Entertainment One Ltd. Annual Report & Accounts 2011

A world of entertainment

Annual Report & Accounts 2011

Entertainment One's goal is to become the world's leading independent entertainment company, delighting consumers with a great choice of high quality content.

We create value for our investors through the ownership and distribution of film and television content rights across all media throughout the world.

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Front cover – from left to right
Gnomeo & Juliet, Film
Luz, Film
Call Me Fitz, TV
Peppa Pig, Family
Rookie Blue, TV
Ben & Holly's Little Kingdom, Family
The Walking Dead, TV
RED, Film

Strategic highlights

- Completed step up to main market of London Stock Exchange in July 2010
- Raised £16 million through oversubscribed placing in March 2011 to fund corporate acquisitions
- Renewed Summit Entertainment output deal until 2015
- Acquired Hopscotch to consolidate presence in Australia and New Zealand
- Completed closure of remaining Canadian retail stores

Operational highlights

- Released 121 films theatrically generating gross box office receipts of $202 million (2010: $156 million) including number one hits *The Twilight Saga: Eclipse*, *RED* and *Gnomeo & Juliet*
- Delivered 269 half hours of television programming with major successes *Rookie Blue*, *Haven* and *Call Me Fitz* all now into second series
- Established *Peppa Pig* as number one UK pre-school toy property in 2010 and achieved strong viewer ratings from initial broadcast on Nick Jr. in the US

Financial highlights

Revenue
(2010: £419.0m)

£469.7M
+12%

Underlying EBITDA[1]
(2010: £35.3m)

£42.5M
+20%

Profit before tax
(2010: £8.0m)

£11.4M
+43%

Investment in Film and Television
(2010: £74.7m)

£91.3M
+22%

Adjusted earnings per share[2]
(2010: 11.9p)

13.0p
+9%

Adjusted net debt[3]
(2010: £63.2m)

£38.6M
£25m better

1 Underlying EBITDA is earnings from continuing operations before operating one-off items, share-based payment charges, interest, tax, depreciation and amortisation of intangible assets.
2 Adjusted diluted earnings per share is adjusted for operating one-off items, share-based payments, amortisation of acquired intangible assets, one-off items within net finance charges and the tax effect of these items.
3 Adjusted net debt excludes interim production financing.

Our Business at a Glance

Entertainment One is a leading independent entertainment group focused on the acquisition, production and distribution of film and television content rights across all media throughout the world.

Content Investment

Content is at the heart of our business. We build our film library through acquisitions from the leading independent studios. In television, which includes our Family business, we develop and produce our own programmes and also acquire third party shows. By investing in a number of titles across film and television the Group manages a portfolio which delivers a balanced performance and mitigates the risk associated with any individual property.

Film Acquisition

Twilight Saga: Breaking Dawn

TV Production

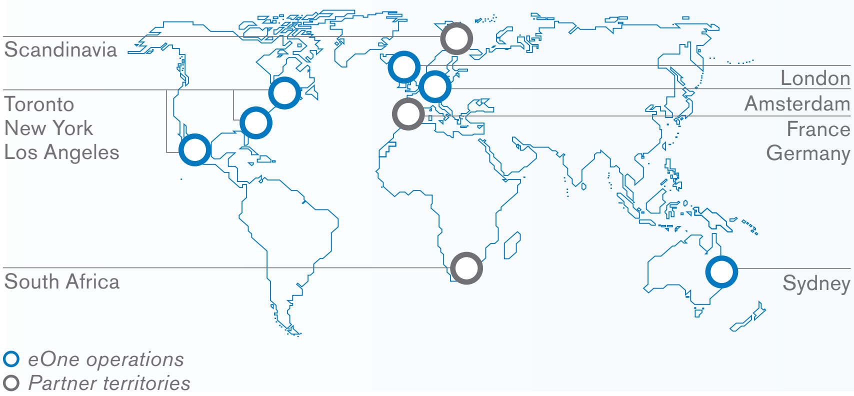
Call Me Fitz

All Rights Ownership

We aim to maximise the extent of the rights we acquire with each investment. By obtaining "all rights" for our film and television titles we increase the opportunity to satisfy demand from consumers across all media. We embrace the exciting opportunities offered by the advance of digital technology and continue to build on our presence in traditional cinema, DVD, Blu-ray and television markets, supported in Canada and the US by our physical distribution infrastructure.

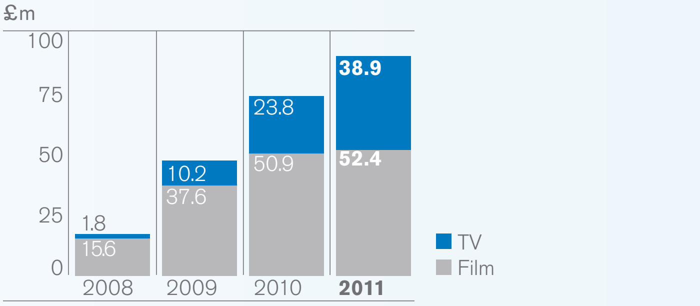
Global Network

Our global footprint is continuing to expand as we believe a growing network of offices and partnerships across the world enables us to provide our producer partners with the best multi-territory distribution service and gives us access to international markets for our own television properties.

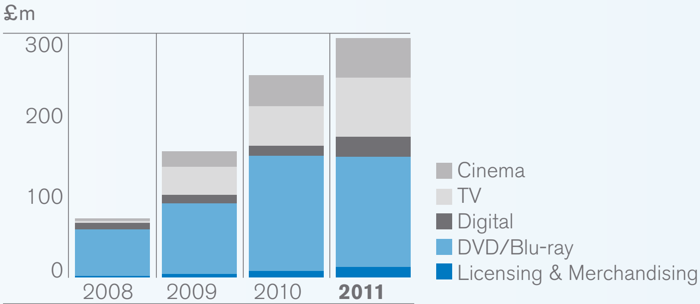


Key indicators

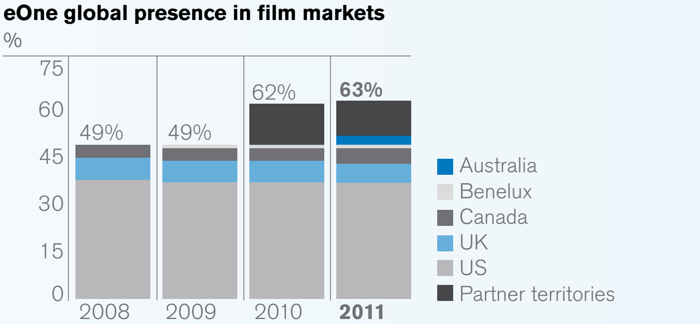
Investment in content



Entertainment division revenue by media



eOne global presence in film markets



Source: Oliver & Ohlbaum May 2011

Strategic priorities

1 Invest in content and programming pg 4

2 Maximise rights ownership pg 6

3 Expand global presence pg 8

Strategic priority

1

Invest in Content and Programming

Since commencing our content-focused strategy in 2007 we have invested over £230 million in film and television properties. Our growing library of rights, which includes over 20,000 film and television titles and 2,500 hours of television programming, was independently valued in March 2010 at over $250 million.

Film investment

The Group acquires the rights to over 300 films annually at a cost in 2011 of over £50 million, which is further supported by over £70 million spent on marketing and advertising ("P&A"). We aim to release over 120 films into cinemas each year.

The Group's film acquisition teams are based in the US, Canada, UK, Benelux and Australia. They work closely together and attend the major film markets such as Cannes, Toronto, AFM, Sundance and Berlin. The teams will also continue to acquire rights outside these events through the strong relationships they have with all the large independent studios.

Quality of content is critical and a portfolio approach of targeting multiple mid-ranging rather than fewer blockbuster movies, combined with the vast experience of our acquisition teams, ensures that the Group continues to manage effectively the investment risk. In recent years movies distributed by eOne such as *An Education*, *Barney's Version*, *Incendies* and the *Twilight Saga* have won a range of prestigious nominations and awards including Academy Awards, BAFTAs and Golden Globes.

The majority of the film slate for 2011 has already been acquired and major releases include *Source Code*, *The Three Musketeers*, *The Lincoln Lawyer* and the *Twilight Saga: Breaking Dawn – Part 1*.

Films are acquired primarily from independent Hollywood studios either on an individual project basis or through output deals which give the Group all films produced by that studio in selected territories for an agreed period. The Group currently has output deals with studios including Summit Entertainment and Lakeshore Entertainment. Releases under these agreements in the last twelve months have included *The Twilight Saga: Eclipse*, *Furry Vengeance*, *Letters to Juliet* and *RED*.

Television investment

Our growing television production business now invests over £35 million each year to create more than 250 half hours of popular programming across a number of different formats including drama, reality, documentary, and family properties. The core operations are based in Canada where the Group's strategy is to increase investment in programming utilising the benefits of the Canadian production funding environment.

The Television business will continue to build on its recent successes. *Rookie Blue*, *Haven*, *Call Me Fitz* and *Hung*, which have all been hits on major networks in both the US and Canada, are into second or third series and selling well internationally. These titles sit alongside a portfolio of popular Canadian series including *Kenny vs Spenny*, *Megabuilders*, *ReVamped* and *Outlaw Bikers* and "made for TV" movies such as *Goodnight for Justice*. We also acquire third party shows where we have an opportunity to drive sales through our global network, such as zombie series *The Walking Dead*, which had record viewing figures in North America and is moving into a second series.

The business will continue to grow its slate. Major new productions in 2011/12 include *Hell on Wheels* and *The Firm*, based on John Grisham's best-selling novel, as well as a number of new series of existing titles.

The Group will also continue to drive growth in its successful Family business. As well as expanding the reach of the hugely successful *Peppa Pig*, other properties include *Ben & Holly's Little Kingdom*, which is currently producing its second series, and a number of new productions which are now in development with major US, UK and international broadcasters.

The Group minimises its risk through securing at least 85% third party funding for all shows prior to commencing production while retaining worldwide rights to the programme. Funding is typically obtained through pre-sales to North American broadcasters and government subsidies and tax credits in Canada. In addition, the use of short-term interim production financing, provided primarily by Canadian banks, covers short-term "working capital" requirements for each production until all funding has been received.

Case study

eOne acquired *Gnomeo & Juliet* at Cannes in May 2010, obtaining theatrical, home entertainment, digital and TV rights for the UK and Canada.

The producers of *Gnomeo & Juliet* were seeking a partner to be responsible for all aspects of distribution of the film in the UK and Canada.

eOne devised and executed all aspects of the marketing strategy, working with the producers to ensure the film achieved the maximum publicity and advertising. This included hosting a Leicester Square cinema premiere in London attended by the stars of the film and featuring a special performance on stage by Elton John, whose music provides the soundtrack to the film.

The film went straight to number one on its opening weekend in February 2011, eventually generating total box office receipts of £16 million in the UK and $10 million in Canada.

Gnomeo & Juliet will be released onto DVD and Blu-ray in May 2011. Physical distribution in Canada will be through our own warehousing infrastructure and in the UK using third party logistics providers. At the same time the film will be available for consumers to download from companies such as iTunes, will then be on pay TV with broadcasters such as Sky (in the UK) and eventually free TV in 2012. Broadcaster deals will be concluded nearer the time that the television window is available. The strong box office performance will help drive the financial success of this film throughout its lifetime.

Strategic priority

2

Maximise Rights Ownership

Our strategy when acquiring or producing content is to maximise the extent of the rights we own across the different media available to consumers. This ensures that we are well positioned to mitigate the impact of changes in technology which drive how consumers enjoy our content.

Cinema

We released 121 movies theatrically in the 2011 financial year in our core territories generating box office of $202 million, up from $156 million in 2010. Our titles are released in all major cinema chains in the territories in which we operate. We aim to continue to grow our overall share of box office, which is a key driver for the next stages of a film's release.

Home Entertainment – DVD and Blu-ray

In the 2011 financial year we released over 400 titles to DVD and Blu-ray, including properties where we also own the theatrical rights. We also acquire titles where there has not been a theatrical release or where theatrical rights are not available to us and distribute programmes produced by our own Television business. Customers include traditional retailers, major grocery chains and on-line distributors.

In Canada and the US we have our own physical distribution networks. These facilities provide the Group's titles with a route to more than 4,000 retail partners, including high street stores and online e-tailers. They also distribute products for a wide range of third parties including the major film studios and music labels.

Television broadcast

We have strong relationships with television broadcasters worldwide through our dedicated and growing international television sales teams.

Our Film businesses sell Pay TV and Free TV rights to broadcasters, with movies typically sold as part of a package. The main broadcasters who acquire eOne movies include Sky, Channel 4 and Channel 5 in the UK, Bell, CTV, Rogers and Shaw in Canada, ABC in Australia and RTL and VMMa in the Benelux.

Our Television business is continuing to build on its strong relationships with broadcasters. These include the major networks in both the US and Canada who are the main commissioning broadcasters of our prime time shows such as *Rookie Blue*, *Hell on Wheels*, *The Firm*, *Call Me Fitz* and *Haven*.

Digital

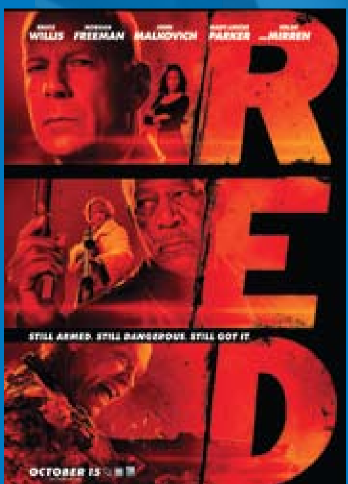
eOne's digital sales, which include downloads, streaming, subscription video on demand ("SVOD") and pay per view, increased almost 50% to £33 million in the 2011 financial year. With improved technology and increased availability of affordable hardware this route to market is a growing part of any title's ultimate earnings.

We expect this part of the market to see the most growth in the future and eOne has already established the capabilities to ensure we are well placed to take advantage of the opportunities this will present.

Our multi-territory deal with iTunes, where eOne not only sells its own content but also acts as an aggregator for third parties, has underpinned the growth of our digital business and we continue to look to be at the forefront of the exciting developments in this market. Our recent deal with Netflix in Canada highlights the importance of content, both new releases and library, to these new digital propositions as they develop.

Licensing and merchandising

Growing our licensing and merchandising business is key to the success of our Family strategy and is the basis for increasing our investment in this sector. *Peppa Pig* is now the number one pre-school licensed toy property in the UK and we are close to finalising an agreement with a major international toy manufacturer who will manage the *Peppa Pig* master toy license and roll out in the US. *Ben & Holly's Little Kingdom* is also selling strongly in the UK and we will continue to extend both its product range and licensee footprint over the coming years.



Case study

eOne owns "all rights" – cinema, DVD/Blu-ray, digital and TV – to the action movie *RED* in the UK, Canada and Benelux. The film was acquired in the UK and Canada as part of the Group's output agreement with Summit.

In 2009 the script, budget, cast, director and release date were agreed and the movie was completed in 2010. *RED* was a successful release in October 2010 for the Group and the efforts of our regional marketing and operational teams resulted in a box office of £7 million in the UK, $9 million in Canada and €2 million in the Benelux. We released the DVD and Blu-ray in the UK in February 2011 and by the end of March 2011 over 215,000 units had been sold making it the fifth highest selling DVD at that time in 2011.

The movie has also been a success digitally and is currently one of the most downloaded movies on iTunes. Television sales for the movie will be finalised shortly and its success so far makes this a valuable property for the Group going forward.

Strategic priority

3

Expand Global Presence

In the past four years the Group has expanded globally through both corporate acquisitions and partnerships. By continuing to grow internationally the business not only accesses more markets and greater efficiencies but also builds its profile and reduces the exposure to any one territory.

Film

The Group's network of operations has increased significantly over the past four years. In Film eOne now covers territories representing more than 63% of the global film market through our operations in the US, Canada, UK, Australia and Benelux and our network of partnerships in Scandinavia, France, South Africa and Germany.

This multi-territory infrastructure creates one of the biggest independent rights distribution networks in the industry and gives eOne a significant advantage when looking to acquire new film properties.

We continue to explore opportunities to expand our film network and deliver even greater benefits from our infrastructure. These benefits include not only maximising the upside from film acquisitions through improved buying terms but also lower operational costs through economies of scale gained from group-wide deals.

Sales to territories outside our core operations in 2010/11 (including TV)

£24M
+30%

Television

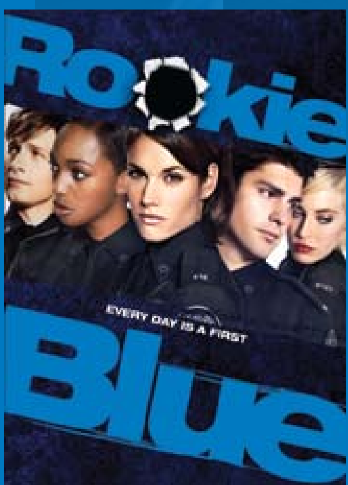
In Television we are continuing to grow our international sales teams and develop relationships with new broadcasters as we increase the number of productions and improve the quality of our output. Retention of all rights to our own shows means that revenues can be maximised and relationships with local broadcasters developed even in territories where we currently have no existing operations or partnerships.

The scale of our international infrastructure also enables us to acquire and distribute third party television titles through our international sales network such as the smash hit zombie series *The Walking Dead*.

In Family the initial development of new properties relies on broadcaster support in specific territories. As the "brand" develops, the opportunity for significant financial upside is driven by sales into international markets and the roll out of licensing and merchandising programmes in each geography. eOne is expanding its capabilities to ensure it is well placed to support these developments. Initially this will support the expansion of *Peppa Pig's* licensing programme with initiatives in the US, Australia, Spain, Italy, Scandinavia and Eastern Europe.

Channels broadcasting eOne content

+500



Case study

Rookie Blue is a fun, fresh, sexy, high-stakes drama with a twist of danger and follows the lives of five young, ambitious rookie cops.

Co-produced by eOne's Television team the show was commissioned by ABC in the US and Global TV in Canada in spring 2009 under the working title "Copper". In addition NBC Universal Networks International acquired the global Pay TV rights to boost their expanded channel portfolio.

Filming took place during 2009 and 2010 and the show was first broadcast simultaneously in the US and Canada in June 2010 taking over the "Grey's Anatomy" primetime slot on Thursday evenings. In the US it drew 7.3 million viewers and 2.1 million viewers in Canada.

The series became the most-watched inaugural season of any scripted Canadian series in two decades, proving popular with both critics and the coveted 18-49 demographic. It became ABC's best scripted summer premiere in six years. A second series was ordered after airing only one episode and will premiere in North America in June 2011.

eOne's international sales team launched the sale of *Rookie Blue* at the MIPCOM market in Cannes in October 2009. By May 2011 *Rookie Blue* had already been broadcast in 228 countries, including on Universal in the UK, and most recently the series has been sold to broadcasters Mediaset in Italy and RTL in Germany.

In the coming years eOne will continue to drive sales of *Rookie Blue* into cable, satellite, free terrestrial television, home video, mobile, wireless, digital streaming, digital downloading, in hotels, on ships and aircraft. We will also continue to build the brand of the series and look for it to become a household name in countries all over the world supporting the production of additional series and further enhancing the value of the franchise.

Peppa Pig is the UK's hugely successful, BAFTA award-winning, pre-school animated series. It is broadcast in more than 180 territories worldwide, has recently launched on Nick Jr. in the US and is now the UK's number one licensed pre-school toy property with retail sales of more than £200 million in 2010.

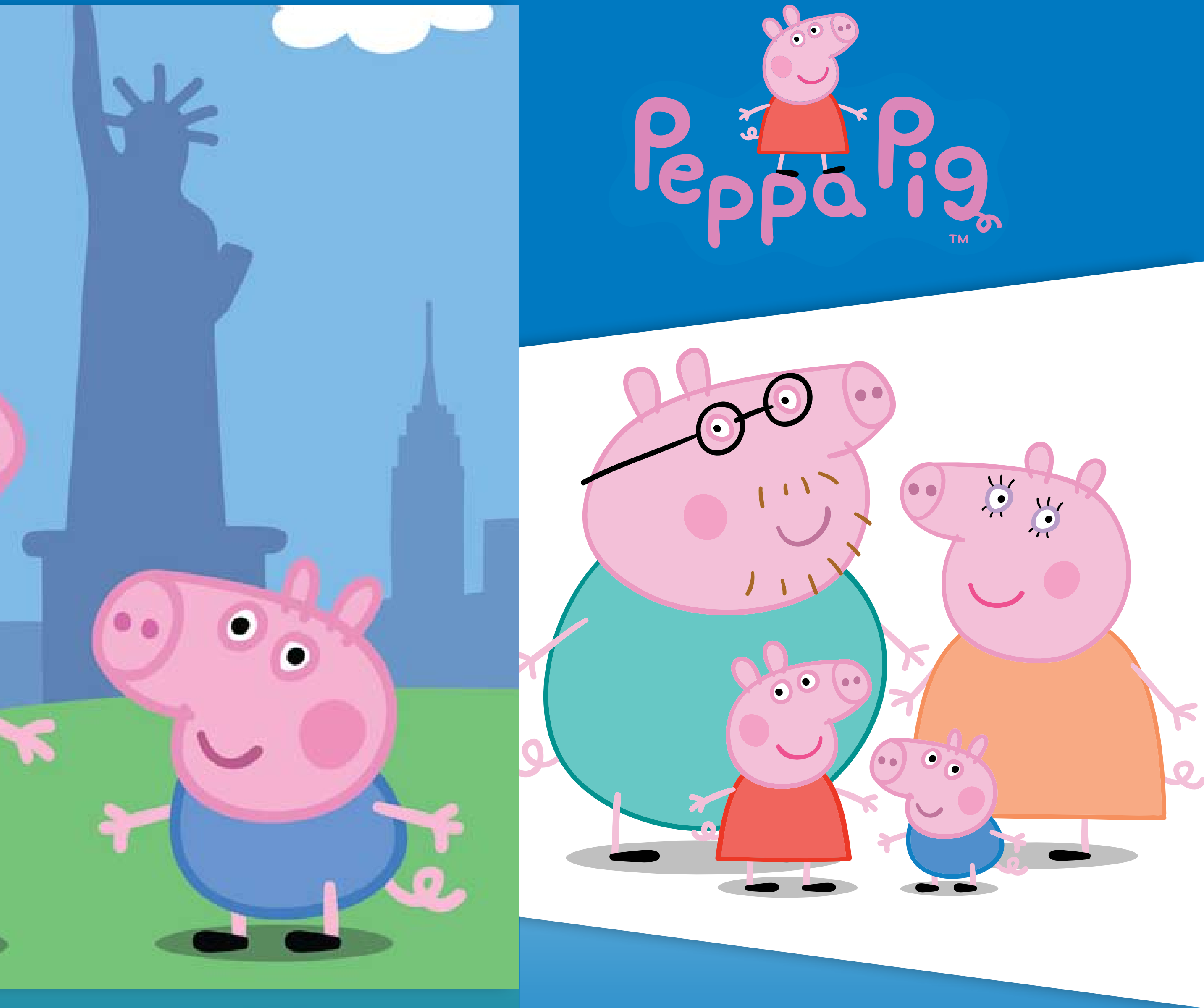
Peppa Pig was originally produced by animators Astley Baker Davies who developed the first series in conjunction with eOne and UK broadcasters Five and Nick Jr. eOne has all worldwide media distribution rights to the property as well as a 50% share of all net receipts arising out of the success of the brand.

The series enjoyed strong ratings when first broadcast in the UK on Nick Jr. in 2004 and subsequently on Channel Five's Milkshake and has been a consistently top rated show ever since. New episodes have been commissioned and there are now a total of 156 episodes delivered, with a further 52 due by 2012, taking the total to 208 episodes commissioned so far.

The property entered the live events arena in the UK in 2010 with the launch of a nationwide stageshow, *Peppa Pig*'s *Party*, which enjoyed a five week sell-out run in London's West End. A major themed attraction, *Peppa Pig World*, set across 3.5 acres at Paultons Park in Hampshire, opened in April 2011 to glowing reviews. Opportunities are also emerging on digital platforms, with the first *Peppa Pig* iPhone app launched in September 2010 to great success, which was soon followed by a second app in March 2011. By May 2011 over 150,000 apps had been downloaded in the UK.

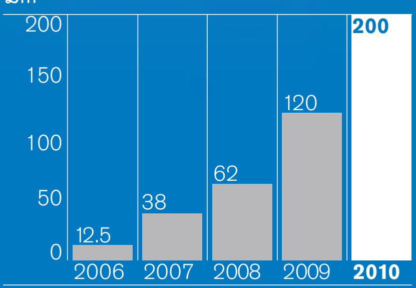
Peppa has won Best Licensed Pre-school Property two years running at the UK Licensing Awards and over the past six years has helped raise almost £1 million for the Tommy's charity in the UK.

The international market has also responded very well to *Peppa Pig* with the series now broadcast in over 180 territories including the US where *Peppa Pig* launched on Nick Jr. in February 2011 to very strong ratings. *Peppa Pig*'s licensing program is now ready to roll out internationally starting with the US, Australia, Spain, Italy, Scandinavia and Eastern Europe in the coming months.

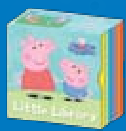


Licensing and merchandising success

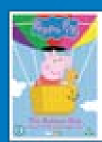
Retail sales in the UK
£m



Books sold to date
3M



DVDs sold to date
5M



Shoes sold to date
5M

Toys sold to date
9M

Market Overview

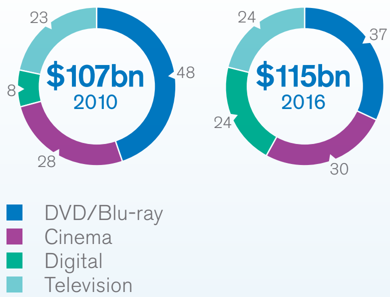
The fundamentals for future growth remain positive.

Film

The global film industry generates revenues through cinema, home entertainment (DVD, Blu-ray and rental), digital downloads/streaming and television. The market was estimated to be worth $107 billion in 2010 and is expected to increase to $115 billion by 2016. Over 63% of these global revenues are generated in markets where eOne already has existing operations and partnerships, and it is expected that these markets will continue to grow over the next five years.

The major US studios operate their own international distribution networks and supply up to 75% of content for the global market. The remainder comes from smaller independent studios and producers both in the US and around the world. These independent producers do not generally own international distribution infrastructure and sell the long-term rights to independent distributors to manage exploitation and finance of their movies. eOne is now one of the largest global independent distributors of films in the industry.

Global film market outlook
(US$bn)



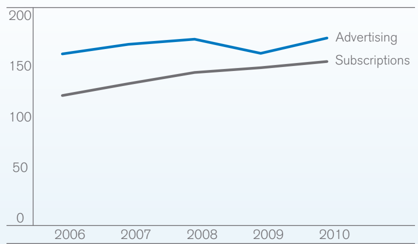
Source: Oliver & Ohlbaum May 2011

Television Production

In 2010 broadcasters spent an estimated $54 billion on original television programming globally (excluding news and sports programming) with broadcasters in the US and leading European markets accounting for almost half of all originated TV content spend.

Broadcasters rely on advertising and subscription revenues to drive content origination. Global advertising has recovered to levels broadly similar to those seen prior to the downturn in 2008/09 while subscriptions have been more resilient and have continued to grow modestly over the last five years. This trend is forecast to continue despite the development of alternative broadcast media and therefore the demand for new television content is expected to be robust over the next five years.

Global advertising and subscription revenues
£m



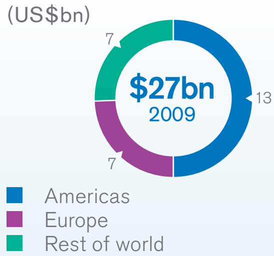
Source: Oliver & Ohlbaum May 2011

Licensing and Merchandising

The worldwide Licensing and Merchandising market totalled $150 billion in 2009 of which 66% of retail sales were from North America and 15% from Europe. The sales split across a number of different categories with Entertainment/Character accounting for 18% of the total market, valuing it at $27 billion. North America and Europe account for over 66% of this at $18.7 billion.

eOne's Family licensing and merchandising team look to develop product lines in conjunction with our licensee partners across a variety of different categories including toys, video games, apparel, footwear, publishing, home furnishings, foods and stationery. eOne manages and approves all product at the development stage and is constantly looking to refresh the "style" guides to ensure the brands remain up to date and relevant for consumers around the world.

Entertainment/Character licensing market
(US$bn)



Source: EPM Communications, Inc.

from left to right
The Lincoln Lawyer, Film
The Hole 3D, Film
Resident Evil: Afterlife 3D, Film
Faith Evans, Music

Market developments

Cinema
The theatrical market has been growing as ticket prices rise with the onset of 3D films, supported by the switch over to digital screens. Admission numbers have remained consistent in the last few years and the market is expected to continue to grow modestly driven by the same underlying technology driven developments.

Home Entertainment
Although the market for standard DVD is declining at around 10% per annum in major territories this is being partially offset by continued growth in Blu-ray sales. The overall market is expected to decline 23% by 2016 as consumers switch to digital viewing to watch films in their homes and on the move.

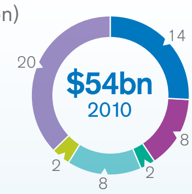
Digital
Consumers are increasingly turning to digital formats, such as downloading and streaming, to enjoy movies. This segment of the market is expected to treble to $24 billion by 2016 driven by increasing broadband speeds, improved hardware and a wider consumer offering. The market is still in the early stages of development but the industry is taking steps to develop enticing consumer offers. eOne believes that despite the decline in home entertainment absolute margins will be protected, if not enhanced, as the market shifts to digital which can be delivered more cost efficiently than physically formatted product.

Television
Revenue from the sale of films to broadcasters is expected to grow modestly over the next five years driven by increased subscriptions and advertising. Fees from television broadcasters to distributors have been increasing recently driven by the entry of new consumer propositions into the market such as Netflix and LOVEFiLM. Combined with the growth in digital the television market provides the platform for distributors to sustain their margins into the future.

Market developments

eOne's television production business benefits from the Canadian market which is unique globally in the extent to which government-sponsored financing is available to producers to create high quality English-speaking television content for domestic broadcast and international distribution. The range of public and private subsidies available in Canada means that producers are able to produce programming at lower cost and with lower risk to their own capital. This allows the business to continue to deliver high quality content while also maintaining the rights to its programmes in perpetuity. The Group continues to expand its slate of productions for broadcast on the major North American and European networks.

Global TV production market
(US$bn)



- US
- Western Europe
- Canada
- Japan
- UK
- Rest of world

Source: Oliver & Ohlbaum May 2011

Market developments

The dynamics of licensing and merchandising markets vary fundamentally in different territories around the world. Performance of individual brands and titles in the Entertainment/Character sector is dependent more on consumer reactions to the product, television airtime and marketing and advertising strategies than macro economic factors.

The UK has the highest level of retail sales of licensed merchandise in Western Europe, providing a strong infrastructure for expanding existing properties and bringing the right new products to market.

While eOne continues to grow its revenue from characters such as *Peppa Pig* and *Ben & Holly's Little Kingdom* in the UK it also continues to enter new development projects and expand existing properties into international markets.

In the US the strong viewing figures following the debut of *Peppa Pig* on Nick Jr. in February 2011 are expected to lay the foundation for a national roll out of merchandise in 2012 and underpin expansion further afield.

Business Review

from left to right
Scream 4, Film
The Walking Dead, TV
Larry Crowne, Film
Centurion, Film

Business and Financial Review
Overview and outlook

eOne's strategy continues to deliver growth.

Overview

2010/11 was another excellent year as the Group successfully continued its strategy to become the leading independent global entertainment company.

The Film business maintained its progress, releasing 121 films in the year and generating a total box office of $202 million compared to $156 million in 2009/10. This strong performance was underpinned by the release of *The Twilight Saga: Eclipse*, the third instalment of the hit international series for which the Group has full distribution rights in the UK and Canada. Other highlights included *RED* and the animated blockbuster *Gnomeo & Juliet* as well as award winning movies *Incendies* and *Barney's Version*. £52 million was invested in new content during the year. The independent valuation of the film library at 31 March 2010 was $250 million and is expected to increase further when the 31 March 2011 valuation is received later in the year.

Subsequent to the year end the multi-territory film output deal with leading independent Hollywood studio Summit Entertainment was renewed, extending our successful relationship and securing the Group's future access to quality content.

The Television business had a particularly strong year driven by increased investment in programming. In particular *Rookie Blue*, *Haven* and *Call Me Fitz* all premiered during the year with extremely strong ratings in both Canada and the US. All are now selling well internationally and are into second series and in the case of *Call Me Fitz* a third series. In addition two new productions have already been commissioned for the new financial year, *Hell on Wheels*, a period drama based on the construction of the US railroad in the nineteenth century, and *The Firm*, a series following on from John Grisham's best selling 1990s novel.

The Family business enjoyed notable success, with *Peppa Pig* becoming the number one pre-school licensed property in the UK with retail sales of over £200 million. The *Peppa Pig World* theme park has recently opened in Hampshire to excellent reviews while the programme has opened to extremely encouraging viewing figures following its launch on Nick Jr. in the US in February 2011. A further 52 episodes are currently in production which will increase the total number to 208 and will ensure a pipeline of new broadcast content until at least 2013. *Ben & Holly's Little Kingdom* will deliver a second series in 2012, is already being broadcast in over 160 territories internationally and is delivering strong licensing and merchandising growth.

Digital sales increased by over 70% during the year to £33 million and generated more than 11% of Film business revenues.

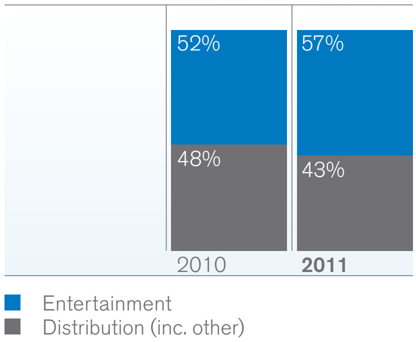
In North America the market for DVDs is now contracting although the scale and mix of the Group's business enabled the physical distribution division to outperform the market. The non-core Canadian retail chain was closed during the year.

The Group's structure was simplified in the first half of the year as the Parent Company moved to Canada and this was combined with the step up to a standard listing on the main market of the London Stock Exchange. In March 2011 an oversubscribed placing to fund future acquisition opportunities raised gross proceeds of £16 million.

Subsequent to the year end the Group completed the acquisition of independent Australian distributor, Hopscotch. This business, which controls a library of more than 300 film and television titles and released 15 titles in cinemas in 2010, cements the Group's presence in this important market.

Key performance indicator

Revenue
%



Independent library valuation
(2010: US$220m)

$250M

from left to right
Ellery Queen, Film
The Tree of Life, Film
Arthur 3, Film
Fair Game, Film

Outlook

We are continuing our strategy to grow the business through increased investment in quality content and acquisitions. The 2011 release schedule is strong with films including *Source Code*, the fourth Twilight Saga movie, *Breaking Dawn – Part 1*, and *The Three Musketeers*. Television shows in 2011 will include *Rookie Blue* (Series Two), *Hell on Wheels* and *The Firm*. In addition as part of the international expansion of *Peppa Pig* we anticipate signing a master toy license deal in the US in the near future. The recent acquisition of Hopscotch adds to our international footprint and the Group, which now has operations in all the main English speaking markets, continues to look for further territories to expand the network. The Board therefore looks forward to another year of growth.

Summary Financial Performance

The Group's strategy of investing in film and television content has delivered another year of strong growth. Reported revenue from continuing activities increased by 12% from £419.0 million to £469.7 million and, adjusting for the effects of currency, revenue increased by 7%. Reported profit before tax from continuing activities was up 43% at £11.4 million compared to £8.0 million in the prior year. Excluding depreciation, amortisation, share-based payments and one-off items, adjusted profit before tax was up 39% at £32.3 million compared to £23.2 million in 2010 and was driven by the growth of the Film and Television businesses.

Earnings before interest, tax, depreciation, amortisation, share-based payments and one-off items ("underlying EBITDA") increased strongly, by 20% to £42.5 million. Adjusting for exchange translation benefits, underlying EBITDA increased by 17%.

Investment in content and programmes increased by 22% to £91.3 million.

	2011 Reported (audited)	2010 Reported (audited)		2010 Constant currency (unaudited)*	
Continuing operations	**£m**	£m	%	£m	%
Revenue	**469.7**	419.0	12.1%	438.3	7.2%
Underlying EBITDA	**42.5**	35.3	20.4%	36.4	16.8%
Investment in content & programmes	**91.3**	74.7	22.2%	78.1	16.9%

* Unless otherwise stated, in order to provide like for like comparisons, the discussion of results and analysis of comparisons to the prior year in the Divisional Reviews section that follows are on an unaudited constant currency basis and are from continuing operations. For the purposes of this analysis constant currencies have been calculated by retranslating the comparative figures using weighted average exchange rates for the year to 31 March 2011.

Business and Financial Review
Divisional reviews

Entertainment

The Group is split into two divisions: Entertainment and Distribution. The Entertainment division comprises the Film and Television businesses.

Film

Film includes the Group's film operations in the UK, Canada, the US and Benelux. These businesses acquire and exploit film content through all major release windows (cinema, home entertainment, television and digital). The US film business focuses mainly on home entertainment and digital.

Revenue increased by 9% in the year to £232.2 million due to continuing growth in the UK and Canada. Underlying EBITDA increased by 27% from £18.5 million to £23.4 million despite higher P&A which rose by 26% to £75.0 million and is expensed on release. Investment in content was maintained at £52.3 million as the Group invested to drive growth from future releases.

	2011 Reported (audited)	2010 Reported (audited)		2010 Constant currency (unaudited)	
Film	**£m**	£m	%	£m	%
Revenue	**232.2**	208.1	11.6%	213.5	8.8%
Underlying EBITDA	**23.4**	18.1	29.3%	18.5	26.5%
Investment in content	**52.3**	50.6	3.4%	51.7	1.2%

Multiple territories

The Group increased the number of films released in multiple territories in 2010/11. These included *Furry Vengeance, Letters to Juliet, RED, The Hole 3D* and *The Way Back*. In addition the 3D animation *Gnomeo & Juliet* was released in the UK and Canada in February 2011 and reached number one at the box office in both territories. The DVD will be released in May 2011.

The global smash hit *Twilight Saga* franchise continued its success with the premiere in July 2010 of the third instalment, *The Twilight Saga: Eclipse*, which was released on DVD and Blu-ray in November 2010. The franchise has so far generated global box office of $1.8 billion and achieved over six million DVD/Blu-ray sales in the UK and almost three million in Canada. The fourth film in the five part series, *The Twilight Saga: Breaking Dawn – Part 1*, is due for theatrical release in November 2011.

The multi-territory slate is expected to grow further in 2011 with titles including courtroom drama *The Lincoln Lawyer* (starring Matthew McConaughey and Marisa Tomei), thriller *Dream House* (Daniel Craig, Rachel Weisz and Naomi Watts), the much-anticipated film directed by Jodie Foster *The Beaver* (with Mel Gibson) and an adaptation of John le Carré's novel *Tinker, Tailor, Soldier, Spy* (Colin Firth, Gary Oldman and Tom Hardy). Action thriller *Source Code* (starring Jake Gyllenhaal and Vera Farmiga) has recently been released in Canada and the Benelux as well as in Australia by the Group's newly acquired Hopscotch business.

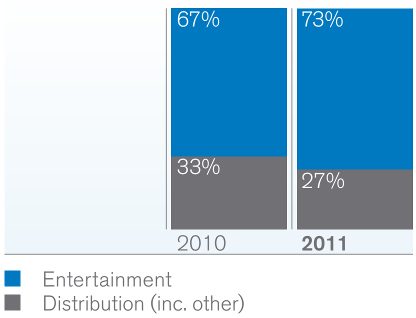
The distribution agreement with Summit Entertainment has recently been renewed and additional output deals are currently being negotiated which will continue to generate momentum in expanding the Group's multi-territory offering.

UK

In the UK revenue increased by more than 20% with 16 films released theatrically compared to 10 in the previous year. In addition to multi-territory films other releases included *Mr Nice* and Peter Mullan's award winning drama *NEDs*.

Key performance indicator

Underlying EBITDA
%



Total gross box office revenue
(2010: US$156m)

$202M

from left to right
Shattered, TV
The Runaways, Film
ARN, Film

Home video also performed well supported by titles with previous theatrical releases such as *RED, Nativity, Remember Me* and *Streetdance 3D*, DVD catalogue titles including *Spooks, Ashes to Ashes* and *Life on Mars* and straight to DVD films such as *Unthinkable, The Tortured* and the French Canadian title *7 Days.*

2011/12 will see a similar number of theatrical releases albeit weighted to the second half of the year. In addition to multi-territory titles, UK releases will include *The Ides of March* (directed by and starring George Clooney with Philip Seymour Hoffman, Paul Giamatti, Ryan Gosling and Marisa Tomei), *The Three Musketeers* in 3D (Orlando Bloom, Ray Stevenson, Christoph Waltz, Milla Jovovich and Matthew MacFadyen) and action thriller *The Cold Light of Day* (Bruce Willis and Sigourney Weaver).

In addition to theatrically released titles, DVD releases will include hit TV series *The Walking Dead, Camelot, The Killing*, and action film *5 Days of War* (starring Val Kilmer and Rupert Friend).

Canada
In Canada revenue increased by 7%, driven by strong growth in television, digital and international sales. 56 titles were released theatrically compared to 59 in the prior year as the business consolidated its position with fewer but larger films. Nine titles generated box office in excess of $2 million in 2010/11 compared to only two in 2009/10.

Theatrical releases included the Golden Globe winning *Barney's Version*, Academy Award nominated *Incendies* and ice hockey movie *Lance et Compte*. In addition to the multi-territory titles, successful home video releases included *Unthinkable, Triage* and *Centurion. Wrecked, Animal Kingdom* and *Incendies* all performed well internationally.

Further growth in Canada is underpinned by extensions to the existing output deals for Canadian rights with US independent distributors IFC Films and Image Entertainment while a new deal was signed in February 2011 with Wrekin Hill Films. The Company's exclusive distribution agreement with WWE was also renewed in 2010. In September 2010 an agreement was signed with Netflix to license films on their entry into the Canadian market.

Major theatrical releases for 2011/12 include *Shark Night 3D*, *Tree of Life* (starring Brad Pitt and Sean Penn), *A Dangerous Method* (Viggo Mortensen, Keira Knightley), *The Grey* (Liam Neeson), *One for the Money* (Katherine Heigl) and *Killer Elite* (Jason Statham, Clive Owen and Robert DeNiro). DVD releases in 2011/12 will include *Universal Soldier 4*, *Darkest Hour*, *London Boulevard*, *50/50*, *The Impossible* and *The Whistleblower.*

Business and Financial Review
Divisional reviews
continued

Benelux
Revenues in the Benelux were lower than the prior year due to fewer theatrical releases. 49 films were released compared to 54 in 2009/10. Revenues from other channels were in line with the previous year. Major releases included *Streetdance 3D*, *Resident Evil: Afterlife 3D*, *Another Year* and the third in the *Sinterklaas (Santa Claus)* family film series.

Home video revenues were broadly in line with 2009/10, supported by a strong library of titles and despite challenging market conditions. Sales to television broadcasters showed signs of recovery following the difficulties in the previous year.

A strong slate of releases is expected during 2011/12 including Wes Craven's *Scream 4* (starring Courteney Cox, David Arquette and Neve Campbell), thriller *13* (Mickey Rourke and Jason Statham), Joel Schumacher's *Trespass* (Nicolas Cage and Nicole Kidman) and comedy *Larry Crowne* (Tom Hanks and Julia Roberts). DVD releases will include *The Next Three Days*, *The Lincoln Lawyer* and local title *Bende van Oss* and will also benefit from the recent acquisition of the Miramax catalogue in May 2011 which includes titles such as *Pulp Fiction*, *The English Patient* and *Cold Mountain*.

from left to right
NEDS, Film
Luz, Film
Source Code, Film

Key performance indicator

Investment in content – Film
(2010: £51m)

£52M

Digital revenue
(2010: £19m)

£33M

from left to right
The Three Musketeers, Film
Last Night, Film
Humf, Family

US

Despite difficulties in the US retail market, US video revenues were more than 20% ahead of the prior year with a similar number of releases (101 compared to 102 in 2009/10). Major titles included *Ellery Queen*, *Love Ranch*, season two of TV series *Sanctuary*, *The Greatest*, *The Secret of Moonacre*, *Dorian Gray* and *Triage*. Releases in 2011/12 are expected to include *Lord of the Dance*, *Bands on the Run*, *Being Human* and eOne's own production hit Canadian TV series *Haven* and *Rookie Blue*.

Film also incorporates the results of the US music label. Revenue from the label, which represents less than 4% of the Group's revenues and EBITDA, was up 9% compared to prior year boosted by the addition of the IndieBlu Christian catalogue. Major releases on the label during 2010/11 included new albums by DJ Khaled, Zakk Wylde, Faith Evans, Donnel Jones and Slim Thug. 2011 will see releases from Jim Jones, William McDowell, Faith Evans and Black Label Society. Digital revenues from the music label continue to grow and are now 50% of the total (2010: 44%).

Television

Television comprises the Canadian-based television production and international sales businesses and the UK-based Family business.

	2011 Reported (audited)	2010 Reported (audited)		2010 Constant currency (unaudited)	
Television	**£m**	£m	%	£m	%
Revenue	**67.6**	43.7	54.7%	44.9	50.6%
Underlying EBITDA	**10.9**	8.4	29.8%	8.1	34.6%
Investment in content and programmes	**39.0**	24.1	61.8%	26.4	47.7%

2010/11 was a year of excellent progress in the Television business as the production of quality programmes over the last two years translated into strong growth in both revenue and underlying EBITDA. Revenue increased by 51% and underlying EBITDA by 35%. 269 half hours of production (including Family) were delivered to broadcasters compared to 213 in the prior year.

Business and Financial Review
Divisional reviews
continued

Canada TV
The first series of police drama *Rookie Blue* premiered on ABC and Global TV in June 2010 and achieved excellent ratings in its primetime slot. The show is selling extremely well internationally, generating over $5 million of international sales to date. A second series has now been delivered to broadcasters and will premiere in the US and Canada in June 2011.

Other major shows delivered include the first series of supernatural mystery drama *Haven* (based on a Stephen King novella), a second series of the critically acclaimed *Call me Fitz*, starring Jason Priestley, sports comedy *Men with Brooms*, crime drama *Shattered*, controversial teen-drama *Skins* and new true crime reality show *The Devil You Know*. A second series of the award winning adult comedy *Hung* was completed in the first half of the year while non-scripted deliveries included new series of *Party Mamas*, *Re-Vamped* and *Outlaw Bikers*. The business also enjoyed success with television movies *Goodnight for Justice*, which achieved record ratings for a television movie on the Hallmark channel in the US, *One Angry Juror* and *Finding a Family*.

During the year international digital, home video and television rights were acquired for AMC and Fox International's smash hit zombie show *The Walking Dead*, starring Andrew Lincoln, which became the most watched drama series in basic US cable history for its target demographic. The show is currently airing on Channel 5 in the UK and a second series has already been commissioned.

2011/12 will see continued progress. In addition to the new series of *Call Me Fitz*, *Haven* and *Hung*, production has now commenced on the newly commissioned AMC drama series *Hell on Wheels*, set in post-civil war America. The eagerly anticipated legal drama based on John Grisham's novel *The Firm* is expected to go into production in summer 2011 and will be broadcast on NBC in the US and Global TV in Canada. A number of non-scripted shows will see new series including *Party Mamas*, *Megabuilders*, and *The Devil You Know*. At 31 March 2011 contracted revenues not yet recognised relating to work in progress were £21 million (2010: £21 million).

Family
The Family business also performed strongly in the year, mainly due to the continued success of *Peppa Pig*. Production is underway on series five and all scripts have now been received for series six. Delivery to broadcasters is expected during 2011 and 2012. In the UK *Peppa Pig* became the number one pre-school licensed property in 2010 and in April 2011 *Peppa Pig World* opened at Paultons family theme park in Hampshire. Broadcast commenced in the US on Nick Jr. in February 2011 and initial audience figures have been very strong. In the first seven weeks of broadcast the show already ranks in Nick Jr.'s top 10, achieving higher ratings in its timeslot than both the Cartoon Network and Disney channel. The show averaged more than 500,000 viewers in the two to five year old age range, which was 23% more than the show in the same timeslot previously. It is anticipated that a toy deal will be concluded shortly and that merchandise will be on US store shelves nationally in time for Christmas 2012. *Peppa Pig* will be making her US licensing debut at the forthcoming Licensing International Expo trade fair in Las Vegas in June 2011.

Elsewhere in the Family business *Ben & Holly's Little Kingdom* continues to make excellent progress in the UK and is now being broadcast in over 160 territories worldwide. The first scripts for the second series of 52 episodes (bringing the total to 104) have now been delivered and following a highly successful retail launch in 2010 the product range will be extended in 2011 to include stationery, party products, toys, confectionery and accessories. Following the appointment of a managing director for the Family business in June 2010, activity increased significantly during the year and a number of other shows are now in development with a range of major international broadcasters. It is anticipated that the first commissions will commence later this year.

Key performance indicator

TV programmes half hours delivered
(2010: 213)

269

Key performance indicator

Investment in content – TV
(2010: £24m)

£39M

from left to right
Hung, TV
The Eagle, Film
Buried, Film

Distribution

The Distribution division comprises the Group's physical warehousing and distribution businesses in Canada and the US. Overall revenue at £227.3 million was £20.4 million or 8% lower than the prior year following challenging market conditions in Canada.

	2011 Reported (audited)	2010 Reported (audited)		2010 Constant currency (unaudited)	
Distribution	**£m**	£m	%	£m	%
Revenue	**227.3**	231.0	−1.6%	247.7	−8.2%
Underlying EBITDA	**13.0**	13.3	−2.3%	14.3	−9.1%

The Canadian business distributes DVDs and Blu-ray discs for the Group's Entertainment division and also represents major US studios and other third party producers. Its sales are therefore impacted by the overall market trends in Canada where home entertainment declined by more than 10% in the year to 31 March 2011. The decrease was partly due to fewer blockbuster hits from the major Hollywood studios (there were 26 titles with a box office of over $100 million in 2010/11 compared to 32 in 2009/10) and also lower sales to the Group's Retail business which was closed during the year to 31 March 2011. Excluding the impact of the Retail business, sales in Canada were 7% down year on year. Sales of higher margin Blu-ray discs almost doubled in the year and now make up around 15% of revenue. Market conditions are expected to remain difficult for the foreseeable future and as such the business is focusing on maximising its revenues and reducing costs where possible, although profitability is expected to decline year on year in line with market expectations.

The US business distributes for the Group's in-house video and music labels as well as representing other third party producers. Despite the declining market sales remained broadly flat year on year due to the growth of the Group's home video business and a return to growth in the Group's music label.

Business and Financial Review
Other financial information

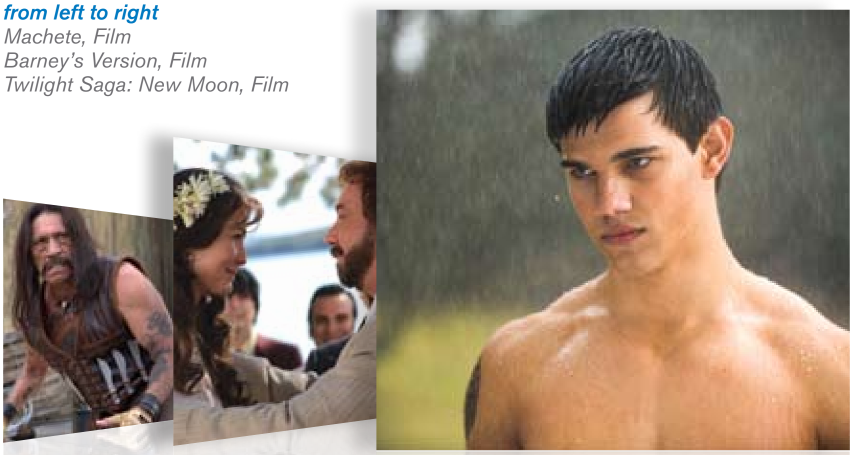
Group costs
Group costs at £4.7 million (2010: £4.5 million) before one-off items were broadly in line with the prior year.

Other financial information
A summary of adjusted financial information is presented in order to provide useful information to investors. It comprises results from continuing operations and excludes the following: one-off items, amortisation of acquired intangible assets, share-based payments and non-recurring items within net finance charges.

Adjusted operating profit increased 21% to £40.1 million (2010: £33.2 million) reflecting the growth in underlying EBITDA. Adjusted profit before tax increased 39% to £32.3 million reflecting the increased operating profit and lower finance charges.

	Adjusted (audited)		Reported (audited)	
Continuing operations	**2011 £m**	2010 £m	**2011 £m**	2010 £m
Underlying EBITDA	**42.5**	35.3	**42.5**	35.3
One-off items	**–**	–	**(2.7)**	(1.6)
Amortisation of intangible assets	**(0.7)**	(0.2)	**(15.3)**	(17.5)
Depreciation	**(1.7)**	(1.9)	**(1.7)**	(1.9)
Share-based payment charge	**–**	–	**(2.5)**	(2.7)
Operating profit	**40.1**	33.2	**20.3**	11.6
Net finance charges	**(7.8)**	(10.0)	**(8.9)**	(3.6)
Profit before tax	**32.3**	23.2	**11.4**	8.0
Taxation	**(8.8)**	(4.9)	**(4.0)**	(0.7)
Profit after tax	**23.5**	18.3	**7.4**	7.3

from left to right
Machete, Film
Barney's Version, Film
Twilight Saga: New Moon, Film



Adjusted profit before tax
(2010: £23.2m)

£32.3M
+39%

Profit before tax
(2010: £8.0m)

£11.4M
+43%

from left to right
Ben & Holly's Little Kingdom, Family
Chalet Girl, Film
Being Human, Film

One-off Items

One-off items totalled £2.7 million and included £1.9 million of final costs incurred as part of the step up to the main market of the London Stock Exchange and corporate reorganisation. The remaining one-off items comprise costs incurred relating to corporate activity, primarily the acquisition of the Hopscotch group of companies which completed in May 2011.

Amortisation of intangible assets and depreciation

Amortisation of intangible assets decreased from £17.5 million to £15.3 million, in line with the profile of the acquired intangible assets, and depreciation decreased by £0.2 million to £1.7 million.

Share-based payment charge

The share-based payment charge of £2.5 million decreased by £0.2 million. The charge includes new grants in the year to management and the first year charge relating to the Management Participation Scheme. Also included were amounts relating to 2.5 million warrants issued to Summit Entertainment LLC in May 2010.

Net finance charges

Reported net finance charges increased from £3.6 million to £8.9 million. The prior year benefited from the buy back of 74% of exchangeable notes at a discount which resulted in a one-off gain of £7.3 million, while the current year was impacted by conversion to shares of the remaining notes with an associated loss of £1.8 million.

Excluding the impact of the buy back and conversion of the exchangeable notes, as well as movements in the fair value of financial instruments, the underlying net finance charge reduced from £10.0 million to £7.8 million due mainly to the lower level of net debt.

The weighted average interest cost was 6.1% compared to 6.3% in the prior year, giving a cash interest cover of 8.2 times underlying EBITDA (2010: 6.1 times).

Tax

The tax charge for the year was £4.0 million (2010: £0.7 million) giving an effective tax rate of 35.1% (2010: 8.8%). The low effective rate in the prior year arose mainly from the one-off gain from the repurchase of exchangeable notes in that year. The effective rate in 2010/11 was higher than the average of the statutory rates in the jurisdictions in which the Group operates due mainly to the impact of costs incurred that are not deductible for tax purposes such as the share-based payments charge.

Business and Financial Review
Other financial information
continued

On an adjusted basis, excluding one-off items, amortisation of intangible assets, share-based payment charges and one-off net finance items, the effective tax rate was 27.2% (2010: 21.1%). This is lower than the simple average of tax rates of the countries in which the Group operates due mainly to benefits in some jurisdictions from utilising historic tax losses. The adjusted effective rate has increased compared to the prior year as these losses begin to be utilised.

Earnings per share
Reported profit after tax was £7.4 million (2010: £7.3 million). Reported diluted earnings per share was 4.1 pence (2010: 4.8 pence). The reduction reflects the one-off gain associated with the exchangeable notes bought back in the prior year. On an adjusted basis profit after tax was £23.5 million, 28% ahead of the prior year. The adjusted diluted earnings per share was 13.0 pence (2010: 11.9 pence), up 9% and incorporates the impact of the increase in the number of dilutive shares following the strong share price performance in the year.

Discontinued Operations
Discontinued Operations comprise the results of the Canadian Retail chain which was closed during the year. The loss after tax from discontinued operations, which in the year to 31 March 2011 included costs of early termination of leases, employee terminations and other one-off costs was £3.8 million compared to a loss of £0.7 million in the prior year.

Cashflow and financing
The Group's cash balances increased by £10.9 million during the year.

	31 March 2011 £m	31 March 2010 £m
Net cash from operating activities	**104.9**	85.2
Investment in content rights and TV programmes	**(91.3)**	(74.7)
Purchase of other non-current assets *	**(1.6)**	(2.0)
Free cashflow	**12.0**	8.5
Acquisition of subsidiaries	**(3.1)**	(5.9)
Net interest paid	**(5.2)**	(5.7)
Net proceeds from issue of ordinary shares	**16.3**	10.0
Cash paid on repurchase of exchangeable notes	**–**	(9.0)
Cash from other financing activities	**(9.1)**	7.9
Net increase in cash and cash equivalents **	**10.9**	5.8

* Other non-current assets comprise property, plant and equipment and intangible software.
** Prior to the impact of exchange rate fluctuations on cash held

Cash flows from operating activities at £104.9 million were 23.1% ahead of the previous year reflecting the improved underlying EBITDA and strong cash generation from the Group's investments made in the past few years. Net working capital balances were broadly unchanged compared to last year.

The Group invested £91.3 million in content rights and television programmes in the year (2010: £74.7 million) and incurred cash costs of £3.1 million relating to the final earn out payments for the September 2008 acquisition of the Television businesses.

Adjusted diluted earnings per share
(2010: 11.9p)

13.0p

Free cashflow
(2010: £8.5m)

£12.0M

from left to right
Hobo with a Shotgun, Film
Last Night, Film
Lost and Found, Family

Cash from other financing activities reflects the Group's reduction in its borrowings of £9.1 million.

The Group's overall net debt reduced by £25.3 million from £86.0 million to £60.7 million as follows:

	31 March 2011 £m	31 March 2010 £m
Net debt at 31 March b/f	**(86.0)**	(89.8)
Movement in cash and cash equivalents	**10.9**	5.8
Net movement in borrowings	**9.1**	(7.9)
Reduction in exchangeable notes	**6.2**	15.6
Foreign exchange movements on net debt	**1.3**	(5.4)
Other items	**(2.2)**	(4.3)
Net debt at 31 March c/f	**(60.7)**	(86.0)

The net debt balances at 31 March 2011 comprise the following:

	31 March 2011 £m	31 March 2010 £m
Cash and other items (excl. Television Production)	**(27.8)**	(17.1)
JP Morgan – Senior Revolving Credit Facility	**66.4**	74.7
Senior net debt	**38.6**	57.6
Exchangeable notes	**–**	5.6
Adjusted net debt	**38.6**	63.2
Television Production net debt	**22.1**	22.8
	60.7	86.0

The reduction in net debt comprises a decrease in adjusted net debt of £24.6 million (including a net £16.3 million raised from share issues in the year mainly from an oversubscribed placing in March 2011), elimination of the exchangeable notes, which were carried at £5.6 million at 31 March 2010, and a decrease of £0.7 million in net debt in the Television Production business.

Business and Financial Review
Other financial information
continued

Adjusted net debt leverage (defined as adjusted net debt divided by underlying EBITDA) further reduced year on year and was 0.9 times at 31 March 2011 compared to 1.8 times in the prior year.

Senior net debt
The Senior net debt balance was £38.6 million, down £19.0 million from the previous year end. £15.3 million is attributable to the share placement in March 2011 and the remainder is due to strong cash generation which more than offset the increase in content and programme spend through the year. At 31 March 2011, using prevailing exchange rates, the total available facility was US$175 million. The facility is due for renewal in September 2012.

Exchangeable notes
In November 2010 the holders of the remaining exchangeable notes exercised their option to convert their notes into shares of the Company. This resulted in the debt being extinguished and the Company issuing 7.5 million shares to the holder. A resulting one-off non-cash cost of £1.8 million was incurred representing the difference between the value of the shares issued and the carrying value of the notes at the point of exchange.

Television Production net debt
Television Production net debt decreased slightly year on year to £22.1 million. This financing is independent of the Group's senior credit facility. It is secured over the assets of individual production companies within the Television business and represents shorter-term working capital financing that is arranged and secured on a production-by-production basis.

Financial position and going concern basis
The Group's net assets increased from £164.0 million at 31 March 2010 to £190.9 million at 31 March 2011. The increase of £26.9 million was mainly due to the strong trading in the year, which more than covered the amortisation of intangible assets, increased content investment and reduced debt. The oversubscribed placing in March increased net assets by over £15 million.

The directors acknowledge guidance issued by the Financial Reporting Council relating to going concern. The directors consider it appropriate to prepare the accounts on a going concern basis, as set out in note 2 to the financial statements.

Adjusted net debt
(2010: £63.2m)

£38.6M

Business and Financial Review
Risks and Uncertainties

The Board considers that the principal risks to achieving its objectives are set out below. The Board recognises that the nature and scope of the risks can change and so reviews the risks faced by the Group as well as the systems and processes to mitigate them.

The Corporate Governance Statement on pages 41 to 42 describes the systems and processes through which the directors manage and mitigate risks.

Key personnel
Entertainment is fundamentally a people business and the ability to attract, recruit and retain quality staff is a risk in a highly competitive labour market. We continue to invest in our people, ensuring that we recruit and retain the right calibre of staff with the skills, experience and talent to grow the business. We seek to ensure we have appropriate management development programmes to assess, manage and develop our people's leadership skills, talents and experiences throughout the organisation.

Strategy execution
The entertainment industry is continually changing and the Group will seek to identify and anticipate risks regarding our assumptions and understanding of the industry and economic environment, in order to ensure the strategy remains appropriate. Corporate planning processes are in place to ensure that the strategies of the individual businesses within the Group are aligned and contribute to the delivery of shareholder value.

Acquisition effectiveness
One part of our strategy is growth through acquisitions in new territories around the world and consolidation opportunities in our current markets. The risks associated with this approach are mitigated through clearly defined investment criteria, detailed due diligence by the Company and its professional advisers, the requirement (where appropriate) for management to remain with the target business post acquisition and robust financial and operational post acquisition and integration plans.

Content investment opportunities
Ongoing investment in content rights is fundamental to achieving the Group's aim of providing shareholders with improving and sustainable returns. The continued availability of good quality content is considered as part of the corporate planning process. The risk of reduced availability of content is mitigated through the continual development of relationships with producers and other key stakeholders across the entertainment industry. In addition, as the business grows it is becoming an ever more attractive partner for the sellers of entertainment rights.

Financial risk management
The Board considers that the main risks arising from the Group's financial instruments are interest rate risk, foreign currency risk, credit risk, liquidity risk and covenant risk. The use of financial derivatives is governed by the Group's policies approved by the Board of Directors. The Group does not use derivative financial instruments for speculative purposes.

Interest rate risk
The Group has an exposure to interest rate risk arising principally from changes in US Dollar, Canadian Dollar, Sterling and Euro interest rates. The exposure to fluctuating interest rates is managed by capping portions of debt using interest rate collars and fixing portions of debt using interest rate swaps, which aims to optimise net finance expense and reduce excessive volatility in reported earnings. At 31 March 2011 the longest term of any debt held by the Group was until 2012.

Foreign exchange risk
The Group's operating activities expose it to the financial risks of changes in foreign currency exchange rates. These risks comprise translation risk, resulting from the requirement to present the results from different territories in the Group's reporting currency, and transactional risk. Transactional risk arises where business units enter into contracts denominated in a currency other than their local reporting currency. These include Minimum Guarantee payments to film studios, which are often denominated in US Dollars. The Group uses foreign exchange forward contracts when appropriate, and otherwise uses natural hedging methods where possible, to minimise exposure in these areas.

Credit risk
Credit risk arises from cash and cash equivalents, deposits with banks and financial institutions, as well as credit exposures to customers, including outstanding receivables and committed transactions. The Group controls credit risk by entering into arrangements only with highly credit-rated counterparties. The Group has no significant concentrations of credit risk, with exposure spread over a large number of counterparties and customers.

Liquidity risk
In order to maintain liquidity to ensure that sufficient funds are available for ongoing operations and future developments, the Group uses a mixture of long-term and short-term debt finance. As at 31 March 2011 the Group had £29.2 million of cash and net debt of £60.7 million. The Group's policy throughout the year has been to minimise risk by paying down debt with surplus funds when available.

The Group meets its day to day working capital requirements and funds its investment in content through a revolving credit facility ("Facility") which matures in September 2012 and is secured on assets in the Group. Under the terms of the Facility the Group is able to draw down in the local currencies of its operating businesses. The amounts drawn down by currency at 31 March 2011 are shown in note 21 to the financial statements.

Covenant risk
The Group must comply with a number of financial covenants as part of its Facility. The covenants under the Facility include, inter alia, net debt/underlying EBITDA, fixed interest cover and net worth. The Group monitors actual and forecast compliance with these covenants and reports regularly to its bankers. At the date of this report the Group has operated within its covenants and at 31 March 2011 had undrawn amounts of £40.4 million under the Facility. The directors consider that should the covenants be adversely impacted by the risks set out above there are a number of mitigating actions which would enable it to continue in compliance with the terms of its Facility.

Corporate Governance

from left to right
Jolene, Film
13, Film
The Walking Dead, TV
Apocalypse, Film

Board of Directors

1 James Corsellis
Non-Executive Chairman (41)
James Corsellis founded one of the earliest strategic technology consultancies in 1994 and was Chief Executive Officer of icollector plc, a leading provider of live auction trading platforms. He is currently a managing partner of Marwyn Capital LLP and Marwyn Investment Management LLP, a director of Marwyn Value Investors Ltd. as well as a director of Breedon Aggregates Limited and Marwyn Management Partners plc.

2 Darren Throop
Chief Executive Officer (46)
Darren has over 20 years of executive management experience in the entertainment industry. Darren has been Chief Executive Officer of Entertainment One since July 2003 and has been in the Group since 1999. Previously Darren was the owner of Urban Sound Exchange between 1991 and 1999 when it was acquired by the Group.

3 Patrice Theroux
President Global Filmed Entertainment (48)
Patrice has over 25 years of experience in the motion picture distribution industry and until June 2006 was president and CEO of the Toronto stock exchange listed Motion Picture Distribution LP, a leading independent film distribution company with operations in Canada, the UK and Spain. Patrice is Chairman of the Canadian Association of Film Distributors and Exporters.

4 Giles Willits
Chief Financial Officer (44)
Giles joined the executive board of Entertainment One in May 2007. He was formerly Director of Group Finance at J Sainsbury plc from 2005 to 2007 and Group Corporate Development Director and Interim Group Finance Director at Woolworths Group plc. Before this Giles held a number of finance and general management positions within Kingfisher plc and Sears Plc. Giles is a chartered accountant having qualified with PricewaterhouseCoopers.

5 Clare Copeland
Senior Independent Director (75)
Clare is currently the chief executive of Falls Management Company, a commercial development and casino in Niagara Falls, Ontario, Canada. Clare is also chairman of Toronto Hydro Corporation, a Canadian electricity provider. Previously Clare was chairman and chief executive of OSF Inc., a manufacturer of retail store interiors, and chief executive of People's Jewellers Corporation, a jewellery retailer. Clare is also currently a trustee of Chesswood Income Trust, RioCan Real Estate Investment Trust and a director of Danier Leather Inc and Telesat Canada.

6 Bob Allan
Non-Executive Director (64)
Between 1997 and 2006, Bob was Vice-President of MDS Capital Corp, a North American venture capital company engaged in health and life science investments. Previously, Bob was Vice-President Financial Operation at the laboratory services division of MDS Inc., a public health and life sciences company. Prior to joining MDS, Bob was a Vice-President of Unitel Communications Inc. Bob is a Chartered Accountant and a member of the Canadian Institute of Chartered Accountants.

7 Ronald Atkey
Non-Executive Director (69)
Ron is a lawyer who was a partner at Osler, Hoskin & Harcourt LLP in Toronto for over thirty years until 2007. He has extensive experience in government regulation of Canadian cultural industries and corporate transactions in the arts, entertainment and media sectors. In 1984 Ron was appointed by the federal government as the first chair of the Security Intelligence Review Committee and remains active in the security intelligence field both as a university professor and in other public roles. He served as a member of the Canadian Parliament for two terms between 1972 and 1980.

8 Garth Girvan
Non-Executive Director (62)
Garth is currently a partner at the Canadian law firm McCarthy Tétrault LLP having joined the firm in 1978. Garth is currently a non-executive director of the Canadian entertainment company Imax Corporation and was previously a director of Silcorp Limited and the Canadian beverage distributor Corby Distilleries Limited. Garth is called as a barrister in Ontario (1978), Alberta (1982) and New York (1986).

9 Robert Lantos
Non-Executive Director (62)
Robert has more than 35 years' experience in the motion picture industry. He is the producer of Cannes and Golden Globe winning and Academy Award Nominated films including Eastern Promises, Fugitive Pieces, Barney's Version and Being Julia. He currently owns Serendipity Point Films, a film and television production company based in Toronto, Canada. Prior to 1998, Robert was co-founder and Chairman of Alliance Communications Corporation.

10 Mark Opzoomer
Non-Executive Director (53)
Mark is a partner in Bond Capital Partners, providers of lower mid-market growth capital, and co-founder of online games acquisition vehicle, Zattikka Limited. He is also a non-executive of Blinkx plc, Newbay Software Limited and advisor to Forward Internet Limited. Mark was previously non-executive director, then CEO of Rambler Media Limited, Managing Director and Regional Vice-President of Yahoo! Europe, Deputy Chief Executive of Hodder Headline plc, Commercial and Finance Director of Sega Europe Ltd and Commercial Director of Virgin Communications Ltd. Mark is a chartered accountant and has an MBA from IMD, Lausanne, Switzerland.

11 Mark Watts
Non-Executive Director (37)
Mark is currently a Managing Partner of Marwyn Capital LLP and Marwyn Investment Management LLP. He is also a director of Marwyn Management Partners plc, Silverdell plc, Praesepe plc, Advanced Computer Software plc and Fulcrum Utility Services Ltd. Mark was previously a director of Melorio plc, Inspicio plc, Zetar plc and Talarius plc.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Corporate Responsibility

The Group has an open, honest and responsible approach towards its stakeholders which include employees, customers, suppliers, investors and the wider community. Ethical and responsible practices and a commitment to minimise our impact on the environment are key motivators behind the Group's corporate responsibility framework.

People

The skills, motivation and energy of our workforce are a key driver for success. The Group's structure ensures that our staff are aware of our goals and are clear on how their role helps the Group succeed. Entertainment is fundamentally a people business and the ability to attract, recruit and retain quality staff is key to our success.

We seek to ensure we have appropriate processes to assess, manage and develop our people's leadership skills, talents and experiences throughout the organisation. Employees are kept well informed and engaged through:

- Regular "Town Hall" broadcasts to staff from our CEO
- Our internal intranet site which also offers discounts on Group and other products
- Monthly newsletters and global updates
- Team building events and an annual management retreat
- Regular film screenings/premieres and access to DVD libraries

Through our annual succession review we also aim to nurture talent and provide our employees with a framework to advance their careers thereby providing Entertainment One with its future leaders.

from left to right
Town Hall broadcast
Tommy's Peppa Pig event
Handing a cheque to the SickKids Foundation

Charity and community

In 2010 we continued our tradition of supporting charities in all of our main territories. The Group and its employees sponsored or supported many charitable initiatives involving both professional and non-profit organisations during the year.

The Group is particularly proud of Peppa Pig's exclusive partnership in the UK with the charity Tommy's. Tommy's funds research into pregnancy problems and provides information to parents. Since 2005, this partnership has raised almost £1 million through a variety of engaging events benefiting children, their parents and the charity.

We are also proud of the success of the Entertainment One Golf FORE Charity Tournament which has been held in Canada since 2007. The tournament is an annual event sponsored by our vendors and is attended by our major customers and partners. So far the event has raised funds in excess of C$270,000 for the SickKids Foundation.

Environment

Entertainment One's activities are mainly office-based but also include warehousing and television production operations. We do not physically manufacture DVDs, CDs or merchandise but use third party suppliers. As such, our main environmental impacts come from the running of our businesses around the world, through the consumption of gas and electricity, transport activities and commuting as well as office-based waste such as paper and printer toners.

We take our responsibilities seriously and work hard to minimise our impact on the environment. In all of our locations we have a recycling, conservation and usage policy. We monitor our supplier relationships and wherever possible make use of suppliers with consistent environmental aims.

The Group does not cause significant pollution and the Board is committed to further improving the way in which its activities affect the environment by:

- Minimising the extent of the impact of operations within the Company's areas of influence;
- Conserving energy through reducing consumption and increasing efficiencies;
- Minimising emissions that may cause environmental impacts; and
- Promoting efficient purchasing and encouraging materials to be recycled where appropriate.

Health and safety

The Group is committed to providing a safe working environment and to caring for the health and safety of its employees, contractors and visitors. The Group has implemented a health and safety policy across all of its operations which meets at least the minimum legal requirements of the countries in which it operates and emphasises the principles of good safety management.

Regular health and safety reviews are carried out on the offices and warehouses of the Group. Each location has a nominated individual responsible for health and safety and for ensuring a safe environment for our colleagues.

We recognise that health and safety is an integral part of our workforce. Our services do not pose great risk to either our employees or our customers. However we work to maintain a safe and active environment.

The above is only a summary of the many corporate responsibility activities in which we are involved and the Group constantly looks to further reduce its impact on the environment.

Directors' Report

The directors present their report and audited financial statements for the year ended 31 March 2011.

Principal activities

Entertainment One is a leading independent entertainment group focused on the acquisition, production and distribution of film and television content rights across all media throughout the world.

Business review

The Business and Financial Review sets out a comprehensive review of the development and performance of the business for the year ended 31 March 2011 and is set out on pages 16 to 29.

Results and dividend

During the year the Group made a profit after tax of £7.4 million (2010: £7.3 million) on a continuing basis. The Company did not pay out an interim dividend during the year ended 31 March 2011 and the directors are not recommending the payment of a final dividend in respect of 2011.

Risk management and internal controls

Disclosures can be found in note 34 to the financial statements and the Corporate Governance section on pages 41 to 42.

Capital structure

Until 14 July 2010 the Group's ultimate Parent Company was incorporated in the Cayman Islands, domiciled in Jersey and listed on the Alternative Investment Market of the London Stock Exchange. Subsequent to shareholder approval and pursuant to a Scheme of Arrangement in the Cayman Islands on 14 July 2010, the Company moved its place of incorporation and domicile to Canada and graduated to a standard listing on the main market of the London Stock Exchange. Further details are set out in note 23.

The Company has common shares and preferred variable voting shares which carry no right to income.

Common shares carry the right to one vote at general meetings of the Company. They have no par value and the authorised number of common shares is unlimited. There are no specific restrictions on the size of a holding nor on the transfer of shares, which are both governed by the general provisions of the Articles of Association of the Company and prevailing legislation. Further information regarding the capital structure, together with details of new share issues during the year are shown in note 23 to the financial statements.

The Company also has preferred variable voting shares in order to meet certain Canadian regulatory requirements for film and television distribution companies under the Investment Canada Act. The preferred variable voting shares, which are not transferable without the consent of the Board, are held by the Company's Chief Executive Officer Darren Throop. The preferred variable voting shares carry no rights to income.

Post balance sheet events

On 13 May 2011, the Group completed its acquisition of the Hopscotch Group of Companies, an Australian film distribution group based in Sydney. Further details are included in note 32 to the financial statements.

Directors

Ronald Atkey was appointed as a Non-Executive Director on 12 November 2010 and Sir George Bain resigned as a Director on 12 November 2010. All other directors served throughout the year under review and details for all present directors are listed, together with their biographical details, on page 32. The Company has agreed to indemnify the directors as permitted by law against liabilities they may incur in the execution of their duties as directors of the Company. The Company may by ordinary resolution appoint or remove a director to the Board. The responsibilities of the directors are detailed in the Corporate Governance Statement on pages 41 to 42.

Directors' interests

The beneficial interests of the directors and their families in the shares of the Company are shown below. Options granted under the Company's employee share plans are shown in the Directors' Remuneration Report on pages 38 to 40.

	At 31 March 2011 Number of common shares
Darren Throop	4,786,818
Patrice Theroux	430,457
Giles Willits	320,000
Robert Lantos	3,126,828
Mark Watts	1,000

No changes took place in the interests of directors between 31 March 2011 and the date of signing of this report.

Directors' interests (if any) in contracts of significance to the Group's business are set out in note 31 to the financial statements.

Substantial shareholdings

As at 1 May 2011 the Company had been advised of the following holdings representing 3% or more in its issued common shares:

	Number of common shares held as at 1 May 2011	Percentage of voting rights and issued shares
Marwyn Value Investors L.P.	75,424,894	40.2%
Capital Research and Mgt	8,835,000	4.7%
Employee Benefit Trust	7,595,286	4.1%

Creditor payment policy

The Group's policy is to agree terms of payment prior to commencing trade with a supplier and to abide by those terms on the timely submission of satisfactory invoices. Trade creditors of the Group at 31 March 2011 were equivalent to 84 days' purchases (31 March 2010: 87 days'), based on the average daily amount invoiced by suppliers during the year.

Charitable donations

The Group made charitable donations of £0.2 million in the year (2010: £0.1 million).

Corporate responsibility

The Group has an open, honest and responsible approach towards its stakeholders which include employees, suppliers, customers, investors and the wider community. Ethical and responsible practices and a commitment to minimise our impact on the environment are key motivators behind the Group's corporate responsibility framework. Further details on the Group's approach to such matters are set out in the Corporate Responsibility section on pages 34 to 35.

Disabled employees

Applications for employment by disabled persons are always fully considered, bearing in mind the aptitudes of the applicant concerned. In the event of members of staff becoming disabled every effort is made to ensure that their employment with the Group continues and that appropriate training is arranged. It is the policy of the Group that the training, career development and promotion of disabled persons should, as far as possible, be identical to that of other employees.

Going concern

The directors continue to adopt the going concern basis in preparing the Annual Report and Accounts. Further details are set out in note 2 to the financial statements.

Auditors

A resolution to reappoint Deloitte LLP as auditors will be proposed at the forthcoming Annual General Meeting.

Annual General Meeting

The Annual General Meeting of the Company will be held on 15 September 2011, notice of such meeting will be sent under separate cover.

By order of the Board

Giles Willits
Chief Financial Officer and Company Secretary

23 May 2011

Directors' Remuneration Report

Remuneration Committee

The Remuneration Committee is chaired by Clare Copeland, and also includes James Corsellis and Garth Girvan. It is formally constituted with written terms of reference and meets at least twice a year.

The Remuneration Committee reviews the performance of executive directors and sets the scale and structure of their remuneration and the basis of their service agreements with due regard to the interests of shareholders. To ensure that the Company's remuneration practices are market competitive, the Committee takes advice from various independent sources.

The Board determines the remuneration of the non-executive directors with the support of external professional advice if required. No director participates in any discussion regarding his or her own remuneration.

Policy on executive directors' remuneration

The policy of the Board is to provide executive remuneration packages designed to attract, motivate, reward and retain executive directors. The aim of the Group's remuneration policy is to ensure that these key executives are appropriately rewarded for their individual contributions to the Group's performance, commensurate with their duties and responsibilities.

The Remuneration Committee believes that shareholders' interests are best served by providing executives with remuneration packages which have a significant emphasis on performance related pay, through long-term share incentive schemes. The Board considers that packages of this nature are consistent with prevailing practice and are necessary to retain and reward executives of the calibre the Group requires.

The main components of executive directors' remuneration, which can be mirrored with senior executives, are basic salary, annual performance related bonus and long-term incentive plans.

Basic annual salary

Each executive director's basic salary is reviewed annually by the Committee. In deciding upon appropriate levels of remuneration the Committee believes that the Company should offer levels of base pay that reflect individual responsibilities compared to similar jobs in comparable companies.

Annual bonus payments

The Committee establishes personal and financial targets at the beginning of the year which must be met for an annual cash bonus to be paid. The executive bonus scheme normally has the following principal features: (i) the potential bonus opportunity is restricted to 100% of basic salary; (ii) 70% of the bonus opportunity is determined by reference to stretching profit targets, with the remaining 30% being determined by reference to clear objectives set for each executive director. For the year ended 31 March 2011, executive directors earned a bonus of 100% of basic salary.

Long-term incentive plans

The Company operates a number of employee share option schemes (note 33 to the financial statements) and the Committee has responsibility for supervising the schemes and the grant of share options under these schemes.

Executive Share Plan ("ESP")

Under the ESP share-based awards are made to selected employees of the Group. Awards take the form of options to acquire a certain number of Common Shares at a particular time in the future, subject to certain conditions, including performance targets.

Employee Benefit Trust ("EBT")

The EBT provides for share awards to be made for the benefit of selected UK employees of the Group, subject to certain performance conditions. Any common shares required to fulfil entitlements under the EBT are provided by the Treasury Shares.

Management Participation Scheme ("MPS")

The MPS was implemented on 31 March 2010 for the executive directors. Under the MPS, participants are only rewarded if shareholder value is created, thereby aligning the interests of the participants directly with those of shareholders. The executive directors have subscribed for shares in a subsidiary of the Company that are exchangeable for common shares of an equivalent value upon satisfaction of certain conditions. The exchange for Common Shares under the MPS is conditional, amongst other things, on the performance of the Company's share price exceeding a compound annual growth rate of at least 12.5%. Further details can be found in note 33.

On introduction of the MPS, no further grants of options to the executive directors have been made under the ESP or EBT.

Out-performance incentive plan

The Company also has an out-performance incentive plan that allocates up to £5 million in total to an incentive pool to be paid to executive directors in the future, conditional on the sale of the Company for no less than £2.25 per share or the Company's share price reaching £2.25 per share.

Additional benefits

Additional benefits include provision of a car allowance, medical and life insurance and a pension allowance based on basic salary.

Outside directorships

No executive director may accept a non-executive directorship without prior approval of the Board to ensure they do not give rise to a conflict of interest. Patrice Theroux is non-executive director and chairman of the Canadian Association of Film Distributors and Exporters. He does not receive any fee for this directorship.

Directors' contracts

Current terms of employment of Executive Directors are as follows:

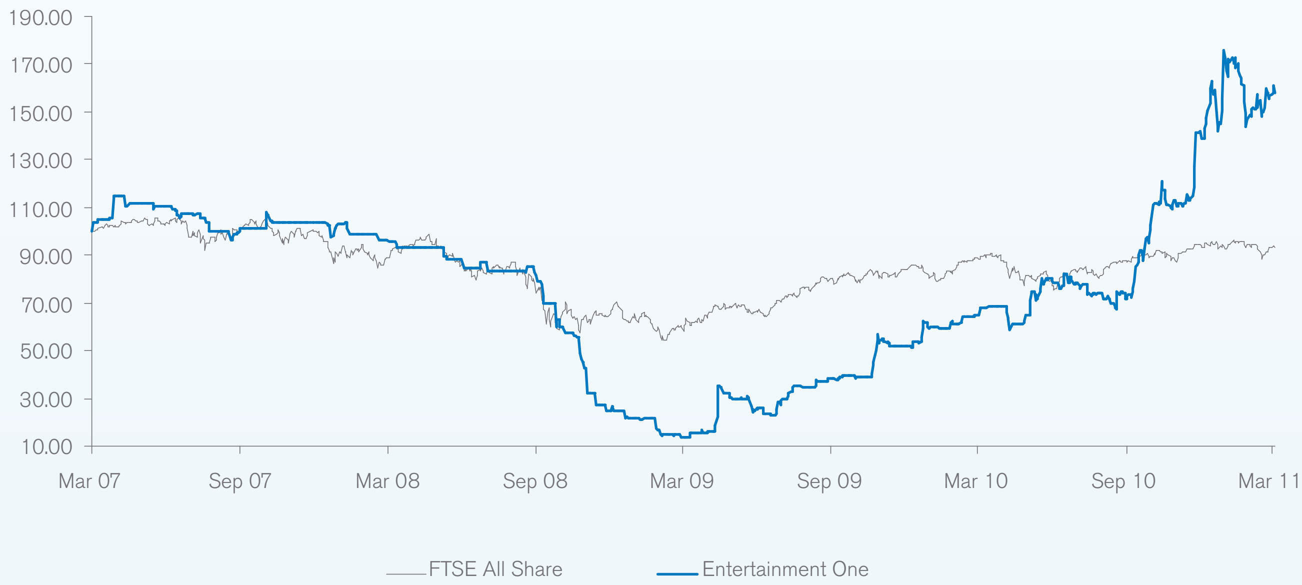
	Date of original appointment	Date of contract	Date of expiry of current contract/ Notice period
Darren Throop	29 March 2007	31 March 2010	None[1]
Patrice Theroux	29 March 2007	31 March 2010	31 March 2013[2]
Giles Willits	28 August 2007	31 March 2010	12 months[3]

1 Although no notice is required, if Mr Throop is dismissed without cause he is entitled to a lump sum equal to 24 months' compensation. Notice by Mr Throop to the Company is six months.
2 If Mr Theroux is dismissed without cause he is entitled to a lump sum equal to 24 months' compensation. If his contract is not renewed by the Company the lump sum will equal 12 months' compensation. Notice by Mr Theroux to the Company is six months.
3 Notice by Mr Willits to the Company is six months.

The non-executive directors, including the Chairman, serve under letters of appointment which are subject to the Articles of Association and have notice periods of six months.

Performance graph

The following graph shows the Company's performance, measured by total shareholder return, compared with the performance of the FTSE All Share Index also measured by total shareholder return since IPO in March 2007. The index has been chosen as it is considered the most likely benchmark by which the majority of shareholders would want to assess their investment in a company the size of Entertainment One Ltd.



Directors' Remuneration Report continued

Directors' emoluments

The remuneration of each of the directors for the year ended 31 March 2011 (or period that they served as directors during the year) is set out as follows:

	Salary and fees £000	Bonus £000	Additional benefits £000	Total £000	2010 £000
Executive					
Darren Throop[1]	**411**	**411**	**31**	**853**	773
Patrice Theroux[1]	**379**	**695**[5]	**31**	**1,105**	617
Giles Willits	**275**	**275**	**63**	**613**	530
Non-executive					
James Corsellis (Chairman)	**60**	**–**	**–**	**60**	54
Clare Copeland (Senior Independent Director)	**44**	**–**	**–**	**44**	35
Bob Allan	**42**	**–**	**–**	**42**	35
Ronald Atkey[2]	**18**	**–**	**–**	**18**	–
Sir George Bain[3]	**22**	**–**	**–**	**22**	35
Garth Girvan	**40**	**–**	**–**	**40**	35
Robert Lantos	**40**	**–**	**–**	**40**	35
Mark Opzoomer	**35**	**–**	**–**	**35**	35
Mark Watts	**35**	**–**	**–**	**35**	27
David Williams[4]	**–**	**–**	**–**	**–**	14
Total	**1,401**	**1,381**	**125**	**2,907**	2,225

1 Canadian executive director remuneration has been translated at the CAD:GBP rate 1.5823 (2010: 1.739)
2 Appointed 12 November 2010
3 Resigned 12 November 2010
4 Resigned 24 June 2009
5 Includes additional one-off payment of C$500,000 subsequent to contract renewal

Salary and fees shown above include fees paid in respect of duties as directors. Other benefits relate mainly to the provision of company cars, pension allowances and private medical insurance. During the year, the basic fee for non-UK based non-executive directors was changed from being based on British pounds and paid in Canadian Dollars to being based on and paid in Canadian Dollars. The basic fee for a non-executive director based in the UK was £35,000 pa and for Canadian based Directors C$75,000 pa. Additional fees are payable to the Chairmen of Committees (other than the Chairman of the Company) and the Senior Independent Director.

Directors' interests in long-term incentive plans

The interests in long-term incentive plans of the current executive directors at 31 March 2011 were as follows. There were no grants during the year:

Executive Share Plan and Employee Benefit Trust

Executive Director	Scheme	Number of shares at 31 March 2011	Number of shares at 31 March 2010
Darren Throop	Executive Share Plan	**2,278,744**	2,278,744
Patrice Theroux	Executive Share Plan	**2,278,744**	2,278,744
Giles Willits	Employee Benefit Trust	**2,125,744**	2,125,744
Total executive share awards		**6,683,232**	6,683,232

Grants under the ESP and EBT are fully vested. The closing market price of the Company's common shares at 31 March 2011 was £1.58 and the range during the year was £0.58 to £1.76. The exercise price of the ESP is £0.01 and there is no exercise price on the EBT.

Management Participation Scheme

Executive Director	Scheme	Number of shares at 31 March 2011	Number of shares at 31 March 2010
Darren Throop	Management Participation Scheme	**1,863,152**	–
Patrice Theroux	Management Participation Scheme	**1.637,316**	–
Giles Willits	Management Participation Scheme	**1,016,265**	–
Total executive share awards		**4,516,733**	–

If the vesting and growth conditions had been met at 31 March 2011 the total number of awards outstanding but not yet exercisable based on the average share price for the year of £1.02 would be as per the table above. Using the closing share price at 31 March 2011 of £1.58 the total award would be 7,420,648.

Corporate Governance Statement

Statement by the directors on compliance with the code of best practice

As a standard listed company, Entertainment One Ltd. is not required to comply with the provisions of the UK Corporate Governance Code published by the Financial Reporting Council in June 2010 ("the Code") which is available on its website www.frc.org.uk and which applies to companies with a premium London Stock Exchange listing with years beginning on or after 29 June 2010. However, the Board recognises the importance and value of good corporate governance procedures and accordingly have selected those elements of the Code that they consider relevant and appropriate to the Group, given its size and structure.

An overview of the Group's corporate governance procedures is given below.

The Board

The Group is controlled through a Board of Directors, which at 31 March 2011 comprised a non-executive chairman, three executive directors and seven other non-executive directors and is responsible to shareholders for the proper management of the Company and the Group. There is a clear division of responsibility between the Chairman and the Chief Executive Officer. The Chairman is James Corsellis and the Chief Executive Officer is Darren Throop.

Five non-executive directors, Clare Copeland, Bob Allan, Ronald Atkey, Garth Girvan, and Mark Opzoomer are considered to be independent. Two non-executive directors, Robert Lantos and Mark Watts and the chairman James Corsellis are not considered to be independent. The non-executive directors bring a wide range of experience and expertise to the Group's activities and provide a strong balance to the executive directors.

Clare Copeland has been appointed as the Senior Independent non-executive director and he is available to shareholders as an alternative channel of communication.

The Board operates both formally, through Board and committee meetings, and informally, through regular contact between directors and senior executives. There is a schedule of matters that are specifically referred to the Board for its decision, including approval of interim and annual results, setting and monitoring strategy and examining acquisition possibilities. The Board is supplied with information, in a timely manner, in a form and quality appropriate to enable it to discharge its duties.

The directors can obtain independent professional advice at the Company's own expense in the performance of their duties as directors.

Board performance evaluation

Subsequent to the year end the Board undertook a formal internal evaluation of its own performance and that of its committees and individual Directors. This review also included an evaluation of the Chairman's performance.

Board committees

The Board committees comprise the Audit Committee, the Remuneration Committee and the Nominations Committee, each of which operate within defined terms of reference and are available on request.

Audit Committee

The Chairman of the Audit Committee is Bob Allan with James Corsellis, Mark Opzoomer and Mark Watts as the other non-executive members. No one other than the Audit Committee's Chairman and members is entitled to be present at a meeting of the Audit Committee but the Company's external auditors together with the Chief Executive Officer and the Chief Financial Officer are also invited to attend the meetings.

The Audit Committee operates under terms of reference agreed with the Board and meets at least twice a year. The Audit Committee considers the adequacy and effectiveness of the risk management and control system of the Group. It reviews the scope and results of the external audit, its cost effectiveness and the independence and objectivity of the auditors. It also reviews, prior to publication, the interim results, preliminary announcement and the Annual Report.

Remuneration Committee

The Remuneration Committee is chaired by Clare Copeland with James Corsellis and Garth Girvan as members. The Committee meets at least twice per year and is responsible for overseeing the policy regarding executive remuneration and for approving the remuneration packages for the Group's executive directors. It is also responsible for reviewing incentive schemes for the Group as a whole.

Nominations Committee

The Nominations Committee is chaired by James Corsellis with Clare Copeland and Mark Watts as members. It is responsible for reviewing the structure, size and composition (including the skills, knowledge and experience) of the Board, preparing a description of the role and capabilities required for a particular appointment and identifying, and nominating suitable candidates to fill Board positions as and when they arise. The Committee would normally expect to use the services of professional external advisors to help in the search for and selection of candidates. The Committee meets as required and during the period under review the Committee met once to recommend the appointment of Clare Copeland as the Senior Independent Director and to evaluate the appointment of Mr Ronald Atkey as a Non-Executive Director, following the retirement of Sir George Bain from the Board. In this instance the Committee did not use the services of an external search consultancy as the Committee was satisfied with the calibre of candidates brought to the attention of the Board.

Board and committee meeting attendance

The table below sets out the attendance at Board and committee meetings by presence or by telephone of individual directors.

	Board	Audit Committee	Nominations Committee	Remuneration Committee
Total held in year	5	2	1	4
James Corsellis	4	1	1	3
Darren Throop	5	–	–	–
Patrice Theroux	3	–	–	–
Giles Willits	4	–	–	–
Clare Copeland	5	–	1	4
Bob Allan	3	2	–	–
Ronald Atkey[1]	2	–	–	–
Sir George Bain[2]	1	–	–	–
Garth Girvan	4	–	–	4
Robert Lantos	4	–	–	–
Mark Opzoomer	4	2	–	–
Mark Watts	3	2	1	–

1 Appointed 12 November 2011
2 Resigned 12 November 2011

Corporate Governance Statement continued

Shareholder communication

The Board is committed to maintaining good communications with shareholders. The executive directors maintain a regular dialogue with analysts and institutional shareholders to discuss the Company's performance and future prospects. This includes presentations of the preliminary and interim results.

The Board is informed on a regular basis of key shareholder issues, including share price performance, the composition of the shareholder register and analyst expectations.

The Company responds formally to all queries and requests for information from existing and prospective shareholders. In addition, the Company seeks to regularly update shareholders through stock exchange announcements and wider press releases on its activities. It publishes regular trading updates as well as a full Annual Report.

The Annual General Meeting will provide an opportunity for shareholders to address questions to the Chairman or the Board directly. Shareholders can access further information on the Group via the Company's website at www.entertainmentonegroup.com.

Risk management and internal controls

The directors are responsible for the Group's system of internal control and for reviewing its effectiveness whilst the role of management is to implement Board policies on risk management and control. It should be recognised that the Group's system of internal control is designed to manage, rather than eliminate, the risk of failure to achieve the Group's business objectives and can only provide reasonable, and not absolute, assurance against material misstatement or loss.

The Group operates a series of controls to meet its needs. These controls include, but are not limited to, a clearly defined organisational structure, written policies, a comprehensive annual strategic planning and budgeting process and detailed monthly reporting.

The annual budget is approved by the Board as part of its normal responsibilities. In addition, the budget figures are regularly re-forecast to facilitate the Board's understanding of the Group's overall position throughout the year and this re-forecasting is reported to the Board in addition to the reporting of actual results during the year.

The Audit Committee receives reports from management and the external auditors concerning the system of internal control and any material control weaknesses. Any significant risk issues are referred to the Board for consideration.

When acquisitions are made, the Group's controls and accounting policies are implemented during the first full year of ownership.

At least annually the Board conducts a review of the effectiveness of the Group's system of internal controls, covering all material controls, including financial, operational and compliance controls and risk management systems. To assist with this the Board appoints a firm of external consultants to undertake a number of specific reviews and report back to the Audit Committee in the process making recommendations to help strengthen the risk management framework and internal control processes within the Group.

The Board has considered the need for an internal audit function, but has concluded that at this stage in the Group's development the internal control systems in place including use of external consultants are appropriate for the size and complexity of the Group.

The independence and objectivity of the external auditors is considered on a regular basis, with particular regard to non-audit fees. The split between audit and non-audit fees for the year under review appears in note 4 to the financial statements. The external auditors have in place processes to ensure their independence is maintained including safeguards to ensure that where they provide non-audit services their independence is not threatened. In this context, the Audit Committee considers that it is appropriate for the external auditors to provide tax advice and other accounting services to the Group, including those in connection with supporting and reporting on financial representations in public documentation and due diligence on acquisitions.

Compliance with the Code

At 31 March 2011, the Group complies with the principles set out in the Code, other than the following matters:

- The Chairman, James Corsellis, is not an independent director, due to his relationship with Marwyn as further outlined in note 31.
- The Nominations Committee comprises James Corsellis, Mark Watts and Clare Copeland. Neither James Corsellis nor Mark Watts are considered to be independent directors due to their relationships with Marwyn and accordingly the Nominations Committee does not comprise a majority of independent non-executive directors. In addition, James Corsellis is a member of the Remuneration Committee but is not considered independent.
- The Code recommends that directors should have notice periods of one year or less. Darren Throop and Patrice Theroux have notice periods in excess of one year.
- Shareholders are not required to approve new or long-term incentive schemes or significant changes to existing schemes.

Directors' Responsibility Statement

The directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable laws and regulations and International Financial Reporting Standards as adopted by the EU ("IFRSs").

International Accounting Standard 1 requires that financial statements present fairly for each financial period the Group's financial position, financial performance and cash flows. This requires the faithful representation of the effects of transactions, other events and conditions in accordance with the definitions and recognition criteria for assets, liabilities, income and expenses set out in the International Accounting Standards Board's "Framework for the Preparation of Financial Statements". In virtually all circumstances, a fair presentation will be achieved by compliance with all applicable IFRSs. Directors are also required to:

- properly select and apply accounting policies;
- present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information; and
- provide additional disclosures when compliance with the specific requirements in IFRSs is insufficient to enable users to understand the impact of particular transactions, other events and conditions on the entity's financial position and financial performance.

The directors are responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the Group, for safeguarding the assets and for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The directors are responsible for the maintenance and integrity of the Group's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

We confirm to the best of our knowledge:

(a) the financial statements, prepared in accordance with IFRSs as adopted by the EU, give a true and fair view of the assets, liabilities, financial position and profit of the Group taken as a whole; and

(b) the management report, which is incorporated into the directors' report, 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 the Group may face.

By order of the Board

Giles Willits
Chief Financial Officer

23 May 2011

Independent Auditors' Report
To the Members of Entertainment One Ltd.

We have audited the Group financial statements of Entertainment One Ltd. for the year ended 31 March 2011 which comprise the Consolidated Income Statement, the Consolidated Statement of Comprehensive Income, the Consolidated Balance Sheet, the Consolidated Cash Flow Statement, the Consolidated Statement of Changes in Equity and the related notes 1 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 European Union.

This report is made solely to the Company's members, as a body, in accordance with Disclosure and Transparency Rule 4.1. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditor
As explained more fully in the Directors' Responsibilities Statement, the directors are responsible for the preparation of the Group financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the Group financial statements in accordance with applicable law 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 Group'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.

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 2011 and of its profit for the year then ended; and
- have been properly prepared in accordance with IFRSs as adopted by the European Union.

Deloitte LLP
Chartered Accountants and Statutory Auditor
London, United Kingdom
23 May 2011

Consolidated Income Statement
For the year ended 31 March 2011

	Notes	Year ended 31 March 2011 £m	Year ended 31 March 2010 £m
Continuing operations			
Revenue	3	**469.7**	419.0
Cost of sales		**(357.6)**	(323.7)
Gross profit		**112.1**	95.3
Administrative expenses		**(91.8)**	(83.7)
Operating profit	4	**20.3**	11.6
Analysed as:			
Underlying EBITDA		**42.5**	35.3
Amortisation of intangible assets	12, 13	**(15.3)**	(17.5)
Depreciation	14	**(1.7)**	(1.9)
Share-based payment charge	33	**(2.5)**	(2.7)
One-off items	5	**(2.7)**	(1.6)
		20.3	11.6
Finance income	6	**0.7**	7.8
Finance costs	6	**(9.6)**	(11.4)
Profit before tax		**11.4**	8.0
Income tax charge	7	**(4.0)**	(0.7)
Profit for the year from continuing operations		**7.4**	7.3
Loss for the year from discontinued operations	8	**(3.8)**	(0.7)
Profit for the year attributable to equity holders of the Parent Company		**3.6**	6.6
Continuing earnings per share (pence)			
Basic	11	**4.5**	5.1
Diluted	11	**4.1**	4.8
Earnings per share (pence)			
Basic	11	**2.2**	4.6
Diluted	11	**2.0**	4.3

Consolidated Statement of Comprehensive Income
For the year ended 31 March 2011

	Year ended 31 March 2011 £m	Year ended 31 March 2010 £m
Profit for the year	**3.6**	6.6
Exchange differences on foreign operations	**(1.9)**	10.5
Fair value movements on cash flow hedges	**(0.1)**	0.5
Reclassification of cash flow hedges	**(1.2)**	–
Tax on cash flow hedges	**0.3**	(0.1)
Total comprehensive income for the year attributable to equity holders of the Parent Company	**0.7**	17.5

Consolidated Balance Sheet
As at 31 March 2011

	Notes	31 March 2011 £m	31 March 2010 £m
Assets			
Non-current assets			
Intangible assets	12	**165.7**	182.4
Investment in programmes	13	**32.4**	26.0
Property, plant and equipment	14	**4.0**	5.4
Other receivables	17	**2.0**	1.9
Deferred tax assets	9	**4.2**	2.0
Total non-current assets		**208.3**	217.7
Current assets			
Inventories	15	**56.5**	47.8
Investment in content rights	16	**77.3**	65.3
Trade and other receivables	17	**108.9**	114.2
Current tax assets		**–**	0.7
Other financial assets	20	**–**	0.5
Cash and cash equivalents	18	**29.2**	18.6
Total current assets		**271.9**	247.1
Total assets		**480.2**	464.8
Liabilities and equity			
Non-current liabilities			
Interest bearing loans and borrowings	21	**70.7**	86.2
Other payables	19	**1.2**	0.5
Deferred tax liabilities	9	**9.5**	10.6
Total non-current liabilities		**81.4**	97.3
Current liabilities			
Trade and other payables	19	**179.4**	177.6
Current tax liabilities		**5.4**	4.8
Interest bearing loans and borrowings	21	**19.2**	18.4
Provisions	22	**2.1**	0.5
Other financial liabilities	20	**1.8**	2.2
Total current liabilities		**207.9**	203.5
Total liabilities		**289.3**	300.8
Equity			
Share premium	23	**167.2**	139.0
Treasury shares	23	**(7.8)**	(7.8)
Other reserves	23	**9.3**	13.9
Currency translation reserve		**36.8**	38.7
Retained earnings		**(14.6)**	(19.8)
Total equity		**190.9**	164.0
Total liabilities and equity		**480.2**	464.8

These consolidated financial statements were approved by the Board of Directors on 23 May 2011.

Giles Willits
Director

Consolidated Cash Flow Statement
For the year ended 31 March 2011

	Notes	Year ended 31 March 2011 £m	Year ended 31 March 2010 £m
Operating activities			
Operating profit – continuing operations		**20.3**	11.6
Operating loss – discontinued operations		**(5.4)**	(1.1)
Operating profit – total Group		**14.9**	10.5
Adjustments for:			
Depreciation	14	**1.7**	2.1
Amortisation of other intangible assets	12	**14.9**	16.9
Amortisation of content rights	16	**43.0**	37.6
Amortisation of television programmes	13	**31.4**	18.8
Foreign exchange movements		**(0.5)**	0.2
Share-based payment charge	33	**2.5**	2.7
Loss on disposal of property, plant and equipment		**0.4**	–
Increase in inventories		**(9.0)**	(7.7)
Decrease/(increase) in trade and other receivables		**6.9**	(30.0)
Increase in trade and other payables		**1.2**	38.9
Increase/(decrease) in provisions		**1.6**	(1.0)
Net cash inflow from trading activities		**109.0**	89.0
Income tax paid		**(4.1)**	(3.8)
Net cash from operating activities		**104.9**	85.2
Investing activities			
Interest received		**–**	0.1
Acquisition of subsidiaries	24	**(3.1)**	(5.9)
Investment in content rights		**(52.4)**	(50.9)
Investment in television programmes		**(38.9)**	(23.8)
Purchases of property, plant and equipment	14	**(1.0)**	(1.0)
Purchases of intangible software assets		**(0.6)**	(1.0)
Net cash used in investing activities		**(96.0)**	(82.5)
Financing activities			
Proceeds on issue of shares (net of costs)	23	**16.3**	10.0
Increase in interest bearing loans and borrowings		**63.8**	34.3
Repayment of interest bearing loans and borrowings		**(71.3)**	(43.2)
Net (repayment)/drawdown of production financing		**(1.6)**	7.8
Interest paid		**(5.2)**	(5.8)
Net cash from financing activities		**2.0**	3.1
Net increase in cash and cash equivalents		**10.9**	5.8
Cash and cash equivalents at beginning of the year		**18.6**	11.8
Effects of exchange rate fluctuations on cash held		**(0.3)**	1.0
Cash and cash equivalents at end of year	18	**29.2**	18.6

Consolidated Statement of Changes in Equity
For the year ended 31 March 2011

	Share capital £m	Share premium £m	Treasury shares £m	Other reserves £m	Currency translation reserve £m	Retained earnings £m	Total equity £m
At 1 April 2009	0.7	126.3	(7.8)	14.9	28.2	(29.1)	133.2
Total comprehensive income for the year	–	–	–	0.4	10.5	6.6	17.5
Shares issued during the year	0.1	11.9	–	(1.4)	–	–	10.6
Share-based payment charge	–	–	–	–	–	2.7	2.7
At 31 March 2010	0.8	138.2	(7.8)	13.9	38.7	(19.8)	164.0
Effect of Scheme of Arrangement[1]	(0.8)	4.4	–	(3.6)	–	–	–
At 1 April 2010 (restated)	–	142.6	(7.8)	10.3	38.7	(19.8)	164.0
Total comprehensive income for the year	**–**	**–**	**–**	**(1.0)**	**(1.9)**	**3.6**	**0.7**
Shares issued during the year	**–**	**24.6**	**–**	**–**	**–**	**–**	**24.6**
Share-based payment charge	**–**	**–**	**–**	**–**	**–**	**1.6**	**1.6**
At 31 March 2011	**–**	**167.2**	**(7.8)**	**9.3**	**36.8**	**(14.6)**	**190.9**

1 Refer to note 23 for details of the Scheme of Arrangement

Notes to the Financial Statements
For the year ended 31 March 2011

1. Nature of operations and general information

Entertainment One Ltd. and subsidiaries ("the Group") is a leading independent entertainment group focused on the acquisition, production and distribution of film and television content rights across all media throughout the world. Segmental information is disclosed in note 3.

Entertainment One Ltd. is the Group's ultimate Parent Company. Until 14 July 2010 the Company was incorporated in the Cayman Islands, domiciled in Jersey and listed on the Alternative Investment Market on the London Stock Exchange. Following close of business on 14 July 2010, subsequent to shareholder approval and pursuant to a Scheme of Arrangement in the Cayman Islands, the Company moved its place of incorporation and domicile to Canada and graduated to a standard listing on the London Stock Exchange. Entertainment One Ltd. presents its consolidated financial statements in Pounds Sterling (£), which is also the functional currency of the Parent Company. These consolidated financial statements were approved for issue by the Board of Directors on 23 May 2011.

2. Accounting policies

Basis of presentation

The financial statements have been prepared under the historical cost convention, on a going concern basis and in accordance with applicable International Financial Reporting Standards as adopted by the EU and IFRIC interpretations ("IFRS"). The Group financial statements comply with Article 4 of the EU IAS Regulation.

Accounting standards

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:
IFRS 9 – Financial Instruments (effective for annual periods beginning on or after 1 January 2013)
Improvements to IFRSs (May 2010) (effective for annual periods beginning on or after 1 July 2010 or 1 January 2011, varies by standard)
IAS 12 (amended) – Deferred tax: Recovery of underlying assets (effective for annual periods beginning on or after 1 January 2012)
IFRS 7 (amended) – Transfers of financial assets (effective for annual periods beginning on or after 1 July 2011)

The Group has not adopted early the requirements of the following accounting standards and interpretations, which have an effective date after the start date of these financial statements:
IFRS 1 (amended 2010) – Limited Exemption from Comparative IFRS 7 Disclosures for First-time Adopters
IFRS 7 – Disclosures for First-time Adopters (effective for annual periods beginning on or after 1 July 2010)
IAS 24 (revised 2009) – Related Party Disclosures (effective for annual periods beginning on or after 1 January 2011)
IFRIC 14 (amended) – Prepayments of a Minimum Funding Requirement (effective for annual periods beginning on or after 1 January 2011)
IFRIC 19 – Extinguishing Financial Liabilities with Equity Instruments (effective for annual periods beginning on or after 1 July 2010)

The directors do not anticipate that the adoption of these standards and interpretations will have a material impact on the Group's financial statements in the period of initial application.

Implementation of new accounting standards

In the current financial year, the Group has adopted the following new accounting standards, amendments to accounting standards and interpretations, which are either mandatory for the first time for the annual period ending 31 March 2011 or have been early adopted. The following have no material impact on the Group:
IFRS 1 (amended 2009) – Additional Exemptions for First-time Adopters
IFRS 2 (amended 2009) – Share-based Payments – Group Cash-settled Share-based Payment Transactions
IAS 32 (amended 2009) – Financial instruments: Presentation – Classification of Rights Issues
IFRIC 17 – Distributions of Non-cash Assets to Owners
IFRIC 18 – Transfers of Assets from Customers and Improvements to IFRSs (April 2009)

Use of additional performance measures

The Group presents underlying EBITDA, one-off items, adjusted profit before tax and adjusted earnings per share information. These measures are used by the Group for internal performance analysis and incentive compensation arrangements for employees. The terms "one-off items", "underlying" and "adjusted" may not be comparable with similarly titled measures reported by other companies. The term "underlying EBITDA" refers to operating profit or loss excluding operating one-off items, share-based payment charges, depreciation and amortisation of intangible assets. The terms "adjusted profit before tax" and "adjusted earnings per share" refer to the reported measures excluding operating one-off items, amortisation of intangible assets arising on acquisition, one-off items relating to the Group's financing arrangements and share-based payment charges.

Notes to the Financial Statements continued
For the year ended 31 March 2011

2. Accounting policies continued

Going concern

The Group's activities, together with the factors likely to affect its future development are set out in the Business and Financial Review on pages 16 to 29.

The Group meets its day to day working capital requirements and funds its investment in content through a revolving credit facility ("Facility") which matures in September 2012 and is secured on assets held in the Group. Under the terms of the Facility the Group is able to draw down in the local currencies of its operating businesses. The amounts drawn down by currency at 31 March 2011 are shown in note 21 to the accounts.

The Facility is subject to a series of covenants including fixed charge cover, net debt against EBITDA and capital expenditure. The Group has a track record of cash generation and is in full compliance with its existing bank facility covenant arrangements. As at 31 March 2011 the Group had £29.2 million of cash, £60.7 million of net debt and undrawn amounts under the Facility of £40.4 million.

As explained in the risks section on page 29 the Group is exposed to uncertainties arising from the economic climate and also in the markets in which it operates. Market conditions could lead to lower than anticipated demand for the Group's products and services and exchange rate volatility could also impact reported performance. The directors have considered the impact of these and other uncertainties and factored them into their financial forecasts and assessment of covenant headroom. The Group's forecasts and projections, taking account of reasonable possible changes in trading performance (and available mitigating actions), show that the Group will be able to operate within the expected limits of the Facility and provide headroom against the covenants for the foreseeable future. For this reason the directors continue to adopt the going concern basis in preparing the financial statements.

Basis of consolidation

The consolidated financial statements comprise the financial statements of Entertainment One Ltd. and its subsidiaries. The financial statements of the subsidiaries are prepared for the same reporting periods as the Parent Company, using consistent accounting policies.

Subsidiaries are consolidated in accordance with the requirements of IAS 27 and are fully consolidated from the date of acquisition and continue to be consolidated until the date of disposal.

Jointly controlled entities are those entities over whose activities the Group has joint control, established by contractual agreement and are accounted for using proportional consolidation from the date that joint control commences. Contractual arrangements establish joint control over each joint venture classified as such. No single venturer is in a position to control the activity unilaterally.

All intra-group balances, transactions, income and expenses and unrealised profits and losses resulting from intra-group transactions that are recognised in assets, are eliminated in full.

Goodwill

Goodwill represents the excess of the cost of acquisition over the fair value of the Group's share of the net identifiable assets of the acquired subsidiary at the date of acquisition.

Goodwill is stated at cost less any accumulated impairment losses. Goodwill is allocated to cash generating units ("CGUs") which are tested for impairment annually or more frequently if there are indications that goodwill might be impaired. The CGUs identified are the smallest identifiable group of assets that generate cash inflows that are largely independent of the cash inflows from other groups of assets. Gains or losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

Investment in programmes

Investment in programmes that are in development and for which the realisation of expenditure can be reasonably determined, are classified and capitalised in accordance with IAS 38 "Intangible assets" as productions in progress within investment in programmes. On completion of production the cost of investment is reclassified as investment in programmes. Also included within investment in programmes are programmes acquired on acquisition of subsidiaries.

Amortisation of investment in programmes is charged to cost of sales unless it arises from revaluation on acquisition of subsidiaries in which case it is charged to administrative expenses. The maximum useful life is considered to be 10 years.

Borrowing costs

Borrowing costs directly attributable to the acquisition or production of a qualifying asset (such as investment in programmes) form part of the cost of that asset and are capitalised.

Government grants

A government grant is recognised when there is reasonable assurance that any conditions attached to the grant will be satisfied and the grants will be received. Government grants are recognised at fair value.

2. Accounting policies continued

Other intangible assets

Other intangible assets acquired by the Group are stated at cost less accumulated amortisation. Amortisation is charged to administrative expenses in the income statement on a straight-line basis over the estimated useful life of intangible fixed assets unless such lives are indefinite.

Other intangible assets mainly comprise amounts arising on consolidation of acquired subsidiaries such as exclusive content agreements and libraries, customer relationships, exclusive distribution rights, brands and trade names and non-compete agreements. They also include amounts arising in relation to costs of software.

Other intangible assets are generally amortised over the following periods:

Exclusive content agreements and libraries	5 to 20 years depending on nature and life of the rights acquired
Customer relationships	10 years
Exclusive distribution rights	5 years
Brands and trade names	10 years
Non-compete agreements	3 years
Software	3 years

Investments

Unlisted investments are valued at their fair value with changes in fair value recognised directly in equity until the investment is disposed of or is determined to be impaired, at which time the cumulative gain or loss previously recognised in equity is brought into the net profit or loss for the period.

Property, plant and equipment

Property, plant and equipment are stated at original cost less accumulated depreciation. Depreciation is charged to write off cost less estimated residual value of each asset over their estimated useful lives using the following methods and rates:

Leasehold improvements	Over the term of the lease
Fixtures, fittings and equipment	20% – 30% reducing balance

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date. The gain or loss arising on the disposal or retirement of an asset is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in income.

Impairment of assets

The Group reviews the carrying amounts of its property, plant and equipment and intangible assets annually to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where the asset does not generate cash flows that are independent from other assets, the Group estimates the recoverable amount of the CGU to which the asset belongs.

Investment in content rights

Investments in content rights are capitalised in the balance sheet if such amounts are considered recoverable against future revenues. These costs are amortised to cost of sales on a revenue forecast basis over a period not exceeding 10 years from the date of initial release. Acquired libraries are amortised over a period not exceeding 20 years. Amounts capitalised are reviewed at least quarterly and any portion of the unamortised amount that appears not to be recoverable from future revenues is written off to cost of sales during the period the loss becomes evident. Balances are included within current assets if they are expected to be realised within the normal operating cycle of the business. The normal operating cycle of the business can be greater than 12 months. In general 80% of film content is amortised within 12 months of theatrical release.

In the ordinary course of business the Group contracts with film producers to acquire rights to exploit films. Certain of these agreements require the Group to pay Minimum Guaranteed advances ("MGs"), the largest portion of which often becomes due when the film is received by the Group, usually some months subsequent to signing the contract. MGs are recognised in the balance sheet when a liability arises, usually on delivery to the Group.

Inventories

Inventories are valued at the lower of cost (including direct expenditure and other appropriate attributable costs incurred in bringing inventories to their present location and condition) and net realisable value. Cost is calculated using the weighted average method.

Financial instruments

Financial assets and financial liabilities are recognised on the Group's balance sheet when the Group becomes a party to the contractual provisions of the instrument.

Notes to the Financial Statements continued
For the year ended 31 March 2011

2. Accounting policies continued

Trade and other receivables
Trade receivables do not carry any interest and are stated at their nominal value as reduced by appropriate allowances for estimated irrecoverable amounts.

Trade and other payables
Trade payables are not interest bearing and are stated at their nominal value.

Derivative financial instruments and hedging
The Group uses derivative financial instruments to reduce its exposure to foreign exchange and interest rate movements. The Group does not hold or issue derivative financial instruments for financial trading purposes.

Derivative financial instruments are classified as held-for-trading and recognised in the balance sheet at fair value. Derivatives designated as hedging instruments are classified on inception as cash flow hedges, net investment hedges or fair value hedges.

Changes in the fair value of derivatives designated as cash flow hedges are recognised in equity to the extent that they are deemed effective. Ineffective portions are immediately recognised in the income statement. When the hedged item affects profit or loss then the amounts deferred in equity are recycled to the income statement.

For net investment hedges, to the extent that movements in the fair values of these instruments effectively offset the underlying risk being hedged, they are recognised in the translation reserve until the period during which a foreign operation is disposed of or partially disposed of, at which point the cumulative gain or loss is recognised in the income statement, offsetting the cumulative difference recognised on the translation of the net investment.

Fair value hedges record the change in the fair value in the income statement, along with the changes in the fair value of the hedged asset or liability.

Changes in the fair value of any derivative instruments that do not qualify for hedge accounting are immediately recognised in the income statement.

Embedded derivatives
Derivatives 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 measured at fair value with changes in fair value recognised in profit or loss.

Equity instruments
Equity instruments issued by the Company are recorded at the proceeds received, net of direct issue costs.

Treasury shares
The Entertainment One Ltd. shares held in the Employee Benefit Trust are classified in shareholders' equity as "treasury shares" and are recognised at cost. Consideration received for the sale of such shares is also recognised in equity, with any difference between the proceeds from sale and the original cost being taken to revenue reserves. No gain or loss is recognised in the financial statements on the purchase, sale, issue or cancellation of equity shares.

Interest bearing loans and borrowings
All interest bearing loans and borrowings are initially recognised at the fair value of the consideration received less directly attributable transaction costs. After initial recognition, interest bearing loans and borrowings are subsequently measured at amortised cost using the effective interest method. Gains and losses are recognised in the income statement when the liabilities are derecognised as well as through the amortisation process.

Interim production financing relates to short-term financing for the Group's television productions. Interest payable on interim production financing loans is capitalised and forms part of the cost of production of investment in programmes.

Cash and cash equivalents
Cash and cash equivalents includes cash in hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities on the balance sheet.

Provisions
Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of this obligation. The expense relating to any provision is presented in the income statement.

2. Accounting policies continued

If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognised as a finance cost.

Operating leases

Rentals payable under operating leases are charged to income on a straight-line basis over the term of the relevant lease.

Share-based payments

The Group issues equity-settled and cash-settled share-based payments to certain employees.

Equity-settled share-based payments are measured at fair value at the date of grant. The fair value determined at the grant date of equity-settled share-based payments is expensed on a straight-line basis over the vesting period, based on the Group's estimate of shares that will eventually vest. Fair value is measured by means of a binomial valuation model. The expected life used in the model has been adjusted, based on management's best estimate, for the effect of non-transferability, exercise restrictions, and behavioural considerations.

For cash-settled share-based payments a liability equal to the portion of the goods or services received is recognised at the current fair value determined at each balance sheet date.

Segmental reporting

The Group's operating segments are identified on the basis of internal reports that are regularly reviewed by the chief operating decision maker in order to allocate resources to the segment and to assess its performance. The Chief Executive Officer has been identified as the chief operating decision maker. The Group has two reportable segments: Entertainment and Distribution based on the types of products and services from which each segment derives its revenues.

Revenue recognition

Revenue represents the amounts receivable for goods and services provided in the normal course of business, net of discounts and excluding value added tax (or equivalent). Revenue is derived from the licensing, marketing and distribution of feature films, television, video programming and music rights. Revenue is also derived from television production and licensing and merchandising sales.

- Revenue from the exploitation of film and music rights is recognised based upon the contractual terms of each agreement. Revenue is recognised where there is reasonable contractual certainty that the revenue is receivable and will be received.
- Revenue from television licensing represents the contracted value of licence fees which is recognised when the licence term has commenced, the production is available for delivery, substantially all technical requirements have been met and collection of the fee is reasonably assured.
- Revenue from the sale of own or co-produced television productions is recognised when the production is available for delivery and there is reasonable contractual certainty that the revenue is receivable and will be received.
- Revenue from the sale of DVD, video and audio inventory is recognised at the point at which goods are despatched. A provision is made for returns based on historical trends.
- Revenue from licensing and merchandising sales represents the contracted value of licence fees which is recognised when the licence terms have commenced and collection of the fee is reasonably assured.

Pension costs

Payments to defined contribution retirement benefit plans are charged as an expense as they fall due.

Foreign currencies

The individual financial statements of each Group company are presented in the currency of the primary economic environment in which it operates (its functional currency). For the purpose of the consolidated financial statements, the results and financial position of each Group company are expressed in Pounds Sterling, which is the functional currency of the Company and the presentation currency for the consolidated financial statements.

In preparing the financial statements of the individual companies, transactions in currencies other than the entity's functional currency (foreign currencies) are recorded at the rates of exchange prevailing on the dates of the transactions. Foreign exchange differences arising on the settlement of such transactions and from translating monetary assets and liabilities denominated in foreign currencies at year end exchange rates are recognised in the income statement.

For the purpose of presenting consolidated financial statements, the assets and liabilities of the Group's foreign operations are translated at exchange rates prevailing on the balance sheet date. Income and expense items are translated at average exchange rates for the period. Foreign exchange differences arising, if any, are classified as equity and transferred to the Group's translation reserve. Such translation differences are recognised as income or expenses in the period in which the operation is disposed of.

Notes to the Financial Statements continued
For the year ended 31 March 2011

2. Accounting policies continued
Taxation
Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit as reported in the income statement because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the balance sheet date.

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from the initial recognition of goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the tax profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries, 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 is charged or credited in the income statement, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt within equity. The Group's liability for deferred tax is calculated using tax rates that have been enacted or substantively enacted by the balance sheet date.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities. This applies when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

Significant judgements and estimates
The preparation of consolidated financial statements under IFRS requires the Group to make estimates and assumptions that affect the application of policies and reported amounts. Estimates and judgements are continually evaluated and are based on historical experience and other factors including expectations of future events that are believed to be reasonable under the circumstances. Actual results may differ from these estimates. The estimates and assumptions which have a significant risk of causing a material adjustment to the carrying amount of assets and liabilities are discussed below.

Intangible assets
The Group recognises intangible assets acquired as part of business combinations at fair value at the date of acquisition. The determination of these fair values is based upon management's judgement and includes assumptions on the timing and amount of future incremental cash flows generated by the assets and selection of an appropriate cost of capital. Furthermore, management must estimate the expected useful lives of intangible assets and charge amortisation on these assets accordingly.

Impairment of goodwill
The Group is required to test, at least annually, whether goodwill has suffered any impairment. The recoverable amount is determined based on value in use calculations. The use of this method requires the estimation of future cash flows and the choice of a suitable discount rate in order to calculate the present value of these cash flows (Note 12). Actual outcomes could vary.

Investment in content rights
The Group capitalises investment in content rights and releases to cost of sales on a revenue forecast basis. Amounts capitalised are reviewed at least quarterly and any that appear to be irrecoverable from future revenues are written off to cost of sales during the period the loss becomes evident.

The estimate of future revenues depends on management judgement and assumptions based on the pattern of historical revenue streams and the remaining life of each contract.

Share-based payments
The charge for share-based payments is determined based on the fair value of awards at the date of grant by use of the binomial model which require judgements to be made regarding expected volatility, dividend yield, risk free rates of return and expected option lives. The list of inputs used in the binomial model to calculate the fair values is provided in Note 33.

2. Accounting policies continued

Deferred tax

Deferred tax assets and liabilities require management's 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 to the timing and level of future taxable income.

Income tax

The actual tax on the result for the year is determined according to complex tax laws and regulations. Where the effect of these laws and regulations is unclear, estimates are used in determining the liability for tax to be paid on past profits which are recognised in the financial statements. The Group considers the estimates, assumptions and judgements to be reasonable but this can involve complex issues which may take a number of years to resolve. The final determination of prior year tax liabilities could be different from the estimates reflected in the financial statements.

3. Segmental analysis

Operating segments

For internal reporting and management purposes, the Group is organised into two main reportable segments based on the types of products and services from which each segment derives its revenue – Entertainment and Distribution. These divisions are the basis on which the Group reports its operating segment information. The prior year financial statements included a third segment comprising a non-core retail operation in Canada which was discontinued at 31 March 2011.

The types of products and services from which each reportable segment derives its revenues are as follows:

Entertainment – the acquisition and exploitation of filmed entertainment and music rights across all media and the production of television content.

Distribution – the ownership of physical distribution channels to retailers in territories and media where the Group can capture additional margin and improve delivery of products to consumers.

Segment information for the year ended 31 March 2011 is presented below on a continuing basis only. Inter-segment sales are charged at prevailing market prices.

	Entertainment £m	Distribution £m	Eliminations £m	Consolidated £m
Segment revenues				
External sales	251.3	218.4	–	469.7
Inter-segment sales	46.7	8.9	(55.6)	–
Total segment revenues	298.0	227.3	(55.6)	469.7
Segment results				
Segment underlying EBITDA	34.1	13.0	0.1	47.2
Group costs				(4.7)
Underlying EBITDA				42.5
Depreciation and amortisation				(17.0)
Share-based payment charge				(2.5)
One-off items				(2.7)
Operating profit				20.3
Finance income				0.7
Finance costs				(9.6)
Profit before tax				11.4
Tax				(4.0)
Profit for the year from continuing operations				7.4
Loss for the year from discontinued operations				(3.8)
Profit for the year attributable to equity holders of the Parent Company				3.6
Segment assets				
Total segment assets	317.1	164.4	(2.8)	478.7
Unallocated corporate assets				1.5
Consolidated total assets				480.2

Notes to the Financial Statements continued
For the year ended 31 March 2011

3. Segmental analysis continued
Segment information for the year ended 31 March 2010 is presented below. Inter-segment sales are charged at prevailing market prices.

	Entertainment £m	Distribution £m	Eliminations £m	Consolidated £m
Segment revenues				
External sales	205.3	213.7	–	419.0
Inter-segment sales	46.5	17.3	(63.8)	–
Total segment revenues	251.8	231.0	(63.8)	419.0
Segment results				
Segment underlying EBITDA	26.5	13.3	–	39.8
Group costs				(4.5)
Underlying EBITDA				35.3
Depreciation and amortisation				(19.4)
Share-based payment charge				(2.7)
One-off items				(1.6)
Operating profit				11.6
Finance income				7.8
Finance costs				(11.4)
Profit before tax				8.0
Tax				(0.7)
Profit for the year from continuing operations				7.3
Loss for the year from discontinued operations				(0.7)
Profit for the year attributable to equity holders of the Parent Company				6.6
Segment assets				
Total segment assets	308.2	144.8	(0.4)	452.6
Discontinued operations				7.5
Unallocated corporate assets				4.7
Consolidated total assets				464.8

Products and services from which reportable segments derive their revenues
The Group's operating segments derive their external revenues from the following products and services:

	Segment revenues 2011 £m	Segment revenues 2010 £m
Continuing operations		
Entertainment – Film	**184.1**	161.6
Entertainment – Television	**67.2**	43.7
Distribution	**218.4**	213.7
External sales	**469.7**	419.0

3. Segmental analysis continued

Geographical information

The Group's significant operations are located in Canada, the United States, the United Kingdom and Benelux. The Entertainment division is located in all of these geographies. The Group's Distribution operations are located in Canada and the United States. The following table provides an analysis of the Group's revenue based on the location of the customer and the carrying amount of segment non-current assets by the geographical area in which the assets are located for the year ended 31 March:

	External revenues 2011 £m	**Non-current assets* 2011 £m**	External revenues 2010 £m	Non-current assets* 2010 £m
Continuing operations				
Canada	**224.1**	**117.8**	217.1	119.6
United States	**85.3**	**18.4**	76.5	23.7
United Kingdom	**110.9**	**25.1**	79.1	26.5
Rest of Europe	**39.6**	**42.8**	39.8	45.9
Other	**9.8**	**–**	6.5	–
	469.7	**204.1**	419.0	215.7

* Non-current assets by location exclude amounts relating to deferred tax assets.

4. Operating profit for the year

Operating profit for the year is stated after (crediting)/charging:

	Year ended 31 March 2011 £m	Year ended 31 March 2010 £m
Continuing operations		
Net foreign exchange gains	**(0.5)**	(0.1)
Amortisation of intangible assets (note 12)	**14.9**	16.9
Amortisation of investment in programmes (note 13)	**31.4**	18.8
Total depreciation of property, plant and equipment (note 14)	**1.7**	1.9
Operating lease rentals	**6.7**	6.9
Employee benefits (note 29)	**49.4**	42.4
One-off items (note 5)	**2.7**	1.6

During the year the Group obtained the following services from the Company's auditors:

	Year ended 31 March 2011 £m	Year ended 31 March 2010 £m
Audit fees		
– Fees payable for the audit of the Group's annual accounts	**0.4**	0.4
– Fees payable for the audit of the Group's subsidiaries	**0.1**	0.1
Other services		
– Services relating to corporate finance transactions	**0.3**	–
– Tax services	**0.5**	0.2
– Other services	**0.1**	0.1
	1.4	0.8

Notes to the Financial Statements continued
For the year ended 31 March 2011

5. One-off items

One-off items are items of income and expenditure that are non-recurring and, in the judgement of management, should be disclosed separately on the basis that they are material, either by their nature or their size, to provide a further understanding of the Group's financial performance and enable comparison of financial performance between periods. Items of income or expense that are considered by management for designation as one-off are as follows:

	Notes	**Year ended 31 March 2011 £m**	Year ended 31 March 2010 £m
Corporate restructuring	(a)	**1.9**	0.4
Acquisition costs	(b)	**0.8**	0.6
Other	(c)	**–**	0.6
		2.7	1.6

(a) Corporate restructuring

Restructuring costs in the current year of £1.9 million comprise the final costs incurred as part of the step up to a standard listing on the Main Market of the London Stock Exchange and concurrent corporate reorganisation. Prior year corporate restructuring costs include £0.4 million for the initial costs of the step up and corporate reorganisation.

(b) Acquisition costs

Acquisition costs relate mainly to the costs of acquiring the Hopscotch group of companies further detailed in note 24 and, in the prior year, to an abortive acquisition.

(c) Other

Other one-off costs in the prior year included the loss on disposal of an investment and legal costs relating to the rebranding of the Group.

The tax impact of one-off items was £0.4 million (2010: £0.3 million).

6. Finance income and finance costs

Finance income and finance costs comprise:

	Notes	**Year ended 31 March 2011 £m**	Year ended 31 March 2010 £m
Finance income			
Interest income		**–**	0.1
Gain on repurchase of exchangeable notes	(a)	**–**	7.3
Gain in fair value of derivative instruments (note 20)	(a)	**0.7**	0.4
		0.7	7.8
Finance costs			
Interest expense arising on bank loans and overdrafts		**(5.5)**	(5.6)
Amortisation of deferred finance charges		**(1.8)**	(2.0)
Interest expense arising on exchangeable notes		**(0.5)**	(2.5)
Loss on exercise of exchangeable notes option (note 21)	(a)	**(1.8)**	–
Loss in fair value of derivative instruments	(a)	**–**	(1.3)
		(9.6)	(11.4)
Net finance charges		**(8.9)**	(3.6)

(a) Items excluded from the calculation of adjusted earnings after tax in note 11.

7. Tax

	Year ended 31 March 2011 £m	Year ended 31 March 2010 £m
Current tax	**7.2**	4.7
Current tax adjustments in respect of prior years	**(0.3)**	1.0
Deferred tax origination and reversal of temporary differences	**(2.7)**	(1.7)
Deferred tax adjustments in respect of prior years	**0.4**	(0.3)
Deferred tax changes in tax rates or tax laws	**(0.1)**	(0.7)
Deferred tax asset write downs or reversals/(recognition)	**(0.5)**	(2.3)
Tax charge	**4.0**	0.7

7. Tax continued

The charge for the year can be reconciled to the profit in the income statement as follows:

	Year ended 31 March 2011		Year ended 31 March 2010	
	£m	**%**	£m	%
Profit before tax	**11.4**		8.0	
Taxes at applicable domestic rates	**2.9**	**25.4**	0.2	2.5
Effect of income that is exempt from taxation	**–**	**–**	(1.0)	(12.5)
Effect of expenses that are not deductible in determining taxable profit	**1.3**	**11.4**	1.1	13.8
Effect of deferred tax (recognition)/write downs or reversal	**(0.5)**	**(4.4)**	(2.3)	(28.8)
Effect of losses/temporary differences not recognised	**0.2**	**1.8**	2.2	27.5
Effect of irrecoverable withholding tax	**0.1**	**0.9**	0.5	6.3
Effect of tax rate changes	**(0.1)**	**(0.9)**	(0.7)	(8.8)
Prior year items	**0.1**	**0.9**	0.7	8.8
Income tax charge and effective tax rate for the year	**4.0**	**35.1**	0.7	8.8

Taxation is calculated at the rates prevailing in the respective jurisdictions. The standard tax rates in each jurisdiction are 30.1% in Canada (2010: 32.7%), 35.5% in the United States (2010: 35.5%), 28.0% in the United Kingdom (2010: 28.0%), 12.25% in Hungary (2010: 20.0%), 0.0% in Jersey (2010: 0.0%), and 25.4% in the Netherlands (2010: 25.5%).

8. Discontinued Operations

Discontinued operations refers to the non-core retail operation in Canada that was closed in the year.

The following presents the results of the discontinued operations which have been included in the consolidated income statement:

Income statement

	Year ended 31 March 2011 £m	Year ended 31 March 2010 £m
Revenue	**18.4**	25.2
Cost of sales	**(13.9)**	(18.0)
Gross profit	**4.5**	7.2
Administrative expenses (including one-off items)	**(9.9)**	(8.3)
Operating loss and loss before tax	**(5.4)**	(1.1)
Income tax credit	**1.6**	0.4
Loss for the year from discontinued operations	**(3.8)**	(0.7)

During the year the Retail business contributed a £0.7 million (2010: £0.4 million) outflow to the Group's net operating cash flows. There were no investing or financing activities.

9. Deferred tax assets and liabilities

The following are the major deferred tax assets and liabilities recognised by the Group and movements thereon during the year.

	Accelerated tax depreciation £m	Intangible assets £m	Unused tax losses £m	Other £m	Total £m
At 31 March 2009	(0.3)	(13.9)	2.2	(0.7)	(12.7)
Prior year items	(0.2)	(0.5)	0.3	0.7	0.3
Credit/(charge) to income	0.1	3.0	(1.3)	2.2	4.0
Credit/(charge) to equity	–	–	–	(0.1)	(0.1)
Exchange differences	–	(0.8)	0.2	(0.1)	(0.7)
Effect of change in tax rates	–	0.6	–	–	0.6
At 31 March 2010	(0.4)	(11.6)	1.4	2.0	(8.6)
Prior year items	(0.3)	–	–	(0.1)	(0.4)
Credit/(charge) to income	0.3	3.7	(0.4)	(0.4)	3.2
Credit/(charge) to equity	–	–	–	0.3	0.3
Exchange differences	–	0.1	0.1	(0.2)	–
Effect of change in tax rates	–	0.3	–	(0.1)	0.2
At 31 March 2011	**(0.4)**	**(7.5)**	**1.1**	**1.5**	**(5.3)**

Notes to the Financial Statements continued
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9. Deferred tax assets and liabilities continued
The deferred tax balances have been reflected in the balance sheet as follows:

	31 March 2011 £m	31 March 2010 £m
Deferred tax assets	**4.2**	2.0
Deferred tax liabilities	**(9.5)**	(10.6)
	(5.3)	(8.6)

Utilisation of deferred tax assets is dependent on the future profitability of the Group. The Group has recognised deferred tax assets totalling £1.1 million (2010: £1.4 million) in relation to tax losses carried forward and £2.0 million (2010: nil) relating to intangible assets, as the Group considers that, on the basis of forecasts, there will be sufficient taxable profits in the future against which these losses will be offset.

At the balance sheet date, the Group has unrecognised deferred tax assets of £6.7 million (2010: £10.5 million) relating to tax losses and other temporary differences available for offset against future profits. The assets have not been recognised due to the unpredictability of future profit streams. Included in unrecognised deferred tax assets are £4.1 million, £0.9 million and £0.7 million (2010: £5.2 million) relating to losses that will expire by 2029, 2030 and 2031 respectively. Other losses expired as a result of the Group's restructuring in July 2010.

At the balance sheet date, the aggregate amount of temporary differences associated with undistributed earnings of subsidiaries for which deferred tax liabilities have not been recognised was nil (2010: £13.1 million). No liability was recognised in respect of these differences in the prior year because the Group was in a position to control the timing of the reversal of the temporary differences and it was not probable that such differences would not reverse in the foreseeable future.

The 2011 UK budget (delivered on 23 March 2011) announced a reduction to the UK corporation tax rate, causing the rate to fall from 28% to 26% effective from 1 April 2011. A resolution was passed by the UK Parliament to substantively enact the 26% rate on 29 March 2011. The 26% rate has been reflected in the calculation of deferred tax. The UK Government has also indicated that it intends to introduce further reductions in the main corporate tax rate, with the rate falling by 1% each year down to 23% by 1 April 2014. These further reductions to the tax rates, whilst announced, have not been substantively enacted at the balance sheet date and are therefore not reflected in these financial statements.

The Dutch Finance State Secretary proposed a rate change from 25% to 24% for corporate income tax, which would enter into effect on 1 January 2012, and would result in a reduction of deferred tax liabilities of £0.1 million.

There were no temporary differences arising in connection with interests in joint ventures.

10. Dividends
The directors are not recommending payment of a dividend (2010: nil).

11. Earnings per share

	31 March 2011			31 March 2010		
	Continuing operations Pence	Discontinued operations Pence	Total Pence	Continuing operations Pence	Discontinued operations Pence	Total Pence
Basic earnings per share	**4.5**	**(2.3)**	**2.2**	5.1	(0.5)	4.6
Diluted earnings per share	**4.1**	**(2.1)**	**2.0**	4.8	(0.5)	4.3
Adjusted basic earnings per share	**14.3**			12.8		
Adjusted diluted earnings per share	**13.0**			11.9		

Basic earnings per share has been calculated by dividing the earnings/(loss) attributable to shareholders by the weighted average number of shares in issue during the year, after deducting Treasury shares.

The adjusted basic earnings per share calculation is based on the basic earnings per share calculation after allowing for adjusted items. It is shown in order to highlight the underlying performance of the Group.

Diluted and adjusted diluted earnings per share have been calculated after adjusting the weighted average number of shares used in the basic and adjusted basic calculation to assume the conversion of all potentially dilutive shares.

11. Earnings per share continued

Reconciliations of the profit and loss used in the basic and diluted earnings calculations to profit and loss used in the adjusted earnings per share calculations are set out below.

	31 March 2011			31 March 2010		
	Continuing operations £m	**Discontinued operations £m**	**Total £m**	Continuing operations £m	Discontinued operations £m	Total £m
For basic and diluted earnings per share						
Profit/(loss) for the financial year	**7.4**	**(3.8)**	**3.6**	7.3	(0.7)	6.6
For adjusted basic and diluted earnings per share						
Profit for the financial year	**7.4**			7.3		
Add back:						
One-off items	**2.7**			1.6		
Amortisation of acquired intangibles	**14.6**			17.3		
Share-based payment charge	**2.5**			2.7		
Financing net fair value movements	**(0.7)**			0.9		
One-off financing movements	**1.8**			(7.3)		
Direct tax effect of above items	**(4.8)**			(4.2)		
Adjusted earnings after tax	**23.5**			18.3		

Weighted average number of shares in issue	**2011 Million**	2010 Million
Basic	**163.9**	142.6
Dilution for share options	**16.2**	11.0
	180.1	153.6

12. Intangibles

	Goodwill £m	Acquired intangibles £m	Software £m	Total £m
Cost				
Cost at 1 April 2009	99.7	114.1	2.0	215.8
Additions	0.2	–	1.0	1.2
Reclassification	–	–	0.1	0.1
Exchange differences	5.1	8.2	0.5	13.8
Cost at 31 March 2010	105.0	122.3	3.6	230.9
Additions	–	–	0.6	0.6
Exchange differences	(1.2)	(2.2)	–	(3.4)
Cost at 31 March 2011	**103.8**	**120.1**	**4.2**	**228.1**
Amortisation				
Amortisation at 1 April 2009	–	(28.6)	(0.1)	(28.7)
Charge for the year	–	(16.7)	(0.2)	(16.9)
Reclassification	–	–	(0.1)	(0.1)
Exchange differences	–	(2.8)	–	(2.8)
Amortisation at 31 March 2010	–	(48.1)	(0.4)	(48.5)
Charge for the year	–	(14.2)	(0.7)	(14.9)
Exchange differences	–	1.0	–	1.0
Amortisation at 31 March 2011	**–**	**(61.3)**	**(1.1)**	**(62.4)**
Carrying amount at 31 March 2010	105.0	74.2	3.2	182.4
Carrying amount at 31 March 2011	**103.8**	**58.8**	**3.1**	**165.7**

Acquired intangible assets are those intangible assets purchased as part of an acquisition and include exclusive content and distribution agreements and libraries, trade names and brands, customer relationships and non-compete agreements.

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For the year ended 31 March 2011

12. Intangibles continued
Goodwill
Goodwill acquired in business combinations is allocated to the cash generating units (CGUs) that are expected to benefit from that business combination. Entertainment comprises Filmed Entertainment and U.S. Music, Distribution comprises Canada and U.S. Distribution.

Impairment testing for goodwill
The Group tests goodwill annually for impairment or more frequently if there are indications that goodwill might be impaired. An impairment loss is recognised if the carrying value of a CGU exceeds its recoverable amount.

The recoverable amount of a CGU is determined from "value in use" calculations based on the net present value of discounted cash flows. In assessing value in use, the estimated future cash flows are derived from the most recent financial budget and three year forecasts and an assumed growth rate. A terminal value is calculated by discounting using an appropriate weighted discount rate. Any impairment losses are recognised in the income statement as an expense.

Key assumptions used in value in use calculation
Key assumptions used in the value in use calculations for each CGU are set out below:

CGU	Discount rate	Terminal growth rate	Period of specific cashflows
Entertainment	13%	3%	5 years
Distribution – Canada	10%	-3%	5 years
Distribution – U.S.	11%	1.5%	5 years

The calculations of the value in use for all CGUs are most sensitive to the operating profit, discount rate and growth rate assumptions.

Operating profits – Operating profits are based on budgeted increases in revenue resulting from new investment in content rights, investment in TV productions and growth in the relevant markets.

Discount rates – A pre-tax discount rate is applied to calculate the net present value of the CGU. The pre-tax discount rate is based on the Group WACC of 11%. The discount rate is amended where specific country and operational risks are sufficiently significant to have a material impact on the outcome of the impairment test.

Terminal growth rate estimates – The terminal growth rates range from -3% to +3% (2010: 0% to +3%) beyond the end of year five and do not exceed the long-term projected growth rates for the relevant market.

Period of specific cash flows – Specific cash flows reflect the period of detailed forecasts prepared as part of the Group's annual planning cycle.

The carrying value of goodwill, translated at year-end exchange rates is allocated as follows:

CGU	**31 March 2011 £m**	31 March 2010 £m
Entertainment	**68.3**	68.7
Distribution – Canada	**22.9**	23.2
Distribution – U.S.	**12.6**	13.2
	103.8	105.1

Sensitivity to change in assumptions
With regard to the assessment of value in use of the CGUs, calculations show that in Entertainment there is significantly in excess of £50 million headroom when compared to current carrying values and consequently management believes that no reasonable change in the above key assumptions would cause the carrying value of the units to materially exceed their recoverable amount. Underlying EBITDA used in the terminal value calculations would need to decrease by more than 50% before headroom is eliminated.

Distribution – Canada calculations show headroom in excess of £20 million when compared to current carrying values. This is lower than the headroom in the prior year as forecasts have been updated to reflect management's latest views of the future prospects for the market and the impact on the business. Underlying EBITDA used in the terminal value calculations would need to decrease by approximately 50% before headroom is eliminated.

Distribution – U.S. was impaired in March 2009 and calculations this year show a similar value in use. Consequently any future deterioration in the key variables used in the value in use calculation may result in a further assessment of the carrying value of goodwill needing to be carried out.

13. Investment in programmes

	Investment in programmes 31 March 2011 £m	Productions in progress 31 March 2011 £m	Total 31 March 2011 £m	Total 31 March 2010 £m
Cost				
Amounts brought forward	**58.6**	**2.2**	**60.8**	32.7
Additions	**–**	**37.8**	**37.8**	21.4
Transfers	**29.9**	**(29.9)**	**–**	–
Exchange differences	**–**	**0.1**	**0.1**	6.7
Amounts carried forward	**88.5**	**10.2**	**98.7**	60.8
Amortisation				
Amounts brought forward	**(34.8)**	**–**	**(34.8)**	(13.2)
Charge for the year	**(31.4)**	**–**	**(31.4)**	(18.8)
Exchange differences	**(0.1)**	**–**	**(0.1)**	(2.8)
Amounts carried forward	**(66.3)**	**–**	**(66.3)**	(34.8)
Net carrying amount	**22.2**	**10.2**	**32.4**	26.0

Included in amortisation above is £0.4 million (2010: £0.6 million) attributable to programmes valued on acquisition of subsidiaries and charged to administrative expenses.

Borrowing costs of £0.7 million (2010: £0.6 million) on the Canadian Television interim production financing were included in the cost of investment in programmes during the year.

14. Property, plant and equipment

	Notes	Leasehold improvements £m	Fixtures, fittings and equipment £m	Total £m
Cost				
Cost at 31 March 2009		1.2	8.4	9.6
Additions		0.3	0.7	1.0
Reclassification		0.2	(0.2)	–
Exchange differences		0.2	0.4	0.6
Cost at 31 March 2010		1.9	9.3	11.2
Additions		0.2	0.8	1.0
Disposals		(0.9)	(0.4)	(1.3)
Exchange differences		(0.1)	(0.3)	(0.4)
Cost at 31 March 2011		**1.1**	**9.4**	**10.5**
Depreciation				
Depreciation at 1 April 2009		(0.3)	(2.8)	(3.1)
Charge for the year	(a)	(0.4)	(1.7)	(2.1)
Exchange differences		(0.2)	(0.4)	(0.6)
At 31 March 2010		(0.9)	(4.9)	(5.8)
Charge for the year		(0.3)	(1.4)	(1.7)
Disposals		0.7	0.2	0.9
Exchange differences		–	0.1	0.1
Accumulated depreciation at 31 March 2011		**(0.5)**	**(6.0)**	**(6.5)**
Carrying amount at 31 March 2010		1.0	4.4	5.4
Carrying amount at 31 March 2011		**0.6**	**3.4**	**4.0**

(a) Included within the depreciation charge in the prior year is £0.2 million relating to completion of a prior year restructuring, which is classified within one-off items, and £0.2 million charge for discontinued operations.

15. Inventories

Inventories comprise finished goods of £56.5 million (2010: £47.8 million).

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16. Investment in content rights

	31 March 2011 £m	31 March 2010 £m
Carrying value at beginning of year	**65.3**	47.7
Additions	**55.7**	52.9
Amortisation charge for the year	**(43.0)**	(37.6)
Exchange differences	**(0.7)**	2.3
Carrying value at end of year	**77.3**	65.3

17. Trade and other receivables

	31 March 2011 £m	31 March 2010 £m
Current		
Trade receivables	**64.6**	73.5
Less: Amounts provided for doubtful debts	**(1.5)**	(1.4)
	63.1	72.1
Other receivables	**33.1**	33.3
Prepayments and accrued income	**12.7**	8.8
Trade and other receivables	**108.9**	114.2
Non-current		
Other receivables	**2.0**	1.9

Trade receivables are generally non-interest bearing. The average credit period taken on sales is 62 days (2010: 70 days).

Trade receivables are provided for based on estimated irrecoverable amounts, determined by reference to past default experience and assessment of the current economic environment.

Included in the Group's trade receivable balance are debtors with a carrying amount of £15.8 million (2010: £10.7 million) which are past due at the reporting date for which the Group has not provided as there has not been a significant change in credit quality and the amounts are still considered recoverable.

Ageing of past due but not impaired receivables:

	31 March 2011 £m	31 March 2010 £m
Less than 60 days	**9.4**	6.8
Between 60–90 days	**2.4**	0.7
More than 90 days	**4.0**	3.2
Total	**15.8**	10.7

The Group does not hold any collateral over these balances.

Movement in the amounts provided for doubtful debts:

	31 March 2011 £m	31 March 2010 £m
Opening balance	**(1.4)**	(2.3)
Impairment losses recognised	**(0.7)**	(0.9)
Impairment losses reversed	**0.1**	0.2
Amounts recovered during the year	**–**	0.2
Amounts written off as uncollectable	**0.5**	1.5
Exchange differences	**–**	(0.1)
Closing balance	**(1.5)**	(1.4)

In determining the recoverability of a trade receivable the Group considers any change to the credit quality of the trade receivable from the date credit was initially granted up to the reporting date.

Management has credit policies in place and the exposure to credit risk is monitored by individual operating divisions on an ongoing basis. The Group has no significant concentration of credit risk, with exposure spread over a large number of counterparties and customers.

17. Trade and other receivables continued

Ageing of impaired receivables:

	31 March 2011 £m	31 March 2010 £m
Less than 60 days	**(0.1)**	(0.1)
Between 60–90 days	**–**	–
More than 90 days	**(1.4)**	(1.3)
Total	**(1.5)**	(1.4)

Trade and other receivables are held in the following currencies as at 31 March, with those balances held in currencies other than Pounds Sterling converted at the exchange rate at the balance sheet date:

	Pounds Sterling £m	Euros £m	Canadian Dollars £m	U.S. Dollars £m	Other £m	Total £m
Current	22.2	5.0	73.2	13.7	0.1	114.2
Non-current	–	–	1.5	0.4	–	1.9
As at 31 March 2010	22.2	5.0	74.7	14.1	0.1	116.1
Current	12.7	8.8	63.9	22.9	0.6	108.9
Non-current	–	–	1.6	0.4	–	2.0
As at 31 March 2011	**12.7**	**8.8**	**65.5**	**23.3**	**0.6**	**110.9**

The directors consider that the carrying amount of trade and other receivables approximates to their fair value.

Included within other receivables is £20.9 million (2010: £19.3 million) relating to government grants owing to the TV production businesses.

18. Cash and cash equivalents

Cash and cash equivalents are held in the following currencies (those held in currencies other than Pounds Sterling have been converted at the exchange rate ruling at the balance sheet date):

	31 March 2011 £m	31 March 2010 £m
Pounds Sterling	**18.6**	2.2
U.S. Dollars	**2.3**	3.7
Canadian Dollars	**5.7**	11.1
Euros	**2.6**	1.6
	29.2	18.6

The credit risk on cash and cash equivalents is limited because the counterparties are banks with high credit-ratings assigned by international credit-rating agencies.

At 31 March 2011 the Group held £15 million in short-term deposits. Short-term deposits are made at varying periods of between one day and three months depending on the cash requirements of the Group and earn interest at the respective short-term deposit rate.

The directors consider that the carrying amount of cash and cash equivalents approximates to their fair value.

19. Trade and other payables

	31 March 2011 £m	31 March 2010 £m
Current		
Trade payables	**76.9**	84.1
Accruals and deferred income	**93.5**	78.1
Other payables	**9.0**	15.4
Trade and other payables	**179.4**	177.6
Non-current		
Other payables	**1.2**	0.5

Trade and other payables principally comprise amounts outstanding for trade purchases and ongoing costs. For most suppliers no interest is charged but for overdue balances interest is charged at various interest rates.

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19. Trade and other payables continued
Trade and other payables are held in the following currencies (those held in currencies other than Pounds Sterling have been converted at the exchange rate at the balance sheet date):

	Pounds Sterling £m	Euros £m	Canadian Dollars £m	U.S. Dollars £m	Total £m
Current	34.9	10.8	108.3	23.6	177.6
Non-current	–	–	0.5	–	0.5
As at 31 March 2010	34.9	10.8	108.8	23.6	178.1
Current	38.2	12.1	106.4	22.7	179.4
Non-current	–	–	1.2	–	1.2
As at 31 March 2011	**38.2**	**12.1**	**107.6**	**22.7**	**180.6**

The directors consider that the carrying amount of trade and other payables approximates to their fair value.

20. Other financial assets and liabilities

	31 March 2011 £m	31 March 2010 £m
Other financial assets		
Foreign exchange forward contracts	**–**	0.5
Total other financial assets	**–**	0.5
Other financial liabilities		
Interest rate derivatives	**(1.1)**	(1.8)
Foreign exchange forward contracts	**(0.7)**	–
Embedded equity option	**–**	(0.4)
Total other financial liabilities	**(1.8)**	(2.2)
Net other financial assets and liabilities	**(1.8)**	(1.7)

Interest rate derivatives
Included in interest rate derivatives above are an interest rate collar ("collar") and interest rate swaps ("swaps") which the Group puts in place to limit interest rate risk.

The notional principal amount of the outstanding collar at 31 March 2011 was £10.0 million (2010: €9.7 million and £10.0 million). The Euro collar matured during the year. The collar carries a cap rate of 7.00% (Pounds Sterling) and a floor rate of 4.87% (Pounds Sterling). The collar incorporates a kick-in rate of 6.25% should the interest rate on the quarterly settlement dates fall below the floor rate of 4.87%. The collar is recognised at fair value which is determined using the discounted cash flow method based on market data. The marked to market value of the collar was £0.7 million (Pounds Sterling) (2010: £1.1 million (Pounds Sterling) and £0.1 million (Euro)).

The notional principal amounts of the outstanding swaps at 31 March 2011 were US$8.8 million, €8.3 million, £6.4 million and C$30.5 million (2010: US$10.3 million, €8.3 million, £9.1 million and C$42.7 million). The swaps carry fixed rates of 1.84%, 3.49%, 2.83% and 1.70% respectively. These swaps are recognised at fair value which is determined using the discounted cash flow method based on market data. The currency split of the marked to market values of the swaps was £0.1 million (U.S. Dollars), £0.2 million (Euro), £0.1 million (Pounds Sterling) and £0.0 million (Canadian Dollars) (2010: £0.1 million (U.S. Dollars), £0.2 million (Euro), £0.2 million (Pounds Sterling) and £0.0 million (Canadian Dollars)).

Currency derivatives
The Group uses forward currency contracts to hedge transactional exposures. These contracts are denominated in U.S. Dollars and primarily cover minimum guarantee payments in Canada, the UK and Benelux. At 31 March 2011 the total notional principal amount of outstanding currency contracts was €5.9 million, C$12.2 million and £14.1 million (2010: €6.1 million and £7.4 million).

The embedded equity option arising from the exchangeable notes (2010: £0.4 million) was extinguished following exercise of the options by the option holder in November 2010.

21. Interest bearing loans and borrowings

	31 March 2011 £m	31 March 2010 £m
Bank borrowings and overdrafts	**67.8**	75.0
Exchangeable notes	**–**	5.6
Interim production financing	**22.1**	24.0
Total borrowings	**89.9**	104.6
Amount due for settlement within 12 months	**19.2**	18.4
Amount due for settlement after 12 months	**70.7**	86.2

The carrying amounts of the Group's borrowings as at 31 March are denominated in the following currencies:

	Pounds Sterling £m	Euros £m	Canadian Dollars £m	U.S. Dollars £m	Total £m
Bank borrowings	14.8	9.3	36.1	14.8	75.0
Exchangeable notes	5.6	–	–	–	5.6
Interim production financing	–	–	22.7	1.3	24.0
As at 31 March 2010	20.4	9.3	58.8	16.1	104.6
Bank borrowings	10.6	9.2	33.3	14.7	67.8
Interim production financing	–	–	19.0	3.1	22.1
As at 31 March 2011	**10.6**	**9.2**	**52.3**	**17.8**	**89.9**

The directors consider that the carrying amount of interest bearing loans and borrowings approximates to their fair value.

The principal features of the Group's borrowings are as follows:

(i) The Group has a four year multi-currency secured revolving credit facility with a syndicate of banks managed by JP Morgan Chase Bank N.A. The facility may be funded in U.S. Dollars, Canadian Dollars, Sterling or Euro with repayment due on 18 September 2012. These interest bearing loans and borrowings are secured by the assets of the Group. The facility at 31 March 2011 at closing exchange rates was $175 million.

(ii) At 31 March 2011, the Group had available £40.4 million (2010: £39.8 million) of undrawn committed borrowing facilities under the JPM facility in respect of which all conditions precedent had been met.

(iii) In November 2010 the holder of all of the outstanding exchangeable notes exercised their option to convert the notes into equity of Entertainment One Ltd. (note 31). At 31 March 2011 there were no exchangeable notes outstanding.

(iv) The TV production businesses have Canadian Dollar and U.S. Dollar interim production credit facilities with various banks bearing interest at bank prime rate plus a margin. Amounts drawn down under these facilities at 31 March 2011 were £22.1 million (2010: £24.0 million). These facilities are secured by the future revenue of the individual television production businesses.

The weighted average interest rates on all bank borrowings are not materially different from their nominal interest rates. The weighted average interest rate on all interest bearing loans and borrowings is 6.1% (2010: 6.3%).

22. Provisions

	Discontinued operations £m	Other £m	Total £m
At 31 March 2010	–	0.5	0.5
Additional provision in the year	1.9	–	1.9
Utilised in the year	(0.2)	(0.1)	(0.3)
As at 31 March 2011	**1.7**	**0.4**	**2.1**

Provisions consist of amounts in respect of the Retail store closure outlined in note 8 and include termination payments and onerous lease costs. In the prior year provisions primarily related to non-recurring restructuring, severance and warehouse closure costs to be incurred in delivery of cost-reduction measures. All amounts are due for settlement within 12 months.

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23. Capital and other reserves
Share capital and share premium
Changes to the number of issued shares since 31 March 2010 are as follows:

	Ordinary shares	S Class shares	Common shares
At 1 April 2010	151,926,963	15,620,395	–
Impact of the Scheme of Arrangement	(151,926,963)	(15,620,395)	167,547,358
Shares issued on exercise of share options	–	–	2,419,848
Shares issued on exercise of exchangeable notes option	–	–	7,490,307
Issue of new shares for cash	–	–	10,000,000
As at 31 March 2011	**–**	**–**	**187,457,513**

Changes to the Company's capital since 31 March 2010 are as follows:

	Share capital £m	Share premium £m	Other reserves £m	Total capital and other reserves £m
At 1 April 2010	0.8	138.2	13.9	152.9
Conversion of S Class shares	–	12.9	(12.9)	–
Issue of shares in new Parent Company	(0.8)	(8.5)	9.3	–
At 1 April 2010 (restated)	–	142.6	10.3	152.9
Shares issued on exercise of share options	–	1.0	–	1.0
Shares issued on exercise of exchangeable notes option	–	8.3	–	8.3
Issue of new shares for cash	–	15.3	–	15.3
Movements in other reserves	–	–	(1.0)	(1.0)
As at 31 March 2011	**–**	**167.2**	**9.3**	**176.5**

In July 2010, pursuant to shareholder approval and a Scheme of Arrangement ("the Scheme") sanctioned by the Cayman Islands Court, the place of incorporation of the ultimate Parent Company changed from the Cayman Islands to Canada. In addition 151,926,963 ordinary shares and 15,620,395 S Class shares of the Company, representing 100% of the Company's issued share capital, were exchanged for an equal number of common shares (being 167,547,358 common shares) of Entertainment One Ltd., a newly incorporated Canadian company. Common shares of the new Canadian company have no par value and the authorised number of common shares is unlimited.

During the year 2,419,848 shares were issued to employees exercising share options granted under various schemes. The total consideration received on the exercise of these options was £1.0 million. In November 2010 the Company issued 7,490,307 common shares at £1.11 each (£8.3 million net of costs) in relation to the holder's exercise of their interest in the exchangeable notes as detailed in note 21. In March 2011 the Company issued 10,000,000 common shares at £1.60 each (£15.3 million net of costs) in an institutional placing.

Treasury shares
At 31 March 2011, 7,595,286 (2010: 7,595,286) of the issued capital was held as Treasury Shares by the Employee Benefit Trusts to satisfy the exercise of options under the Group's share option schemes (note 33), with a book value of £7.8 million (2010: £7.8 million).

Other reserves
Other reserves include: four million share warrants issued to Marwyn Value Investors L.P. on the completion of the acquisition of Entertainment One Income Fund in 2007, accounted for as a share-based payment under IFRS 2 with a fair value of £0.6 million (2010: £0.6 million) (note 33); a permanent restructuring reserve of £9.3 million which arose on completion of the Scheme and represents the difference between the net assets and share capital and share premium in the ultimate Parent Company immediately prior to the Scheme; and cash flow hedging reserve of (£0.7) million (2010: £0.4 million).

24. Acquisitions
On 13 May 2011 the Group acquired 100% of the issued share capital of the Hopscotch group of companies ("Hopscotch"). Hopscotch is an Australian film distribution group based in Sydney focused on independent international titles alongside Australian content. Hopscotch was acquired in line with the Group's strategy to expand internationally thereby enhancing its multi-territory offering.

Consideration is AU$20 million (£13.1 million) subject to working capital adjustments, comprising AU$10 million paid in cash (excluding directly attributable acquisition costs) and AU$10 million was satisfied by the allotment of common shares to the vendors.

The initial accounting for the acquisition is incomplete due to completion of the acquisition occurring after the year end.

Amounts recognised in the cash flow statement for acquisitions in the year to 31 March 2011 relate to the final tranche of earn-out payments in relation to the Canadian television businesses acquired in 2008.

25. Net debt

	Year ended 31 March 2011 £m
At 31 March 2010	**(86.0)**
Movement in cash and cash equivalents	**10.9**
Net movement in borrowings	**9.1**
Reduction in exchangeable notes	**6.2**
Other items	**(2.2)**
Foreign exchange movements	**1.3**
At 31 March 2011	**(60.7)**

26. Contingent liabilities and commitments

Operating lease commitments

The Group operates from properties in respect of which commercial operating leases have been entered into.

At the balance sheet date, the Group had outstanding commitments for future minimum lease payments under non-cancellable operating leases, which fall due as follows:

	Year ended 31 March 2011 £m	Year ended 31 March 2010 £m
Within one year	**4.8**	6.5
In the second to fifth years inclusive	**9.9**	12.5
After five years	**1.1**	2.0
	15.8	21.0

Future capital expenditure (including investment in content rights)

	Year ended 31 March 2011 £m	Year ended 31 March 2010 £m
Contracted for but not provided	**45.0**	44.3

27. Subsidiaries

Details of the Company's principal subsidiary undertakings at 31 March 2011 are as follows:

Name	Country of incorporation	Principal activity
Entertainment One UK Limited (formerly E1 Entertainment UK Limited)	England and Wales	Content ownership
Entertainment One Benelux BV (formerly E1 Entertainment Benelux BV)	Holland	Content ownership
Entertainment One Limited Partnership	Canada	Content ownership & distribution
Seville Pictures Inc.	Canada	Content ownership
Entertainment One Films Canada Inc. (formerly E1 Films Canada Inc.)	Canada	Content ownership
Videoglobe 1 Inc.	Canada	Distribution
Entertainment One US LP (formerly E1 Entertainment US LP)	U.S.	Content ownership & distribution
7508999 Canada Inc.	Canada	Holding company
4384768 Canada Inc. (merged with 6972501 Canada Inc in 2010)	Canada	Holding company
Earl Street Capital Inc.	U.S.	Holding company
Entertainment One UK Holdings Limited (formerly E-One UK Limited)	England and Wales	Holding company
Entertainment One Holding Holland BV (formerly E1 Entertainment Holding Holland BV)	Holland	Holding company
Entertainment One Television BAP Ltd.	Canada	TV Production
Entertainment One Television International Ltd. (formerly E1 Television International Ltd.)	Canada	Film & TV sales & distribution
Entertainment One Television Productions Ltd. (formerly E1 Television Productions Inc.)	Canada	TV Production

All companies other than 7508999 Canada Inc. are owned through intermediate holding companies.

The percentage of voting rights held of each subsidiary is 100% except for 4384768 Canada Inc which is 49% although the Group also owns 100% of the non-voting shares.

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27. Subsidiaries continued
All of the above subsidiary undertakings have been consolidated in the Group financial statements under the acquisition method of accounting.

4384768 Canada Inc. has been included as a subsidiary because management are in a position to direct the operations of this company. No minority interest is being recognised because the Group is entitled to all of the economic benefits through ownership of the non-voting equity. On 1 April 2011 the remaining 51% of share capital was acquired for a nominal amount.

28. Investment in joint ventures
Details of the Group's significant joint ventures at 31 March 2011 are as follows:

Name	Country of incorporation	Proportion held	Principal activity
One Voice Media Inc.	Canada	51%	Advertising
Get Lucky Television Productions II Inc.	Canada	51%	TV Production
7093438 Canada Inc.	Canada	51%	TV Production
Rookie Blue Two Inc.	Canada	51%	TV Production
MWB 1 Productions Inc.	Canada	50%	TV Production
7552980 Canada Inc.	Canada	49%	TV Production
HOW Productions Inc.	Canada	49%	TV Production
Shattered Productions I Ltd.	Canada	49%	TV Production
Meet Phil Productions Inc.	Canada	30%	TV Production

Contractual arrangements establish joint control over each joint venture listed above. No single venturer is in a position to control the activity unilaterally.

Effect of proportional consolidation of joint ventures
The following presents, on a condensed basis, the effect of including joint ventures in the Group financial statements using proportional consolidation:

Income statement

	Year ended 31 March 2011 £m	Year ended 31 March 2010 £m
Revenue	**6.2**	4.1
Cost of sales	**(3.5)**	(2.4)
Administrative expenses	**(0.1)**	(0.3)
Profit before tax	**2.6**	1.4
Income tax (expense)/credit	**(0.1)**	0.3
Profit after tax	**2.5**	1.7

Balance sheet

	31 March 2011 £m	31 March 2010 £m
Investment in programmes	**2.4**	7.1
Trade and other receivables	**12.2**	5.1
Cash and cash equivalents	**0.4**	0.9
Total assets	**15.0**	13.1
Trade and other payables	**13.3**	12.3
Equity shareholders' funds	**1.7**	0.8
Total equity and liabilities	**15.0**	13.1

29. Employee benefits

The average monthly number of employees (including executive directors) on a continuing basis was:

	Year ended 31 March 2011	Year ended 31 March 2010
Canada	**762**	749
United States	**214**	197
United Kingdom	**86**	71
Rest of Europe	**42**	42
	1,104	1,059

Their aggregate remuneration comprised:

	Year ended 31 March 2011 £m	Year ended 31 March 2010 £m
Wages and salaries	**41.9**	35.4
Share-based payment charge	**2.5**	2.7
Social security costs	**4.0**	3.3
Pension costs	**1.0**	1.0
	49.4	42.4

30. Directors and key management compensation

The remuneration of the executive directors, who are the key management personnel of the Group, is set out below.

	Year ended 31 March 2011 £m	Year ended 31 March 2010 £m
Short-term employee benefits	**2.6**	1.9
Share-based payment charge	**0.4**	1.2
	3.0	3.1

Further details of directors emoluments (unaudited) can be found in the Directors Remuneration Report on pages 38 to 40.

31. Related party transactions

Transactions between the Company and its subsidiaries, which are related parties, have been eliminated on consolidation and are not disclosed in this note.

Marwyn Value Investors L.P. held 75,424,894 common shares in the Company as at 31 March 2011 (2010: 69,141,393), amounting to 40.2% (2010: 41.3%) of the issued capital of the Company. In addition, Marwyn Value Investors L.P. holds warrants over 4 million common shares (2010: 4 million). Marwyn Value Investors L.P. is deemed to be a related party of Entertainment One Ltd. by virtue of this significant shareholding. During the year Marwyn Value Investors L.P. exercised £5.1 million (at nominal value) of exchangeable notes for 7,490,307 shares in the Company.

James Corsellis and Mark Watts are partners of Marwyn Capital LLP, partners of Marwyn Investment Management LLP, directors of Marwyn Partners Limited and directors of Marwyn Investments Group Limited and are therefore deemed to be related parties of Entertainment One Ltd. by virtue of a common director or member.

During the year the Company paid fees of £0.5 million (2010: £0.2 million) to Marwyn Capital LLP for corporate finance advisory services under the terms of their advisory agreement pursuant to which Marwyn Capital agreed to provide general strategic and corporate financial services to the Company for a fixed monthly fee of £15,000 plus expenses with additional fees for each corporate transaction to be agreed.

At 31 March 2011 the Group owed Marwyn Capital LLP £0.1 million (2010: £0.0 million). The amounts outstanding are unsecured and will be settled in cash. No guarantees have been given or received.

Robert Lantos is owner of Serendipity Point Films ("Serendipity"). The Group has an output agreement with Serendipity covering distribution of all Serendipity titles within the Canadian market. Serendipity also co-produces a number of TV productions with the Group. The Group owed Serendipity £0.7 million at 31 March 2011 (2010: £0.2 million). In the prior year, included in other payables were amounts owing to an entity over which Robert Lantos has a beneficial interest in respect of final amounts due following the purchase of the TV businesses in September 2008. The TV businesses were acquired prior to Mr Lantos becoming a director of the Company.

During the year payments of £0.9 million (2010: £1.2 million) were made to One Voice Media Inc., a joint venture of the Group (note 28). The Group owed £0.2 million (2010: £0.2 million) to One Voice Media Inc. as at 31 March 2011.

The Group owed £0.4 million (2010: £0.5 million) to its joint venture television production companies and was owed £2.1 million (2010: £0.2 million) by its joint venture television production companies as at 31 March 2011.

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For the year ended 31 March 2011

32. Events after the balance sheet date
On 13 May 2011, the Group completed its acquisition of the Hopscotch group of companies, an Australian film distribution group based in Sydney. Further details are included in Note 24.

33. Share-based payments
Equity-settled share schemes
The Group has a number of equity-settled share-based payment schemes for its employees and directors. These are the Executive Share Plan ("ESP"), the Employee Benefit Trust ("EBT") and the Management Participation Scheme ("MPS"). The total charge in the year relating to the three schemes was £2.5 million (2010: £2.7 million). Details of grants to directors during the year are given in the Directors' Remuneration Report on pages 38 to 40.

Executive Share Plan	**2011 (number) Million**	**2011 Weighted average exercise price (pence)**	2010 (number) Million	2010 Weighted average exercise price (pence)
Outstanding at beginning of year	**10.7**	**19.2**	12.5	19.2
Granted	**2.2**	**1.0**	0.9	19.1
Lapsed	**(1.4)**	**51.8**	(2.7)	–
Exercised	**(2.4)**	**41.4**	–	–
Outstanding at end of year	**9.1**	**10.2**	10.7	19.2
Exercisable	**5.9**	**4.8**	7.2	11.7

Employee Benefit Trust	**2011 (number) Million**	**2011 Weighted average exercise price (pence)**	2010 (number) Million	2010 Weighted average exercise price (pence)
Outstanding at beginning of year	**5.1**	**–**	5.9	–
Granted	**–**	**–**	0.1	–
Lapsed	**(1.0)**	**–**	(0.9)	–
Outstanding at end of year	**4.1**	**–**	5.1	–
Exercisable	**4.1**	**–**	3.4	–

The contractual life of an option under these schemes is between three and five years. The weighted average contractual life remaining of the ESP options in existence at the end of the year was 2.2 years (2010: 2.3 years) and their weighted average exercise price was 10.2 pence (2010: 16 pence). The weighted average share price at the date of exercise for share options exercised during the year was 108 pence.

There are certain performance criteria to be met before share options are exercisable. Prior to 31 March 2010 the majority of options granted had performance conditions with 33% of the options vesting in tranches over a three year performance period, 33% vesting dependent on performance against annual underlying EBITDA targets and the remainder vesting dependent on share price targets. The options granted in the current year had a performance condition of 50% vesting over a three year performance period and 50% vesting dependent on performance against annual underlying EBITDA targets.

Fair value of share options
Equity-settled share-based payments are measured at fair value at the date of grant. The fair value of share options granted during the year was calculated using the binomial model. The assumptions used in the model were:

	Year ended 31 March 2011		Year ended 31 March 2010	
	Executive Share Plan	**Employee Benefit Trust**	Executive Share Plan	Employee Benefit Trust
Fair value at measurement date	**110.0 pence**	**–**	4.4 pence	30.5 pence
Weighted average share price	**110.0 pence**	**–**	19.1 pence	30.5 pence
Weighted average exercise price	**–**	**–**	19.1 pence	–
Expected volatility	**30.0%**	**–**	30.0%	30.0%
Expected life	**3.0 years**	**–**	3.0 years	3.0 years
Dividend yield	**–**	**–**	–	–
Risk free interest rate	**1.82%**	**–**	1.91%	1.91%

33. Share-based payments continued

The expected volatility is based on the Company's share price from the period since trading first began adjusted where appropriate for unusual volatility. The expected life used in the model is based on management's best estimate of the average expected time period for the exercise of an option by its holder.

Management Participation Scheme

The Group operates a MPS for executive directors which was granted on 31 March 2010. The extent to which rights vest will depend upon the Company's performance over a three year period from 31 March 2010. Participants are only rewarded if shareholder value is created, thereby aligning the interests of the participants directly with those of shareholders. The number of shares that would be issued under this scheme if the performance criteria is met is calculated based on the increase in market capitalisation of the Company since 31 March 2010. Any new equity issued is adjusted for so that the participants of the scheme do not benefit from the increased market capitalisation.

The executive directors have subscribed for shares in a subsidiary of the Company. Subject to growth, vesting and good leaver/bad leaver conditions, the shares can be converted to common shares of the Company for a value equivalent to the sum of 6.4% of the increase in shareholder value based on the shares in issue on 31 March 2010 and 10% of the increase in shareholder value on any additional common shares issued subsequent to 31 March 2010 reflecting an increase in the Group's market capitalisation following any adjustments deemed necessary by the Board.

The growth condition to be met is that the compound annual growth of the Company's share price from 31 March 2010 must be at least 12.5% per annum. The growth condition will be measured on the earlier of 31 March 2013 or a change of control of the Company. If the growth condition has not been satisfied on that date, it shall be measured at any point up to and including 31 March 2015. If the growth condition has not been satisfied by this date, the holders of the shares must sell those shares to the Company for a nominal amount.

At 31 March 2011 if the vesting and growth conditions had been met the number of awards outstanding but not yet exercisable based on the average share price for the year would be 4.5 million.

There have been no new grants under this scheme this year. The fair value of the award was measured by using a binomial model. Key assumptions used in the model were, share price on date of grant 67.5 pence, volatility of 30%, expected life of three years and the risk free interest rate of 1.83%.

Cash-settled share-based payments

The carrying amount of the liability relating to the cash-settled options under the Canadian deferred bonus scheme at 31 March 2011 is £0.1 million (2010: £0.1 million). There have been no new grants under this scheme since 2008. Until this liability is settled it is remeasured at each reporting date with changes in fair value recognised in the income statement.

Other share-based payment awards

On completion of the acquisition of Entertainment One Income Fund four million share warrants were issued to Marwyn Value Investors L.P. (formerly Marwyn Neptune Fund). The conditions for exercising these are 50% when the share price reaches £1.25 and the remaining 50% when the share price reaches £1.50.

On 24 May 2010, in association with the ongoing commercial relationship with Summit Entertainment LLC ("Summit"), 2,500,000 warrants were issued to Summit. These warrants are subject to time related vesting criteria.

The fair value of the share warrants was determined using a binomial option pricing model. Awards have been valued using an assumed exercise behaviour that recognises the exercise restrictions (note 23).

Out-performance plan

The Company also has an out-performance incentive plan for which no provision has been recognised that allocates up to £5 million in total to an incentive pool to be paid to executive directors in the future, conditional on the sale of the Company for no less than £2.25 per share or the Company's share price reaching £2.25 per share.

34. Financial risk management

The Group's overall risk management programme seeks to minimise potential adverse effects on its financial performance and focuses on mitigation of the unpredictability of financial markets as they affect the Group.

The Group's activities expose it to certain financial risks including interest rate risk, foreign currency risk, credit risk and liquidity risk. These risks are managed by the Chief Financial Officer under policies approved by both the Board and the Audit Committee, which are summarised below.

Interest rate risk management

The Group is exposed to interest rate risk from its borrowings and cash deposits. The exposure to fluctuating interest rates is managed by capping portions of debt using interest rate collars and fixing portions of debt using interest rate swaps, which aims to optimise net finance costs and reduce excessive volatility in reported earnings. Interest rate hedging activities are monitored on a regular basis. At 31 March 2011 the longest term of any debt held by the Group was until 2012.

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34. Financial risk management continued

Interest rate sensitivity
A simultaneous 1% increase in the Group's variable interest rates in each of Pounds Sterling, Euros, U.S. Dollars and Canadian Dollars at the end of 31 March 2011 would result in a £0.3 million (2010: £0.5 million) decrease to the Group's profit before tax and a decrease of 1% would result in a £0.3 million (2010: £1.0 million) increase to the Group's profit before tax.

Foreign currency risk management
The Group is exposed to exchange rate fluctuations because it undertakes transactions denominated in foreign currency and it is exposed to foreign currency translation risk through its investment in overseas subsidiaries.

The Group manages transaction foreign exchange exposures by undertaking foreign currency hedging using forward foreign exchange contracts for significant transactions (principally U.S. Dollar Minimum Guarantee payments). The implementation of these forwards is based on highly probable forecast transactions and qualifies for cash flow hedge accounting. Further detail is disclosed in Note 20.

The majority of the Group's operations are domestic within their country of operation. The Group seeks to create a natural hedge of this exposure through its policy of aligning approximately the currency composition of its net borrowings with its forecast operating cash flows. The Group undertakes net investment hedging where appropriate.

Foreign exchange rate sensitivity
The following table illustrates the Group's sensitivity to foreign exchange rates on its financial instruments. Sensitivity is calculated on financial instruments as at 31 March 2011 denominated in non-functional currencies for all operating units within the Group. The sensitivity analysis includes only outstanding foreign currency denominated monetary items including external loans.

The percentage movement applied to each currency is based on management's measurement of foreign exchange rate risk.

	31 March 2011 Income statement +/– £m	31 March 2010 Income statement +/– £m
10% appreciation of the U.S. Dollar	**(0.1)**	(0.3)
10% appreciation of the Canadian Dollar	**–**	(0.2)
10% appreciation of the Euro	**(0.2)**	(0.0)

Credit risk management
Credit risk arises from cash and cash equivalents, deposits with banks and financial institutions, as well as credit exposures to customers, including outstanding receivables and committed transactions. The Group manages credit risk on cash and deposits by entering into financial instruments only with highly credit-rated authorised counterparties which are reviewed and approved regularly by the Board. Counterparties' positions are monitored on a regular basis to ensure that they are within the approved limits and there are no significant concentrations of credit risk. Trade receivables consist of a large number of customers spread across diverse geographical areas. Ongoing credit evaluation is performed on the financial condition of counterparties.

The carrying amount of cash and cash equivalents, deposits and trade receivables recorded in the balance sheet represent the Group's maximum exposure to credit risk.

The Group considers its maximum exposure to credit risk as follows:

	31 March 2011 £m	31 March 2010 £m
Cash and cash equivalents	**29.2**	18.6
Trade receivables	**63.1**	72.1
	92.3	90.7

34. Financial risk management continued

Liquidity risk management

The Group maintains a prudent liquidity risk management position by having sufficient cash and availability of funding through an adequate amount of committed credit facilities. Management continuously monitors rolling forecasts of the Group's liquidity reserve on the basis of expected cash flows in the short, medium and long-term. At 31 March 2011 the undrawn uncommitted facility amount was £40.4 million (2010: £39.8 million). The facility matures in September 2012.

Analysis of the maturity profile of the Group's financial liabilities, which will be settled on a net basis at the balance sheet date, is shown below.

	Trade and other payables £m	Interest bearing borrowings £m	Total £m
Amount due for settlement at 31 March 2011:			
Within one year	**85.9**	**19.2**	**105.1**
One to two years	**–**	**73.2**	**73.2**
Two to five years	**–**	**–**	**–**
	85.9	**92.4**	**178.3**
Amount due for settlement at 31 March 2010:			
Within one year	82.6	18.4	101.0
One to two years	–	5.9	5.9
Two to five years	–	84.4	84.4
	82.6	108.7	191.3

Capital risk management

The Group's objectives when managing capital are to safeguard its ability to continue as a going concern in order to grow the business and provide returns for shareholders and benefits for other stakeholders and to optimise the weighted average cost of capital and tax efficiency subject to maintaining sufficient financial flexibility to undertake its investment plans. There are no externally imposed capital requirements. The management of the Group's capital is performed by the Board.

In order to maintain or adjust the capital structure, the Group may issue new shares or sell assets to reduce debt.

35. Financial instruments

Financial instruments at fair value

Fair value measurements are grouped into the following levels: Level 1 fair value measurements derived from unadjusted quoted prices in active markets for identical assets or liabilities; Level 2 fair value measurements derived from inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly (as prices) or indirectly (derived from prices); and Level 3 fair value measurements derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data. At 31 March 2011 the Group had £nil (2010: £0.5 million) of financial assets and £1.8 million (2010: £2.2. million) of financial liabilities grouped into Level 2.

The carrying value of the Group's financial instruments approximate their fair value.

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