

BBC WORLDWIDE LIMITED

Impact of IFRS Adoption

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Introduction

BBC Worldwide Limited (the "Company") and its subsidiary undertakings (together the "Group") has voluntarily chosen to adopt International Financial Reporting Standards as adopted by the European Union ("IFRS") in the preparation and presentation of its consolidated financial results for the year ended 31 March 2010. The Group's date of transition to IFRS is 1 April 2008.

In preparing its opening consolidated IFRS balance sheet, the Group has made adjustments to amounts previously reported in its consolidated financial statements under UK Generally Accepted Accounting Principles ("UK GAAP"). IFRS and UK GAAP are not directly comparable. An explanation of how the transition from previous UK GAAP to IFRS has affected the Group's consolidated financial position and financial performance is set out in Note 29 of the Group's Annual Report and Financial Statements for the year ended 31 March 2010. The purpose of this statement is to present the effect of IFRS on the Group at the date of transition and for the prior year comparative period in additional detail to that reported within the first IFRS Annual Report and Financial Statements.

These reconciliations present the consolidated income statement for the year ended 31 March 2009 and the consolidated balance sheet as at that date (and comparative balance sheet for the prior year), showing the value of the identified differences between the financial statements that were prepared in accordance with UK GAAP and what would have been presented under IFRS.

Chief Financial Officer's Review

There are many similarities between the accounting requirements of UK GAAP and IFRS, but there are also differences that can lead to certain transactions being accounted for in a different way depending on whether an entity is reporting in accordance with UK GAAP or IFRS, despite the fact that the underlying transaction has not changed.

For BBC Worldwide the biggest difference in the income statement that has been identified between what has been reported in the Annual Report and Financial Statements for the year ended 31 March 2009 and what would have been reported if IFRS had been adopted as at that date relates to financial instruments recognised under IAS 39 *Financial Instruments: Recognition and Measurement* (see also note A on page 12). BBC Worldwide was outside of the scope of FRS 26 (the UK GAAP equivalent of IAS 39) in 2008/09 and, accordingly, did not adopt this standard.

Under IAS 39 all derivative financial instruments are recognised as assets or liabilities in the balance sheet at fair value. Gains and losses are recognised in the income statement unless they meet the definition of a cash flow hedge under IAS 39 in which case the element of the gains and losses which fulfil the hedge effectiveness criteria are taken directly to equity. The impact on the income statement in the year ending 31 March 2009 with respect to financial instruments was a decrease in profit for the year of £23.3 million.

The total impact of all IFRS adjustments on the income statement for the year ended 31 March 2009, including the impact of financial instruments, was a decrease in profit for the year of £18.8 million.

A number of other adjustments to the statement of income and expenditure and balance sheet are shown in the reconciliations, with the more significant ones explained in notes A-E (pages 12 to 14).

Philip Vincent

Acting Chief Financial Officer
28 July 2010

Responsibilities of the Executive Board

The members of the Executive Board acknowledge their responsibility, in preparing the statement presenting the effect of IFRS on BBC Worldwide at the date of transition and for the full year comparative period then ended, for:

- Selecting suitable IFRS accounting policies and then applying them consistently;
- Making judgements and estimates that are reasonable.

Report of KPMG LLP to the Executive Board of BBC Worldwide Limited on agreed procedures in relation to specified financial information included in the document "Impact of IFRS Adoption"

In accordance with the terms of our engagement letter dated 28 July 2010, we have completed those procedures which we have agreed with the Directors of BBC Worldwide relating to the document, to be published on BBC Worldwide's website, "Impact of IFRS Adoption".

References to "IFRS" in the document "Impact of IFRS Adoption" and in our report are in respect of International Financial Reporting Standards as adopted for use in the European Union.

The financial information on pages 7 to 9 comprises reconciliations of the following primary financial statements of BBC Worldwide between UK Generally Accepted Accounting Practice ('UK GAAP') and International Financial Reporting Standards as adopted for use in the European Union ('IFRS'):

- Consolidated Income Statement for the year ended 31 March 2009 on page 7
- Consolidated Balance Sheet for the year ended 31 March 2009 on page 8
- Consolidated Balance Sheet for the year ended 31 March 2008 on page 9

Together these reconciliations are referred to as "the Financial Information".

The Financial Information has been prepared by and is the sole responsibility of the Directors of BBC Worldwide. The Directors are also responsible for the maintenance and integrity of the corporate and financial information included on BBC Worldwide's website. Legislation in the UK governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Our report has been prepared for BBC Worldwide solely in connection with the transition of BBC Worldwide's financial statements from UK GAAP to IFRS. Our report was designed to meet the agreed requirements of BBC Worldwide determined by BBC Worldwide's needs at the time. Our report should not therefore be regarded as suitable to be used or relied on by any party wishing to acquire rights against us other than BBC Worldwide for any purpose or in any context. Any party other than BBC Worldwide who obtains access to our report or a copy and chooses to rely on our report (or any part of it) will do so at its own risk. To the fullest extent permitted by law, KPMG LLP will accept no responsibility or liability in respect of our report to any other party.

The agreed procedures that we have performed do not constitute either an audit or a review and, as such, no assurance is expressed. Had we been engaged to perform and had performed additional procedures, an audit or a review, other matters might have come to light that would have been reported. The report relates only to the information specified and it does not extend to BBC Worldwide's financial statements taken as a whole.

The agreed procedures that we have performed were as follows:

- On pages 7 and 8: agreement of the Financial Information (presented in IFRS format) headed "As reported under UK GAAP" to the audited UK GAAP consolidated financial statements of BBC Worldwide for the year ended 31 March 2009;
- On page 9: agreement of Financial Information (presented in IFRS format) headed "As reported under UK GAAP" to the audited UK GAAP consolidated financial statements of BBC Worldwide for the year ended 31 March 2008;
- On page 7, 8 and 9: agreement of the Financial Information (presented in IFRS format) headed "IFRS" to the audited IFRS consolidated financial statements of BBC Worldwide for the year ended 31 March 2010;
- Test the arithmetic accuracy of the Financial Information.

As a result of our work we can report that, in respect of those agreed procedures:

- On pages 7 and 8 the Financial Information (presented in IFRS format) headed “As reported under UK GAAP” has been agreed to BBC Worldwide’s audited consolidated financial statements prepared under UK GAAP for the year ended 31 March 2009
- On page 9 the Financial Information (presented in IFRS format) headed “As reported under UK GAAP” has been agreed to BBC Worldwide’s audited consolidated financial statements prepared under UK GAAP for the year ended 31 March 2008
- On pages 7, 8 and 9 the Financial Information (presented in IFRS format) headed “IFRS” has been agreed to BBC Worldwide’s audited consolidated financial statements prepared under IFRS for the year ended 31 March 2010
- The Financial Information is arithmetically correct

KPMG LLP
Chartered Accountants
8 Salisbury Square
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28 July 2010

Consolidated IFRS Income Statement for the year ended 31 March 2009

	As reported under UK GAAP* £m	IAS 39 Financial Instruments (Note A) £m	IFRS 3 Business Combinations / IAS 38 Intangible Assets (Note B) £m	IAS 28 Associates / IAS 31 Joint Ventures (Note C) £m	IAS 19 Employee Benefits (Note D) £m	Other (Note E) £m	IFRS £m
Revenue including Group's share of joint ventures' revenue	1,003.6	-	-	-	-	-	1,003.6
Less: share of joint ventures	(299.0)	-	-	-	-	-	(299.0)
Revenue	704.6	-	-	-	-	-	704.6
Total operating costs	(670.6)	(26.5)	2.4	-	(0.4)	-	(695.1)
Share of profit of joint ventures and associated undertakings	51.7	(0.8)	2.3	(18.1)	-	(0.5)	34.6
Operating profit	85.7	(27.3)	4.7	(18.1)	(0.4)	(0.5)	44.1
Analysed as:							
Operating profit before specific items	102.6	-	4.7	-	(0.4)	(0.5)	106.4
Changes in fair valuation of derivative financial instruments	-	(27.3)	-	-	-	-	(27.3)
Gain/(loss) on termination of businesses	(9.4)	-	-	-	-	-	(9.4)
Group's share of joint venture's specific item	(7.5)	-	-	-	-	-	(7.5)
Interest and taxation on profits of joint ventures and associates	-	-	-	(18.1)	-	-	(18.1)
Finance income	2.3	-	-	(1.2)	-	-	1.1
Finance costs	(13.2)	(4.8)	-	2.4	-	-	(15.6)
Profit before tax	74.8	(32.1)	4.7	(16.9)	(0.4)	(0.5)	29.6
Taxation	(33.5)	8.8	0.8	16.9	-	(0.1)	(7.1)
Profit for the year	41.3	(23.3)	5.5	-	(0.4)	(0.6)	22.5
Attributable to:							
Equity shareholders of the parent company	40.8	(23.1)	4.9	-	(0.4)	(0.6)	21.6
Minority interests	0.5	(0.2)	0.6	-	-	-	0.9
Profit for the year	41.3	(23.3)	5.5	-	(0.4)	(0.6)	22.5

* Presented in IFRS format.

Consolidated IFRS Balance Sheet for the year ended 31 March 2009

	As reported under UK GAAP*	IAS 39 Financial Instruments (Note A)	IFRS 3 Business Combinations / IAS 38 Intangible Assets (Note B)	IAS 19 Employee Benefits (Note D)	Other (Note E)	IFRS
	£m	£m	£m	£m	£m	£m
Non-current assets						
Programme rights	99.7	-	-	-	(11.8)	87.9
Goodwill	95.7	(0.4)	(8.3)	-	-	87.0
Other intangible assets	-	-	41.6	-	-	41.6
Property, plant and equipment	39.4	-	(10.5)	-	-	28.9
Interests in joint ventures, associates and other trade investment	77.8	(0.8)	4.5	-	(0.8)	80.7
Deferred tax assets	18.3	9.1	0.6	-	-	28.0
Derivative financial assets	-	0.4	-	-	-	0.4
Trade and other receivables	3.4	-	-	-	-	3.4
	334.3	8.3	27.9	-	(12.6)	357.9
Current assets						
Programme rights and other inventories	40.2	-	(0.1)	-	11.8	51.9
Trade and other receivables	208.3	-	-	-	-	208.3
Derivative financial assets	-	0.9	-	-	-	0.9
Cash and cash equivalents	55.9	-	-	-	-	55.9
Assets classified as held for sale	-	-	-	-	-	-
	304.4	0.9	(0.1)	-	11.8	317.0
Current liabilities						
Trade and other payables	294.8	-	1.9	0.5	-	297.2
Current tax liabilities	10.8	-	-	-	-	10.8
Derivative financial liabilities	-	14.0	-	-	-	14.0
Provisions	0.9	-	-	-	-	0.9
Borrowings	4.7	-	-	-	-	4.7
Liabilities classified as held for sale	-	-	-	-	-	-
	311.2	14.0	1.9	0.5	-	327.6
Net current liabilities	(6.8)	(13.1)	(2.0)	(0.5)	11.8	(10.6)
Non-current liabilities						
Borrowings	208.7	-	-	-	-	208.7
Derivative financial liabilities	-	18.5	-	-	-	18.5
Deferred tax liabilities	0.5	0.4	8.7	-	-	9.6
Other payables	-	-	-	2.3	-	2.3
Provisions	21.2	-	-	-	-	21.2
	230.4	18.9	8.7	2.3	-	260.3
Net assets	97.1	(23.7)	17.2	(2.8)	(0.8)	87.0
Attributable to equity shareholders of the parent company						
Share capital	0.2	-	-	-	-	0.2
Retained earnings	100.2	(23.7)	11.4	(2.8)	(2.5)	82.6
Translation reserve	23.1	-	0.7	-	1.7	25.5
Hedging reserve	-	-	-	-	-	-
Other reserves	(32.3)	-	-	-	-	(32.3)
	91.2	(23.7)	12.1	(2.8)	(0.8)	76.0
Minority interests	5.9	-	5.1	-	-	11.0
Total equity	97.1	(23.7)	17.2	(2.8)	(0.8)	87.0

* Presented in IFRS format.

Consolidated IFRS Balance Sheet for the year ended 31 March 2008

	As reported under UK GAAP*	IAS 39 Financial Instruments (Note A)	IFRS 3 Business Combinations / IAS 38 Intangible Assets (Note B)	IAS 19 Employee Benefits (Note D)	Other (Note E)	IFRS
	£m	£m	£m	£m	£m	£m
Non-current assets						
Programme rights	85.1	-	-	-	(11.3)	73.8
Goodwill	87.3	(0.4)	(10.3)	-	-	76.6
Other intangible assets	-	-	30.7	-	-	30.7
Property, plant and equipment	25.2	-	(5.7)	-	-	19.5
Interests in joint ventures, associates and other trade investment	70.0	-	2.1	-	(0.2)	71.9
Deferred tax assets	15.1	0.4	0.5	-	-	16.0
Derivative financial assets	-	0.2	-	-	-	0.2
Trade and other receivables	5.6	-	-	-	-	5.6
	288.3	0.2	17.3	-	(11.5)	294.3
Current assets						
Programme rights and other inventories	30.0	-	0.5	-	11.3	41.8
Trade and other receivables	176.8	-	-	-	-	176.8
Derivative financial assets	-	1.1	-	-	-	1.1
Cash and cash equivalents	50.7	-	-	-	-	50.7
Assets classified as held for sale	-	-	-	-	-	-
	257.5	1.1	0.5	-	11.3	270.4
Current liabilities						
Trade and other payables	262.0	-	1.8	0.6	-	264.4
Current tax liabilities	7.3	-	-	-	-	7.3
Derivative financial liabilities	-	0.9	-	-	-	0.9
Provisions	2.3	-	-	-	-	2.3
Borrowings	1.8	-	-	-	-	1.8
Liabilities classified as held for sale	-	-	-	-	-	-
	273.4	0.9	1.8	0.6	-	276.7
Net current liabilities	(15.9)	0.2	(1.3)	(0.6)	11.3	(6.3)
Non-current liabilities						
Borrowings	140.7	-	-	-	-	140.7
Derivative financial liabilities	-	0.3	-	-	-	0.3
Deferred tax liabilities	8.7	0.4	7.1	-	-	16.2
Other payables	-	-	-	1.8	-	1.8
Provisions	-	-	-	-	-	-
	149.4	0.7	7.1	1.8	-	159.0
Net assets	123.0	(0.3)	8.9	(2.4)	(0.2)	129.0
Attributable to equity shareholders of the parent company						
Share capital	0.2	-	-	-	-	0.2
Retained earnings	147.2	(0.5)	4.6	(2.4)	(0.2)	148.7
Translation reserve	-	-	-	-	-	-
Hedging reserve	-	-	-	-	-	-
Other reserves	(31.0)	-	-	-	-	(31.0)
	116.4	(0.5)	4.6	(2.4)	(0.2)	117.9
Minority interests	6.6	0.2	4.3	-	-	11.1
Total equity	123.0	(0.3)	8.9	(2.4)	(0.2)	129.0

* Presented in IFRS format.

Basis of preparation

These reconciliations have been prepared on the basis of the Group's IFRS accounting policies, as detailed in Appendix 1. These policies are consistent with IFRS, Standing Interpretations Committee (SIC) and International Financial Reporting Interpretations Committee (IFRIC) interpretations as adopted by the European Union and effective for the year ended 31 March 2010.

The restated financial information was prepared on the same basis as the Annual Report and Financial Statements for the year ended 31 March 2010. The IFRS income statement for the year ended 31 March 2009 and the IFRS balance sheets as at 31 March 2009 and 31 March 2008 are presented in the BBC Worldwide Annual Report and Financial Statements for the year ended 31 March 2010.

IFRS 1 exemptions

IFRS 1 *First-time Adoption of International Financial Reporting Standards* sets out the procedures and the decisions for the Group when adopting IFRS for the first time as the basis for preparing the Group consolidated financial statements. It sets out a number of optional exemptions that are available on first-time adoption to assist companies in the transition to reporting under IFRS. The Group has taken the following decisions on these exemptions:

- The Group has chosen to apply IFRS 3 (2004) *Business Combinations*, from 1st April 2007 and restate any business combinations from this date onwards. In accordance with the first-time adoption exemption, goodwill that had been amortised, or written off against reserves, prior to that date has not been reinstated.
- The Group has not taken the option to restate items of property, plant and equipment to their fair value at 1 April 2008. The Group has elected for all items to take their cost or revalued amount as shown previously under UK GAAP as their deemed cost under IFRS.
- The Group has taken the option to set the cumulative level of translation differences relating to foreign operations held within reserves to nil at 1 April 2008.
- The Group has not previously adopted IAS 39 *Financial Instruments: Recognition and Measurement* in its UK GAAP consolidated financial statements. As at the transition date, the Group recognises the fair value of derivative financial instruments onto the balance sheet at their fair values for the first time. Movements in their fair value from 1 April 2008 are recorded in the income statement.

Presentation of financial statements

The primary statements included in this document have been presented in accordance with IAS 1 Revised (2007) *Presentation of Financial Statements*. The key presentational differences under IFRS in comparison to UK GAAP are as follows:

Income statement:

- The Group's share of the profit of joint ventures and associated undertakings is now presented including the Group's share of interest and tax. The interest and tax lines in the income statement now exclude these amounts.
- Specific items are analysed separately in the income statement in order to provide a consistent underlying profit measure for year-on-year comparisons. The items are chosen for their significance/size, either in any one year or in respect of their year-on-year movement.
- Net financing costs are analysed between financing income and financing costs on the face of the income statement.

Balance sheet:

- IFRS balance sheet presentation adopts a current/non-current distinction. As a result, provisions have been split between those amounts that are current (i.e. falling due within one year) and those amounts that are non-current (i.e. falling due after more than one year).
- Deferred tax is shown separately on the face of the balance sheet within assets and liabilities and is disclosed as non-current.
- Current tax liabilities are shown separately on the face of the balance sheet.

Explanation of key financial impacts

The Group's financial statements for the year ended 31 March 2009 and as at 31 March 2009 and 31 March 2008 as previously presented in the Annual Report and Financial Statements were prepared on the basis of UK GAAP. The key differences between the results and financial position of what was previously presented under UK GAAP and what is now presented under IFRS are discussed below.

A. IAS 39 *Financial Instruments: Recognition and Measurement*

Under UK GAAP, the Group recognised gains or losses on financial instruments on maturity. Under IAS 39, the Group is required to recognise its derivative financial instruments on the balance sheet at fair value from inception of the contract, with changes in fair value being recognised in the income statement. The Group enters into derivative financial instruments in order to manage the Group's exposure to fluctuations in interest rates (interest rate swaps, caps and collars), currency options and foreign exchange rates (foreign currency forward contracts). The Group does not enter into speculative derivative contracts.

The fair value of derivative financial instruments recognised on the balance sheet on transition at 1 April 2008 was a net liability of £0.5 million, including the related deferred taxation impacts. This includes a net liability of £0.4 million, recognised on acquisition of 75% of the issued share capital of Lonely Planet Publications Pty Limited and Lonely Planet Publications Inc. (together, "Lonely Planet") and reducing the goodwill recognised on acquisition.

The fair value of derivative financial instruments at 31 March 2009 increased to a £23.7 million net liability, giving rise to a post taxation charge to the income statement of £23.3 million. This impact includes £0.8 million, being the Group's share of the effect of the movement in the fair value of derivatives recognised by its joint ventures under IAS 39.

B. IFRS 3 *Business Combinations* / IAS 38 *Intangible Assets*

UK GAAP required goodwill to be amortised over its expected useful economic life. Under *IAS 38 Intangible Assets*, goodwill is no longer amortised but held at its carrying value on the balance sheet and tested annually for impairment. In addition, IAS 38 requires other intangible assets arising on acquisitions after the transition date to be separately identified and amortised over their useful economic life, sometimes a shorter period than previously used for goodwill. As a result, intangible assets such as customer relationships and trademarks need to be separately valued and recognised on business combinations, and then amortised over their useful economic lives. The most significant acquisitions since this date to 31 March 2009 have been Lonely Planet and UK TV Pty Limited (hereafter referred to as "UK.TV").

The UK GAAP goodwill amortisation charge in the year to 31 March 2009 has been reversed. The other intangible assets arising from acquisitions since 1 April 2007 are being amortised over their estimated useful economic lives.

The net impact of these adjustments for subsidiaries in the income statement in the year ended 31 March 2009 is a net £3.0 million decrease in amortisation charges, offset by a £0.6 million unwinding of the fair value adjustment for inventory purchased as part of the Lonely Planet acquisition.

Consistent with the IFRS accounting treatment of subsidiaries, goodwill in relation to joint ventures and associated undertakings is no longer amortised but held at its carrying value on the balance sheet and tested for impairment where impairment indicators are identified. The UK GAAP goodwill amortisation charge in the year to 31 March 2009 of £2.3 million has been reversed.

In respect of business combinations accounted for under IFRS 3, the year ended 31 March 2008 sees a net impact on equity of £8.9 million. The most significant item within this impact is the acquisition impact of Lonely Planet for £6.3 million, which incorporates the fair value adjustments made on acquisition, including a minority interest share of £4.3 million. The related taxation effect of the foregoing was a net £6.6 million deferred tax liability. The remaining £2.6 million impact on equity represents the reversal of goodwill for subsidiaries, joint ventures and associates.

B. IFRS 3 Business Combinations / IAS 38 Intangible Assets (continued)

The Group acquired the remaining 80% of UK.TV in the year ended 31 March 2009, giving rise to a net increase in equity of £2.0 million. The prior year impact of £8.9 million and the current year UK.TV acquisition adjustment combine with the other IFRS 3 / IAS 38 adjustments, primarily relating to the reversal of goodwill amortisation within the Group and the continuing impact of the fair value adjustments made on acquisition of Lonely Planet (principally recognising additional intangible assets), constituting a net increase in equity of £17.2 million in the year ended 31 March 2009.

Computer software that is not an integral part of the associated hardware is classified as an intangible asset under IAS 38. Under UK GAAP, the Group's policy was to categorise all capitalised software as tangible fixed assets. This has resulted in a balance sheet reclassification of £5.7 million at 31 March 2008 and an additional £4.8 million reclassification at 31 March 2009, but has had no impact on profit or equity. Programme investments are now also shown as intangible assets, with £73.8 million held as intangible assets as at 31 March 2008 and £87.9 million as at 31 March 2009.

C. IAS 28 Investments in Associates / IAS 31 Interests in Joint Ventures

Under UK GAAP, the Group accounted for its share of joint ventures and associates using equity accounting. Under IFRS, the Group continues to apply equity accounting. However, the Group's share of results of associates and joint ventures is presented net of tax and finance expense on the face of the income statement. Previously under UK GAAP the Group's share of associates and joint ventures' interest and tax was included in the relevant interest and tax line of the income statement.

For the year ended 31 March 2009, this has decreased the Group taxation charge shown in the income statement by £16.9 million and decreased net finance charges by £1.2 million. The Group views its investments as being a fundamental part of its ongoing operations, and therefore both these amounts are reported as specific items within the income statement, in order to present an operating profit measure which more appropriately represents the way in which the business is reviewed and assessed internally (refer note 4 of the Annual Report and Financial Statements).

D. IAS 19 Employee Benefits

Under UK GAAP, the Group accrued for the Long Term Incentive Plan (LTIP) in the period when it was determined that a payout would be likely. This was typically in the annual period immediately preceding the date of measurement of the award. Similarly, under UK GAAP, the Group did not make a provision for Holiday pay, i.e. holiday earned but not taken prior to year end. In contrast, IAS 19 *Employee Benefits* requires these costs to be accrued over the service period on a reasonable basis.

Adjustments for employee benefits reflect the first time recognition and the year-on-year impact of accruing for these benefits in line with the requirements of IAS 19, amounting to a net decrease in net assets of £2.4 million as at 31 March 2008 and an additional £0.4 million accrual being made in the year ended 31 March 2009.

E. Other

The net impact of these adjustments as at 31 March 2008 is a £0.2 million decrease in equity. The year ended 31 March 2009 sees a £0.6 million decrease in income, with a corresponding total decrease in equity of £0.8 million as at 31 March 2009.

Programme investments

The Group has historically recognised some programme investments within inventory, and amortised them in line with historical patterns of economic consumption. In light of the transition to IFRS and changing market practice the Group has reviewed the presentation of these arrangements. These arrangements are now recorded within intangible assets when held for distribution, and recorded within inventory when held for broadcast, consistent with industry practice. This reclassification amounted to £11.3 million as at 31 March 2008 with an additional £0.5 million reclassified as at 31 March 2009.

E. Other (continued)*Impairments*

During the year ended 31 March 2009, the Group's Indian magazines joint venture, Worldwide Media Limited, was impaired under UK GAAP. As a result of the goodwill reversal under IFRS, the revised IFRS carrying value had to be reduced to reflect the actual recoverable amount of the joint venture. This gave rise to an additional impairment of £0.4 million.

Lease incentives

Under UK GAAP, operating lease incentives (principally rent free periods) were recognised in the profit and loss account over the period to the first rent review. IAS 17 *Leases* requires the benefit of any lease incentives received to be recognised over the life of the lease. This gave rise to a £0.2 million decrease of net assets in the year ended 31 March 2008, relating to the Group's investment in 2|entertain, and an additional £0.2 million decrease of net assets in the year ended 31 March 2009.

Reserves

Under UK GAAP, the foreign currency translation reserve was a part of retained earnings and the Minority Interest share of the exchange adjustment for the year was recorded within retained earnings. This was also the case for the foreign exchange movement on the Lonely Planet put option. Both these amounts have been transferred to the newly-created translation reserve under IFRS.

Appendix 1: Principal accounting policies [extracted from the 31 March 2010 Annual Report and Financial Statements (all references to notes refer to notes within the Annual Report and Financial Statements)]

a. Basis of preparation

BBC Worldwide Limited (the "Company") is a company domiciled in the United Kingdom. The consolidated financial statements of the Company for the year ended 31 March 2010 comprise the Company and its subsidiary undertakings (together the "Group") and the Group's interest in associated undertakings and joint ventures.

The consolidated financial statements have been prepared in accordance with applicable law and International Financial Reporting Standards as adopted by the European Union ("IFRS"). This is the first year in which IFRS has been used as a preparation basis for the Group's financial statements. Note 29 describes how the Directors have applied the first-time adoption provisions set out in *IFRS 1, First-time Adoption of International Financial Reporting Standards*.

The Company has elected to prepare its financial statements in accordance with UK GAAP.

These financial statements are prepared on a going concern basis, and on an historical cost basis, except for derivative financial instruments, put option liabilities and available for sale assets which are stated at fair value, and non-current assets held for sale which are stated at the lower of the previous carrying value and fair value less costs to sell, as described in the accounting policies below.

With the exception of items impacted by IFRS 1, the policies set out below have been applied consistently throughout the current and preceding years to items considered material to the financial statements.

(i) Additional non-statutory financial performance measures

The Group believes that "Revenue including Group's share of Joint Ventures' revenue" and "Operating profit before specific items" are additional non-statutory measures of financial performance that provide additional guidance to help understand the core performance of the business on a comparable basis year-on-year.

The Group's income statement separately identifies significant items (termed "specific items") which in the Directors' judgement are highlighted by virtue of their size or incidence to enable a full understanding of the Group's financial performance.

Specific items are not defined under IFRS and may not be comparable to similarly titled measures used by other companies. Items which have been highlighted for consideration include the changes in fair valuation of derivative financial instruments, the impairment of goodwill, the gain or loss on termination of businesses, interest and taxation on profits of joint ventures and associates, and the Group's share of a prior year pension liability that crystallised in 2|entertain Limited ("2|entertain") following the administration of Woolworths Group plc. The Directors intend to follow such a presentation on a consistent basis in the future. Specific items for the current and prior years are disclosed in note 4.

(ii) Funding and liquidity

The Board remains satisfied with the Group's funding and liquidity position. The disclosures in the Directors' Report in respect of going concern form part of the audited accounts.

As at year end, the main sources of debt funding are unsecured loan and investment facilities with BBC Commercial Holdings Limited expiring in April 2011 and June 2012, and an unsecured loan with the European Investment Bank, due to part-terminate in November 2011 and the remainder in May 2012. Further information in respect of these facilities is included in note 24e.

Subsequent to year end, the sterling facility with BBC Commercial Holdings Limited expiring in April 2011 has been renewed with an expiry date of 30th April 2012. Further information regarding the new facility is included in note 27.

On the basis of its forecasts, both base case and adjusted, and having regard to available financing facilities, the Board has concluded that the going concern basis of preparation continues to be appropriate. Further information in respect of liquidity risk is included in note 24a.

a. Basis of preparation (continued)

(iii) **Accounting pronouncements**

At the beginning of the current period, the Group adopted the following accounting pronouncements that are relevant to its operations, none of which had a significant impact on its results or financial position:

IFRS 8 *Operating Segments*

IAS 1 Revised (2007) *Presentation of Financial Statements*

IAS 23 Revised (2007) *Borrowing costs*

Amendments to IFRS 7 *Financial Instruments: Disclosures*

Amendments to IAS 32 *Financial Instruments: Presentation* and IAS 1 *Presentation of Financial Statements*

Amendments to IFRIC 9 *Reassessment of Embedded Derivatives* and IAS 39 *Financial Instruments: Recognition and Measurement*

Improvements to IFRSs (2008)

b. Basis of consolidation

Where necessary, adjustments are made to the financial statements of subsidiaries, joint ventures and associates to bring the accounting policies used into line with those of the Group. All intra-group transactions, balances, income and expenses are eliminated on consolidation. Unrealised gains from transactions with joint ventures and associates are eliminated to the extent of the Group's interest in the entity. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

(i) **Subsidiaries and minority interests**

Subsidiaries are entities controlled by the Group. Control is achieved where the Group has the power, directly or indirectly, to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, the Group takes into consideration potential voting rights that are currently exercisable. The results of subsidiaries are included in the financial statements from the date that control commences to the date that control ceases.

Minority interests in the net assets of consolidated subsidiaries are identified separately, and consist of the amount of those interests at the date of the original business combination and the minority's share of changes in equity since the date of the combination. Equity put options held by minority interest holders are recognised as financial liabilities at the present value of the fair value of amounts payable on their exercise. The Group continues to recognise minority interests in respect of these equity investments where the risks and rewards of ownership are deemed to have been retained by the minority interest holders.

(ii) **Associates and joint ventures**

An associate is an entity in relation to which the Group is in a position to exercise significant influence but not control, over its financial and operating policies. A joint venture is an entity over which the Group exercises joint control, established through a contractual arrangement. The Group's investments in associates and joint ventures are recognised using the equity method of accounting.

Where the Group's share of losses exceeds the carrying amount of the joint venture or associate, the carrying amount is reduced to nil and recognition of further losses is discontinued except to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the joint venture or associate.

c. Business combinations

The acquisition of subsidiaries is accounted for using the purchase method. The cost of the acquisition is measured at the aggregate of the fair values, at the date of exchange, of assets given, liabilities incurred or assumed, and equity instruments issued by the Group in exchange for control of the acquired entity, plus any costs directly attributable to the business combination. The acquired entity's identifiable assets, liabilities and contingent liabilities that meet the conditions for recognition under *IFRS 3 (2004) Business Combinations* are recognised at their fair value at the acquisition date. The interest of minority shareholders in the acquired entity is initially measured at the minority's proportion of the net fair value of the assets, liabilities and contingent liabilities recognised.

c. Business combinations (continued)

When control is obtained in successive share purchases (a "step acquisition"), each significant transaction is accounted for separately and the identifiable assets, liabilities and contingent liabilities acquired are stated at fair value when control is obtained.

When there is a transfer or an exchange between companies under common control, assets and liabilities so transferred are accounted for at historical cost.

d. Investments in associates and joint ventures (equity accounted investees)

Investments in associates and joint ventures are initially recognised at cost. The carrying amount is increased or decreased in subsequent periods to recognise the share of total comprehensive income.

The Group consolidates results from investments in associates and joint ventures using results as of 31 March with the exception of the following investments: the results of the joint ventures and associates within the Discovery agreements, excluding the Animal Planet Europe Partnership; Children's Character Books; Woodlands Books Limited and BBC Haymarket Exhibitions Limited, which have been included using information from unaudited accounts drawn up to 31 December.

e. Revenue

The Group's main sources of revenue are recognised as follows:

- Licence fees from international television programme sales – recognised at the later of the start of the licence period or the delivery of the programme rights.
- Licence and production fees from content and production – recognised on delivery of the related programme or on provision of service.
- Distribution and other sales commission income – recognised on provision or delivery of service.
- Advertising revenue – on transmission of the advertisement.
- Subscription fees – recognised over the period of the subscription.
- Income from publishing sales and the sale of promotional merchandise - recognised at time of delivery or on provision of service.

Turnover excludes value added tax and trade discounts and is recognised at the fair value of consideration receivable. Sales of promotional merchandise and publishing are stated after deduction of the sales value of actual and estimated returned goods.

f. Foreign currency

Transactions in foreign currencies are translated into the applicable functional currency of each entity of the Group at a monthly average exchange rate. Monetary assets and liabilities denominated in foreign currencies are translated at the foreign exchange rate ruling on that date. Foreign exchange differences which arise on translation are recognised in the income statement.

The Group's presentational currency is sterling. The income statements and cash flows of overseas subsidiaries are translated into sterling at the weighted average rates for the year. Exchange differences arising from the retranslation of the opening net assets of overseas subsidiaries are taken directly to other comprehensive income, together with the differences arising when income statements are translated at average rates compared with rates ruling at the year end. On disposal of a foreign operation, the cumulative amount recognised in equity relating to that operation is recognised in the income statement as part of the gain or loss on sale, subject to the exemption taken under IFRS 1 to reset the foreign currency translation reserve to zero at the transition date (see note 29). Other exchange differences are taken to the income statement.

g. Trade and other receivables

Trade and other receivables are recognised initially at cost, and subsequently reduced by any provision for bad or doubtful debts.

h. Cash and cash equivalents

Cash and cash equivalents comprise cash balances and deposits of less than three months duration from the date of placement.

i. Financial instruments

The Group's financial instruments (other than derivative financial instruments, put option liabilities and available for sale assets) are stated at amortised cost using the effective interest rate, less any impairment losses.

(i) Derivative financial instruments

The Group transacts in a number of currencies, primarily including sterling, Euros, US dollars and Australian dollars. The Group therefore enters into derivative financial instruments to manage the Group's exposure to fluctuations in currency options and foreign exchange rates (foreign currency forward contracts). The Group also enters into derivative financial instruments to manage exposure to changes in interest rates (interest rate swaps, caps and collars). The Group does not enter into speculative derivative contracts.

Derivative financial instruments are initially recognised at fair value and are subsequently remeasured to fair value at the balance sheet date with movements recorded in the income statement, except where hedge accounting is applied (see below).

The fair value of interest rate derivative financial instruments is the estimated amount that the Group would receive or pay to terminate the swap, cap or collar at the balance sheet date, taking into account current interest rates and the current creditworthiness of counterparties.

The fair value of foreign currency forward contracts is determined by using forward exchange market rates at the balance sheet date.

(ii) Hedge accounting

Where a financial instrument is designated and is effective as a net investment hedge of a foreign operation or a cash flow hedge of purchases or sales in a foreign currency, any exchange differences arising on the retranslation of the financial instrument will be recognised directly in the statement of comprehensive income. Any ineffective portion, or any change in fair valuation on a financial instrument not designated as an effective hedging instrument, is recognised immediately in the income statement. If the hedge ineffectiveness moves outside the range of 80-125 percent, all amounts related to that hedge, not limited to the ineffective portion, are recycled to the income statement.

(iii) Embedded Derivatives

Derivatives which are embedded in other financial instruments or other host contracts are treated as separate derivatives when their risks and characteristics are not closely related to those of the host contracts, and the host contracts are not carried at fair value. Embedded derivatives are carried on the balance sheet at fair value from inception of the host contract. Unrealised changes in fair value are recognised as gains/losses within the income statement during the period in which they arise.

j. Trade and other payables

Trade and other payables are recognised initially at fair value, and subsequently at amortised cost.

k. Intangible fixed assets

(i) Programme rights for distribution

Programme rights for distribution represent rights acquired with the primary intention to sell them or products derived from the rights as part of the Group's long-term operations. They are initially recognised at acquisition cost or production cost, when the Group controls the respective assets and the risks and rewards attached to them. The carrying amount is stated at cost less accumulated amortisation and after writing off the costs of programmes that are considered irrecoverable.

(ii) Business combinations and goodwill

Goodwill arising on acquisition is recognised as an asset and initially measured at cost, which represents the excess of the cost of the business combination over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities assumed. Goodwill is stated at its recoverable amount, being cost less any accumulated impairment losses, and is allocated to cash-generating units.

I. Intangible fixed assets (continued)

(iii) *Internally-generated intangible assets: Development expenditure*

An internally-generated intangible asset arising from the Group's development, including software and web site development, is recognised when the asset is technically and commercially feasible, sufficient resources exist to complete the development and it is probable that the asset will generate future economic benefits. Any expenditure on research activities, or development activities that do not meet the aforementioned criteria, is recognised as an expense in the period in which it is incurred.

(iv) *Other intangible assets*

Intangible assets acquired as part of a business acquisition are capitalised at fair value at the date of acquisition. The fair value of such intangible assets is valued by reference to external market values or income based methods. Income based methods estimate the future economic benefits to be derived from ownership of the asset by identifying, quantifying and separating cash flows attributable to the asset and capitalising their present value. Purchased intangible assets acquired separately are capitalised at cost. After initial recognition, all intangible fixed assets are measured at cost less accumulated amortisation and any accumulated impairment losses.

(v) *Amortisation*

With the exception of goodwill, which is not amortised, amortisation is charged on assets with finite lives on a systematic basis over the asset's useful life and disclosed within total operating costs in the income statement.

The useful lives and amortisation methods are as follows:

Programme rights for distribution	See below	1-10 years
Lonely Planet masthead	Straight line	20 years
UK.TV carrier agreements	Straight line	17 years
Software	Straight line	5 years
Other	Straight line	3-8 years

Amortisation of programme rights for distribution is charged to the income statement to match the average revenue profile of the programme genre over its estimated average marketable life.

Useful lives are examined every year and adjustments are made, where applicable, on a prospective basis.

m. Impairment of assets

Non-financial assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment. Non-financial assets that are subject to amortisation or depreciation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised in the income statement for the amount by which the asset's carrying amount exceeds its recoverable amount; the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows and for which goodwill is monitored for management purposes.

Impairment losses recognised in respect of cash generating units are allocated first to reduce the carrying amount of goodwill allocated to those units, and then to reduce the carrying amount of other assets in the unit on a pro-rata basis.

In respect of assets other than goodwill, an impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised. Impairment losses in respect of goodwill are not reversed.

n. Property, plant and equipment ('PPE')

All owned PPE is stated at cost less accumulated depreciation and any accumulated impairment losses (see note 1l), other than those items that are classified as held for sale (see note 1s).

Freehold land is not depreciated. Depreciation is charged on other PPE so as to write off the cost of assets to their residual value, over their expected useful lives using the straight-line method. When an item of PPE comprises major components having different useful economic lives, the components are accounted for as separate items of PPE. Depreciation commences from the date when the asset is available for use.

The useful lives for depreciation purposes for the principal categories of assets are:

Short leasehold buildings	Unexpired lease term
Plant and machinery	3 to 8 years
Fixtures and fittings	3 to 7 years

Assets held under finance leases are treated as PPE (see note 1n), and depreciated over the shorter of the lease term or their useful economic life.

The Group capitalises borrowing costs with respect to amounts incurred during the construction of qualifying property, plant and equipment.

o. Leased assets

Assets held under finance leases, whereby the Group assumes substantially all the risks and rewards of ownership, are capitalised and depreciation is charged accordingly. The capital elements of future obligations are recorded as liabilities. Lease payments are apportioned between finance charges and reductions of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability.

All other leases are classified as operating leases. The lease expense arising from operating leases is charged to the income statement on a straight line basis over the term of the lease, with any incentives to enter into operating leases being recorded on a straight line basis over the lease term, recognised as a reduction of the rental expense.

p. Programme rights and other inventories

Programme rights in this context refer to the programme rights acquired for the primary purpose of broadcasting within the Group's short-term operations. The carrying amount is stated at cost less accumulated amortisation, and after writing off the costs of programme rights that are considered irrecoverable. The Group's estimate of the benefits received from these rights is determined to be most appropriately aligned with a straight-line amortisation profile for the majority of the programme inventory held. The cost is recognised in the income statement on a straight-line basis over the shorter of the period of the licence or three years (the expected operating cycle for an item of this nature). In certain instances amortisation is recognised on a reducing balance basis, where it more appropriately aligns the amortisation profile with the expected consumption of economic benefits.

Other inventories comprising books, DVDs, audiobooks, paper, raw materials and work in progress are stated at the lower of cost and net realisable value.

q. Provisions

A provision is recognised in the balance sheet when the Group has a present legal or constructive obligation arising from past events and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions, other than those for deferred tax, 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.

r. Employee benefits

The Group offers both defined benefit and defined contribution schemes to its employees.

(i) *Defined benefit*

The defined benefit scheme is operated by the Group's ultimate parent, the British Broadcasting Corporation (the "BBC"). The defined benefit scheme provides benefits based on final or career average pensionable pay. The assets of the BBC's main pension scheme, the BBC 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 as such the participating employers all make contributions to the scheme at the same rates and are unable to identify their shares of the net defined benefit cost. 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*, the Group accounts for the contributions payable to the scheme for the year.

(ii) *Defined contribution*

The Group participates in a number of defined contribution schemes in relation to its UK and overseas operations. Contributions to the schemes are charged to the income statement when payable.

Other short term and long-term employee benefits, including holiday pay, Long Term Incentive Plan, and long service leave, are recognised as an expense over the periods in which they accrue.

s. Taxation

The Group's liability for current tax is based on taxable profit for the year, and is calculated using tax rates that have been enacted or substantively enacted at the balance sheet date.

The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates that have been enacted or substantially enacted at the balance sheet date. Deferred tax is charged or credited in the income statement, except where it relates to items charged or credited directly to equity, in which case the deferred tax is also included within equity.

Deferred tax is recognised using the balance sheet liability method, providing for temporary differences between the carrying amounts of assets and liabilities in the balance sheet and the corresponding tax bases used in the computation of taxable profit. Temporary differences arising from goodwill and the initial recognition of assets or liabilities that affect neither accounting profit nor taxable profit are not provided for.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries and associates, and interests in joint ventures, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered. Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised. Deferred tax assets and liabilities are not discounted.

t. Non-current assets held for sale

Non-current assets (and disposal groups comprising assets and liabilities) are classified as held for sale if their carrying amount will be recovered principally through sale rather than continuing use, they are available for immediate sale and sale is highly probable.

On initial classification as held for sale, non-current assets or disposal groups are measured at the lower of their previous carrying amount and fair value less costs to sell. No amortisation or depreciation is charged on non-current assets (including those in disposal groups) classified as held for sale.

u. Dividends on shares presented within shareholders' funds

Dividends are recognised through equity in the period in which they are declared. Dividends which are unpaid at the balance sheet date are only recognised as a liability at that date to the extent that they are appropriately authorised and payment is no longer at the discretion of the Group. Unpaid dividends that do not meet these criteria are disclosed in the notes to the consolidated financial statements.

v. Segmental reporting

An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses. All operating segments' results are reviewed regularly by the Group's chief operating decision maker ("CODM"), defined as the BBC Worldwide Board (the "Board"), to make decisions about resources to be allocated to the segment and assess its performance, for which discrete financial information is available.

w. Critical accounting estimates and key judgements

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting assumptions, and requires management to exercise its judgement and to make estimates in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed below:

(i) Revenue recognition

The timing of revenue recognition requires judgement, as does the amount to be recognised. This may involve estimating the fair value of consideration before it is received. In making these judgements, the Group considers the detailed criteria for the recognition of revenue set out in IAS 18 *Revenue* and, in particular, whether the Group had transferred the significant risks and rewards of the goods/services to the customer.

(ii) Trade and other receivables recoverability

Judgement is also required in evaluating the likelihood of collection of customer debt. In certain cases, this involves estimates of the level of provision to be made for customers' debts with uncertain recovery.

(iii) Carrying value of goodwill

The determination of whether goodwill is impaired requires an estimation of the value in use of the cash-generating units to which goodwill has been allocated. The value in use calculation requires the entity to estimate the future cash flows expected to arise from the cash-generating unit and a suitable discount rate that reflects current market assessments of the risks specific to the asset and the time value of money, in order to calculate present value. Please refer to note 9 for further details on the impairment loss calculation for the current year.

(iv) Determination of fair values

Certain financial instruments are carried on the balance sheet at fair value, with changes in fair value reflected in the income statement. Fair values are estimated by reference in part to published price quotations and in part by using valuation techniques.

(v) Deferred tax

Deferred tax assets and liabilities require management judgement in determining the amounts to be recognised. In particular, judgement is used when assessing the extent to which deferred tax assets should be recognised with consideration given to the timing and level of future taxable income.

(vi) Programme rights

The assessment of the appropriate profile over which to recognise the amortisation of programme rights (for distribution or for broadcast) involves a certain degree of judgement. Amortisation is charged to the income statement to match the average revenue profile of the programme genre over its estimated average marketable life.