated in Bangladesh)	100	Produces content and licenses online content
BBC Croatia d.o.o. (incorporated in Croatia)	100	In liquidation
BBC do Brasil Limitada (incorporated in Brazil)	100	Produces content and licenses online content
BBC East Asia Relay Company Limited (incorporated in Hong Kong)	100	Dormant
BBC Kyiv LLC (incorporated in Ukraine)	100	Holds broadcasting licence
BBC Morocco SA (incorporated in Morocco)	100	Dormant
BBC Pakistan Private Limited (incorporated in Pakistan)	100	Produces content and licenses online content
BBC R (incorporated in Russia)	100	Produces content and licenses online content
BBC Ukraine LLC (incorporated in Ukraine)	100	Holds broadcasting licence
BBC World Service Hong Kong Limited (incorporated in Hong Kong)	100	Operating subsidiary for Hong Kong bureau
BBC World Service India Private Limited (incorporated in India)	100	Produces content and licenses online content
BBC Media Action *	n/a	International facing charity
BBC Africa Burundi Limited	100	Produces content
BBC Africa Tanzania Limited	100	Produces content
BBC World Service Trading Limited	100	Exploitation of Intellectual Property Assets
BBC World Service Holdings Limited	100	Holding Company
<b>Associates</b>		
Media Applications Technologies Limited (incorporated in Great Britain)	5	Reviews software and disseminates applications

\* Although BBC World Service is technically the parent of BBC Media Action, it is exempt from consolidation. This is because the Trustees have a fiduciary duty to act in the best interests of the beneficiaries and as substantially all of the income is made up of grants, which are classified as restricted funds because their use is specified by donors, BBC World Service has no direct control over, or financial interest in, the assets.

The results and balances of the other companies listed above are presented in the consolidated financial statements and the notes to these financial statements.

The related party transactions of BBC World Service have been presented in accordance with IAS 24 "Related Party Disclosures".

**14c. Transactions with related parties**

Transactions with related parties in the year were as follows:

	BBC group		Other BBC subsidiaries		BBC Media Action		BBC pension scheme	
	2014 £m	2013 £m	2014 £m	2013 £m	2014 £m	2013 £m	2014 £m	2013 £m
Rendering of services	-	-	(0.8)	(2.0)	(0.3)	(2.5)	-	-
Receiving of services	145.1	156.9	0.9	0.9	0.2	0.2	-	-
Pension contributions	-	-	-	-	-	-	13.8	12.8
<b>Total</b>	<b>145.1</b>	<b>156.9</b>	<b>0.1</b>	<b>(1.1)</b>	<b>(0.1)</b>	<b>(2.3)</b>	<b>13.8</b>	<b>12.8</b>

Contributions to the pension scheme are made on behalf of BBC World Service via BBC Group.

Amounts owed by and owed to related parties were as follows:

	Amounts owed			
	by related parties		Amounts owed to related parties	
	2014 £m	2013 £m	2014 £m	2013 £m
Parent company	-	2.9	(3.1)	(2.2)
Other BBC subsidiaries	1.8	2.0	-	(0.1)
<b>Total</b>	<b>1.8</b>	<b>4.9</b>	<b>(3.1)</b>	<b>(2.3)</b>

Transactions with related parties are generally settled either within the month in which the transaction takes place or within 30 days of the end of that month.

Transactions with the parent company comprise payments made for the provision of programmes and services and the payroll costs of BBC World Service staff in the UK as the payroll is operated by the BBC Group. Transactions with other BBC subsidiaries are composed of transactions for the provision of programmes and services.

BBC World Service made grants of £0.2m (2013: £0.2m) during the year to BBC Media Action, towards its general management and administration costs.

BBC Media Action also procures some services from BBC World Service for the delivery of its projects. These are primarily the services of BBC World Service staff. The financial results of BBC Media Action are not consolidated with those of BBC World Service. As a result, transactions with BBC Media Action are not eliminated on consolidation and are shown above.

During the year there were no disclosable transactions with associates. BBC World Service also enters into various transactions with Government and local authorities on an arm's length basis. These transactions include council tax agreements and corporation tax payments.

**14d. Transactions with key management personnel**

During the year there were no disclosable transactions with key management personnel other than the remuneration disclosed in note 3c and in the remuneration report on page 46.

## 15. BBC PENSION PLANS

### 15a Retirement benefits

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

The BBC Pension Scheme provides benefits on a defined benefit basis funded from assets held in separate trustee-administered funds. There are four sections to the BBC Pension Scheme: Old Benefits and New Benefits, which both provide benefits based on final salary (subject to differing inflation caps), Career Average Benefits 2006 (CAB 2006) and Career Average Benefits 2011 (CAB 2011). All sections are now closed to new entrants.

BBC World Service, following the provisions within IAS 19: Employee Benefits for accounting in respect of Group schemes accounts for its participation in the scheme as if it were a defined contribution scheme. This is because there is no contractual agreement or stated policy for charging the net defined benefit cost to scheme participants.

The pension cost for this scheme therefore represents contributions payable by the Group to the scheme and the costs amounted to £14.7million in the year (2013: £13.1 million). No contributions were prepaid or accrued at 31 March 2014 (2013: £nil).

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

The following liabilities in respect of retirement benefits have been recorded in the financial statements of the BBC:

	Pension liability	
	2014 £m	Restated* 2013 £m
BBC Pension Scheme	(1,508.5)	(1,608.7)
Unfunded Scheme	(7.2)	(7.1)
Total	(1,515.7)	(1,615.8)

\* IAS 19 (revised) 'Employee benefits' has been adopted for 2014 and accordingly the 2013 comparatives have been restated.

The actuarial valuation for the BBC Pension Scheme was updated for IAS 19 purposes to 31 March 2014 by Towers Watson, consulting actuaries. Additional disclosure about the scheme and its financial position under IAS 19 is presented below:

### 15b Scheme financial position

IAS 19 valuation	2014 £m	Restated* 2013 £m	Restated* 2012 £m	Restated* 2011 £m	Restated* 2010 £m
Scheme assets**	10,684.2	10,201.1	9,198.5	8,835.8	8,154.8
Scheme liabilities	(12,192.7)	(11,809.8)	(10,270.5)	(9,656.3)	(9,695.7)
(Deficit)/surplus	(1,508.5)	(1,608.7)	(1,072.0)	(820.5)	(1,540.9)

\* IAS 19 (revised) 'Employee benefits' has been adopted for 2014 and accordingly the 2013 comparatives have been restated.

\*\* Excluding Additional Voluntary Contribution (AVC) funds.

15b i) Changes in the present value of plan liabilities

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

	2014 £m	Restated* 2013 £m
At 1 April	11,809.8	10,270.5
Current service cost	167.2	149.8
Past service cost	2.4	3.4
Administration costs	8.3	8.0
Interest on pension plan liabilities	523.1	524.9
Experience (gains)/losses arising on plan liabilities	(62.3)	(12.7)
Changes in assumptions underlying plan liabilities	114.1	1,224.4
Contributions by plan participants	1.1	0.8
Benefits paid	(371.0)	(359.3)
At 31 March	12,192.7	11,809.8

\* IAS 19 (revised) 'Employee benefits' has been adopted for 2014 and accordingly the 2013 comparatives have been restated.

15b ii) Changes in the fair value of plan assets

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

Employee contributions to the scheme are paid via a salary sacrifice arrangement and have therefore been treated as employer contributions.

	2014 £m	Restated* 2013 £m
At 1 April**	10,201.1	9,198.5
Expected rate of return on plan assets	453.5	472.7
Actuarial gains/(losses) on plan assets	177.0	695.6
Contributions by employer	222.5	192.8
Contributions by plan participants	1.1	0.8
Benefits paid	(371.0)	(359.3)
At 31 March**	10,684.2	10,201.1

\* IAS 19 (revised) 'Employee benefits' has been adopted for 2014 and accordingly the 2013 comparatives have been restated.

\*\* Excluding AVC funds.

15c iii) Plan assets

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

Type of asset	2014		2013	
	£m	%	£m	%
Equities	3,487	33	3,948	39
Bonds	3,793	35	3,229	31
Property	1,029	10	1,060	10
Alternatives*	1,965	18	1,801	18
Cash	410	4	163	2
<b>Total assets</b>	<b>10,684</b>	<b>100</b>	<b>10,201</b>	<b>100</b>
Actual return on pension plan assets**	631		1,186	

\* Alternatives include private equity, debt and currency.

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

#### 15b iv) Funding the Scheme

The 2013 actuarial valuation by Towers Watson of the pension scheme showed a funding shortfall of £2,054million. Consequently a recovery plan was agreed between the BBC and the pension scheme Trustees which details the contribution amounts to be paid by the BBC over a 12 year period commencing 2014.

The next formal actuarial valuation is expected to be performed as at 1 April 2016.

	Projection				
	2015	2014	2013	2012	2011
Contribution rates	%	%	%	%	%
Employer*	16.7	14.5	14.5	14.5/15.5	18.15
Employee (Old and New Benefits)	7.5	7.5	7.5	7.5	7.5
Employee (Career Average Benefits 2006)	4.0	4.0	4.0	4.0	4.0
Employee (Career Average Benefits 2011)	6.0	6.0	6.0	6.0	-

\* Includes an allowance for BBC AVC matching contributions of 0.1% (2013: 0.1%), but excludes the cost effectively paid for by the employee and the salary sacrifice element.

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

On the basis of pension assumptions made, the BBC Group expects to make contributions to the scheme totalling £242.2million in 2014/2015.

#### 15b v) Principal actuarial assumptions

The calculation of the scheme liabilities and pension charges, for IAS 19 purposes, requires a number of assumptions, both financial and demographic, to be made. The principal assumptions used by the actuaries, at the balance sheet date were:

Principal financial assumptions	2014	2013
	%	%
Rate of increase in salaries	1.0	1.0
Rate of increase in pension payments:		
Old Benefits	3.4	3.4
New Benefits	3.2	3.2
Career Average Benefits (2006)	2.4	2.4
Career Average Benefits (2011)	2.3	2.3
Inflation assumption (RPI)	3.4	3.4
Inflation assumption (CPI)	2.4	2.4
Discount rate	4.4	4.5

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

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

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

	<b>2014 Number of years</b>	<b>2013 Number of years</b>
<b>Principal demographic assumptions</b>		
Retiring today		
Male	27.4	28.0
Female	29.8	28.6
Retiring in 20 years		
Male	29.3	30.5
Female	31.8	30.3

The mortality assumptions have been selected to reflect the characteristics and experience of the membership of the scheme and are based on those used for the actuarial investigation which was carried out for funding purposes as at 1 April 2013.

The standard 'S1' series of tables, published by the CMI, reflect recent research into mortality experience in the UK. A subset of these tables has been used for males and females, with a multiplier of 122% for males and 107% for females.

For the allowance for future improvements, the CMI 2012 core projection has been adopted with a long term trend of 1.25% for both males and females.

#### **Group LifePlan and other schemes**

The BBC also operates a number of own defined contribution pension schemes, including those operated in the USA and Australia. The assets of those schemes are held separately from those of the Group in independently administered funds.

### THE BBC WORLD SERVICE GOVERNANCE FRAMEWORK

BBC World Service is funded by a Parliamentary Grant-in-Aid, administered by the Foreign and Commonwealth Office (FCO) of the British government. Operationally, BBC World Service is part of the BBC. The FCO, in close consultation with BBC World Service, is involved in the process of deciding which languages are broadcast, but production and editorial control rests entirely with the BBC.

The relationship between BBC World Service and the FCO is governed by two documents: the Broadcasting Agreement which sets out the aims and objectives of BBC World Service and provisions for performance assessment; and the Financial Memorandum which sets out the financial arrangements. The BBC World Service Board is operationally responsible for complying with these two documents.

Within the BBC, ultimate responsibility for BBC World Service is vested in the BBC Trust, which is the sovereign body of the Corporation. The BBC Trust and the BBC Executive Board ensure that BBC World Service operates responsibly and maintains high standards of editorial integrity and content. The respective responsibilities of the BBC Trust and the BBC Executive Board relating to the operation of BBC World Service are outlined in a protocol published by the BBC Trust.

This and the following pages contain reports on BBC World Service's policies, procedures and compliance on governance matters, namely:

- BBC World Service Responsibility Statement;
- BBC Executive Board Report on BBC World Service Trading Protocols;
- Statement on Internal Control;
- Our People;
- The BBC World Service Board; and,
- Compliance and Accountability.

**BBC WORLD SERVICE RESPONSIBILITY STATEMENT*****Statement of Board responsibilities in respect of the Annual Review***

The Charter requires the BBC to prepare an audited annual report and statement of accounts. The statement of accounts incorporates the financial results of BBC World Service. The Financial Memorandum with the Foreign and Commonwealth Office (FCO) requires BBC World Service to prepare its own accounts and produce an Annual Review. The BBC Executive Board responsibilities are detailed in Part One of the BBC Annual Review.

The BBC Executive Board and the BBC World Service Board have accepted their responsibility for the preparation of an operating and financial review, statements of compliance with applicable codes and regulations and the statement of accounts which are intended by them to give a true and fair view of the state of affairs of BBC World Service and its subsidiaries (the "Group") and of the income and expenditure for that period. The BBC Executive Board and the BBC World Service Board have prepared the accounts in accordance with International Financial Reporting Standards (IFRSs) as adopted by the EU.

The BBC Executive Board and the BBC World Service Board must not approve the statement of accounts (or "financial statements") unless they are satisfied that they give a true and fair view of the assets, liabilities and financial position of the Group and of the surplus or deficit for that period.

In preparing the financial statements the BBC Executive Board and BBC World Service Board have:

- Selected suitable accounting policies and applied them consistently.
- Made judgements and estimates that are reasonable and prudent.
- Stated whether they have been prepared in accordance with IFRS as adopted by the EU.
- Prepared the financial statements on the going concern basis as they believe BBC World Service will continue in business.

The BBC Executive Board and BBC World Service Board are responsible for keeping proper accounting records that are sufficient to show and explain BBC World Service's transactions and disclose with reasonable accuracy at any time the financial position of the Group and enable them to ensure that the financial statements comply with the Financial Memorandum. The Boards also have a general responsibility for taking such steps as are reasonably open to them to safeguard the assets of BBC World Service and to prevent and detect fraud and other irregularities.

The BBC Executive Board and BBC World Service Board are responsible for the maintenance and integrity of the BBC's website. Legislation in the UK governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

The BBC World Service Board members who held office at the date of approval of the Annual Review confirm that, to the best of each of their knowledge and belief:

- The financial statements, prepared in accordance with IFRS as adopted by the EU, give a true and fair view of the assets, liabilities, financial position and surplus of the Group; and
- The operating and financial review includes a fair review of the development and performance of the business and the position of the Group, together with a description of the principal risks and uncertainties that it faces.

***Statement of Disclosure of Information***

The BBC Executive Board and BBC World Service Board members who held office at the date of approval of this Annual Review confirm that, so far as they are each aware:

- There is no relevant audit information of which BBC World Service's auditors are unaware; and,
- That each BBC Executive Board member and BBC World Service Board member has taken all the steps that they ought to have taken as a BBC Executive Board or BBC World Service Board member to make themselves aware of any relevant audit information and to establish that the BBC World Service's auditors are aware of that information.

**Going Concern**

A review of the financial position of BBC World Service is included on pages 6 to 7. This, together with the Director's overview on pages 3 to 5, provides an assessment of BBC World Service's performance and current position. BBC World Service's approach to risk management is outlined on pages 39 to 42. This includes regularly reviewing the risks faced by the business including the impact of the current economic climate and the changes to BBC World Service funding arrangements.

The BBC World Service 2013/14 annual accounts have been drawn up on a going concern basis (refer to page 12). BBC World Service funding by the Foreign and Commonwealth Office through Grant-in-Aid, ended on 31 March 2014.

From 1 April 2014 BBC World Service became funded by the BBC's Licence Fee and its funding in 2014/15 will be £245m. In the light of this funding level the BBC World Service Board is satisfied that the going concern assumption remains appropriate.

This statement was approved by the BBC Executive Board and the BBC World Service Board on 17 June 2014 and signed on their behalf by:

**Tony Hall, Director-General, BBC**

**Peter Horrocks, Director, BBC World Service**

**BBC EXECUTIVE BOARD REPORT ON BBC WORLD SERVICE TRADING PROTOCOLS**

BBC World Service is responsible for commissioning and scheduling its own programmes and for making programmes for its language services, but purchases English language programme making and technical and support services from other parts of the BBC ('the Suppliers'). BBC World Service also receives services from and supplies services to the BBC's commercial subsidiaries ('the Subsidiaries').

It was agreed by a joint Foreign and Commonwealth Office (FCO)/BBC World Service Working Group that the BBC would draw up guidelines to govern the trading relationship between BBC World Service and other parts of the BBC in order to ensure that BBC World Service maintains its distinctive voice and to preserve the clear separation between Grant-in-Aid and Licence Fee income. Each of the Suppliers then drew up detailed agreements with BBC World Service.

KPMG LLP (the BBC's external auditors) has received a summary of the value of transactions and the related cash flows which have taken place during the year between BBC World Service and the Suppliers and Subsidiaries. KPMG LLP have reported to the BBC's Executive that the information included in the summary of transactions for the year ended 31 March 2014 has been accurately extracted from the books and records of BBC World Service and the Suppliers and Subsidiaries, and have performed procedures to support that there has been no material cross-subsidy between Grant-in-Aid and Licence Fee funds or between Grant-in-Aid and the BBC's commercial subsidiaries.

***BBC Executive Board statement on BBC World Service Trading Protocols***

The BBC Executive Board is responsible for monitoring and reviewing compliance with the Trading Protocols. Based on reports from external auditors, the BBC Executive Board is satisfied that the BBC has complied with the Trading Protocols and that there has been no material cross-subsidy between Grant-in-Aid and Licence Fee funds or between Grant-in-Aid and the BBC's commercial subsidiaries.

**STATEMENT ON INTERNAL CONTROL**

The BBC has an obligation under its Charter to apply the highest standards of corporate governance. As highlighted in its Annual Report and Accounts, the BBC has achieved substantial compliance throughout the year ended 31 March 2014 with the provisions of the 2010 FRC Code ("the Code").

The BBC World Service recognises the importance of, and is committed to, maintaining and applying the same standards. However, the BBC Executive Board does not require the BBC World Service to have separate non-executive directors or remuneration and audit committees from those established by the BBC, or to disclose the remuneration of the individual members of the BBC World Service Board, except to the extent that this is required by the Companies Act 2006.

BBC World Service does have its own audit committee which forms part of its risk management process. Also, in addition to following the Companies Act 2006 requirements on remuneration, a voluntary disclosure of the remuneration of BBC World Service Board members is made on page 46.

Similarly, BBC World Service is not accountable to external shareholders. Rather, through the stewardship of the BBC Trust, it is accountable to the Foreign and Commonwealth Office, to Parliament and to taxpayers.

***Our structure******BBC World Service Board***

The membership of the BBC World Service Board is shown on page 46. As explained above, BBC World Service does not have non-executive directors. The BBC World Service Board meets every month. Other members of management attend as required. A formal schedule of matters is reserved for Board decisions. This includes:

- considering management structure and senior management responsibilities;
- agreeing membership and terms of reference of Board committees and task forces and receiving minutes, reviewing decisions taken and deciding action on recommendations;
- agreeing contracts with major suppliers;
- deciding significant staff and industrial relations issues;
- agreeing business strategy;

- approving the financial statements; and,
- approving annual budgets, subject to final approval by the BBC Executive Board.

BBC World Service Board members have access to the advice and services of the Head of Business Affairs, BBC World Service Group, who is responsible for ensuring that Board procedures are followed.

#### *BBC Executive Board*

The operations of the BBC are managed by the BBC Executive Board, made up of BBC executive directors and chaired by the Director-General. The Board also contains a significant minority of non-executive directors, nominated by the Board and approved by the BBC Trust. In the year to 31 March 2014 the interests of BBC World Service were represented on the BBC Executive Board by the Director, BBC News.

The functions of the BBC Executive Board and the BBC Trust are clearly defined. Operational responsibility rests with the BBC Executive Board, while the BBC Trust, as the body responsible for the strategic direction of the BBC, scrutinises the performance of the Board in delivering the BBC's services and activities. The BBC Trust's oversight of BBC World Service is represented by its general duty to act in the public interest and to exercise rigorous stewardship of public money. More information on how the BBC Executive Board is run can be found in the BBC Annual Report and Accounts.

In practice, the BBC Executive Board delegates some of its responsibility to other managerial groups. Any delegation from the BBC Executive Board is stated in the relevant standing orders for each group and a framework for reporting and review is established. In accordance with the requirements and provisions of the Charter, the following BBC committees continued to operate in the year:

- Executive Fair Trading Committee
- Executive Audit Committee
- Remuneration Committee
- Nomination Committee

The main responsibilities of these committees are explained in the BBC Annual Report and Accounts as is the attendance record of BBC Executive Board members.

#### ***Internal controls and audit***

The responsibilities in relation to internal control are clearly defined. The BBC Trust is ultimately responsible for the proper use of public money whilst the BBC Executive Board and BBC World Service Board are responsible for executing this requirement. The BBC Executive Board is responsible for ensuring there is a process for managing significant risks to the BBC, and for maintaining an adequate system of internal control and reviewing its effectiveness.

The processes for reviewing, managing and reporting on risks within BBC World Service are set out below:

#### *Control environment*

The key aspects of the control environment operating throughout the year are described below:

##### i) risk identification and management

A process for identifying, evaluating, managing, monitoring and reporting significant risks to the BBC, which accords with the Turnbull guidance, has been in place for the year ended 31 March 2014. The overall management of risk within BBC World Service has been considered to be most effectively managed through the BBC Global News Audit Committee, which was delegated to take responsibility for risk management and other audit related matters for BBC World Service Board. It also incorporated risk management for other operations which comprise BBC World Services. The BBC Global News Audit Committee was separate from the BBC Executive Audit Committee. It had its last meeting in May 2014 and has been closed now that BBC World Service is funded by Licence Fee.

In its consideration of risks at BBC World Service, the BBC Global News Audit Committee formed a key part of the risk management process. The Committee has reviewed the risks associated with the achievement of BBC World Service's objectives for the year 2013/14. The risks identified, and the actions planned in response, have been maintained in a risk register. The risk register has also incorporated the control measures felt necessary to manage ongoing risks. The risk register has been subject to regular review and assessment throughout the year and fed into the consideration of risk exposure at BBC World Service Board, BBC News Group Board and BBC Executive Board level.

## ii) business unit controls

The BBC World Service Board has defined the system of controls and procedures with which each business unit within BBC World Service is required to comply. This system is designed to manage rather than eliminate the risk of failure to achieve business objectives. Although no system of internal control can provide absolute assurance against material misstatement or loss, BBC World Service's controls are designed to provide reasonable assurance that assets are safeguarded, transactions are appropriately authorised and material errors or irregularities are either prevented or detected on a timely basis.

Key controls over major business risks include formal authorisation processes, regular financial reporting, the annual performance review process, and exception reporting of financial and non-financial matters. Internal audit reviews by BBC Business Assurance monitor the operation of controls.

## iii) financial reporting and business performance

BBC World Service has a comprehensive budgeting system with an annual budget approved by the BBC Executive Board, prepared in line with BBC World Service's funding settlements with the FCO. Monthly financial information is reported against budget figures, with corrective action being taken by the BBC World Service Board as appropriate. All capital expenditure over certain upper thresholds must be approved by a BBC investment approval committee and, in some cases, by the FCO.

## iv) business and broadcast continuity

BBC World Service Business Continuity plans have been used to deal successfully with a variety of situations and incidents in the past year. The plans have also been updated to meet changing business requirements and technical developments. Staff knowledge of the arrangements has been refreshed and plans exercised.

## v) controls over outsourced functions

The outsourcing of key services presents a significant change to the BBC's risk profile and as a consequence, that of BBC World Service. Risk is not necessarily outsourced with these services. To address this, the BBC has processes in place to manage the risks associated with the outsourcing of key business services (e.g. finance transaction processing, HR services, technology systems and support) and to ensure continuity of ongoing business operations.

## vi) whistle-blowing

The BBC has a "whistle-blowing" or "protected disclosure" policy. This policy facilitates the confidential communication via a number of routes of any incident in which there is a suspicion that there has been a breach of the BBC's codes. The BBC fosters an environment where all staff should feel free to report concerns and suspicions to line management. However as there may be sensitivities regarding actual or suspected incidents, we also provide the alternative of a "whistle-blowing" hotline. This is administered by an independent external company to ensure anonymity. Each incident or suspicion reported via any route is investigated in a confidential manner, a response is communicated and action taken as appropriate. The BBC Executive Audit Committee ensures there are suitable arrangements in place for the proportionate and independent investigation of matters reported, and for appropriate follow-up action.

## vii) fraud awareness

Although incidents of fraud are rare, BBC World Service takes its responsibilities to minimise the risk of fraud, and the consequential loss to the taxpayer, very seriously. The BBC has implemented a clear fraud policy which clarifies responsibilities for ensuring that the appropriate controls are in place to minimise the risk of fraudulent activity and to ensure that all suspected incidents of fraud are thoroughly investigated. The policy is managed by the BBC Anti-Fraud Group which reports to the BBC Executive Audit Committee. From time to time BBC World Service undertakes anti-fraud workshops to identify key fraud risks and to promote fraud awareness across the business. This applies to staff working in international offices as well as in the UK. An anti-fraud online learning course is also available to supplement the resources available to staff. Potential risks of fraudulent activity, and the actions planned in response, are maintained in a risk register and reviewed and assessed throughout the year as described in the section above on risk identification and management.

*Internal Audit*

BBC World Service is within the remit of the BBC's Business Assurance function which is led by the Director of Risk and Assurance. Business Assurance comprises Internal Audit, Risk Management and Investigation Services. The authority and independence of Internal Audit is assured by the Director of Risk and Assurance's independent and direct access to the BBC Executive Audit Committee and to the BBC Director-General.

Internal Audit undertakes regular testing of control systems and core business processes, evaluating their adequacy and effectiveness and ensuring their consistent application across the BBC. The work plan is based on a continuing assessment of key risks and is agreed annually with the BBC Executive Audit Committee. It covers financial, operational and compliance controls, including the exercise of the BBC's right of audit over external parties, including independent production companies and suppliers of key outsourced business services. Any significant control failings or weaknesses identified are reported promptly to appropriate levels of management. The findings, and the status of corrective actions taken to address them, are reported to the BBC Executive Audit Committee.

*BBC Executive Audit Committee*

The BBC Executive Audit Committee has its authority delegated to it by the BBC Executive Board. The current members of the BBC Executive Audit Committee are non-executive directors Simon Burke (Chairman), Dame Fiona Reynolds and Brian McBride (appointed 1 March until 31 March 2014). The Board is satisfied that Simon Burke has significant, recent and relevant financial experience. The Committee augments the broad range of skills of its members with advice as necessary from internal and external professionals, on relevant matters including developments in financial reporting and company law. Meetings are also attended by the Director-General, Managing Director, Finance & Operations, the Director of Risk and Assurance, and representatives from Internal Audit, Risk Management and the external auditors.

During the year, the BBC Executive Audit Committee has reviewed its terms of reference and has approved their continued application, deeming them appropriate to ensure the Committee's continued effectiveness.

The BBC Executive Audit Committee met five times during the financial year. The Committee meets at least annually with the external auditors without any member of management present. The Chairman of the BBC Executive Audit Committee meets with the Director of Risk and Assurance, alone or with the external auditors, but without management, and also meets privately with the external audit lead partner.

Minutes of each Committee meeting are available to the BBC Executive Board and to the BBC Trust. The Chairman of the Committee reports back to the Board after each meeting on any area within its remit where action or improvement is required. The Committee Chairman also produces a formal report to the Board once a year.

The BBC Executive Audit Committee has fulfilled its responsibilities for the year. In doing so it has:

- reviewed the effectiveness of the system of internal controls, including controls over financial reporting;
- sought assurance from management that control issues highlighted by internal and external auditors are being addressed;
- considered reports from management on processes for managing significant risks;
- reviewed the BBC's group financial statements and those of BBC World Service, including accounting policies, compliance with legal and regulatory requirements, and the findings of the external auditors;
- overseen the BBC's relationship with the external auditors, including their engagement, the scope of and approach to their work, their fees, their performance and their independence, including the approval and compliance with the policy on non-audit work;
- approved the work plan of Internal Audit;
- reviewed the fraud detection processes and whistle-blowing arrangements;
- considered post investment reviews for major investments; and,
- monitored the implementation of actions required as a result of reviews carried out by the National Audit Office.

*Independence of external auditors*

BBC World Service, as part of the BBC, complies with the UK Corporate Governance Code guidance on maintaining an appropriate relationship with external auditors. The BBC re-appointed KPMG LLP as external auditors during 2008 for a period of three years starting with 2008/09, after a formal tender process. In accordance with the contract terms, the BBC Executive Audit Committee previously approved a two year extension to this period and, more recently, an additional one-year extension. The Committee is satisfied that KPMG has adequate safeguards in place to avoid the possibility of its audit objectivity and independence being compromised, including appropriate rotation of its team, as well as an appropriate quality assurance programme.

The BBC Executive Audit Committee has set a clear policy which defines the threshold above which proposed non-audit work to be carried out by KPMG must be approved in advance by the Committee, and also defines when it must be submitted to competitive tender. This is to safeguard and support the external auditors' ability to remain impartial and objective. KPMG is not considered for work which might compromise its ability to give independent opinion on the BBC's financial statements. Recruitment from KPMG into any senior management position in the BBC requires the prior approval of the BBC Executive Audit Committee.

*Fair Trading*

The BBC must work to ensure that it meets its fair trading obligations as set out in the BBC's Charter, Agreement and the BBC Trust's Fair Trading Policies and Framework. These are given effect through the BBC's Fair Trading Guidelines (which include the BBC World Service Trading Protocols) which can be found at [www.bbc.co.uk/aboutthebbc/insidethebbc/howwework/policiesandguidelines/fairtrading.html](http://www.bbc.co.uk/aboutthebbc/insidethebbc/howwework/policiesandguidelines/fairtrading.html).

Compliance with the BBC's Fair Trading requirements was overseen during the year through formal sub-committees of the BBC Trust and the BBC Executive Board.

The BBC Executive commissions independent auditors, currently Deloitte LLP, to undertake an annual fair trading audit to determine whether it has established and applied a system of internal controls which provide reasonable assurance that it has complied with its Fair Trading obligations. More information about the BBC Trust's role with regard to fair trading can be found at: [http://www.bbc.co.uk/bbctrust/our\\_work/commercial/competitive\\_impact.html](http://www.bbc.co.uk/bbctrust/our_work/commercial/competitive_impact.html)

**OUR PEOPLE**

BBC World Service employs approximately 1583 people of whom around 40% are based outside the UK, spread 59 countries. The centralisation of BBC production staff across London based journalism in Broadcasting House has helped to facilitate a cohesive and collaborative work environment. We remain a diverse team and continue to recruit, retain and develop the right people for the right roles.

***Training and development***

Last year's significant efforts in training and development have delivered a very successful integration into Broadcasting House. The training team have delivered significant training in all the strategic and priority areas including comprehensive language service TV productions skills and new digital and social skills to support the major changes being delivered by the WS Digital and Technology team. In addition to this, training in the core journalist skills for both new joiners and people moving platforms continue to be delivered as required. Going forward staff will continue to be trained in the new content management systems used by the rest of BBC World Service Group. In addition everyone in the Languages Services have completed Mandatory Safeguarding Values training.

BBC World Service Group continues to develop its leadership team through the portfolio of BBC management courses along with access to coaching and mentoring.

***Internal communications***

Internal Communications utilises a number of channels to communicate with staff, including targeted email communication, a weekly editorial highlights newsletter, a World Service intranet site, screens and spaces in the New Broadcasting House building and staff sessions with the Director, BBC World Service Group .

The leadership team is invited to a monthly breakfast which covers strategic subjects and gives practical information relevant to World Service staff, delivered by internal and external guest speakers. To help managers cascade information to their teams, a Managers' Brief is sent to the leadership team each month. Managers are then asked to use this brief when they hold their team meetings where staff should be given the opportunity to contribute their views.

Internal Communications has helped encourage editorial teams to fulfil their remit of greater collaboration within the BBC World Service Group and with the wider BBC and these achievements have been highlighted by the weekly editorial newsletter from the Director, BBC World Service Group.

Internal Communications has continued to engage staff with the move into licence fee funding on 1 April and the publication of the Operating Licence by BBC Trust. Staff have had regular sessions with the Director, BBC World Service Group in order for them to discuss and raise any issues. Internal Communications supported the Director, BBC World Service Group when delivering Invest to Innovate on 18 February, a speech to all staff outlining the future of the division.

Global Future, the on-going change programme taking place across World Service, has been a key priority for Internal Communications. The programme was introduced late in 2013 in order to foster, facilitate, and deliver change across BBC World Service Group. Staff have a dedicated intranet site and communications outlining the special interactive staff sessions that have been organised by the Global Future team, alongside other events and engagement.

With the particular practical changes brought about World Service being funded from the licence fee from 1<sup>st</sup> April 2014. Internal Communications organised regular all staff e-mails from the Chief Operating Officer, BBC World Service, provided a dedicated intranet site, FAQs and a regularly monitored support e-mail address.

Staff are also invited to regular creative events, branded 'Live the Story' in New Broadcasting House where a range of speakers present on matters of interest.

The communication and organisation of related events for initiatives set up to help staff's personal development, such as a short-term attachment scheme and regular rounds of a TV Documentary fund, has also been a priority for Internal Communications.

## **Diversity**

### *Proportion of ethnic minorities*

The composition of the workforce of BBC World Service reflects the multilingual nature of its broadcasting.

	<b>World Service at 31 March 2014</b>	<b>World Service Group at 31 March 2014</b>	<b>World Service Group target by 2017</b>
	%	%	%
All staff working in the UK	<b>62.3%</b>	49.9%	45.5
Leadership Group working in the UK	<b>38.4%</b>	27.4%	10%

### *Gender representation*

BBC World Service Group closely monitors gender representation within the workforce. At the end of March 2014, women represented 44.7% of the workforce (2013: 41.6%).

### *People with disabilities*

Of the staff employed by the BBC World Service Group 2.0% declare themselves to have a disability as at the end of March 2014 (2013:1.9%). BBC World Service Group will continue to work towards achieving the BBC target of 4.0 per cent.

**Senior employees**

Details of the number of senior employees earning more than £60,000 per annum are set out below. Senior employees are defined as staff on the BBC's "senior manager" grades. Earnings represent base pay for the year to 31 March 2014 for staff employed at that date. Where staff are part time, the full time equivalent salary is given. Staff on maternity or unpaid leave are excluded.

Salary band	2014	2013
£60,000-£69,999	1	0
£70,000-£79,999	2	2
£80,000-£89,999	8	8
£90,000-£99,999	0	1
Total	11	11

BBC World Service Board members are excluded from the table. Details of their remuneration and the associated remuneration policy are shown on page 46.

**Occupational risk management**

The management of occupational risk has continued to be a high priority for BBC World Service Group in the past year. A significant amount of effort has been deployed to manage health, safety and security issues, both in the UK and internationally.

Health, safety and security risks have been managed as an integral part of the overall risk management strategy and processes for BBC World Service.

Increasing numbers of staff work internationally and ensuring their safety and security remains a key area of focus. In the past year a new team has been established to manage BBC World Service Group's international offices, including those occupied by World Service staff. The new team has a post specialising in occupational risk management and this should bring a more integrated and consistent approach to managing these issues. Health, safety and security requirements are fully integrated into the processes for new international office acquisitions and moves of which there have been a number in the past year.

Advising, training and equipping staff deployed to hostile environments, including war zones and areas affected by natural disasters, remains a vital area of work. BBC World Service Group continues to be supported in this by the BBC's specialist High Risk Team. In the past year a new supplier has been selected to provide the specialist training required for all staff undertaking high risk activities.

**THE BBC WORLD SERVICE BOARD**

The members of the BBC World Service Board who served during the year are detailed below.

**Remuneration policy**

The remuneration policy for the BBC World Service Board is in line with the rest of the BBC. Remuneration arrangements for the members of the BBC World Service Board include the following components:

*Base pay*

Base pay is reviewed in August each year, taking into account external market levels and internal comparisons as well as the individual's responsibilities and performance.

*Benefits*

In addition to salary, the main contractual benefits provided to most members of the BBC World Service Board are a car allowance, private health insurance, pension, life assurance and a bonus scheme.

*Annual bonus*

Although members of the BBC World Service Board are entitled to be considered for a bonus payment, in line with BBC policy, no bonuses were paid to the BBC World Service Board relating to the 2013/14 financial year and nor were any paid relating to 2012/13.

*Pensions*

Members of the BBC World Service Board are eligible to participate in the BBC Pension Scheme.

*Remuneration in the year*

The remuneration of permanently appointed members of the BBC World Service Board is set out below. As several Board members have responsibilities across BBC World Service Group these remuneration totals contain only those costs borne by BBC World Service. Remuneration costs are allocated in proportion to the amount of time spent on BBC World Service matters. The proportion of costs to be allocated to BBC World Service is assessed separately for each Board member and is reflective of the period of time they served on the Board. Allocations are assessed on an annual basis. The total allocated salaries for the Board Members has increased from £927k to £1,049k. Two Board Members served for nine months in the previous year and one joined in August 2013.

**BBC World Service Board Remuneration**

	Note	Base pay £000	Allowances and benefits £000	Compensation for loss of office £000	Total 2013-14 £000	Share of costs allocated to GIA 2013-14 %	Total 2012-13 £000
<b>Members serving on the Board</b>							
<b>During the Year Ended 31 March 2014</b>							
	1-8						
Behrouz Afagh		107	8	-	115	100%	114
Clive Ahmed		21	3	-	24	34%	2
Mark Bunting		81	7	-	88	90%	64
Catherine Blizzard		61	-	-	61	100%	-
Jim Egan		-	-	-	-	0%	6
Nikki Clarke		96	5	-	101	100%	96
Peter Horrocks		116	4	-	120	50%	122
Simon Kendall		93	5	-	98	100%	66
Liliane Landor		127	8	-	135	100%	134
James Montgomery		47	5	-	52	40%	49
Sanjay Nazerali		5	-	-	5	20%	23
Lindsey North		42	2	-	44	45%	40
Richard Porter		54	8	-	62	40%	56
Richard Thomas		137	7	-	144	95%	138
Richard Thurston		-	-	-	-	0%	17
<b>TOTAL</b>		<b>987</b>	<b>62</b>	<b>-</b>	<b>1,049</b>		<b>927</b>

**Notes:**

- 1 Remuneration shows the proportion of each BBC World Service (WS) Board member's costs attributable to Grant-in-Aid funded (GIA) activity in the year to 31 March 2014 together with their comparative totals for the previous year. The total remuneration for BBC World Service Board for 2013/14 and its comparative for 2012/13 is shown in note 3c to the financial statements.
- 2 Because a number of Board members have roles which cover other parts of the BBC, a proportion of their costs are charged to those areas. The proportion charged to Grant-in-Aid is listed above.
- 3 Allowances and benefits include, where applicable, car allowance, health insurance and any adjustments relating to buying or selling leave.
- 4 Lindsey North's contracted employment is for 4 days per week.
- 5 Sanjay Nazerali left BBC on 31st July 2013
- 6 Catherine Blizzard joined the WS Board on 1st August 2013 to replace Sanjay Nazerali
- 7 Clive Ahmed left WS Board on 20th January 2014
- 8 Mark Bunting and Simon Kendall joined WS Board on 25 June 2012

BBC World Service employer contributions to the BBC Pension Scheme for BBC World Service Board members in the year were £134,000 (2013: £125,000). In addition, the BBC operates a salary sacrifice scheme for members of the BBC Pension Scheme. Under this arrangement the terms and conditions of employment of participating members are altered such that employee pension contributions made via salary sacrifice are treated as employer contributions, with a corresponding reduction in base salary. The base pay for the BBC World Service Board shown above has not been adjusted to reflect the impact of the salary sacrifice scheme. Total salary sacrifice of BBC World Service Board in 2013 was £80,732. (2013: £77,563).

For the purposes IAS 24 "Related Party Disclosures" the key management of BBC World Service in 2013/14 is defined as the BBC World Service Board.

**COMPLIANCE AND ACCOUNTABILITY*****Freedom of Information***

As a public body, BBC World Service is subject to the UK Freedom of Information Act 2000. A total of 56 requests for information relating to BBC World Service were lodged under the terms of the Act during the year ended 31 March 2014. The corresponding figures for 2013 and 2012 were 17 and 36 respectively. Requests for information came from a range of journalists and members of the public and covered areas such as accessing BBC content outside the UK, technology, international locations, journalism and staffing matters, some of which were out of scope of the Act. A number of requests involved joint responses with other parts of the BBC. All were responded to within the deadlines laid down in the Act or, if not, a written explanation was supplied in accordance with the requirements of the Act.

***Data Protection***

BBC World Service received *one* requests under the UK Data Protection Act 1998 in 2013/14. During this period 91% of divisional staff had current training in the Data Protection Act, comprising completion of a data protection online training module. Face-to-face data protection training was also available for identified staff.

***Complaints***

BBC World Service aims to be open, responsive and accountable to its audiences. The appropriate handling of complaints demonstrates its commitment to these principles. BBC World Service follows the same complaints policy as the rest of the BBC.

BBC World Service receives a lot of feedback, both negative and positive, but considers something as a complaint if it is a specific criticism of BBC editorial judgement or controls that expects a response and, implicitly or explicitly, would like things to be changed. Complaints are logged and managed by Audience Relations or programme editors. Depending on the nature of the complaint, replies come either from the relevant department or a senior BBC World Service editor.

Complaints alleging a serious breach of BBC editorial standards may be escalated to the BBC's Editorial Complaints Unit (ECU), which investigates complaints independently of editorial teams. Finally, an appeal may be made to the Editorial Standards Committee (ESC) of the BBC Trust.

During the year, 552 complaints were logged on a range of editorial issues, including allegations of bias, offence, factual errors and poor use of language. Of these 30 were upheld and 12 were upheld in part by management – these related to factual inaccuracy, poor use of language, personal offence and bias. The lessons learnt were discussed with the programme makers.

BBC World Service is represented on the BBC's Complaints Management Board which takes regular reports and promotes the learning points arising from them.

***Donations and gifts***

BBC World Service does not make political donations or gifts.

The Financial Memorandum with the FCO does permit BBC World Service to make gifts of equipment subject to no single item exceeding £50,000. Government accounting guidelines on gifts must be followed. However, no gifts of equipment, services or cash were made during the year.

**BBC World Service Annual Review 2013/14: Performance Measurement**

**FCO Target Summary:**

**BBC World Service to enhance its position as the best known and most respected voice in international radio and online broadcasting.**

FCO Target	Performance against Target
Target 1: <i>Rate higher than competitors for 'most trusted international news provider'</i>	<b>Achieved:</b> <i>Highest rated in Kantar media brand tracking survey and other World Service surveys</i>
Target 2: <i>Rate higher than competitors for 'helps to keep me informed'</i>	<b>Achieved:</b> <i>Highest rated for 'influence' and 'talkability' in Kantar media brand tracking survey</i>
Target 3: <i>192m weekly audience (total)</i>	<b>Not Achieved:</b> 191.4m weekly audience after some older surveys removed (without replacement) and with no data on some new languages TV bulletins
Target 4: <i>55m weekly audience for non-English TV services</i>	<b>Achieved:</b> <i>56.3m weekly audience across Arabic TV, Persian TV and partner bulletins</i>
Target 5: <i>17m weekly online audience</i>	<b>Achieved:</b> <i>18.8m weekly audience on mobile, desktop and on partner sites</i>
Target 6: <i>28m weekly audience for BBC Arabic TV</i>	<b>Achieved:</b> 31.5 weekly audience
Target 7: <i>BBC Arabic television to have highest ratings of any international television channel in the Arab world for key reputational indicators</i>	<b>Achieved:</b> <i>Highest scores of the international competitive set on Trust in Saudi Arabia</i>

**Target 1: Achieved**

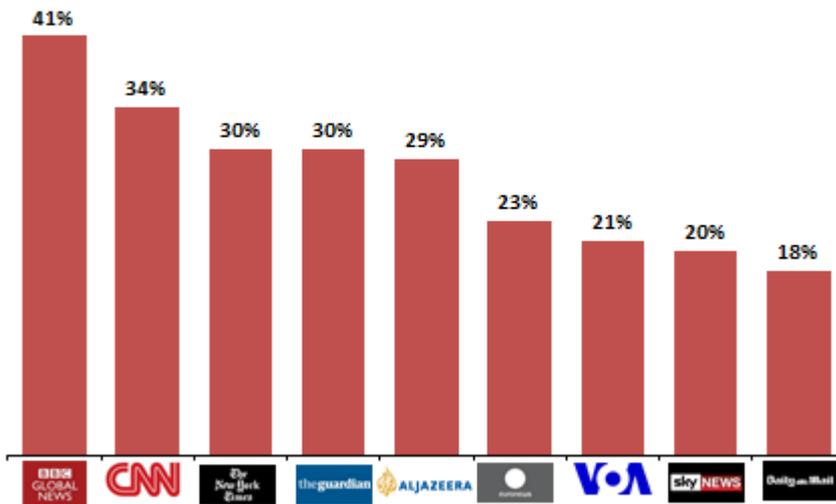
*BBC World Service to rate higher than its international competitors for 'most trusted international news provider'*

The **BBC continues to lead on trust levels**, both amongst all those aware of the brand and amongst those who have ever used it. This is a consistent finding in all markets surveyed and is a key strength of the BBC.

The slide below illustrates trust levels for the BBC (BBC Global News including World Service) versus international competitors. In addition, surveys conducted in various World Service markets this year (e.g. Russia, Kenya, India) consistently show the BBC leading on trust above other international competitors.

Trust

The BBC enjoys high levels of trust vs. international competitors.



Base: All users of each news service (Does not include YouTube, see separate).  
 BBC - 17 users for the BBC overall amongst all users of BBC.com or BBC iPlayer.

(Source: Kantar Media brand tracking survey November 2013.)

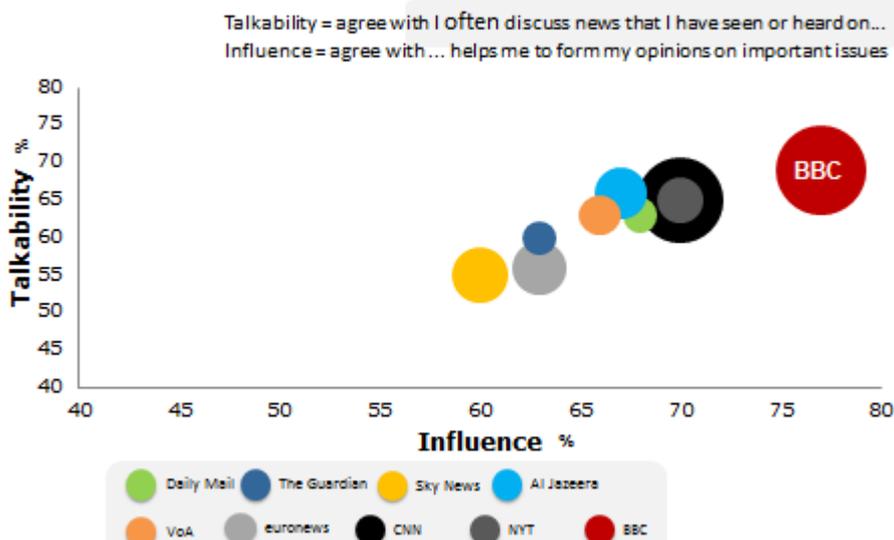
**Target 2: Achieved**

*BBC World Service to rate higher than its international competitors for 'helps to keep me informed'*

The BBC performs more strongly than the international competitive set in terms of helping form opinions on important issues (Kantar Media, BBC Global News Brand Tracker, November 2013).

As the slide below shows, the BBC not only leads strongly both in helping to form opinions (influence) but also on the level of discussion which it generates about news that has been seen or heard (talkability).

Helps form opinions and Talkability



Base: All who have used each news service in the past month

(Source: Kantar Media brand tracking survey November 2013.)

**Target 3: Not Achieved (0.3% down in available measurement data)**

*BBC World Service to reach an estimated weekly global audience of at least **192 million** adults across all platforms.*

Despite lost audience due to decline in shortwave listening, the BBC World Service has achieved **191.4 million** weekly audiences across all platforms, just 0.3% down on the target figure. It should be noted that this is in the context of a measurement period in which a number of older surveys were removed without being replaced and during which it was not possible to measure a number of the new languages TV bulletins. Overall it represents a significant success in growing audiences on new platforms to offset losses elsewhere.

WS Audience by platform (m)	2013/4	2012/3	Change
Any Platform	191.4	192.2	-0.8
TV	58.7	41.5	+17.2
Radio	127.8	144.8	-17
Online	18.8	14.0	+4.8

(All figures shown are based on global audience measurement as of February 2014)

Audiences are increasingly moving towards newer platforms, TV and online, which are showing substantial growth. However TV and Online audiences overlap more with each other than they do with radio audiences so total audience growth is not as great as that on individual platforms.

Radio decline was mostly on Shortwave and Medium Wave and in particular where there is limited or no possibility of FM distribution (including India and Nigeria). This figure also represents the removal of old radio surveys from the database

**Target 4: Achieved**

*BBC World Service to reach **55 million** viewers to its non-English television services weekly*

The BBC World Service has achieved an audience of 56.3 million viewers to non-English TV services, an increase of 36% from the 2012/3 total. This consists of growth in Arabic and Persian TV audiences alongside the launch of a number of languages bulletins on partners:

<b>Any WS Languages Exc. English</b>	56,300,000
<b>Arabic</b>	31,500,000
<b>Hindi - Global India</b>	6,000,000
<b>Persian</b>	13,400,000
<b>Russian bulletins and 2-ways</b>	3,200,000
<b>Swahili - Dira ya Dunia</b>	2,300,000
<b>Turkish</b>	0

- **Russian TV bulletins and 2-ways** on partner stations Dozhd and RBC are performing well with a weekly reach of 3.2 million. BBC Russian TV is highly rated by its audience for bringing stories to life, relevance and trustworthiness, and remaining unbiased and objective.
- **Hindi TV** is reaching a large audience of 6 million viewers across India. Almost 3 in 4 viewers thought that their perception of the BBC had improved after watching the programme 'Global India', and that the programme was unbiased and objective.
- **Dira ya Dunia** in Swahili is aired by partners in Kenya, Tanzania, DRC, Rwanda and Burundi. Measurement in Kenya and Dar es Salaam (Tanzania) shows that it reaches 2.3 million viewers weekly in those areas. It is recognised for its trustworthiness, relevance, and objectivity.

- These increases have more than offset the loss of the **Turkish TV** service, due to the cessation of partner distribution owing to political pressures (-1.8 million).
- There are also several other recent Language TV launches for which we do not yet have measurement in place (e.g. Urdu, Kyrgyz, Burmese, Afrique) – we have only included figures for which we have evidence from surveys up to February 2014.

**Target 5: Achieved**

**17 million** weekly users for Grant-in-Aid funded areas of the BBC online services

The BBC has shown year on year growth of 34% to 18.8m weekly online users globally.

WS Audience by platform (m)	2013/4	2012/3	Change
Any Online	18.8	14	+4.8
Direct	10.8	7.4	+3.4
Desktop	7.3	5.6	+1.7
Mobile	3.6	1.8	+1.8
Partner	8.4	6.8	+1.6

Growth took place across all services, with particularly strong mobile performance (102% increase) and traffic on partner sites performing well (23% increase).

The greatest year on year % increases are seen from Ukrainian (271%), Hindi (+113%), Sinhala (+90%), Swahili (+85%), Hausa (+66%), Russian (+53%), Arabic (+50%), Spanish (+36%), and UK China (+36%).

- Mobile growth has been driven by many of our markets rapidly moving to mobile devices as the main source of digital news; the launch of mobile-friendly site designs; and a greater focus on mobile editorial for some services.
- Our desktop traffic has also seen excellent growth and some of the highlights behind this include the significant uplifts on BBC Ukrainian, BBC Russian – driven by the strength of coverage of the crisis in Ukraine – and also on BBC Mundo.
- Partner traffic has similarly seen strong improvements this year, mainly driven by the new partnership with Mail.ru in Russia, and deepening of existing relationships with some of our key partners (MSN for Mundo, Maktoob for Arabic and NewsHunt for Hindi).

**Target 6: Achieved**

*BBC World Service to deliver a high quality multimedia news service in Arabic for and about the Middle East, including a 24-hour television service.*

*BBC Arabic television to reach at least **28 million** weekly viewers*

Arabic TV has achieved a total audience of **31.5 million** weekly viewers.

Service Name	Reach 2013/4	Yr/Yr Change	Difference	Reach 2012/3
<b>Arabic TV</b>	31,500,000	+13%	+3,500,000	28,000,000

This is due to a new survey conducted in Yemen which revealed that weekly reach for BBC Arabic TV is 3.8 million viewers (while radio reaches 600k listeners). Slightly over 4 million people consume BBC in the market every week, which is nearly a third of the total population in Yemen.

**Target 7: Achieved**

*BBC Arabic television to have highest ratings of any international television channel in the Arab world for key reputational indicators*

In Saudi Arabia, BBC Arabic TV achieves the highest scores of the international competitive set on Trust, helping form opinions on important issues, being independent, unbiased and objective, offering a global view, and also on levels of recommendation by those who've used the brand – over Al Jazeera, Al Hurra, Al Arabiya. (Kantar Media brand tracking survey November 2013). Consideration of the BBC has also shown a significant increase since the last wave of the tracker a year previously.