Annual Report & Accounts 2013

Entertainment One Ltd. Annual Report & Accounts 2013

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entertainmentone

A world of entertainment.

Entertainment One's goal is to be the world's leading independent entertainment group, through the production and acquisition of entertainment content rights for exploitation across all consumer media throughout the world.

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80 **Company Information**

Operational Highlights

- Following the acquisition of Alliance Films Holdings Inc. ("Alliance") on 8 January 2013, the integration is now substantially complete with the full C$20 million of targeted synergy saving achieved on an annualised basis after just four months with further savings anticipated
- Film division released over 200 titles theatrically with gross box office up 79% to US$376 million (2012: US$210 million), with a strong slate of films in place for the coming year
- Television division delivered 295 half hours of television programming (2012: 237 half hours), with a strong pipeline of new network orders and renewals already commissioned
- *Peppa Pig* remains the UK's number one pre-school property, enjoying a successful nationwide licensing and merchandising launch in the US and is continuing to expand internationally

Strategic Highlights

- The Company is actively considering a transfer of the listing category of all of its common shares from the standard listing segment to the premium listing segment of the Official List of the Financial Conduct Authority, subject to satisfying the required eligibility criteria, and has made application to the UK Listing Authority
- The Board intends to adopt a progressive dividend policy, with an inaugural dividend payment expected to be made following the 2014 full year financial results
- The Group completed a new five-year US$425 million syndicated debt facility in conjunction with the completion of the Alliance acquisition

Financial Highlights

Revenue[1]

£629.1m

+25% (2012: £502.7m)

Underlying EBITDA[2]

£62.5m

+19% (2012: £52.6m)

Adjusted profit before tax[3]

£53.8m

+25% (2012: £43.0m)

Adjusted diluted earnings per share[3]

15.9pence

+3% (2012: 15.4 pence)

Adjusted net debt[4]

£87.8m

+£43.7m (2012: £44.1m)

[1] Alliance contributed £69.7 million to the Group's current year revenue from the date of acquisition.
[2] Underlying EBITDA is stated before operating one-off items, share-based payment charges, net finance charges, tax, depreciation and amortisation of intangible assets.
[3] Adjusted profit before tax is profit before tax before one-off items, share-based payment charges, one-off items within net finance charges and amortisation of acquired intangible assets; adjusted diluted earnings is adjusted for the tax effect of these items.
[4] Adjusted net debt includes net borrowings under the Group's senior debt facility but excludes Production net debt.

Strategic Review

Group at a Glance

Film revenue (proforma)

£721.2m

+4% (2012: £693.2m)

Film

Acquire. Market. Distribute.
We put films on screens around the globe – in cinemas, on DVD, digitally and on TV as the industry's largest independent, multi-territory distributor.

Entertainment One acquires, markets, promotes, sells and distributes films in Canada, the US, the UK, Australia/New Zealand, Benelux – and now Spain. We also have distribution partnerships in France, Germany, Scandinavia, South Africa and South Korea.

...and we give a voice to the world's best independent film-makers...

Acquiring titles from independent film producers around the world, Entertainment One Films International handles sales of top films to local distributors and partners worldwide.

...and work with some of the biggest names in film.

Entertainment One builds output and distribution relationships with some of the world's biggest film companies.

Business model

Production and acquisition of entertainment content rights

Cash returns from content portfolio benefit from eOne's multi-territory infrastructure

For exploitation across all consumer media

Size and scale of the Group's multi-territory infrastructure drives improved efficiency and margins

Throughout the world

Global network gives increased scale and reach

Television

Develop. Produce. Distribute. License.
We make great television – and make great television available to partners, networks and on devices around the world.

The Group works with top creative partners to develop compelling content across all genres including scripted, alternative/reality, factual, family and animation programming.

We introduce kids and families to dozens of characters, stories and series. Original production, brand management and sales and distribution, Entertainment One is an experienced leader in family fun.

eOne is currently one of the most active independent studios and distributors in the world.

eOne TV around the globe...

Entertainment One's Television International drives the division's global sales and marketing efforts. Our team sells our own original television content as well as third-party acquired television productions to networks globally, including the major US networks and international pay TV networks.

...sales to over 500 broadcasters globally

...in over 150 countries around the world.

Television revenue

£133.4m

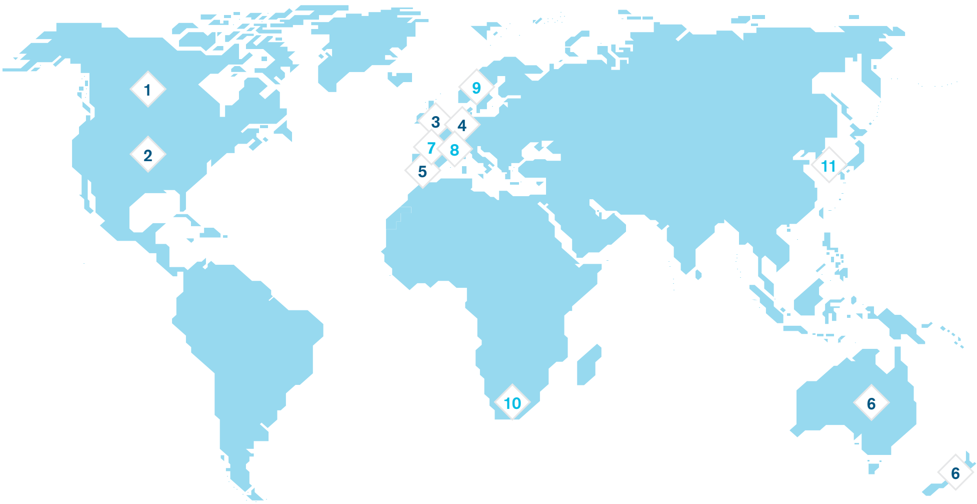
+14% (2012: £117.1m)

eOne territories

1 Canada
2 US
3 UK and Ireland
4 Benelux
5 Spain
6 Australia and New Zealand

Partner territories

7 France
8 Germany
9 Scandinavia
10 South Africa
11 South Korea



Chief Executive's Summary

"It has been a very positive year for Entertainment One and I am delighted to report another strong set of results. This clearly demonstrates the strength of our strategy of investing in world-class content and exploiting our distribution rights on a multi-territory, multi-platform basis."

Darren Throop
CEO

"The Group is now the world's largest independent film distributor."

Delivering the strategy

This has been a transformational year for the Group. The business has delivered on its strategic priorities with increased investment in content driving growth in the underlying Film and Television businesses, *Peppa Pig* successfully delivering its first Christmas in the US and the acquisition of Alliance establishing the Group as an even stronger player in the industry. The Group's goal remains the same – *to be the world's leading independent entertainment group through the production and acquisition of entertainment content rights for exploitation across all consumer media throughout the world* – and the business continues to focus on its three strategic pillars:

- **Growing the Group's content portfolio** through the acquisition of high-quality film and television rights alongside the development and production of television and family programming. Investment in content and programmes increased 29% to £175.0 million (2012: £135.8 million) driving a 25% increase in revenues
- **Improving investment returns** by driving operational efficiencies in the Group's core territories through increased scale and growing revenues in new consumer media channels. Digital sales increased 36% year-on-year to £90.0 million and the Alliance synergies will deliver ahead of the C$20 million target and sooner than expected
- **Expanding global reach** by extending the geographic footprint of the Group through corporate acquisition and partnership and increasing access for content rights to new markets. The Group expanded its operational network into Spain as part of the Alliance deal and also increased its partnership network with the addition of South Korea

The success of the Group's strategy is reflected in another strong financial performance and the business enters the new financial year with a significantly enhanced reputation and a market position that is expected to enable further developments across the Group in the future.

Acquisition of Alliance

The Group completed the acquisition of Alliance on 8 January 2013 and is now the world's largest independent film distributor with market leading positions in its two main territories, Canada and the UK. Alliance has also provided the Group with a presence in Spain, in line with the Group's strategy of expanding its distribution network internationally. Alliance contributed £69.7 million to the Group's reported revenue in the period from the date of the acquisition to 31 March 2013. If the acquisition had been completed on 1 April 2012, Group revenue for the year would have been £832.3 million.

The integration of Alliance is now substantially complete, with the businesses operating under combined leadership teams in both the UK and Canada. Our target to deliver annual synergy savings of C$20 million over a three-year period has already been surpassed, on an annualised basis, after just four months with further savings anticipated.

Investment in content

£175.0m

+29% (2012: £135.8m)

Premium listing

The Company is actively considering a transfer of the listing category of all of its common shares from the standard listing segment to the premium listing segment of the Official List of the Financial Conduct Authority (the "Transfer"), subject to satisfying the required eligibility criteria and has made application to the UK Listing Authority.

The FTSE Nationality Committee, which determines eligibility for the FTSE UK Index Series, is scheduled to next meet on 13 August 2013. It is anticipated that, subject to the Transfer to the premium listing segment of the Official List of the Financial Conduct Authority and other conditions being met, the Company will be considered for inclusion into the FTSE UK Index Series, which includes the FTSE 100, FTSE 250 and FTSE All-Share indices.

The Company has appointed JP Morgan Securities plc, which conducts its UK investment banking business as JP Morgan Cazenove, to act as its Sponsor in relation to the proposed Transfer and subject to the Transfer taking place, as joint corporate broker to Entertainment One.

The Board believes that a premium listing is the most appropriate listing category for the Group, providing it with exposure to a broader range of investors and enhancing the liquidity of its shares.

Dividend policy

The Board intends to adopt a progressive dividend policy, with an inaugural dividend payment expected to be made following the 2014 full year financial results.

The announcement of an intention to initiate dividend payments reflects the Board's confidence in Entertainment One's medium and long-term prospects and expands the universe of potential investors in the Group's common shares, further underscoring Entertainment One's position as a leading international media group.

Re-financing

In conjunction with the Alliance acquisition, the Group completed a re-financing that delivered a new five-year US$425 million syndicated debt facility. The facility ensures that the Group has access to increased funding over the next five years to support its growth plans.

Outlook

The Group started its new financial year in a very strong position. With the Alliance acquisition integrated the Group has a strong combined slate of over 250 films set for release in the coming year and a much larger library of titles. The Television division continues to grow its roster of new programming and renewals as it strengthens its network relationships, while the Family business continues to expand in line with *Peppa Pig's* increased international exposure.

The Board believes that the proposed move to the premium listing segment would provide it with exposure to a wider potential investor base and that its new five-year financing agreement ensures that the business has access to increased funding to support its growth plans.

Strategic Priorities

Strategic priorities

1 Grow Content Portfolio

The Group continues to target increasing investment in content and programming. Building a library of films and television titles will drive the future value of the Group.

Film titles are acquired from leading independent studios across the globe while television programmes, including our Family properties, are developed and produced in-house, benefiting from the Canadian funding environment. The library is supplemented by acquiring third-party television shows, such as *The Walking Dead*, which we are able to sell through our international distribution infrastructure.

By investing in a large number of titles across film and television we look to create a portfolio which delivers a balanced performance and mitigates the risk associated with any individual property.

2 Improve Investment Returns

The size and scale of the Group's multi-territory infrastructure drive improved efficiency and margins, increasing shareholder returns. Underlying EBITDA margin has increased from 8.3% to 9.9% from 2010 to 2013, on a reported constant currency basis, reflecting the Group's growth over that period.

The Group acquires rights to titles across all media and utilises its multi-channel, multi-territory infrastructure to exploit these rights through the strong relationships it has in its core territories with the major cinema chains, high street and online retailers, digital providers and television broadcasters. The Group's multi-platform infrastructure allows it to maximise the return on its acquired rights and protect the Group against changing consumer viewing habits. The Group's increasing scale in its core territories will allow it to achieve further efficiencies both in its acquisition activities and in the exploitation of its rights, and as it expands its geographical reach it will increase its return on acquired multi-territory rights.

The Group expects that its overall margins will increase over time, as it grows in size and scale and as consumer viewing habits move more towards digital formats which can be delivered more cost effectively than physical product.

3 Expand Global Reach

Through corporate acquisitions and partnerships we look to extend our global footprint, which now includes all major English-speaking territories.

A growing network of offices and partnerships across the world enables us to expand our ability to provide producers with the best multi-territory distribution service, builds the Group's profile and increases access to international markets for our own television properties. A larger infrastructure also creates the opportunity for operating efficiencies and reduces the Group's exposure to any one territory.

The Alliance acquisition makes the Group the leading independent film distributor in Canada and the UK and adds Spain as a new distribution territory.

Performance Indicators

Content Rights Library

US$**350**m+

Independent valuation of the Group's library, excluding Alliance
(2011: US$250m+)

Library comprises

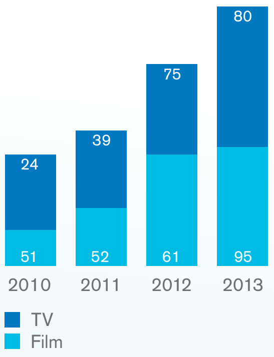
35,000+

Film and television titles
(2012: 24,000+)

2,800+

Hours of original television programming
(2012: 2,700+)

Investment in Content (£m)



£**175**m

Invested in film and television content
(2012: £136m)

200+

Theatrical releases
(2012: 152)

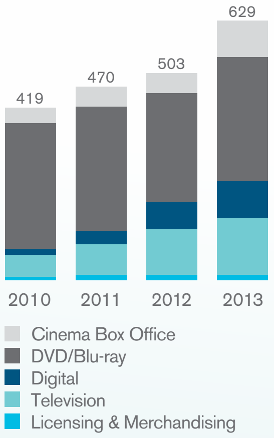
295

Half hours delivered
(2012: 237)

Media Channels

Channel	Film	Television
Cinema Box Office	✔	
DVD/Blu-ray	✔	✔
Digital	✔	✔
Television	✔	✔
Licensing & Merchandising		✔

Group Revenue by Media (£m)



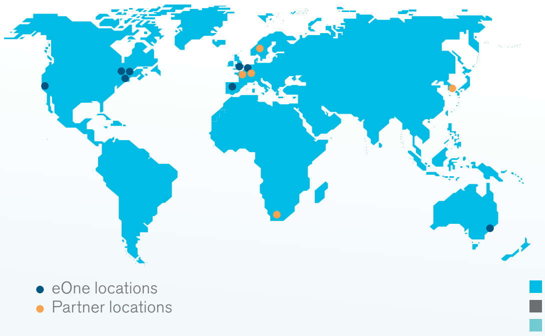
£**90**m

Digital revenue
(2012: £66m)

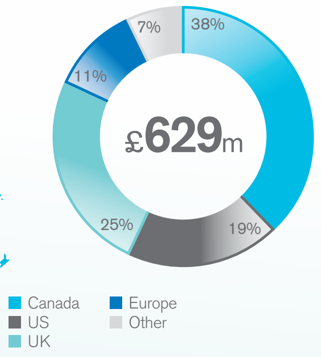
9.3%

Proforma underlying EBITDA margin
(2012: 9.4%)

Our main locations



Revenue by major territory



70%

The Group operates in territories representing 70% of the global film market

Market Overview

Film

2012 saw improved global box office growth, with revenues reaching an estimated US$36.8 billion, and a steady 6.3% annual growth expected up to 2016.

More significant for eOne was the growth in box office outside the US, which reached an estimated US$26.2 billion in 2012, an increase of over 7% from 2011. The global film industry generates an estimated US$88 billion of revenues annually through cinema, home entertainment (DVD and Blu-ray), digital downloads, streaming and television. It is expected to increase to US$100 billion by 2016, driven by growth in digital offsetting the decline in DVD. Almost 70% of these global revenues are generated in markets where eOne already has existing operations and partnerships. These markets are expected to continue to grow over the next five years. The industry is dominated by the six major US studios, which operate their own distribution networks and supply approximately three quarters of content for the global market. The smaller independent studios and producers, who account for the remaining quarter, generally do not own international distribution infrastructure and consequently sell the long-term rights to distributors such as eOne to manage the exploitation of their movies. eOne is the largest global independent distributor of films in the industry.

Market developments

Cinema

The theatrical market has continued to grow as ticket prices rise reflecting the price premium for 3D and the switch over to digital screens. In eOne's key territories of Canada and the UK, the last 12 month box office revenues to March 2013 grew by 10% and 8%, respectively.

DVD/Blu-ray

Decline in the physical home entertainment market steadied to 4% per annum in 2012, after sharper declines in 2011, driven by a growing preference for electronic access to content. The overall DVD market is expected to continue to decline at this level as consumers switch to digital viewing to watch films in their homes and on the move. However, this decline is offset by significant growth in digital.

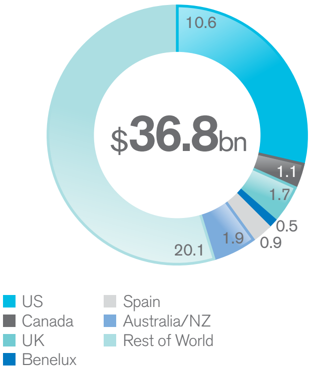
Digital

Expanding broadband penetration and increasing ways of accessing content is boosting the growing digital film market. This segment of the market was worth US$11 billion in 2012, a growth of over 20% on the previous year, and is expected to increase to US$18 billion by 2016, driven by increasing broadband speeds, improved hardware including tablets and new digital downloading and streaming services led by iTunes, Amazon, Netflix and Hulu. In 2013, audiences are expected to pay more to buy movies online than they will on physical video purchases for the first time. eOne believes that, despite the decline in physical home entertainment, absolute revenues and margins will be protected, if not enhanced, as the market shifts to digital formats which can be delivered more cost effectively than physical 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 competition from new consumer propositions into the market such as Netflix and LOVEFiLM and the proliferation of television channels. Combined with the growth in digital, the television market provides the platform for distributors to sustain their margins into the future.

Global Film Box Office (US$bn)



Source: PwC Global entertainment and media outlook, 2012–2016

Television

The global broadcasting market is estimated to be worth over US$425 billion in 2012 and is expected to grow by over 6% annually.

The US and Canada make up approximately 40% of the market and are the core territories in eOne's production strategy. Financing available for production is partly dependent on television advertising revenue, which grew in the US and Canada by 11% in 2012, and also television subscriber and licence fees, which in the US and Canada grew by over 5%. This growth is driving an increasing demand for content.

In the past few years broadcasters have spent in excess of US$50 billion annually 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 television content spend. US cable networks represent the largest share of total production commissioning spend, especially for independent producers such as eOne.

The licensing and merchandising arm of our Family business looks 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.

Market developments

eOne's television production business benefits from its Canadian heritage. Canada 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.

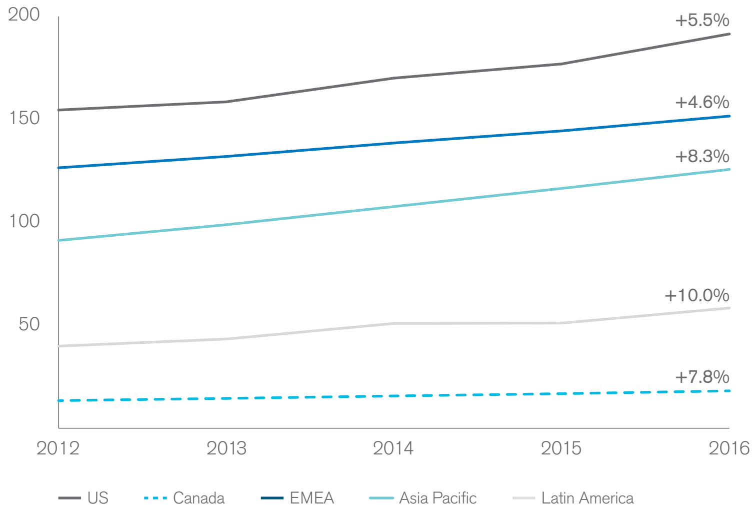
This allows the business to continue to deliver high quality content while also maintaining the rights to its programmes in perpetuity. The Group continues to expand its slate of productions for broadcast on the major North American and European networks.

In respect of the Family business, the dynamics of licensing and merchandising markets vary fundamentally in different territories around the world and are more dependent on consumer reactions to the product, television airtime and marketing and advertising strategies than macro-economic factors. Growth in markets outside the US and Europe is expected to continue to accelerate on the back of a rapidly emerging middle class in Brazil, Russia, India, China and elsewhere.

Forecast global broadcasting market growth 2012–2016

+6.4%

Global Broadcast Revenues, by Region, 2012–2016 (US$bn)



Source: PwC Global entertainment and media outlook, 2012–2016

Divisional Reviews

Film

The completion of the Alliance acquisition in January 2013 has transformed the size and scale of the Film business which now comprises operations in the UK, Canada, the US, Spain, Benelux and Australia, making it the largest independent film distributor in the world.

> "The Group plans to release over 250 films theatrically during the next financial year."

The Group released over 200 titles (2012: 152) theatrically (including 25 Alliance titles) and grew box office takings by 79% to US$376 million (2012: US$210 million). The biggest release of the year was the fifth *Twilight Saga* instalment, *The Twilight Saga: Breaking Dawn – Part 2*, which in the UK was the highest grossing box office release of the series. Other significant releases in the year included *The Impossible*, *Nativity 2*, *Quartet*, *The Sapphires*, *Silver Linings Playbook* and *Django Unchained*.

Reported revenue increased by 25% to £518.0 million and underlying EBITDA was also up by 25% to £49.3 million supported by increased investment in content, up 57% to £95.4 million (2012: £60.9 million). Proforma revenue increased by 4% in the year to £721.2 million (2012: £693.2 million) due primarily to continuing growth in the UK and a strong performance in Australia. This drove an increase in proforma underlying EBITDA of 7% to £64.5 million (2012: £60.4 million). Proforma investment in content was £139.0 million (2012: £136.6 million).

The Group plans to release over 250 films theatrically during the next financial year, including *The Hunger Games: Catching Fire*, *RED 2*, *Now You See Me*, and *Ender's Game*. Investment in content is expected to increase to over £175 million in the new financial year.

	Reported (audited)			Proforma, constant currency[1] (unaudited)		
	2013 £m	2012 £m	%	**2013 £m**	2012 £m	%
Revenue	**518.0**	414.0	+25%	**721.2**	693.2	+4%
Underlying EBITDA	**49.3**	39.5	+25%	**64.5**	60.4	+7%
Investment in content	**95.4**	60.9	+57%	**139.0**	136.6	+2%

[1] In order to provide like-for-like comparisons, the above table includes the results and prior year figures on a proforma and constant currency basis. For the purposes of this analysis, "proforma" includes the results of Alliance, which was acquired on 8 January 2013, and the results of Hopscotch, which was acquired on 13 May 2011, as if these businesses had been acquired on the first day of the comparative period. Constant currencies have been calculated by retranslating the comparative figures using weighted average exchange rates for the period to 31 March 2013. The impact of currency movements has had an immaterial impact on revenue and underlying EBITDA in the period.

Multi-territories

The Group has continued to build its slate of high profile multi-territory theatrical releases. Its multi-territory output deals now include Summit, Lionsgate, Relativity and Lakeshore. In September 2013, the Group was delighted to announce Dreamworks Films, the US production business headed by Steven Spielberg and Stacey Snider, as its latest output partner. This increased access to high-quality content has grown the release slate significantly with multi-territory titles in the financial year including *The Twilight Saga: Breaking Dawn – Part 2*, *Bullet to the Head*, *Parker*, *Seven Psychopaths*, *Warm Bodies*, *Safe Haven* and *Quartet*.

Looking forward, the multi-territory slate looks strong and is expected to continue to grow in the new financial year with titles including the highly anticipated sequel, *The Hunger Games: Catching Fire*, science fiction action film *Ender's Game* (starring Harrison Ford, Abigail Breslin and Ben Kingsley), fantasy adventure *The Mortal Instruments: City of Bones* (Lily Collins and Jamie Cambell Bower), Princess Diana biopic *Diana* (starring Naomi Watts), action comedy sequel *RED 2* (Bruce Willis and Helen Mirren), Anton Corbijn directed thriller *A Most Wanted Man* (starring Philip Seymour Hoffman), heist movie *Now You See Me* (Morgan Freeman, Mark Ruffalo, Jesse Eisenberg and Dave Franco) and action drama *2 Guns* (Denzel Washington and Mark Wahlberg).

Film's international sales business continued to expand, enhancing the Group's presence in the industry and providing additional access to content including *Song For Marion* and the award-winning *Beasts of the Southern Wild*. In the coming year the slate includes *The F Word* (Daniel Radcliffe) and *Queen of the Night* (Ryan Reynolds and Scott Speedman). The Alliance deal has also provided the Film business with increased access to quality content through its production financing activities which in the past have delivered titles such as *Woman in Black* and *Insidious*.

Revenue – Film

£518.0m

+25% (2012: £414.0m)

Underlying EBITDA – Film

£49.3m

+25% (2012: £39.5m)

The Group expects to facilitate the production of at least two films in the year including *Suite Francaise* and *Insidious 2*.

UK

As a result of the Alliance acquisition, the business is now the largest independent film distributor in the UK. Revenue increased by 36% on a reported basis driven by strong organic growth and the post-acquisition Alliance revenues. Theatrical sales were higher, boosted by a strong box office performance which benefited from multi-territory films and other releases which included *The Impossible*, *Nativity 2*, *Song For Marion* and *Side Effects*. In total the number of titles released increased to 29 (2012: 11).

Home video also performed strongly, releasing 85 titles, driven by the larger number of theatrical releases and direct to DVD titles such as *House at the End of the Street*, *The Courier*, *Crossfire*, *Hooligan* and *The Walking Dead* season two. Broadcaster sales increased with Channel 4 and BBC package deals including titles such as *The King's Speech* and *The Fighter*. Digital continued to be significant with LOVEFiLM being the major contributor supported by sales to Netflix following the Alliance deal.

The new financial year is expected to see another increase in the number of theatrical releases. In addition to multi-territory titles, UK releases will include thriller *Prisoners* (starring Hugh Jackman, Jake Gyllenhaal and Melissa Leo), Steven Soderbergh's Liberace biopic *Behind the Candelabra* (Matt Damon and Michael Douglas), animated comedy *Free Birds* (Owen Wilson and Woody Harrelson) and Steve McQueen's latest drama *Twelve Years a Slave* (Michael Fassbender, Brad Pitt and Chiwetel Ejiofor). In addition to theatrically released titles, DVD releases will include the third season of hit TV series *The Walking Dead*, *Sweet Vengeance*, *The Rise* and *Frankenstein's Army*.

Canada

Following the Alliance acquisition, the eOne Film business is now Canada's largest film distributor. Overall reported revenue increased by 16% with 82 (2012: 54) theatrical releases.

In addition to the multi-territory titles, theatrical releases included *Broken City*, *Mama*, *Moonrise Kingdom*, *Les Pee-Wee 3D*, *Escape From Planet Earth 3D*, *21 and Over*, as well as Academy Award winning films *Django Unchained*, *Zero Dark Thirty* and *Silver Linings Playbook*. There were 191 home video releases which included films released theatrically such as *The Twilight Saga: Breaking Dawn – Part 2*, *The Grey*, *Django*

Divisional Reviews
continued

Investment in content – Film

£95.4m

+57% (2012: £60.9m)

> “Looking forward, the multi-territory slate looks strong and is expected to continue to grow in the new financial year.”

Film Division
continued

Unchained and *Zero Dark Thirty* along with titles released direct to home video including *Downton Abbey* and *Heartland* season five.

Major contracts entered into during the year included a new deal with the newly merged Acorn and Image business. Key output deals in Canada in addition to multi-territory agreements include Focus Features, IM Global, The Weinstein Company and Miramax.

Major theatrical releases for the new financial year, in addition to multi-territory titles, will include major drama *Place Beyond The Pines* (starring Ryan Gosling, Bradley Cooper and Eva Mendes), Robert Redford thriller *The Company You Keep* (Robert Redford and Shia LaBeouf), comedy *Gambit* (Cameron Diaz and Colin Firth), Sofia Coppola's *The Bling Ring* (Leslie Mann and Emma Watson), comedy *August: Osage County* (Ewan McGregor, Benedict Cumberbatch, Meryl Streep and Julia Roberts), horror *Jessabelle* (formerly known as *Ghosts*), drama *Only God Forgives* (Ryan Gosling and Kristin Scott Thomas), Ron Howard directed action biopic *Rush* (Chris Hemsworth), Christmas action adventure *Walking with Dinosaurs 3D*, David O. Russell's thriller *American Hustle* (Christian Bale, Jennifer Lawrence, Bradley Cooper, Robert De Niro, Jeremy Renner and Amy Adams) and Edgar Wright directed comedy *The World's End* (Simon Pegg and Nick Frost). In addition, straight to DVD releases will include *The Protector 2*, *Downton Abbey* season four and *Heartland* season six.

The physical home entertainment wholesale business continued to experience tough trading conditions; however it still grew market share year-on-year through the pick-up of new sales. The Group's new scale post the Alliance integration will put Entertainment One in an improved position to benefit from consolidation opportunities expected in the Canadian home entertainment market in the future.

Benelux

Revenue in the Benelux business increased by 9% with strong theatrical sales and the release of 58 films theatrically compared to 57 in the prior year. Lower sales in home video were offset by increases in television and digital which nearly doubled in revenue following the entrance of new local digital providers and increased sales to iTunes. The Group continues to expect that it will benefit from the expansion of the digital market through the entry of international players such as Netflix, who do not yet have a presence in Benelux.

Major theatrical releases included local titles *Mees Kees* which was number one at the box office for three weeks, *De Verbouwing*, *Zambesia*, *Hope Springs* and multi-territory title *Looper*. A reduced home video slate of 130 releases compared to 157 saw sales lower year-on-year but included successful theatrical hits *Mees Kees* and *De Verbouwing*, *Ghostrider* and seasons one and two of *The Walking Dead*.

In addition to multi-territory titles, the upcoming theatrical release slate includes comedy movie *Last Vegas* (starring Robert De Niro, Michael Douglas and Morgan Freeman), drama *The Railway Man* (Nicole Kidman and Colin Firth), Rob Reiner's new comedy *And So It Goes* (Michael Douglas and Diane Keaton) and the sequel to smash hit *Mees Kees*, *Mees Kees Op Kamp*. DVD releases will include *Ender's Game*, *The Mortal Instruments*, *Now You See Me* and *RED 2*.

Australia

In Australia, all revenue windows were ahead of the prior year with total revenue increasing by 80% driven by the Group's significant increase in investment following the acquisition of Hopscotch in 2011. The business released 31 films theatrically compared to 30 in the prior year. Local smash hit *The Sapphires* led the way and has been the business' best performer to date, along with *To Rome With Love*, *I Give it a Year* and *Bachelorette*.

Home video performed extremely well benefiting from the box office success of *The Sapphires* and from the Group's hit series *The Walking Dead* and Family property *Peppa Pig*. Over 80 titles were released, well ahead of the prior year, including notable releases *Bachelorette* and *Seven Psychopaths*. Digital revenues also increased significantly, led by *The Sapphires* and *The Walking Dead* titles.

Investment in content (proforma) – Film

£139.0m

+2% (2012: £136.6m)

In addition to the Group's multi-territory offerings, major theatrical releases for the new financial year will include action biopic *Rush* (starring Chris Hemsworth and directed by Ron Howard), Woody Allen's latest comedy *Blue Jasmine* (Alec Baldwin and Cate Blanchett), *Grace of Monaco* (Nicole Kidman) and the third film in the *Before Sunrise* series from Richard Linklater, *Before Midnight* (Ethan Hawke and Julie Delpy). DVD titles will benefit from the strong multi-territory theatrical slate along with season three of *The Walking Dead* and season one of *Hannibal*.

US

The Group's expansion in the US which commenced in the prior year saw growth in investment in content which delivered a 48% increase in total revenue. The strategy of limited-release theatrical titles resulted in eight box office titles, including *A Late Quartet*, *Cosmopolis* and *Starbuck*. In addition, the US signed VOD deals with DirecTV and InDemand.

120 home video titles were released compared to 105 in the comparative period. Revenues also increased reflecting the higher quality of the titles and sales from theatrical releases. Major titles included *Cosmopolis*, *Iron Sky*, Katt William's comedy special *Kattpacalypse* and season one of eOne's television production *Hell on Wheels*. Digital sales also performed well and increased year-on-year, notable titles included *Special Forces* and *Being Human: The Complete Second Season*.

The Group's US strategy will continue in the new financial year with over 10 theatrical releases expected, including *We Are What We Are* (starring Michael Parks and Kelly McGillis), comedy *Cuban Fury* (Chris O'Dowd, Nick Frost and Rashida Jones), drama *Twice Born* (Penelope Cruz and Emile Hirsch), *Scatter My Ashes at Bergdorf's* (Mary-Kate and Ashley Olsen and Joan Rivers) and Brian De Palma directed thriller *Passion* (Rachel McAdams and Noomi Rapace). DVD releases are expected to include new comedy specials from Katt Williams and Sommore, *Wicked Blood* and *Blood of Redemption* (both starring Sean Bean), limited release theatrical titles *Passion* and *We Are What We Are*, the first wide-release *Peppa Pig* title *Princess Peppa*, the second season of *Hell on Wheels* and the third season of *Haven*.

US Film includes the Group's in-house physical distribution business which also represents other third parties. Revenues increased reflecting the increased DVD release activity of the US Film business.

Spain

Spain is a new territory for the Group and was acquired as part of the Alliance transaction in January 2013. It is one of the largest independent film distribution operations in Spain. In the period since acquisition there were six theatrical releases including *Silver Linings Playbook*, *Gambit*, *Parker* and *Beautiful Creatures*. There were also eight home video releases including the Group's hit *The Twilight Saga: Breaking Dawn – Part 2*, *Judge Dredd* and *Looper*.

In addition to a large number of multi-territory titles, the upcoming theatrical release slate includes the Steven Soderbergh directed crime thriller *Side Effects* (starring Jude Law, Rooney Mara and Catherine Zeta-Jones), action blockbuster *Olympus Has Fallen* (Gerard Butler, Aaron Eckhart and Morgan Freeman) and *Lone Survivor* (Mark Wahlberg and Eric Bana).

Divisional Reviews continued

Revenue – Television

£133.4m

+15% (2012: £116.1m)

Underlying EBITDA – Television

£18.0m

+3% (2012: £17.5m)

> “Good progress was made in obtaining renewals for existing shows and commissioning new programmes.”

Television

Revenue increased by 14%, driven by strong growth in Television and Family businesses with underlying EBITDA up 2% as a result of increases in Television offset by a decline in Music. Investment in content and programmes increased by 6% to £79.6 million with 295 half hours of production (excluding Family) delivered to broadcasters compared with 237 in the previous year.

Television comprises the North American-based Television Production business and the UK-based Family business. It also incorporates the results of the US-based music label.

	Reported (audited)			Constant currency (unaudited)	
	2013 £m	2012 £m	%	2012 £m	%
Revenue	**133.4**	116.1	+15%	117.1	+14%
Underlying EBITDA	**18.0**	17.5	+3%	17.6	+2%
Investment in content	**79.6**	74.9	+6%	75.2	+6%

Television Production

Television Production reported another excellent year of revenue and underlying EBITDA growth and continued to hold its position as Canada’s leading independent producer. Revenues were 21% ahead of the prior year due to the increase in the number of half hours of production delivered and improved library sales.

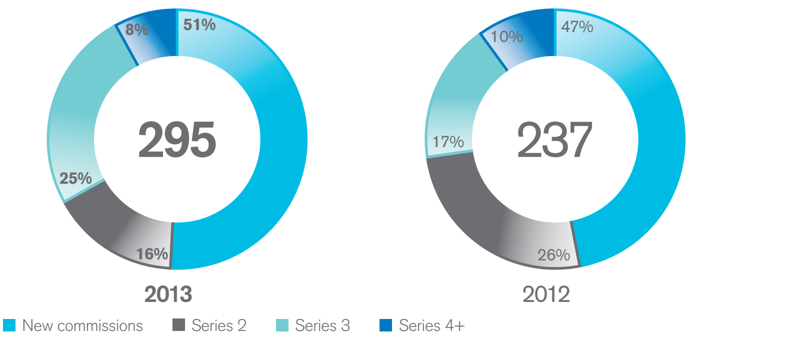
Good progress was made in obtaining renewals for existing shows and commissioning new programmes. 51% of deliveries related to new commissions (2012: 47%) indicating a very positive inflow of new production to drive future renewals. Current year renewals accounted for 49% (2012: 53%) representing 146 half hours compared to 125 in the previous year. Furthermore, the pipeline remains robust with contracted sales not yet recognised at the year end relating to work in progress of £35 million (2012: £47 million).

Highlights of new commissions included the delivery of suspense drama *Rogue* starring Thandie Newton for DirecTV and medical drama *Saving Hope*. Other major primetime shows delivered during the year included seasons three and four of police drama *Rookie Blue*, season two of *Hell on Wheels,* season three of *Haven* and the fourth season of *Call Me Fitz* (starring Jason Priestly). Non-scripted deliveries included *Sugar Stars* for the Food Network, *Dangerous Persuasions*, *Builder Boss*, *Perfect Storms*, *Mary Mary* and *The Sheards*.

The new financial year’s production slate already includes commissioned renewals for season two of *Saving Hope*, season three of *Hell on Wheels* and season four of *Haven*. New shows in production include *Klondike*, the Discovery Channel’s first scripted mini-series, *Bitten* based on the best-selling werewolf novels of the same name, *The First Martian War* and *Korea Hill*. Television movies commissioned include *Window Wonderland* ordered by the Hallmark Channel and two movies for GMC based on the novels of best-selling author Mary Higgins Clark.

The International television sales business continued its expansion, selling the Group’s own productions and third-party content. Major third-party sales during the year included all three seasons of the international hit *The Walking Dead* and *Primeval: New World*.

Television Production: Increasing Balance to the Roster of Programming (Half Hours)



> “*Peppa Pig* maintained its status as the UK's number one pre-school toy licensed property.”

Investment in content – Television

£79.6m

+6% (2012: £74.9m)

Family

The Family business had another year of strong licensing and merchandising sales and *Peppa Pig* maintained its status as the UK's number one pre-school toy licensed property. Revenue overall was up 7% with licensing and merchandising revenues increasing, driven by international deals for *Peppa Pig* in Spain, Italy and Australia, offset by slightly lower revenues in the UK due to the timing of licensee renewals. Home video and digital sales have performed well and increased year-on-year due to strong sales in Australia and Italy.

Peppa Pig is still the Family business' key asset and saw continued progress in the financial year. In the US, prime time exposure on Nickelodeon helped underpin the retail launch of the US licencing programme with toys and DVDs available exclusively through Toys R Us. Downloads of the *Peppa Pig* app broke the one million mark and publishing revenues increased in the UK. Toy deals were also signed in Spain, Italy and Australia. *Peppa Pig* continued to expand into new broadcast territories such as Russia, Latin America and Asia. These new important markets offer the potential for further growth in the future. During the year it was agreed with creators ABD to develop a further series totalling 70 new episodes over the coming years.

Ben & Holly's Little Kingdom progressed well in the UK despite strong competition. The delivery of season two and the continued strong support of free to air television are expected to stimulate licensee demand in the forthcoming year. *Ben & Holly's Little Kingdom* also secured strong broadcast platforms in Spain, Italy, Germany and Benelux with merchandising launches due in the coming year in these markets.

The business is looking to expand the number of brands it manages, building on its in-house licensing and merchandising expertise, and recently acquired the exclusive worldwide distribution rights to the YouTube brand *Simon's Cat*.

Music

Revenue in the music label was down 9% compared to the prior year driven by a lower volume of releases in the year. Major releases on the label included new albums from *DJ Drama*, *Driicky Graham*, *SWV*, *Joe Budden* and *Dwele*. The new financial year will see releases from *Ashanti, Michelle Williams* and *Pop Evil*. Digital revenue continues to grow and now accounts for 70% of total revenues (2012: 53%). During the year, Entertainment One purchased the rights to the Death Row Records catalogue, representing one of the most successful urban genre catalogues in the music industry.

Financial Review

The continued development of the Group's activities has delivered another year of strong growth with reported revenue up 25% to £629.1 million (2012: £502.7 million) and underlying EBITDA up 19% to £62.5 million (2012: £52.6 million).

Adjusted operating profit

£59.9m

+20% (2012: £50.1m)

This performance confirms the success of the Group's strategy to grow through increased investment in both our Film and Television divisions. Investment in content and programmes increased by 29% to £175.0 million (2012: £135.8 million).

	Adjusted (audited)		Reported (audited)	
	2013 **£m**	2012 £m	**2013** **£m**	2012 £m
Revenue	**629.1**	502.7	**629.1**	502.7
Underlying EBITDA	**62.5**	52.6	**62.5**	52.6
One-off items	**–**	–	**(26.8)**	(3.8)
Amortisation of intangible assets	**(1.1)**	(1.0)	**(19.3)**	(16.4)
Depreciation	**(1.5)**	(1.5)	**(1.5)**	(1.5)
Share-based payment charge	**–**	–	**(1.2)**	(1.4)
Operating profit	**59.9**	50.1	**13.7**	29.5
Net finance charges	**(6.1)**	(7.1)	**(8.2)**	(6.4)
Profit before tax	**53.8**	43.0	**5.5**	23.1
Taxation	**(15.0)**	(11.2)	**(6.6)**	(6.9)
Profit for the year	**38.8**	31.8	**(1.1)**	16.2

On a proforma basis, which includes the full year financial results from the Alliance business which was acquired by the Group on 8 January 2013, revenue increased 6% to £832.3 million (2012: £782.0 million) and underlying EBITDA was up 6% to £77.7 million (2012: £73.5 million). Investment in content and programming was up 3% to £218.6 million (2012 £211.8 million) on a proforma basis.

Adjusted operating profit (which excludes depreciation, amortisation of acquired intangibles, share-based payments and one-off items) increased 20% to £59.9 million (2012: £50.1 million) reflecting the growth in underlying EBITDA. Adjusted profit before tax increased 25% to £53.8 million reflecting the increased operating profit and lower finance charges. The Group reported a loss before tax of £1.1 million compared to a profit of £16.2 million in the prior year, mainly as a result of one-off items of £26.8 million which primarily relate to the Alliance acquisition.

One-off items

One-off items totalled £26.8 million and included £19.7 million of Alliance-related restructuring and acquisition costs, £5.2 million to provide for the potential payment of the out-performance incentive plan in the future, a £1.7 million HMV and Blockbuster charge and £0.2 million of other corporate project costs.

> “This year’s financial performance confirms the success of the Group’s strategy to grow through increased investment in both our Film and Television divisions.”

Adjusted profit before tax

£53.8m

+25% (2012: £43.0m)

Amortisation of intangible assets and depreciation

Amortisation of intangible assets increased by £2.9 million to £19.3 million, mainly as a result of the increase in acquired intangible assets resulting from the Alliance acquisition. Depreciation was in line with the prior year at £1.5 million.

Share-based payment charge

The share-based payment charge of £1.2 million is in line with the prior year. There were no grants in the current year.

Net finance charges

Reported net finance charges increased by £1.8 million to £8.2 million. Excluding the write-off of unamortised deferred finance charges on re-financing of £1.8 million and the decrease in fair value of derivative financial instruments of £0.3 million (2012: £0.7 million increase) finance charges were £1.0 million lower in the current year, reflecting lower average net debt levels and lower average interest rates.

The weighted average interest cost was 5.2% compared to 5.5% in the prior year, giving a cash interest cover of 9.9 times underlying EBITDA (2012: 9.2 times).

Tax

The tax charge for the year was £6.6 million (2012: £6.9 million) giving an effective tax rate of 120.0% (2012: 29.8%). The effective rate in the financial year was higher than the weighted average of the statutory rates in the jurisdictions in which the Group operates mainly due to the impact of costs incurred as part of the Alliance acquisition that are not deductible for tax purposes such as transaction costs, provisions and share-based payment charges.

On an adjusted basis, excluding operating one-off items, amortisation of acquired intangible assets, share-based payment charges and one-off items in net finance costs and taxation, the effective tax rate was 27.9% (2012: 26.0%). The year-on-year increase in the effective tax rate is due to increased non-deductible costs in the current year as well as recognition of deferred tax assets in the prior year.

Earnings per share

Reported basic loss per share was 0.5 pence (2012: earnings of 8.8 pence). The decrease reflects the one-off charges in the year which primarily relate to the Alliance transaction. On an adjusted basis profit after tax was £38.8 million, 22% ahead of the prior year with the adjusted diluted earnings per share at 15.9 pence (2012: 15.4 pence), ahead 3%. This reflects the impact of the increase in the number of dilutive shares following the equity raise in October 2012, the proceeds of which were used to fund the acquisition of Alliance in January 2013. Therefore, the adjusted earnings per share calculation includes a period of dilution between October and December 2012 when there were no earnings from the Alliance business.

Financial Review
continued

Net cash from operating activities

£178.0m

+43% (2012: £124.1m)

Cash flow

During the financial year there was an increase in net debt resulting from a net outflow of funds from the Group which primarily reflects the impact of the Alliance acquisition which was completed during the period.

Cash flows from operating activities at £178.0 million were 43% ahead of the previous year reflecting the improved underlying EBITDA and strong cash generation from the Group's investment and production activities.

The Group invested £175.0 million in content rights and television programmes in the year (2012: £135.8 million) and £4.2 million to purchase the iconic music library assets of Death Row Records.

	31 March 2013			
	Adjusted net debt £m	Prod'n net debt £m	Total £m	31 March 2012 £m
Net debt at 1 April	**(44.1)**	**(46.1)**	**(90.2)**	(60.7)
Net cash from operating activities	**107.0**	**71.0**	**178.0**	124.1
Investment in content rights and programmes	**(101.2)**	**(73.8)**	**(175.0)**	(135.8)
Purchases of acquired intangible assets	**(4.2)**	**–**	**(4.2)**	–
Purchase of other non-current assets[1]	**(2.9)**	**–**	**(2.9)**	(2.0)
Free cash flow	**(1.3)**	**(2.8)**	**(4.1)**	(13.7)
Acquisition of subsidiaries	**(141.2)**	**0.2**	**(141.0)**	(6.3)
Net interest paid	**(4.9)**	**(1.4)**	**(6.3)**	(5.7)
Net proceeds from issue of common shares	**107.4**	**–**	**107.4**	–
Debt acquired	**2.3**	**(5.0)**	**(2.7)**	(3.5)
Amortisation of deferred finance charges	**(1.3)**	**–**	**(1.3)**	(1.7)
Write-off of unamortised deferred finance charges	**(1.8)**	**–**	**(1.8)**	–
Foreign exchange	**(2.9)**	**(1.6)**	**(4.5)**	1.4
Net debt at 31 March	**(87.8)**	**(56.7)**	**(144.5)**	(90.2)

[1] Other non-current assets comprise property, plant and equipment and intangible software.

The net cash outflow from the acquisition of subsidiaries was £141.0 million. £140.7 million related to the January 2013 acquisition of Alliance and £0.3 million related to final amounts paid relating to the acquisition of Hopscotch in the prior period. As part of the acquisition of Alliance, £105.9 million of net proceeds were raised from the issue of common shares. The remaining £1.5 million from the issue of shares is in relation to share options exercised (£0.2 million) and the exercise of warrants by Lionsgate/Summit (£1.3 million).

Financing

The net debt balances at 31 March 2013 comprise the following:

	£m 2013	£m 2012
Cash and other items (excluding TV Production)	**(26.3)**	(11.6)
JP Morgan – Senior facility	**114.1**	55.7
Adjusted net debt	**87.8**	44.1
Production net debt	**56.7**	46.1
Net debt	**144.5**	90.2

The adjusted net debt balance was £87.8 million, up £43.7 million from the previous year end. The increase is driven primarily by the acquisition of Alliance (£140.7 million), partially offset by share placement of £107.4 million, and a significant increase in investment in content rights and programmes. Adjusted net debt leverage (defined as adjusted net debt divided by underlying EBITDA) increased year-on-year and was 1.4 times at 31 March 2013 (2012: 0.8 times).

On 8 January 2013, the Group re-financed its previous bank facility which was due to mature in October 2014. The new arrangement is a US$425.0 million multi-currency, five-year secured facility which expires in January 2018. The facility comprises a revolving credit facility ("RCF") which can be funded in US dollars, Canadian dollars, pounds sterling and euros, a Canadian dollar term loan and a pounds sterling term loan. These borrowings are secured by the assets of the Group. The facility is with a syndicate of banks managed by JP Morgan Chase N.A. At 31 March 2013, the total available facility was equivalent to US$418.4 million based on closing exchange rates.

Production net debt increased by £10.6 million year-on-year to £56.7 million reflecting the large number of high value productions in progress at the year end. This financing is independent of the Group's senior credit facility. It is excluded from the calculation of adjusted net debt as it is secured over the assets of individual production companies within the Production businesses 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 £119.1 million to £330.8 million at 31 March 2013 (2012: £211.7 million). The increase primarily reflects the acquisition of Alliance in the year.

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 3 to the consolidated financial statements.

Principal 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 regularly reviews the risks faced by the Group as well as the systems and processes to mitigate them. The Corporate Governance Statement on pages 30 and 31 describes the systems and processes through which the directors manage and mitigate risks.

Risk

Mitigation

Key personnel

The performance of the Group is dependent on its ability to attract, recruit and retain quality staff 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 constantly changing and developing, for example the increasing shift in consumption from physical DVDs to digital downloads and streaming. The Group seeks 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. These processes culminate in the setting of an annual budget for the year, together with long-range plans for the two following years, for each business and the Group on a consolidated basis in March of every year. Over the course of the year these budgets and plans are reconsidered, in the light of any market changes, through business reviews and formal reforecasts in September and January.

Regulatory/market environment

The Group operates in a regulated environment and changes in this environment can impact the Group and its various partners. In addition, the Group benefits from its Canadian heritage through government-sponsored financing for its Television Production business. The Group carefully monitors the regulatory environment in which it operates and ensures that its strategies remain appropriate through its corporate planning processes. The Group's international footprint ensures that its regulatory risk is spread across a number of different jurisdictions.

Risk	Mitigation
Acquisition effectiveness	Our strategy includes growth through acquisitions in new territories around the world and consolidation opportunities in the markets in which we operate. The risks associated with this approach are mitigated through clearly defined investment criteria, detailed due diligence by the Group 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. During the year, these processes were followed for the acquisition of Alliance, which was completed in January 2013. A Board Committee was established to oversee a formal steering group which managed the integration process, and individual workstreams were established to deliver the key integration activities. The Board Committee met on a fortnightly basis and received updates on the integration through detailed planning checklists for each workstream.
Content investment opportunities	Investment in content rights is fundamental to achieving the Group's aim of providing shareholders with improving and sustainable returns. The availability of good quality content is considered as part of the corporate planning process. The Group mitigates the risk of reduced availability of content through the continual development of relationships with producers and other key stakeholders across the entertainment industry. The Group enters into long-term output agreements to provide exclusive access to content from various key producers, where the terms are favourable, whilst recognising that these agreements also place constraints upon the Group. In addition, as the business grows it is becoming an ever more attractive partner for the sellers of entertainment rights.
Content distribution agreements	The Group acquires the rights to distribute films and produces television and film content to exploit across all media. Relationships with key broadcast partners and digital distribution networks are essential to the Group's ability to provide shareholders with returns from the Group's investment in content and programmes. The Group enters into long-term distribution agreements where the terms are favourable to provide guaranteed revenues from its various distribution and exploitation windows. The Group considers the renewal of these arrangements as part of the corporate planning process.

Principal Risks and Uncertainties continued

Risk	Mitigation
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 Group's Treasury department is principally responsible for managing financial risks to which the Group is exposed. 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, Australian dollar, sterling and euro interest rates. The exposure to fluctuating interest rates is managed by 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 2013, the longest term of any debt held by the Group was until January 2018, the maturity date of the Group's new bank facility. Further details of this can be found in Note 23 to the consolidated financial statements.
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.

Risk	Mitigation
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. At 31 March 2013, the Group had £33.4 million of cash and net debt of £144.5 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 which matures in January 2018 and is secured on assets of the Group. The amounts drawn down by currency at 31 March 2013 are shown in Note 23 to the consolidated financial statements.
Covenant risk	The Group must comply with a number of financial covenants as part of its bank facility. The covenants under the facility include, inter alia, gross 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 2013 had undrawn amounts of £153.2 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 to comply with the terms of its facility.

Corporate Responsibility

The Group recognises that the performance of its business is reliant on close relationships with a range of stakeholders, including customers, suppliers, investors, employees and the wider community. The following is a summary of the many corporate responsibility activities in which we are involved.

> “Ethical and responsible practices are key motivators behind the Group’s corporate responsibility framework.”

People

The Group recognises that the skills, motivation and energy of our workforce are key drivers for success. The Group’s structure ensures that our staff are aware of our goals and are clear on how their roles help 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. The Group has numerous initiatives to promote the engagement of our employees including:

- regular “Town Hall” broadcasts to staff from our CEO;
- our internal intranet site which also offers discounts on company and other products;
- regular newsletters and global updates;
- team building events and an annual management retreat; and
- frequent 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.

Charity and community

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

The Group joined forces with Plan Canada’s Because I am a Girl initiative to promote the support of social justice for children in developing countries. Through this partnership, the Group released two documentary home entertainment titles in Canada that explore the issues facing women in the Third World. In addition, in 2013 the Group, in conjunction with Shaw Communications Inc, donated US$1 to the charity Kids Help Phone for every rental of *Bully*, a film which gives an intimate glimpse into the problems of bullying.

During the year, the Group teamed-up with esteemed Canadian charity Wounded Warriors Fund to raise awareness and donations for the charity’s cause. Through this partnership, the Group launched a series of thought-provoking war/history-themed home entertainment titles, featuring a text-to-donate sticker. Wounded Warriors is a non-profit organisation that supports all wounded Canadian Forces members and their families.

In Canada, over 80 staff members volunteered in a project called Habitat for Humanity. As a major sponsor, our employees went on site to help build homes for low income communities. Volunteers worked in teams on various projects: building stud framed walls, exterior wall framing and insulation, draining a flooded basement, framing interior walls and securing porch covers. During the year, three houses were completed for three families.

We continue to be 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. The event has now raised over £300,000 in total for the SickKids Foundation, including £70,000 in the current 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 over £1 million through a variety of engaging events benefiting children and their parents. Through its association with *Peppa Pig*, Tommy’s is now the official charity partner of *Peppa Pig World* in the UK.

During the year, *Ben and Holly's Little Kingdom* was again an ambassador for Jeans for Genes Day. This is an annual fundraising event in the UK which raises money for research into genetic disorders by encouraging people to leave their suits and uniforms at home and wear their jeans to work or school in return for a donation.

From the beginning of 2013, *Ben and Holly's Little Kingdom* has also had a charity partnership with Bliss, a UK charity for premature and sick babies and their families. The Group is also proud that another of its brands, *Humf*, began a charity partnership with the children's communication charity I CAN in 2013.

For two titles released theatrically in the UK this year, we were able to raise funds for charity. The release of *Nativity 2* raised almost £20,000 for Children in Need through Cineworld screenings. The release of *The Impossible* raised over £11,000, which was split between Indian Ocean Disaster Relief and SOS.

Environment

Our 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.

Canada is also part of the H.I.P Committee (Health for the Individual and the Planet). The Committee focuses on better living for employees through the provision of information on fitness, nutrition, environment and smoking cessation. During the year, the Canada operations participated in Brampton's 2013 Corporate Cleanup on Earth Day, where the team helped collect over 1,000lbs of garbage from the local Brampton Parks.

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 Group'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 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. The Group is committed to providing a safe working environment and to caring for the health and safety of its employees, visitors and contractors.

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 a great risk to either our employees or our customers. However, we work to maintain a safe environment at all times.

Corporate Governance

Corporate Governance Statement

Statement by the directors on compliance with the UK Corporate Governance Code

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 listing on the Main Market of the London Stock Exchange. 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.

As part of the Company's active consideration of a transfer of the listing category of all its common shares from a standard listing to a premium listing on the London Stock Exchange, subject to satisfying the required eligibility criteria, and discussions with both the UKLA and FTSE regarding potential inclusion in the FTSE 250 Index Series, the Company has carried out a review of its current corporate governance arrangements.

An overview of the Group's corporate governance procedures is given below, together with changes that the Company proposes to make to its corporate governance arrangements, as part of its active consideration of a transfer to a premium listing.

The Board

The Group is controlled through a Board of Directors, which at 31 March 2013 comprised a non-executive chairman, three executive directors and six 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. One non-executive director, 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

Each year the Board undertakes a formal internal evaluation of its own performance and that of its Committees and individual directors. This review also includes 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 which are available on request. In addition, an Alliance Committee was constituted during the year to oversee the acquisition and integration of Alliance.

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 three times 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/Results Announcement and the Annual Report and Accounts.

Remuneration Committee

The Remuneration Committee is chaired by Clare Copeland with James Corsellis and Garth Girvan as members. The Committee meets at least twice a 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 and for approving remuneration packages for senior management above set thresholds.

Nominations Committee

The Nominations Committee is chaired by James Corsellis with Clare Copeland and Mark Watts as members. The Committee meets as required and 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 advisers to help in the search for and selection of candidates.

Alliance Committee

The Alliance Committee is chaired by James Corsellis, with Clare Copeland and Ronald Atkey as members. The Committee was established to oversee the acquisition and integration of Alliance.

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	Remuneration Committee	Alliance Committee
Total held in year	**9**	**4**	**6**	**10**
James Corsellis	9	4	6	10
Darren Throop	8	–	–	–
Patrice Theroux	9	–	–	–
Giles Willits	9	–	–	–
Clare Copeland	9	–	6	10
Bob Allan	8	4	–	–
Ronald Atkey	9	–	–	10
Garth Girvan	7	–	6	–
Mark Opzoomer	7	4	–	–
Mark Watts	6	3	–	–
Robert Lantos[1]	3	–	–	–

[1] During his time as a non-executive director, Mr Lantos attended three out of five meetings held.

The Nominations Committee did not meet during the year.

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 Final/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 and Accounts.

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.entertainmentone.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. Going forward the Group intends to implement a Group risk register which will be reviewed formally by the Board on a quarterly basis.

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, minimum financial controls, Group authority limits, 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 Group does not currently have an internal audit function and has continued to use external consultants to undertake specific reviews of internal controls. Given the Company's active consideration of a transfer of the listing category of all its common shares from a standard listing to a premium listing on the London Stock Exchange, the Board proposes to implement an internal audit function over the course of the next 12 months.

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 6 to the consolidated 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 and transactional 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 2013, 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 34 to the consolidated financial statements;
- 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; and
- shareholders are not required to approve new or long-term incentive schemes or significant changes to existing schemes.

As part of the Company's active consideration of a transfer of the listing category of all its common shares from a standard listing to a premium listing on the London Stock Exchange, it intends to appoint an independent Chairman and reconstitute the Nominations Committee with a majority of independent directors. In addition, the Company intends to seek shareholder approval for new long-term incentive schemes and significant changes to existing schemes.

Board of Directors

1 James Corsellis

Non-Executive Chairman (43)
James is co-founder and managing partner at investment firm, Marwyn Investment Management LLP, and is also a director of Marwyn Management Partners plc. He was previously a director of Breedon Aggregates, Concanteo plc, icollector plc and Catalina Holdings Ltd.

2 Darren Throop

Chief Executive Officer (48)
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 part of 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 Giles Willits

Chief Financial Officer (46)
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 financial and operational management roles within Kingfisher plc and Sears plc. Giles is a chartered accountant having qualified with PricewaterhouseCoopers.

4 Patrice Theroux

President, Film (50)
Patrice has over 25 years of experience in the motion picture distribution industry and until June 2006 was president and chief executive officer 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 a member of the Producers' Guild of America, the British Academy of Film & Television Arts, as well as chairman of the Canadian Association of Film Distributors and Exporters.

5 Clare Copeland

Senior Independent Director (77)
Clare is currently the chief executive officer of Falls Management Company, a commercial development and casino in Niagara Falls, Ontario, Canada. From 1999 to 2013, Clare was the chairman of Toronto Hydro Corporation, a Canadian electricity provider. Clare was also chairman and chief executive of OSF Inc., a manufacturer of retail store interiors between 2000 and 2002. Between 1993 and 1999, he was chief executive officer of People's Jewellers Corporation, a jewellery retailer. Clare is currently a trustee of Chesswood Group Limited, RioCan Real Estate Investment Trust, Danier Leather Inc., Telesat and MDC Corporation.

6 Bob Allan

Non-executive director (66)
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 of financial operations 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.

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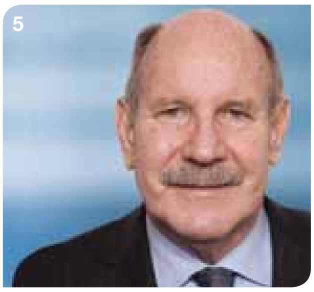

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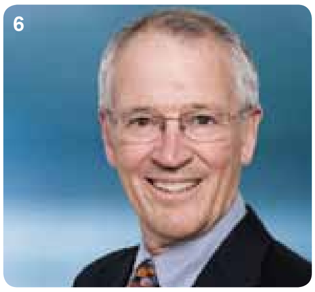

7 Ronald Atkey

Non-executive director (71)
Ron is a lawyer who until 2007 had been a partner at Osler, Hoskin & Harcourt LLP in Toronto for over thirty years. 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 and was appointed Minister of Employment and Immigration from 1979 to 1980.

8 Garth Girvan

Non-executive director (64)
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 the Canadian beverage distributor Corby Distilleries Limited and also Silcorp Limited. Garth is called as a barrister and solicitor in Ontario (1978), Alberta (1982) and New York (1986).

9 Mark Opzoomer

Non-executive director (55)
Mark is a founder and chief executive officer of Zattikka plc, an LSE AIM-listed games entertainment company providing products and services in the global social gaming market, and is also a partner in Bond Capital Partners. Mark is a non-executive director of Blinkx plc and Forward Internet Group Limited. Previously, Mark was a 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 qualified as a chartered accountant through the Canadian Institute of Chartered Accountants and has an MBA from IMD, Lausanne, Switzerland.

10 Mark Watts

Non-executive director (39)
Mark has been advising the boards of UK public companies since 1998. Mark is currently a managing partner at Marwyn Capital LLP and Marwyn Investment Management LLP. He is also a director of Marwyn Management Partners plc, Silverdell plc and Fulcrum Utility Services Limited.

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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 Company's remuneration policy is to ensure that these key executives are appropriately rewarded for their individual contributions to the Company'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 Company requires.

The main components of executive directors' remuneration, which can be mirrored with that of senior executives' remuneration, 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 2013, executive directors earned a bonus of 100% of basic salary.

Long-term incentive plans

The Company operates a number of employee share option schemes (see Note 31 to the consolidated 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 Company. 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 31 to the consolidated financial statements.

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 £5.0 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 achieving a 180 day volume-weighted average price of £2.25 per share. Based on the Company's active consideration of a transfer of the listing category of all its common shares from a standard listing to a premium listing on the London Stock Exchange, subject to satisfying the required eligibility criteria, and discussions with both the UKLA and FTSE regarding potential inclusion in the FTSE 250 Index Series, the Company believes that it is reasonably probable that the out-performance bonus will be paid, and has provided for the cost of the out-performance bonus in the current year. See Note 9 to the consolidated financial statements for further details.

Executive incentive plan

The Board has decided to put in place a new executive incentive plan for the benefit of Darren Throop, Patrice Theroux and Giles Willits (the "Incentive Plan"). The Incentive Plan, which is broadly similar to those of premium listed FTSE 250 companies, will include new proposals on salary, bonus and a long-term incentive plan ("LTIP"). It is expected that awards under the LTIP will initially be made for the benefit of Darren Throop, Patrice Theroux and Giles Willits, however awards may also be made to other employees of the Group under the LTIP. Performance will be measured against adjusted earnings per share, adjusted return on capital employed and total shareholder return. Shareholder approval will be sought in relation to the proposed adoption of the LTIP. The conditions relating to the exercise of options under the existing Management Participation Scheme (as described in more detail in Note 31 to the consolidated financial statements) have now been met, and the relevant directors have indicated an intention to exercise their put option in relation to this scheme upon Transfer subject to certain conditions.

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	28 August 2007	31 March 2010	31 March 2013[2]
Giles Willits	29 March 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.

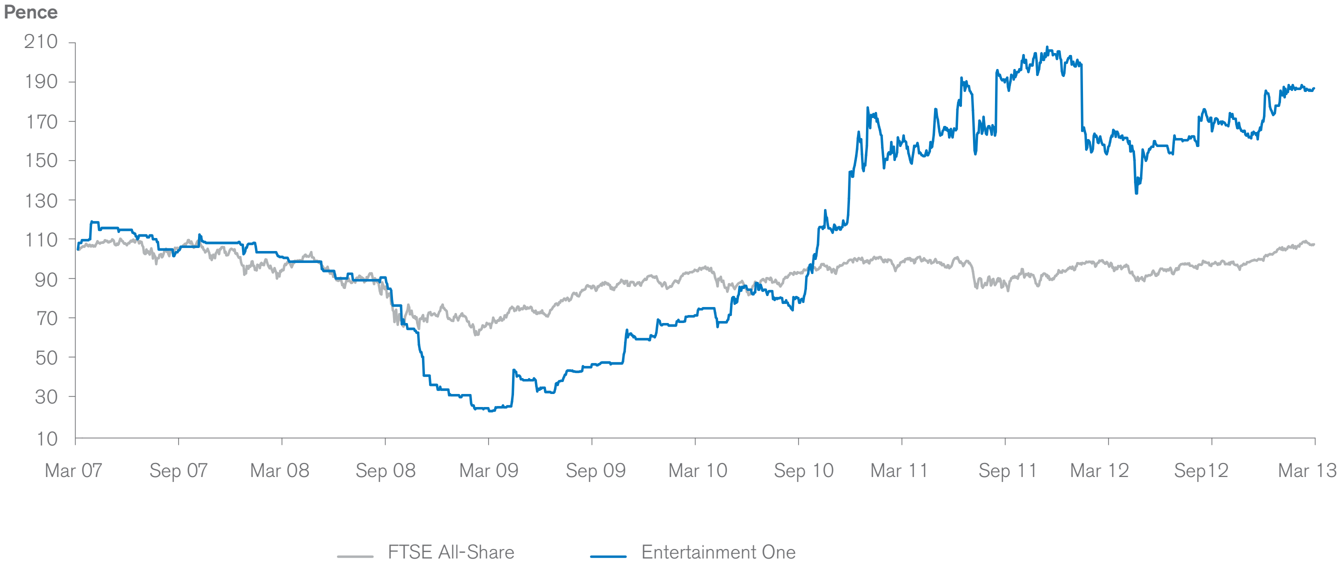
[2] If Mr Theroux is dismissed without cause he is entitled to a lump sum equal to 24 months' compensation. Mr Theroux is currently in the process of agreeing a new contract with the Company. If his contract is not renewed by the Company the lump sum will equal 12 months' compensation. Notice by Mr Theroux 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 the Company 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.



Remuneration Report continued

Directors' emoluments

The remuneration of each of the directors for the year ended 31 March 2013 is set out as follows:

	Salary and fees £000	Bonus £000	Additional benefits £000	Total £000	2012 £000
Executive					
Darren Throop[1]	**444**	**444**	**21**	**909**	899
Patrice Theroux[1]	**410**	**410**	**18**	**838**	812
Giles Willits	**297**	**297**	**69**	**663**	647
Non-executive					
James Corsellis (Chairman)	**60**	**–**	**–**	**60**	69
Clare Copeland (Senior Independent Director)[1]	**57**	**–**	**–**	**57**	66
Bob Allan[1]	**54**	**–**	**–**	**54**	54
Ronald Atkey[1]	**47**	**–**	**–**	**47**	57
Garth Girvan[1]	**47**	**–**	**–**	**47**	57
Robert Lantos[1,2]	**40**	**–**	**–**	**40**	57
Mark Opzoomer	**35**	**–**	**–**	**35**	35
Mark Watts	**35**	**–**	**–**	**35**	35
Total	**1,526**	**1,151**	**108**	**2,785**	2,788

[1] Canadian executive director remuneration has been translated at the C$:£ rate 1.5818 (2012: 1.5844).

[2] Resigned 1 February 2013.

Salary and fees shown above include fees paid in respect of duties as directors. Additional benefits relate mainly to the provision of company cars, pension allowances and private medical insurance. The basic fee for a non-executive director based in the UK was £35,000 per annum and for Canadian-based directors was C$75,000 per annum. Additional fees are payable to the Chairmen of Committees (other than the Chairman of the Company), to the Senior Independent Director and members of the Alliance Committee.

Directors' interests in long-term incentive plans

The interests in long-term incentive plans of the current executive directors at 31 March 2013 were as follows. There were no grants during the year.

Executive Share Plan

Executive Director	Scheme	Number of shares at 31 March 2013	Number of shares at 31 March 2012
Darren Throop	Executive Share Plan	**–**	825,000
Patrice Theroux	Executive Share Plan	**–**	825,000
Total		**–**	1,650,000

Grants under the ESP and EBT are fully vested. The closing market price of the Company's common shares at 31 March 2013 was £1.863 and the range during the year was £1.300 to £1.880. The exercise price of the ESP is £0.01 and there is no exercise price on the EBT. On 3 July 2012 Darren Throop and Patrice Theroux each exercised 330,000 ESP options prior to their lapse date of 5 July 2012. On 28 September 2012 Darren Throop and Patrice Theroux each exercised 495,000 ESP options prior to their lapse date of 9 January 2013.

Management Participation Scheme

Executive Director	Scheme	Number of shares at 31 March 2013	Number of shares at 31 March 2012
Darren Throop	Management Participation Scheme	**3,820,268**	3,169,920
Patrice Theroux	Management Participation Scheme	**3,357,205**	2,785,687
Giles Willits	Management Participation Scheme	**2,083,782**	1,729,047
Total		**9,261,255**	7,684,654

The vesting and growth conditions in relation to the scheme have been met as at 31 March 2013. The total number of shares exercisable, under the scheme, of 9,261,255 at 31 March 2013, is based on the 90 day volume-weighted average price of £1.79.

Directors' Report

The directors present their report and audited consolidated financial statements for the year ended 31 March 2013.

Principal activities

Entertainment One Ltd. 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.

Strategic Review

The Strategic Review on pages 2 to 27 sets out a comprehensive review of the development and performance of the business for the year ended 31 March 2013.

Results and dividend

During the year the Group made a loss after tax of £1.1 million (2012: profit of £16.2 million). The Company did not pay an interim dividend during the year ended 31 March 2013 and the directors are not recommending the payment of a final dividend in respect of 2013.

Risk management and internal controls

Disclosures can be found in Note 29 to the consolidated financial statements and in the Corporate Governance Statement on pages 30 and 31.

Capital structure

The Company has common shares and preferred variable voting shares. 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 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 30 to the consolidated 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.

Directors

All directors served throughout the year under review, except Robert Lantos who resigned on 1 February 2013, and details for all present directors are listed, together with their biographical details, on pages 32 and 33. 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 30 and 31.

Directors' interests

The beneficial interests of the directors and their families in the shares of the Company (including those held by the Employee Benefit Trust) are shown below. Options granted under the Company's employee share plans are shown in the Remuneration Report on pages 34 to 36.

	At 31 March 2013 Number of common shares
Darren Throop	5,965,562
Patrice Theroux	1,609,201
Giles Willits (EBT)[1]	1,645,744
Mark Watts	1,000

[1] Mr Willits' shares are beneficially held through the Employee Benefit Trust.

Directors' interests (if any) in contracts of significance to the Group's business are set out in Note 34 to the consolidated financial statements.

Substantial shareholdings

At 1 May 2013, the Company was aware of the following holdings representing 3% or more in its issued common shares:

	Number of common shares held as at 1 May 2013	Percentage of voting rights and issued shares
Marwyn Value Investors L.P.	75,424,894	27.6%
M&G Investment Management	39,582,768	14.5%
Capital Research and Management	19,345,082	7.1%
Cazenove Capital Management	12,078,982	4.4%
Slater Investments	9,299,118	3.4%

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 2013 were equivalent to 85 days' purchases (31 March 2012: 81 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 (2012: £0.2 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 26 and 27.

Directors' Report continued

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 3 to the consolidated 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 28 June 2013. Notice of this meeting will be sent under separate cover.

By order of the Board

Giles Willits
Director and Company Secretary
20 May 2013

Statement of Directors' Responsibilities

The directors are responsible for preparing the Annual Report and Accounts and the consolidated financial statements in accordance with applicable law and regulations.

The directors are required to prepare the consolidated financial statements in accordance with International Financial Reporting Standards ("IFRSs") as adopted by the European Union and Article 4 of the IAS Regulation. The directors must not approve the accounts unless they are satisfied that they give a true and fair view of the state of affairs of the Group and of the profit or loss of the Group for that period. In preparing these consolidated financial statements, International Accounting Standard 1 requires that directors:

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

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Group's transactions and disclose with reasonable accuracy at any time the financial position of the Group. They are also responsible for safeguarding the assets of the Group and hence 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 corporate and financial information included on the Company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial information differs from legislation in other jurisdictions.

Responsibility statement

We confirm that to the best of our knowledge:

- the consolidated financial statements, prepared in accordance with IFRSs as adopted by the European Union, give a true and fair view of the assets, liabilities, financial position and profit or loss of the Group as a whole; and
- the Directors' Report on pages 37 and 38 and the Strategic Review on pages 2 to 27 include 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 they face.

By order of the Board

Giles Willits
Director
20 May 2013

Consolidated Financial Statements

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Independent Auditor's Report

to the Members of Entertainment One Ltd.

We have audited the consolidated financial statements of Entertainment One Ltd. for the year ended 31 March 2013 which comprise the consolidated income statement, the consolidated statement of comprehensive income, the consolidated balance sheet, the consolidated statement of changes in equity, the consolidated cash flow statement 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 Statement of Directors' Responsibilities, the directors are responsible for the preparation of the consolidated 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 consolidated 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 consolidated financial statements

An audit involves obtaining evidence about the amounts and disclosures in the consolidated financial statements sufficient to give reasonable assurance that the consolidated 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 consolidated financial statements. In addition, we read all the financial and non-financial information in the Annual Report and Accounts to identify material inconsistencies with the audited consolidated financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on consolidated financial statements

In our opinion the consolidated financial statements:

- give a true and fair view of the state of the Group's affairs as at 31 March 2013 and of its loss 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 Auditors
London, United Kingdom

20 May 2013

Consolidated Income Statement

for the year ended 31 March 2013

	Notes	**Year ended 31 March 2013 £m**	Year ended 31 March 2012 £m
Revenue	5	**629.1**	502.7
Cost of sales		**(490.6)**	(378.5)
Gross profit		**138.5**	124.2
Administrative expenses		**(124.8)**	(94.7)
Operating profit	6	**13.7**	29.5
Analysed as:			
Underlying EBITDA		**62.5**	52.6
Amortisation of intangible assets	16, 17	**(19.3)**	(16.4)
Depreciation	18	**(1.5)**	(1.5)
Share-based payment charge	31	**(1.2)**	(1.4)
One-off items	9	**(26.8)**	(3.8)
		13.7	29.5
Finance income	10	**1.0**	0.7
Finance costs	10	**(9.2)**	(7.1)
Profit before tax		**5.5**	23.1
Income tax charge	11	**(6.6)**	(6.9)
(Loss)/profit for the year		**(1.1)**	16.2
(Loss)/earnings per share (pence)			
Basic	14	**(0.5)**	8.8
Diluted	14	**(0.5)**	7.8
Adjusted earnings per share (pence)			
Basic	14	**17.1**	17.3
Diluted	14	**15.9**	15.4

All activities relate to continuing operations. All of the (loss)/profit for the year is attributable to the owners of the ultimate parent company.

Consolidated Statement of Comprehensive Income

for the year ended 31 March 2013

	Year ended 31 March 2013 £m	Year ended 31 March 2012 £m
(Loss)/profit for the year	**(1.1)**	16.2
Exchange differences on foreign operations	**9.2**	(3.7)
Fair value movements on cash flow hedges	**1.5**	0.5
Reclassification adjustments for movements on cash flow hedges	**0.5**	(0.3)
Tax related to components of other comprehensive income	**(0.5)**	–
Total comprehensive income for the year	**9.6**	12.7

Consolidated Balance Sheet

at 31 March 2013

	Note	**31 March 2013** **£m**	31 March 2012 £m
ASSETS			
Non-current assets			
Goodwill	15	**218.5**	108.9
Other intangible assets	16	**130.6**	56.6
Investment in programmes	17	**56.9**	45.6
Property, plant and equipment	18	**5.3**	3.5
Other receivables	21	**8.7**	2.5
Deferred tax assets	12	**8.7**	6.5
Total non-current assets		**428.7**	223.6
Current assets			
Inventories	19	**50.0**	46.0
Investment in content rights	20	**215.7**	97.7
Trade and other receivables	21	**252.1**	148.1
Cash and cash equivalents	22	**33.4**	17.4
Current tax assets		**2.5**	1.8
Derivative financial instruments	28	**1.7**	–
Total current assets		**555.4**	311.0
Total assets		**984.1**	534.6
LIABILITIES			
Non-current liabilities			
Interest-bearing loans and borrowings	23	**131.9**	74.1
Other payables	25	**18.3**	0.4
Provisions	26	**12.9**	–
Deferred tax liabilities	12	**7.4**	8.1
Total non-current liabilities		**170.5**	82.6
Current liabilities			
Interest-bearing loans and borrowings	23	**46.0**	33.5
Trade and other payables	25	**399.4**	198.2
Provisions	26	**17.0**	0.2
Current tax liabilities		**19.1**	7.5
Derivative financial instruments	28	**1.3**	0.9
Total current liabilities		**482.8**	240.3
Total liabilities		**653.3**	322.9
Net assets		**330.8**	211.7
EQUITY			
Stated capital	30	**282.4**	173.9
Treasury shares	30	**(7.2)**	(7.7)
Other reserves	30	**11.0**	9.5
Currency translation reserve		**42.3**	33.1
Retained earnings		**2.3**	2.9
Total equity		**330.8**	211.7

These consolidated financial statements were approved by the Board of Directors on 20 May 2013.

Giles Willits
Director

Consolidated Statement of Changes in Equity

for the year ended 31 March 2013

			Other reserves					
	Stated capital £m	**Treasury shares £m**	**Cash flow hedge reserve £m**	**Warrants reserve £m**	**Restructuring reserve £m**	**Currency translation reserve £m**	**Retained earnings £m**	**Total equity £m**
At 1 April 2011	167.2	(7.8)	(0.6)	0.6	9.3	36.8	(14.6)	190.9
Profit for the year	–	–	–	–	–	–	16.2	16.2
Other comprehensive income/(loss)	–	–	0.2	–	–	(3.7)	–	(3.5)
Total comprehensive income/(loss) for the year	**–**	**–**	**0.2**	**–**	**–**	**(3.7)**	**16.2**	**12.7**
Issue of common shares – as part-consideration for acquisition[1]	6.3	–	–	–	–	–	–	6.3
Issue of common shares – on exercise of share options[1]	0.4	–	–	–	–	–	–	0.4
Credits in respect of share-based payments	–	0.1	–	–	–	–	1.1	1.2
Deferred tax on credits in respect of share-based payments	–	–	–	–	–	–	0.2	0.2
At 31 March 2012	**173.9**	**(7.7)**	**(0.4)**	**0.6**	**9.3**	**33.1**	**2.9**	**211.7**
Loss for the year	–	–	–	–	–	–	(1.1)	(1.1)
Other comprehensive income	–	–	1.5	–	–	9.2	–	10.7
Total comprehensive income/(loss) for the year	**–**	**–**	**1.5**	**–**	**–**	**9.2**	**(1.1)**	**9.6**
Issue of common shares – for cash[1]	110.0	–	–	–	–	–	–	110.0
Transaction costs relating to issue of common shares for cash (net of tax)[1]	(3.0)	–	–	–	–	–	–	(3.0)
Issue of common shares – on exercise of share options[1]	0.2	–	–	–	–	–	–	0.2
Issue of common shares – on exercise of share warrants[1]	1.3	–	–	–	–	–	–	1.3
Credits in respect of share-based payments	–	0.5	–	–	–	–	0.5	1.0
At 31 March 2013	**282.4**	**(7.2)**	**1.1**	**0.6**	**9.3**	**42.3**	**2.3**	**330.8**

[1] See Note 30 for further details.

Consolidated Cash Flow Statement

for the year ended 31 March 2013

	Note	**Year ended 31 March 2013 £m**	Year ended 31 March 2012 £m
Operating activities			
Operating profit		**13.7**	29.5
Adjustments for:			
Depreciation of property, plant and equipment	18	**1.5**	1.5
Amortisation of other intangible assets	16	**18.9**	16.0
Amortisation of investment in programmes	17	**61.9**	46.3
Amortisation of investment in content rights	20	**77.4**	51.8
Impairment of investment in content rights	20	**4.1**	–
Foreign exchange movements		**(0.6)**	0.1
Share-based payment charge	31	**1.2**	1.4
Operating cash flows before changes in working capital and provisions		**178.1**	146.6
Decrease in inventories		**2.4**	9.7
Decrease/(increase) in trade and other receivables		**11.2**	(27.3)
(Decrease)/increase in trade and other payables		**(11.1)**	7.3
Increase/(decrease) in provisions		**6.4**	(1.9)
Cash generated from operations		**187.0**	134.4
Income tax paid		**(9.0)**	(10.3)
Net cash from operating activities		**178.0**	124.1
Investing activities			
Acquisition of subsidiaries, net of cash acquired	33	**(141.0)**	(6.3)
Purchase of investment in content rights		**(101.6)**	(64.4)
Purchase of investment in programmes, net of grants received		**(73.4)**	(71.4)
Purchase of acquired intangible assets		**(4.2)**	–
Purchase of property, plant and equipment	18	**(1.5)**	(0.8)
Purchase of intangible software assets	16	**(1.4)**	(1.2)
Net cash used in investing activities		**(323.1)**	(144.1)
Financing activities			
Proceeds on issue of shares	30	**111.5**	–
Transaction costs related to issue of shares	30	**(4.1)**	–
Drawdown of interest-bearing loans and borrowings		**322.2**	53.5
Repayment of interest-bearing loans and borrowings		**(261.7)**	(62.3)
Net drawdown of interim production financing		**5.9**	24.8
Interest paid		**(6.3)**	(5.7)
Fees paid on re-financing of Group's bank facilities		**(8.5)**	(1.8)
Net cash from financing activities		**159.0**	8.5
Net increase/(decrease) in cash and cash equivalents		**13.9**	(11.5)
Cash and cash equivalents at beginning of the year	22	**17.4**	29.2
Effects of foreign exchange rate changes on cash held		**0.5**	(0.3)
Cash and cash equivalents at end of the year	22	**31.8**	17.4

Notes to the Consolidated Financial Statements

for the year ended 31 March 2013

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. Entertainment One Ltd. ("the Company") is the Group's ultimate parent company and is incorporated and domiciled in Canada. The Company has a standard listing on the London Stock Exchange. Segmental information is disclosed in Note 5.

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 20 May 2013.

2. New, amended, revised and improved Standards and Interpretations

Amendments to Standards adopted during the year
During the year, the following amendments were adopted by the Group:

Amendments to Standards	Effective date
Amendments to IFRS 1 *Severe Hyperinflation*	1 July 2011
Amendments to IFRS 1 *Removal of Fixed Dates for First-Time Adopters*	1 July 2011
Amendment to IFRS 7 *Disclosures – Transfer of Financial Assets*	1 July 2011
Amendment to IAS 12 *Deferred Tax: Recovery of Underlying Assets*	1 January 2012

The above amendments have had no material impact on the Group's financial position, performance or its disclosures.

New, amended, revised and improved Standards and Interpretations issued but not adopted during the year
At the date of authorisation of these consolidated financial statements, the following Standards and Interpretations, which have not been applied in these consolidated financial statements are in issue but not yet effective for periods beginning 1 April 2012:

New, amended, revised and improved Standards	Effective date
Amendment to IAS 1 *Presentation of Items of Other Comprehensive Income*	1 July 2012
Amendment to IAS 1 *Government Loans*	1 January 2013
Amendment to IFRS 7 *Disclosures – Offsetting Financial Assets and Financial Liabilities*	1 January 2013
IFRS 13 *Fair Value Measurement*	1 January 2013
IAS 19 (as revised in 2011) *Employee Benefits*	1 January 2013
Annual improvements to IFRS (May 2012)	1 January 2013
IFRS 10 *Consolidated Financial Statements*	1 January 2014
IFRS 11 *Joint Arrangements*	1 January 2014
IFRS 12 *Disclosures of Interests in Other Entities*	1 January 2014
Amendments to IFRS 10, IFRS 11 and IFRS 12 *Consolidated Financial Statements, Joint Arrangements and Disclosure of Interests in Other Entities: Transition Guidance*	1 January 2014
IAS 27 (as revised in 2011) *Separate Financial Statements*	1 January 2014
IAS 28 (as revised in 2011) *Investments in Associates and Joint Ventures*	1 January 2014
Amendment to IAS 32 *Offsetting Financial Assets and Financial Liabilities*	1 January 2014
IFRS 9 (as revised in 2010) *Financial Instruments*	1 January 2015
Amendments to IFRS 9 and IFRS 7 *Mandatory Effective Date and Transition Disclosures*	1 January 2015

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.

3. Significant accounting policies

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 underlying, one-off items, 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 acquisitions, one-off items relating to the Group's financing arrangements, share-based payment charges and, in the case of adjusted earnings per share, one-off tax items.

Basis of preparation: (i) Preparation of the consolidated financial statements on the going concern basis
The Group's activities, together with the factors likely to affect its future development are set out in the Strategic Review on pages 2 to 27.

3. Significant accounting policies continued

The Group meets its day-to-day working capital requirements and funds its investment in content through a revolving credit facility which matures in January 2018 and is secured on assets held by 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 2013 are shown in Note 23.

The facility is subject to a series of covenants including fixed charge cover, gross debt against underlying 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. At 31 March 2013, the Group had £33.4 million of cash, £144.5 million of net debt and undrawn amounts under the facility of £153.2 million.

As explained in the risks section on pages 22 to 25 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 consolidated financial statements.

Basis of preparation: (ii) Other

These consolidated financial statements have been prepared under the historical cost convention (except for derivative financial instruments and share-based payments which have been measured at fair value) and in accordance with applicable International Financial Reporting Standards as adopted by the EU and IFRIC interpretations ("IFRS"). The consolidated financial statements comply with Article 4 of the EU IAS Regulation.

Basis of consolidation

The consolidated financial statements comprise the financial statements of the Company (Entertainment One Ltd.) and its subsidiaries ("the Group"). The financial statements of the subsidiaries are prepared for the same reporting periods as the parent company, using consistent accounting policies. Subsidiaries are fully consolidated from the date of acquisition and continue to be consolidated until the date of disposal. 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.

Business combinations

Business combinations are accounted for using the acquisition method. The cost of a business combination is measured as the aggregate of the consideration transferred, measured at acquisition date fair value and the amount of any non-controlling interests in the acquiree. For each business combination, the acquirer measures the non-controlling interests in the acquiree either at fair value or at the proportionate share of the acquiree's identifiable net assets.

The cost of a business combination is measured as the aggregate of the fair values, at the date of exchange, of assets given, liabilities incurred or assumed, and equity instruments issued by the Group in exchange for control of the acquiree. Acquisition-related costs are recognised in the consolidated income statement as incurred.

Any contingent consideration to be transferred by the acquirer is recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration, which is deemed to be an asset or liability, is recognised either in the consolidated income statement or as a change to other comprehensive income. If the contingent consideration is classified as equity it is not re-measured until it is finally settled within equity.

Goodwill arising on a business combination is recognised as an asset and initially measured at cost, being the excess of the aggregate of the consideration transferred and the amount recognised for non-controlling interests over the fair value of net identifiable assets (including other intangible assets) acquired and liabilities assumed. If this consideration is lower than the fair value of the net assets of the subsidiary or business acquired, any negative goodwill is recognised immediately in the consolidated income statement.

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. The following summarises the Group's main revenue recognition policies:

- 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 dispatched. 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.

Notes to the Consolidated Financial Statements continued
for the year ended 31 March 2013

3. Significant accounting policies continued

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

Operating leases
The determination of whether an arrangement is, or contains, a lease is based on the substance of the arrangement at inception date, whether fulfilment of the arrangement is dependent on the use of a specific asset or assets or the arrangement conveys a right to use the asset, even if that right is not explicitly specified in an arrangement. Rentals payable under operating leases are charged to the consolidated income statement on a straight-line basis over the lease term.

Borrowing costs
Borrowing costs, including finance expense, are recognised in the consolidated income statement in the period in which they are incurred. Borrowing costs are accounted for using the effective interest rate method.

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.

Foreign currencies
(a) Within individual companies
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.

(b) Retranslation within the consolidated financial statements
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.

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, in order to provide a better understanding of the Group's financial performance and enable comparison of financial performance between periods.

Taxation
(a) Income tax
The income tax expense/credit represents the sum of the income tax currently payable and deferred tax.

The income tax currently payable is based on taxable profit for the year. Taxable profit differs from profit as reported in the consolidated 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 asset or liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the balance sheet date.

(b) Deferred tax assets and liabilities
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 assets and liabilities are measured on an undiscounted basis at the tax rates that are expected to apply in the period when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the balance sheet date. Deferred tax is charged or credited in the consolidated 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.

3. Significant accounting policies continued

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.

Goodwill

Goodwill arising on a business combination is recognised as an asset and initially measured at cost, being the excess of the aggregate of the consideration transferred and the amount recognised for non-controlling interests over the fair value of net identifiable assets (including other intangible assets) acquired and liabilities assumed. Transaction costs directly attributable to the acquisition form part of the acquisition cost for business combinations prior to 1 January 2010 but from that date such costs are written-off to the consolidated income statement and do not form part of goodwill. Following initial recognition, goodwill is measured 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.

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 consolidated 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	3–14 years
Customer relationships	9–10 years
Exclusive distribution rights	9 years
Brands and trade names	1–10 years
Non-compete agreements	2–5 years
Software	3 years

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, including government grants credited, 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.

Government grants

A government grant is recognised and credited as part of investment in programmes when there is reasonable assurance that any conditions attached to the grant will be satisfied and the grants will be received and the programme has been delivered. Government grants are recognised at fair value.

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 carrying amounts of property, plant and equipment are reviewed for impairment when events or changes in circumstances indicate that the carrying amounts may not be recoverable. The Group reviews residual values and useful lives on an annual basis and any adjustments are made prospectively.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the derecognition of the asset (determined as the difference between the sales proceeds and the carrying amount of the asset) is recorded in the consolidated income statement in the period of derecognition.

Notes to the Consolidated Financial Statements continued
for the year ended 31 March 2013

3. Significant accounting policies continued

Interests in joint ventures
The Group has interests in joint ventures which are jointly controlled entities. The Group recognises its interest in joint ventures using proportionate consolidation, under which the Group combines its share of each of the assets, liabilities, income and expenses of the joint venture with similar items, line-by-line, in its consolidated financial statements. The financial statements of the Group's joint ventures are prepared for the same reporting period as the Group. Where necessary, adjustments are made to bring the accounting policies in line with those of the Group.

Impairment of non-financial assets
The carrying amounts of the Group's non-financial assets are tested annually for impairment (as required by IFRS in the case of goodwill) or when circumstances indicate that the carrying amounts may be impaired. If any such indication exists, or when annual impairment testing for an asset is required, the Group makes an estimate of the asset's recoverable amount. The recoverable amount is the higher of an asset's or CGU's fair value less costs to sell and its value-in-use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. Where the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered to be impaired and is written down to its recoverable amount. In assessing value-in-use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or CGU. In determining fair value less costs to sell, an appropriate valuation model is used. These calculations are corroborated by valuation multiples or other available fair value indicators.

Inventories
Inventories are stated 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. The cost of inventories is calculated using the weighted average method. Net realisable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and the estimated costs necessary to make the sale.

Investment in content rights
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 consolidated balance sheet when a liability arises, usually on delivery of the film to the Group.

Investments in content rights are recorded in the consolidated 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 75% of film content is amortised within 12 months of theatrical release.

Trade and other receivables
Trade receivables are generally not interest-bearing and are stated at their fair value as reduced by appropriate allowances for estimated irrecoverable amounts.

Cash and cash equivalents
Cash and cash equivalents in the consolidated balance sheet comprise cash at bank and in-hand. For the purpose of the consolidated cash flow statement, cash and cash equivalents consist of cash and cash equivalents as defined above, net of outstanding bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities on the consolidated balance sheet.

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 consolidated 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.

Deferred finance charges
All costs incurred by the Group that are directly attributable to the issue of debt are initially capitalised and deducted from the amount of gross borrowings. Such costs are then amortised through the consolidated income statement over the term of the instrument using the effective interest rate method.

Should there be a material change to the terms of the underlying instrument, any remaining unamortised deferred finance charges are immediately written-off to the consolidated income statement as a one-off finance item. Any new costs incurred as a result of the change to the terms of the underlying instrument are capitalised and then amortised over the term of the new instrument, again using the effective interest rate method.

3. Significant accounting policies continued

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

Provisions
Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, where the obligation can be estimated reliably, and where it is probable that an outflow of economic benefits will be required to settle that obligation. Provisions are measured at the directors' best estimate of the expenditure required to settle the obligation at the balance sheet date, and are discounted to present value where the effect is material. Where discounting is used, the increase in the provision due to unwinding the discount is recognised as a finance expense.

Derivative financial instruments and hedging
Derivative financial assets and liabilities are recognised when the Group becomes a party to the contractual provisions of the instrument.

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 consolidated 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 consolidated income statement. When the hedged item affects profit or loss then the amounts deferred in equity are recycled to the consolidated 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 consolidated 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 consolidated income statement.

Equity instruments
An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Company are recorded at the proceeds received, net of direct issue costs.

Treasury shares
Shares of Entertainment One Ltd. 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 on the purchase, sale, issue or cancellation of equity shares.

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: Film and Television, based on the types of products and services from which each segment derives its revenues.

The Film segment includes revenues from all of the Group's activities in relation to the acquisition and exploitation of film distribution rights (including those revenues earned through physical home entertainment sales, previously reported under a separate Distribution segment).

The Television segment includes revenues from all of the Group's content production activities, including the production of television and music content.

Notes to the Consolidated Financial Statements continued
for the year ended 31 March 2013

3. Significant accounting policies continued

The Group has changed its reporting segments in the current year as it believes that measuring its activities in relation to film distribution rights across all media separately from its activities in relation to production of content will allow the chief operating decision maker to most effectively allocate resources to the individual segments, in order to maximise the Group's overall revenues.

4. Significant accounting judgements and key sources of estimation uncertainty

The preparation of consolidated financial statements under IFRS requires the Group to make estimates and assumptions that affect the amounts reported for assets and liabilities at the balance sheet date and amounts reported for revenues and expenses during the year. The nature of estimation means that actual outcomes could differ from those estimates.

Estimates and judgements are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects that period only, or in the period of the revision and future periods if the revision affects both current and future periods.

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.

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. At 31 March 2013, the carrying amount of goodwill was £218.5 million (2012: £108.9 million). Further details of goodwill are contained in Note 15.

Acquired 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. At 31 March 2013, the total carrying amount of the Group's acquired intangibles was £126.5 million (2012: £53.4 million). Further details of acquired intangibles are contained in Note 16.

Investment in programmes and investment in content rights

The Group capitalises investment in programmes and investment in content rights and amortises these costs 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. At 31 March 2013, the carrying amount of investment in programmes was £56.9 million (2012: £45.6 million) and the carrying amount of investment in content rights was £215.7 million (2012: £97.7 million). Further details of investment in programmes and investment in content rights are contained in Notes 17 and 20, respectively.

Provisions for onerous film contracts

The Group recognises a provision for an onerous film contract when the unavoidable costs of meeting the obligations under the contract exceed the expected benefits to be received under it. The estimate of the amount of the provision requires management to make judgements and assumptions of future cash inflows and outflows and also an assessment of the least cost of exiting the contract. To the extent that events, revenues or costs differ in the future, the carrying amount of provisions may change. At 31 March 2013, the carrying amount of onerous film contracts was £20.8 million (2012: £nil). Further details of onerous film contracts are contained in Note 26.

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 requires 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 31.

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. At 31 March 2013, the Group had a net deferred tax asset of £1.3 million (2012: liability of £1.6 million). Further details of deferred tax are contained in Note 12.

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 consolidated 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 consolidated financial statements.

5. Segmental analysis

Operating segments
For internal reporting and management purposes, the Group is organised into two reportable segments based on the types of products and services from which each segment derives its revenue – Film and Television. These divisions are the basis on which the Group reports its operating segment information.

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

Film – the acquisition and exploitation of film distribution rights across all media, including theatrical revenue, revenue from physical home entertainment sales, revenue from sales over digital platforms and revenue from sales to operators of traditional television networks.

Television – the production of television and music content and the exploitation of such content.

At 31 March 2012, prior to the acquisition of Alliance and subsequent Group restructuring, the Group's operating segments were Entertainment and Distribution. As a consequence of changes in reporting segments, prior year segment information has been restated to match the current year's presentation.

Inter-segment sales are charged at prevailing market prices.

Segment information for the year ended 31 March 2013 is presented below.

	Notes	Film £m	Television £m	Eliminations £m	Consolidated £m
Segment revenues					
External sales		512.6	116.5	–	629.1
Inter-segment sales		5.4	16.9	(22.3)	–
Total segment revenues		**518.0**	**133.4**	**(22.3)**	**629.1**
Segment results					
Segment underlying EBITDA		49.3	18.0	0.1	67.4
Group costs					(4.9)
Underlying EBITDA					**62.5**
Depreciation and amortisation					(20.8)
Share-based payment charge	31				(1.2)
One-off items	9				(26.8)
Operating profit					**13.7**
Finance income	10				1.0
Finance costs	10				(9.2)
Profit before tax					**5.5**
Tax	11				(6.6)
Loss for the year					**(1.1)**
Segment assets					
Total segment assets		777.3	201.8	–	979.1
Unallocated corporate assets					5.0
Total assets					**984.1**
Other segment information					
Depreciation and amortisation of software		2.4	0.2	–	2.6
Amortisation of acquired intangibles		15.1	3.1	–	18.2
One-off items					
– Impairment of investment in content rights	6, 20	4.1	–	–	4.1
– Other one-off items		22.7	–	–	22.7

Notes to the Consolidated Financial Statements continued
for the year ended 31 March 2013

5. Segmental analysis continued

Segment information for the year ended 31 March 2012 is presented below.

(restated)	Note	Film £m	Television £m	Eliminations £m	Consolidated £m
Segment revenues					
External sales		409.5	93.2	–	502.7
Inter-segment sales		4.5	22.9	(27.4)	–
Total segment revenues		**414.0**	**116.1**	**(27.4)**	**502.7**
Segment results					
Segment underlying EBITDA		39.5	17.5	–	57.0
Group costs					(4.4)
Underlying EBITDA					**52.6**
Depreciation and amortisation					(17.9)
Share-based payment charge	31				(1.4)
One-off items	9				(3.8)
Operating profit					**29.5**
Finance income	10				0.7
Finance costs	10				(7.1)
Profit before tax					**23.1**
Tax	11				(6.9)
Profit for the year					**16.2**
Segment assets					
Total segment assets		355.6	177.1	(0.1)	532.6
Unallocated corporate assets					2.0
Total assets					**534.6**
Other segment information					
Depreciation and amortisation of software		2.3	0.2	–	2.5
Amortisation of acquired intangibles		12.6	2.8	–	15.4
One-off items	9	0.7	–	–	0.7
Group one-off items	9				3.1

Geographical information

The Group's operations are located in Canada, the UK, the US, Spain, Benelux and Australia. The Film division is located in all of these geographies. The Group's Television operations are located in Canada, the US and the UK. 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 2013 and 2012.

	External revenues 2013 £m	**Non-current assets[1] 2013 £m**	External revenues 2012 £m	Non-current assets[1] 2012 £m
Canada	**238.8**	**249.3**	199.3	122.5
UK	**159.2**	**95.0**	126.0	42.2
US	**119.3**	**19.4**	103.1	14.8
Rest of Europe	**68.2**	**41.4**	46.7	22.8
Other	**43.6**	**14.9**	27.6	14.8
Total	**629.1**	**420.0**	502.7	217.1

[1] Non-current assets by location exclude amounts relating to deferred tax assets.

6. Operating profit

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

	Notes	**Year ended 31 March 2013 £m**	Year ended 31 March 2012 £m
Amortisation of investment in programmes	17	**61.9**	46.3
Amortisation of investment in content rights	20	**77.4**	51.8
Amortisation of acquired intangible assets	16	**17.8**	15.0
Amortisation of software	16	**1.1**	1.0
Depreciation of property, plant and equipment	18	**1.5**	1.5
Impairment of investment in content rights	5, 20	**4.1**	–
Staff costs	8	**61.0**	50.0
Net foreign exchange (gains)/losses		**(0.6)**	0.1
Cost of inventories recognised as expense		**118.1**	105.0
Operating lease rentals		**5.6**	4.6

The total remuneration during the year of the Group's auditor was as follows:

	Year ended 31 March 2013 £m	Year ended 31 March 2012 £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	**0.2**	0.1
Other services		
– Services relating to corporate finance transactions	**1.8**	0.4
– Tax compliance services	**–**	0.1
– Tax advisory services	**0.2**	0.1
– Other services	**0.1**	0.1
Total	**2.7**	1.2

Fees for corporate finance services in the table above for the year ended 31 March 2013 of £1.8 million relate to fees paid to the Group's auditor in respect of the Alliance acquisition. The amount of £0.4 million in the prior year includes fees related to the Hopscotch acquisition. See Note 33 for further details of these acquisitions.

7. Key management compensation and directors' emoluments

Key management compensation

The directors are of the opinion that the key management of the Group in the years ended 31 March 2013 and 2012 comprised the executive directors. These persons have authority and responsibility for planning, directing and controlling the activities of the Group, directly or indirectly. At 31 March 2013, key management comprised three people (2012: three people).

The aggregate amounts of key management compensation are set out below:

	Year ended 31 March 2013 £m	(restated) Year ended 31 March 2012 £m
Short-term employee benefits[1]	**2.6**	2.6
Share-based payment charge	**0.4**	0.4
Total	**3.0**	3.0

[1] Short-term employee benefits includes social security contributions of £0.2 million (2012: £0.2 million). The prior year information has been restated accordingly.

Directors' emoluments

Further details of directors' emoluments can be found in the Remuneration Report on pages 34 to 36.

Notes to the Consolidated Financial Statements continued

for the year ended 31 March 2013

8. Staff costs

The average number of employees, including directors, are presented below:

	Year ended 31 March 2013 Number	Year ended 31 March 2012 Number
Average number of employees		
Canada	**721**	720
US	**241**	222
UK	**126**	100
Australia	**30**	25
Rest of Europe	**51**	41
Total	**1,169**	1,108

The table below sets out the Group's staff costs (including directors' remuneration):

	Year ended 31 March 2013 £m	Year ended 31 March 2012 £m
Wages and salaries	**53.8**	43.8
Share-based payment charge	**1.2**	1.4
Social security costs	**5.0**	4.1
Pension costs	**1.0**	0.7
Total	**61.0**	50.0

Included within total staff costs of £61.0 million for the year ended 31 March 2013 is £5.5 million of one-off staff costs, as described in further detail in Note 9.

9. 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 better understanding of the Group's financial performance and enable comparison of financial performance between years. Items of income or expense that are considered by management for designation as one-off are as follows:

	Note	**Year ended 31 March 2013 £m**	Year ended 31 March 2012 £m
Alliance-related costs			
Alliance-related restructuring costs		**9.8**	–
Alliance-related acquisition costs	33	**9.9**	–
Total Alliance-related costs		**19.7**	–
Other items			
Out-performance incentive plan charge		**5.2**	–
HMV and Blockbuster charge		**1.7**	–
Strategic review costs	5	**–**	3.1
Other corporate projects and acquisitions costs		**0.2**	0.7
Total other items		**7.1**	3.8
Total one-off costs		**26.8**	3.8

Alliance related costs

Alliance-related restructuring costs

Restructuring costs related to the Alliance acquisition (see Note 33 for further details) of £9.8 million include £5.5 million of staff redundancy costs associated with the Group's synergy-realisation programme. Post-acquisition and in light of the combination of two large film catalogues, the Group assessed the carrying value of certain balance sheet items, particularly investment in content and inventory. This review involved, amongst other items, re-assessing the Group's ultimate revenues from DVD and Blu-ray sales. As a result of this review, a one-off charge of £4.3 million was recorded in the consolidated income statement in the year ended 31 March 2013, including an impairment of investment in content rights of £2.5 million.

Alliance-related acquisition costs

During the year ended 31 March 2013, the Group incurred costs of £9.9 million relating to the acquisition of Alliance. These costs include amounts in respect of due diligence fees, competition review fees, advisor fees and legal fees.

9. One-off items continued

Out-performance incentive plan charge

Since March 2007, the Group has had in place an out-performance incentive plan for the benefit of the executive directors. Under this plan, a total amount of £5.0 million is payable to the executive directors, conditional on the Company's share price achieving a 180 day volume-weighted average price of £2.25 per share. In light of the expected enhanced earnings prospects of the Group due to the Alliance acquisition and the expected increase in the liquidity of the Company's shares which would result from the proposed premium listing, the directors have assessed that it is now more likely than not that this obligation will be settled. Accordingly, at 31 March 2013 the Group has made a provision for the full amount of £5.0 million (plus related social security of £0.2 million).

HMV and Blockbuster charge

In early 2013, the entire UK operations of HMV Group ("HMV") and Blockbuster Entertainment Ltd and Blockbuster GB Ltd (together "Blockbuster") went into administration. Although both were subsequently sold out of administration, the businesses have been restructured with a significant number of store closures. Due to this reduction in shelf-space, the Group has reduced its projected ultimate DVD and Blu-ray revenue across a number of titles, recording a one-off charge of £1.6 million to write down certain film titles to their recoverable amount. In addition, a one-off bad debt expense was recorded of £0.1 million.

Other corporate projects and acquisitions costs

Charges related to other corporate projects of £0.2 million recorded in the current year include costs relating to the proposed premium listing. Charges of £0.7 million recorded in the year ended 31 March 2012 include the costs of acquiring the Hopscotch group of companies, as described in further detail in Note 33.

Strategic review costs

During the year ended 31 March 2012, legal and advisory costs of £3.1 million were incurred in relation to a strategic review of the Group's operations.

10. Finance income and finance costs

Finance income and finance costs comprise:

	Notes	**Year ended 31 March 2013 £m**	Year ended 31 March 2012 £m
Finance income			
Net foreign exchange gains		**1.0**	–
Gain on fair value of derivative financial instruments		**–**	0.7
Total finance income		**1.0**	0.7
Finance costs			
Interest on bank loans and overdrafts		**(5.8)**	(5.2)
Amortisation of deferred finance charges	24	**(1.3)**	(1.7)
Write-off of unamortised deferred finance charges	23, 24	**(1.8)**	–
Net foreign exchange losses		**–**	(0.2)
Loss on fair value of derivative financial instruments		**(0.3)**	–
Total finance costs		**(9.2)**	(7.1)
Net finance costs		**(8.2)**	(6.4)
Of which:			
Adjusted net finance costs		**(6.1)**	(7.1)
One-off net finance (costs)/income	14	**(2.1)**	0.7

One-off net finance costs of £2.1 million (2012: income of £0.7 million) comprise £1.8 million related to the write-off of unamortised deferred finance charges (as described in further detail in Note 23) and £0.3 million (2012: income of £0.7 million) arising on the mark-to-market valuation of derivative financial instruments.

Notes to the Consolidated Financial Statements continued
for the year ended 31 March 2013

11. Tax

	Note	Year ended 31 March 2013 £m	Year ended 31 March 2012 £m
Current tax charge		**(9.9)**	(9.8)
Current tax adjustments in respect of prior years		**0.2**	(1.0)
Deferred tax origination and reversal of temporary differences		**3.4**	1.7
Deferred tax adjustments in respect of prior years		**(0.1)**	1.8
Deferred tax changes in tax rates or tax laws		**(0.1)**	(0.2)
Deferred tax asset (write downs or reversals)/recognition		**(0.1)**	0.6
Income tax charge		**(6.6)**	(6.9)
Of which:			
Adjusted tax charge on adjusted profit before tax		**(15.0)**	(11.2)
One-off net tax credit	14	**8.4**	4.3

The one-off net tax credit comprises tax credits of £4.7 million (2012: £0.8 million) on the one-off items described in Note 9, tax credits of £4.6 million (2012: £3.3 million) on amortisation of acquired intangibles, tax credits of £0.6 million (2012: £0.1 million tax charge) on one-off net finance costs as described in Note 10, offset by a tax charge of £1.5 million (2012: £0.1 million) on other non-recurring tax items and £nil (2012: £0.4 million tax credit) on share-based payment charges as described in Note 31.

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

	Year ended 31 March 2013		Year ended 31 March 2012	
	£m	%	£m	%
Profit before tax	**5.5**		23.1	
Taxes at applicable domestic rates	**(1.2)**	**(21.8)%**	(6.2)	(26.8)%
Effect of expenses that are not deductible in determining taxable profit	**(5.2)**	**(94.6)%**	(1.9)	(8.2)%
Effect of deferred tax recognition	**(0.1)**	**(1.8)%**	0.6	2.6%
Effect of losses/temporary differences not recognised	**(0.1)**	**(1.8)%**	–	–
Effect of tax rate changes	**(0.1)**	**(1.8)%**	(0.2)	(0.9)%
Prior year items	**0.1**	**1.8%**	0.8	3.5%
Income tax charge and effective tax rate for the year	**(6.6)**	**(120.0)%**	(6.9)	(29.8)%

Income tax is calculated at the rates prevailing in the respective jurisdictions. The standard tax rates in each jurisdiction are 26.5% in Canada (2012: 27.8%), 38.5% in the US (2012: 35.5%), 24.0% in the UK (2012: 26.0%), 25.0% in the Netherlands (2012: 25.0%), 30.0% in Australia (2012: 30.0%) and 30.0% in Spain.

12. 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.

	Note	Accelerated tax depreciation £m	Other intangible assets £m	Unused tax losses £m	Financing items £m	Other £m	Total £m
At 1 April 2011		(0.4)	(7.5)	1.1	2.2	(0.7)	(5.3)
Acquisition of subsidiaries	33	–	(2.5)	–	–	1.9	(0.6)
Prior year items		(0.2)	–	0.1	0.7	1.2	1.8
Credit/(charge) to income		0.1	3.7	(0.9)	(0.8)	–	2.1
Credit to equity		–	–	–	–	0.2	0.2
Effect of change in tax rates		–	0.1	–	(0.1)	–	–
Exchange differences		–	0.2	–	–	–	0.2
At 31 March 2012		**(0.5)**	**(6.0)**	**0.3**	**2.0**	**2.6**	**(1.6)**
Acquisition of subsidiaries	33	–	(21.6)	21.4	–	(0.5)	(0.7)
Prior year items		(0.1)	0.1	0.2	–	(0.3)	(0.1)
(Charge)/credit to income		(0.1)	3.6	(0.7)	(0.7)	1.1	3.2
Credit to equity		–	–	–	0.6	–	0.6
Exchange differences		–	(0.6)	0.4	–	0.1	(0.1)
At 31 March 2013		**(0.7)**	**(24.5)**	**21.6**	**1.9**	**3.0**	**1.3**

12. Deferred tax assets and liabilities continued

The category "Other" includes temporary differences on accruals, deferred income and provisions.

The deferred tax balances have been reflected in the consolidated balance sheet as follows:

	31 March 2013 **£m**	31 March 2012 £m
Deferred tax assets	**8.7**	6.5
Deferred tax liabilities	**(7.4)**	(8.1)
Total	**1.3**	(1.6)

Utilisation of deferred tax assets is dependent on the future profitability of the Group. The Group has recognised deferred tax assets including £4.1 million (2012: £3.8 million) relating to intangible assets and £21.6 million (2012: £0.3 million) in relation to tax losses carried forward, 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 £45.4 million (2012: £8.8 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 £21.6 million (2012: £5.7 million) relating to losses that will expire in the years ending 2023 to 2033.

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 £1.8 million (2012: £1.0 million).

In the 2013 UK budget (delivered on 20 March 2013) the UK Government indicated that it intends to introduce further reductions to the main corporate tax rate, with the rate falling to 20% by 1 April 2015 from 21% for 2014. These further reductions to the tax rates, whilst announced, have not been substantively enacted at the balance sheet date (31 March 2013) and are therefore not reflected in these consolidated financial statements.

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

13. Dividends

At 31 March 2013, the directors are not recommending payment of a dividend (2012: £nil).

14. Earnings per share

	Year ended **31 March 2013** **Pence**	Year ended 31 March 2012 Pence
Basic (loss)/earnings per share	**(0.5)**	8.8
Diluted (loss)/earnings per share	**(0.5)**	7.8
Adjusted basic earnings per share	**17.1**	17.3
Adjusted diluted earnings per share	**15.9**	15.4

Basic earnings per share is calculated by dividing earnings for the year attributable to shareholders by the weighted average number of shares in issue during the year, excluding treasury shares held by the Employee Benefit Trust ("EBT") which are treated as cancelled.

Adjusted basic earnings per share is calculated by dividing adjusted earnings for the year attributable to shareholders by the weighted average number of shares in issue during the year, excluding treasury shares held by the EBT which are treated as cancelled. Adjusted earnings are the profit for the year attributable to shareholders adjusted to exclude one-off operating and finance items, share-based payment charges and amortisation of acquired intangible assets (net of any related tax).

Diluted earnings per share and adjusted diluted earnings per share are calculated after adjusting the weighted average number of shares in issue during the year to assume conversion of all potentially dilutive shares.

There have been no transactions involving common shares or potential common shares between the reporting date and the date of authorisation of these consolidated financial statements.

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14. Earnings per share continued

The weighted average number of shares used in the earnings per share calculations are set out below:

	Year ended 31 March 2013 Million	Year ended 31 March 2012 Million
Weighted average number of shares for basic earnings per share and adjusted basic earnings per share	**226.9**	183.8
Effect of dilution:		
Employee share awards	**15.3**	19.1
Share warrants	**1.8**	3.5
Weighted average number of shares for diluted earnings per share and adjusted diluted earnings per share	**244.0**	206.4

Adjusted earnings per share

The directors believe that the presentation of adjusted earnings per share, being the diluted earnings per share adjusted for one-off operating and finance items, share-based payments and amortisation of acquired intangible assets (net of any related tax effects), helps to explain the underlying performance of the Group. A reconciliation of the earnings used in the diluted earnings per share calculation to earnings used in the adjusted earnings per share calculation are set out below:

		Year ended 31 March 2013		Year ended 31 March 2012	
	Note	£m	Pence per share	£m	Pence per share
(Loss)/profit for the year		**(1.1)**	**(0.5)**	16.2	7.8
Add back one-off items	9	**26.8**	**11.0**	3.8	1.8
Add back amortisation of acquired intangibles assets[1]		**18.2**	**7.4**	15.4	7.5
Add back share-based payment charge	31	**1.2**	**0.5**	1.4	0.7
Add back/(deduct) one-off net finance costs/(income)	10	**2.1**	**0.9**	(0.7)	(0.3)
Deduct net tax effect of above and other one-off tax items	11	**(8.4)**	**(3.4)**	(4.3)	(2.1)
Adjusted earnings		**38.8**	**15.9**	31.8	15.4

[1] As set out in Note 17, amortisation of acquired intangibles above includes £0.4 million (2012: £0.4 million) in respect of acquired investment in programmes.

15. Goodwill

	Note	£m
Cost and carrying amount		
At 1 April 2011		103.8
Acquisition of subsidiaries	33	7.0
Exchange differences		(1.9)
At 31 March 2012		**108.9**
Acquisition of subsidiaries	33	103.9
Exchange differences		5.7
At 31 March 2013		**218.5**

Goodwill arising on a business combination is allocated to the CGUs that are expected to benefit from that business combination. As explained below, the Group's CGUs are Film and Television.

Amounts recorded within acquisition of subsidiaries in the current and prior years relate to the goodwill arising on the acquisitions of Alliance and Hopscotch, respectively. These are both explained in further detail in Note 33. Both the acquired Alliance and Hopscotch businesses have been integrated into the Film CGU.

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 budgets and plans 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 consolidated income statement as an expense.

15. Goodwill continued

Key assumptions used in value-in-use calculation

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

	31 March 2013			31 March 2012 (restated)		
CGU	Discount rate	Terminal growth rate	Period of specific cash flows	Discount rate	Terminal growth rate	Period of specific cash flows
Film	**11.1%**	**2.8%**	**5 years**	12.1%	2.1%	5 years
Television	**10.7%**	**2.9%**	**5 years**	12.3%	2.6%	5 years

At 31 March 2012, the Group had four CGUs, these being Film Entertainment – Film, Film Entertainment – Television, Distribution – Canada and Distribution – US. The change during the current year to two CGUs (Film and Television) reflects the Group's operational structure following restructuring of functional activity and reporting lines. Prior year information in the tables above and below have been restated accordingly (with discount rates and terminal growth rates being calculated as weighted averages).

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/planned growth in revenue resulting from new investment in content rights, investment in television programmes 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 9.7% (2012: 10.8%). The discount rate is adjusted 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 for Film and Television, 2.8% and 2.9% respectively (2012: Film 2.1%; Television 2.6%), are 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 2013 £m	(restated) 31 March 2012 £m
Film	**197.2**	88.3
Television	**21.3**	20.6
Total	**218.5**	108.9

Sensitivity to change in assumptions

Film

The Film calculations show that there is in excess of £200 million of headroom when compared to its carrying value at 31 March 2013. Consequently, management believe that no reasonable change in the above key assumptions would cause the carrying value of this CGU to materially exceed its recoverable amount.

Television

The Television calculations show that there is in excess of £25 million of headroom when compared to its carrying value at 31 March 2013. Consequently, management believe that no reasonable change in the above key assumptions would cause the carrying value of this CGU to materially exceed its recoverable amount.

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16. Other intangible assets

	Note	Exclusive content agreements and libraries £m	Trade names and brands £m	Exclusive distribution agreements £m	Customer relationships £m	Non-compete agreements £m	Software £m	Total £m
Cost								
At 1 April 2011		41.8	9.2	25.9	35.7	7.5	4.2	124.3
Acquisition of subsidiaries		–	3.2	0.5	5.3	–	–	9.0
Additions		1.9	–	–	–	–	1.2	3.1
Exchange differences		(1.1)	(0.2)	(0.3)	(0.9)	(0.1)	(0.1)	(2.7)
At 31 March 2012		**42.6**	**12.2**	**26.1**	**40.1**	**7.4**	**5.3**	**133.7**
Acquisition of subsidiaries	33	56.1	20.5	–	–	6.8	0.5	83.9
Additions		2.2	1.2	–	–	0.8	1.4	5.6
Exchange differences		2.0	1.0	1.1	1.6	0.5	0.2	6.4
At 31 March 2013		**102.9**	**34.9**	**27.2**	**41.7**	**15.5**	**7.4**	**229.6**
Amortisation								
At 1 April 2011		(17.7)	(6.8)	(18.7)	(11.3)	(6.8)	(1.1)	(62.4)
Amortisation charge for the year	6	(5.0)	(0.7)	(4.9)	(4.1)	(0.3)	(1.0)	(16.0)
Exchange differences		0.6	0.1	0.2	0.3	0.1	–	1.3
At 31 March 2012		**(22.1)**	**(7.4)**	**(23.4)**	**(15.1)**	**(7.0)**	**(2.1)**	**(77.1)**
Amortisation charge for the year	6	(6.2)	(5.5)	(0.7)	(4.2)	(1.2)	(1.1)	(18.9)
Exchange differences		(0.6)	(0.3)	(1.0)	(0.7)	(0.3)	(0.1)	(3.0)
At 31 March 2013		**(28.9)**	**(13.2)**	**(25.1)**	**(20.0)**	**(8.5)**	**(3.3)**	**(99.0)**
Carrying amount								
At 31 March 2012		20.5	4.8	2.7	25.0	0.4	3.2	56.6
At 31 March 2013		**74.0**	**21.7**	**2.1**	**21.7**	**7.0**	**4.1**	**130.6**

Additions during the year of £4.2 million (excluding software) relate to the acquisition of certain assets of Death Row Records, a well-known label within the music industry. Additions in the prior year of £1.9 million (excluding software) related to the acquisition of certain home entertainment assets of Vivendi Entertainment.

17. Investment in programmes

		Year ended 31 March 2013			Year ended 31 March 2012
	Note	**Investment in programmes £m**	**Productions in progress £m**	**Total £m**	Total £m
Cost					
Balance at 1 April		**143.5**	**13.0**	**156.5**	98.7
Acquisition of subsidiaries		**0.1**	**–**	**0.1**	3.7
Additions		**2.5**	**67.6**	**70.1**	56.7
Transfer between categories		**71.1**	**(71.1)**	**–**	–
Exchange differences		**6.7**	**1.2**	**7.9**	(2.6)
Balance at 31 March		**223.9**	**10.7**	**234.6**	156.5
Amortisation					
Balance at 1 April		**(110.9)**	**–**	**(110.9)**	(66.3)
Amortisation charge for the year	6	**(61.9)**	**–**	**(61.9)**	(46.3)
Exchange differences		**(4.9)**	**–**	**(4.9)**	1.7
Balance at 31 March		**(177.7)**	**–**	**(177.7)**	(110.9)
Carrying amount		**46.2**	**10.7**	**56.9**	45.6

17. Investment in programmes continued

Included in the amortisation charge for the year of £61.9 million (2012: £46.3 million) is £0.4 million (2012: £0.4 million) attributable to programmes valued on acquisition of subsidiaries and which has been charged to administrative expenses. As set out in Note 14, this amount is added back to the profit for the year in order to calculate adjusted earnings per share.

Borrowing costs of £2.2 million (2012: £1.3 million) related to Television's interim production financing were included in the additions to investment in programmes during the year.

18. Property, plant and equipment

	Note	**Leasehold improvements £m**	**Fixtures fittings and equipment £m**	**Total £m**
Cost				
At 1 April 2011		1.1	9.4	10.5
Acquisition of subsidiaries	33	0.2	–	0.2
Additions		0.1	0.7	0.8
Disposals		–	(0.1)	(0.1)
Exchange differences		–	(0.1)	(0.1)
At 31 March 2012		**1.4**	**9.9**	**11.3**
Acquisition of subsidiaries	33	1.0	0.5	1.5
Additions		0.7	0.8	1.5
Exchange differences		–	0.5	0.5
At 31 March 2013		**3.1**	**11.7**	**14.8**
Depreciation				
At 1 April 2011		(0.5)	(6.0)	(6.5)
Depreciation charge for the year	6	(0.3)	(1.2)	(1.5)
Disposals		–	0.1	0.1
Exchange differences		–	0.1	0.1
At 31 March 2012		**(0.8)**	**(7.0)**	**(7.8)**
Depreciation charge for the year	6	(0.4)	(1.1)	(1.5)
Exchange differences		–	(0.2)	(0.2)
At 31 March 2013		**(1.2)**	**(8.3)**	**(9.5)**
Carrying amount				
At 31 March 2012		0.6	2.9	3.5
At 31 March 2013		**1.9**	**3.4**	**5.3**

19. Inventories

Inventories at 31 March 2013 comprise finished goods of £50.0 million (2012: £46.0 million).

20. Investment in content rights

	Note	**Year ended 31 March 2013 £m**	Year ended 31 March 2012 £m
Balance at 1 April		**97.7**	77.3
Acquisition of subsidiaries	33	**90.7**	4.1
Additions		**103.3**	69.9
Amortisation charge for the year	6	**(77.4)**	(51.8)
Impairment charge for the year	9	**(4.1)**	–
Exchange differences		**5.5**	(1.8)
Balance at 31 March		**215.7**	97.7

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21. Trade and other receivables

Current	Note	31 March 2013 £m	31 March 2012 £m
Trade receivables		**149.6**	76.9
Less: provision for doubtful debts		**(7.7)**	(1.1)
Net trade receivables	29	**141.9**	75.8
Prepayments and accrued income		**45.2**	25.2
Other receivables		**65.0**	47.1
Total		**252.1**	148.1
Non-current			
Other receivables		**8.7**	2.5

Trade receivables are generally non-interest bearing. The average credit period taken on sales is 77 days (2012: 68 days).

Provisions for doubtful debts are based on estimated irrecoverable amounts, determined by reference to past default experience and an assessment of the current economic environment.

Included in the Group's trade receivable balance are debtors with a carrying amount of £19.1 million (2012: £15.8 million) which are past due at the reporting date for which the Group has not recognised a provision as there has not been a significant change in credit quality and the amounts are still considered recoverable. These trade receivables are aged as follows:

	31 March 2013 £m	31 March 2012 £m
Less than 60 days	**9.2**	10.9
Between 60 and 90 days	**2.7**	1.6
More than 90 days	**7.2**	3.3
Total	**19.1**	15.8

The Group does not hold any collateral over these balances.

The movements in the provision for doubtful debts in the years ended 31 March 2013 and 2012 were as follows:

	Year ended 31 March 2013 £m	Year ended 31 March 2012 £m
Balance at 1 April	**(1.1)**	(1.5)
Acquisition of subsidiaries	**(6.0)**	–
Impairment losses recognised	**(1.2)**	(0.4)
Impairment losses reversed	**0.3**	–
Amounts written-off as uncollectable	**0.3**	0.8
Balance at 31 March	**(7.7)**	(1.1)

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.

The table below sets out the ageing of the Group's impaired receivables:

	31 March 2013 £m	31 March 2012 £m
Less than 60 days	**(1.7)**	(0.1)
Between 60 and 90 days	**(0.8)**	–
More than 90 days	**(5.2)**	(1.0)
Total	**(7.7)**	(1.1)

21. Trade and other receivables continued

Trade and other receivables are held in the following currencies at 31 March 2013 and 2012. Amounts held in currencies other than pounds sterling have been converted at the respective exchange rate ruling at the balance sheet date:

	Pounds sterling £m	Euros £m	Canadian dollars £m	US dollars £m	Other £m	Total £m
Current	46.7	28.0	123.3	48.0	6.1	252.1
Non-current	1.3	–	1.7	5.7	–	8.7
At 31 March 2013	**48.0**	**28.0**	**125.0**	**53.7**	**6.1**	**260.8**
Current	32.1	11.9	66.4	34.9	2.8	148.1
Non-current	–	–	2.0	0.5	–	2.5
At 31 March 2012	32.1	11.9	68.4	35.4	2.8	150.6

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

Included within other receivables at 31 March 2013 is £37.5 million (2012: £34.1 million) of government assistance (in the form of Canadian tax credits) due to the Television division. During the year £11.0 million (2012: £10.1 million) in government assistance was received which has been netted against the cost of investment in programmes.

22. Cash and cash equivalents

Cash and cash equivalents are held in the following currencies at 31 March 2013 and 2012. Amounts held in currencies other than pounds sterling have been converted at the respective exchange rate ruling at the balance sheet date.

	Note	31 March 2013 £m	31 March 2012 £m
Pounds sterling		**4.8**	3.1
Euros		**5.5**	1.5
Canadian dollars		**8.4**	6.7
US dollars		**10.2**	5.1
Australian dollars		**4.4**	1.0
Other		**0.1**	–
Cash and cash equivalents per the consolidated balance sheet	29	**33.4**	17.4
Bank overdrafts	23	**(1.6)**	–
Cash and cash equivalents per the consolidated cash flow statement		**31.8**	17.4

Cash and cash equivalents comprise only of cash on hand and demand deposits. The Group had no cash equivalents at either 31 March 2013 or 2012.

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.

23. Interest-bearing loans and borrowings

	Note	31 March 2013 £m	31 March 2012 £m
Bank overdrafts	22	**1.6**	–
Bank borrowings (net of deferred finance charges)		**115.9**	57.7
Interim production financing		**60.4**	49.9
Total		**177.9**	107.6
Shown in the consolidated balance sheet as:			
Non-current		**131.9**	74.1
Current		**46.0**	33.5

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23. Interest-bearing loans and borrowings continued

The carrying amounts of the Group's borrowings at 31 March 2013 and 2012 are denominated in the following currencies. Amounts held in currencies other than pounds sterling have been converted at the respective exchange rate ruling at the balance sheet date.

	Pounds sterling £m	Euros £m	Canadian dollars £m	US dollars £m	Total £m
Bank overdrafts	–	–	1.6	–	1.6
Bank borrowings	35.6	8.4	64.4	7.5	115.9
Interim production financing	–	–	40.4	20.0	60.4
At 31 March 2013	**35.6**	**8.4**	**106.4**	**27.5**	**177.9**
Bank borrowings	1.9	9.3	31.8	14.7	57.7
Interim production financing	–	–	31.9	18.0	49.9
At 31 March 2012	1.9	9.3	63.7	32.7	107.6

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 5.2% (2012: 5.5%).

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

Bank borrowings

Terms of bank borrowings at 31 March 2013
On 8 January 2013, the Group re-financed its previous bank facility which had been due to mature in October 2014. The new arrangement is a US$425.0 million multi-currency, five-year secured facility which expires in January 2018. The facility comprises (i) a US$275.0 million revolving credit facility ("RCF") which can be funded in US dollars, Canadian dollars, pounds sterling and euros and (ii) two term loans totalling US$150.0 million (comprising a Canadian dollar term loan and a pounds sterling term loan). These borrowings are secured on the assets of the Group. The facility is with a syndicate of banks managed by JP Morgan Chase N.A. At 31 March 2013, the facility was equivalent to US$418.4 million based on closing exchange rates.

At 31 March 2013, the Group had available £153.2 million of undrawn committed bank borrowings under the RCF in respect of which all conditions precedent had been met.

The two term loans (which totalled £96.6 million at 31 March 2013) are subject to mandatory repayments as follows:

Period	£m
Year to 31 March 2014 (£2.4 million repaid in June and September 2013; £3.6 million repaid in December 2013 and March 2014)	12.0
Years to 31 March 2015, 2016 and 2017 (£3.6 million repaid quarterly)	43.2
June and September 2017 (£3.6 million repaid at the end of each month stated)	7.2
January 2018	34.2
Total	**96.6**

The facility is subject to a number of financial covenants, including leverage ratio (calculated as gross debt divided by underlying EBITDA).

As a result of the Group materially altering its banking arrangements, the remaining unamortised deferred finance charges of £1.8 million that related to the previous facility were written-off to the consolidated income statement. As explained in Note 10, this amount has been recorded as a one-off finance cost. The Group incurred fees of £8.5 million due to the re-financing in January 2013 which were initially capitalised and deducted from the amount of gross borrowings. The fees are being amortised through the consolidated income statement over the term of the borrowings using the effective interest rate method.

Terms of bank borrowings at 31 March 2012
At 31 March 2012, the Group had a multi-currency secured revolving credit facility with a syndicate of banks managed by JP Morgan Chase Bank N.A. The facility could have been funded in US dollars, Canadian dollars, pounds sterling and euros. On 9 November 2011, the facility was increased from US$175.0 million to US$239.0 million and maturity date extended from 19 September 2012 to 1 October 2014. On 29 December 2011, the facility was reduced from US$239.0 million to US$222.0 million. These borrowings were secured on the assets of the Group. At 31 March 2012, the facility was equivalent to US$224.0 million based on the then closing exchange rates. As set out above, this arrangement was replaced with a new facility in January 2013.

Interim production financing

The Television and Film production businesses have Canadian dollar and US dollar interim production credit facilities with various banks. Interest is charged at bank prime rate plus a margin. Amounts drawn down under these facilities at 31 March 2013 were £60.4 million (2012: £49.9 million). These facilities are secured by the future revenue of the individual Television and Film production businesses.

24. Net debt reconciliation

	Note	**Year ended 31 March 2013 £m**	Year ended 31 March 2012 £m
Balance at 1 April		**(90.2)**	(60.7)
Net increase/(decrease) in cash and cash equivalents		**13.9**	(11.5)
Net movement in borrowings		**(57.9)**	(14.2)
Amortisation of deferred finance charges	10	**(1.3)**	(1.7)
Write-off of unamortised deferred finance charges	10	**(1.8)**	–
Debt acquired		**(2.7)**	(3.5)
Exchange differences		**(4.5)**	1.4
Balance at 31 March		**(144.5)**	(90.2)

25. Trade and other payables

Current	**31 March 2013 £m**	31 March 2012 £m
Trade payables	**104.7**	74.8
Accruals and deferred income	**277.3**	109.8
Other payables	**17.4**	13.6
Total	**399.4**	198.2

Non-current		
Other payables	**18.3**	0.4

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.

Non-current other payables of £18.3 million at 31 March 2013 principally relates to the contingent consideration in respect of the Alliance acquisition and which is explained further in Note 33.

Trade and other payables are held in the following currencies. Amounts held in currencies other than pounds sterling have been converted at the respective exchange rate ruling at the balance sheet date.

	Pounds sterling £m	**Euros £m**	**Canadian dollars £m**	**US dollars £m**	**Other £m**	**Total £m**
Current	99.0	29.9	207.8	54.9	7.8	399.4
Non-current	–	–	18.3	–	–	18.3
At 31 March 2013	**99.0**	**29.9**	**226.1**	**54.9**	**7.8**	**417.7**
Current	56.1	10.4	95.2	29.8	6.7	198.2
Non-current	–	–	0.4	–	–	0.4
At 31 March 2012	56.1	10.4	95.6	29.8	6.7	198.6

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

26. Provisions

	Note	**Onerous contracts £m**	**Restructuring and redundancy £m**	**Out-performance incentive plan £m**	**Total £m**
At 31 March 2012		–	0.2	–	0.2
Acquisition of subsidiaries	33	22.7	–	–	22.7
Provisions recognised in year		0.7	5.5	5.2	11.4
Utilisation of provisions		(3.2)	(1.8)	–	(5.0)
Exchange differences		0.6	–	–	0.6
At 31 March 2013		**20.8**	**3.9**	**5.2**	**29.9**
Shown in the consolidated balance sheet as:					
Non-current		7.7	–	5.2	12.9
Current		13.1	3.9	–	17.0

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26. Provisions continued

Onerous contracts

Onerous contract provisions represent future cash flows related to film titles which are currently forecast to make a loss over their lifetime. Provisions for onerous contracts are recognised when the unavoidable costs of meeting the obligations under the contract exceed the economic benefits expected to be received under it and the general recognition criteria of IAS 37 *Provisions, Contingent Liabilities and Contingent Assets* are met. As required by IFRS, before a provision for an onerous film title is recognised the Group first fully writes-down any related assets (generally these are investment in content rights balances).

These provisions are expected to be utilised within two years from the balance sheet date.

Restructuring and redundancy

Restructuring and redundancy provisions represent future cash flows related to the cost of redundancy plans, outplacement, supplementary unemployment benefits and senior staff benefits. Such provisions are only recognised when restructuring or redundancy programmes are formally adopted and announced publicly and the general recognition criteria of IAS 37 *Provisions, Contingent Liabilities and Contingent Assets* are met.

These provisions are expected to be utilised within one year from the balance sheet date.

Out-performance incentive plan

As explained in further detail in Note 9, during the current year the Group recognised a provision of £5.2 million in respect of an out-performance incentive plan for the benefit of the executive directors.

27. Interests in joint ventures

Details of the Group's significant joint ventures at 31 March 2013 are as follows:

Name	Country of incorporation	Proportion held	Principal activity
HOW S2 Productions Inc.	Canada	49%	Production of television programmes
HOW S3 Productions Inc.	Canada	49%	Production of television programmes
7757310 Canada Inc.	Canada	49%	Production of television programmes
8175730 Canada Inc.	Canada	49%	Production of television programmes
Hope Zee One Inc.	Canada	49%	Production of television programmes
Hope Zee Two Inc.	Canada	51%	Production of television programmes
Klondike Alberta Productions Inc.	Canada	49%	Production of television programmes
Squid Distribution LLC	Canada	50%	Film production

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

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

Impact on the consolidated income statement	**Year ended 31 March 2013 £m**	Year ended 31 March 2012 £m
Revenue	**3.2**	2.6
Cost of sales	**(1.9)**	(1.8)
Administrative expenses	**–**	(0.6)
Profit before tax	**1.3**	0.2
Income tax charge	**(0.1)**	(0.1)
Profit for the year	**1.2**	0.1

27. Interests in joint ventures continued

Impact on the consolidated balance sheet	31 March 2013 £m	31 March 2012 £m
Investment in programmes	**5.0**	2.2
Trade and other receivables	**10.2**	7.1
Cash and cash equivalents	**3.3**	1.2
Total assets	**18.5**	10.5
Trade and other payables	**(5.9)**	(11.0)
Interest-bearing loans and borrowings	**(10.4)**	–
Total liabilities	**(16.3)**	(11.0)
Net assets/(liabilities)	**2.2**	(0.5)

28. Derivative financial instruments

	31 March 2013 £m	31 March 2012 £m
Derivative financial instruments – assets		
Foreign exchange forward contracts	**1.7**	–
Total	**1.7**	–
Derivative financial instruments – liabilities		
Foreign exchange forward contracts	**(0.6)**	(0.5)
Interest rate derivatives	**(0.7)**	(0.4)
Total	**(1.3)**	(0.9)
Net derivative financial instruments	**0.4**	(0.9)

Foreign exchange forward contracts

The Group uses forward currency contracts to hedge transactional exposures. The majority of these contracts are denominated in US dollars and primarily cover minimum guarantee payments in Canada, the UK, Australia and Benelux. At 31 March 2013, the total notional principal amount of outstanding currency contracts was €7.3 million, C$78.1 million, A$17.6 million and £35.9 million (2012: €3.1 million, C$37.7 million, A$7.2 and £28.7 million).

Interest rate derivatives

Interest rate swaps

Included in interest rate derivatives above, are interest rate swaps (“swaps”) which the Group puts in place to limit interest rate risk.

The notional principal amounts of the outstanding swaps at 31 March 2013 and 2012 are shown below. These swaps are recognised at fair value which is determined using the discounted cash flow method based on market data.

	31 March 2013			31 March 2012		
Currency	Local currency m	Fixed interest rate %	Fair value £m	Local currency m	Fixed interest rate %	Fair value £m
US dollars	**US$9.5**	**0.45**	**–**	US$7.4	1.84	–
Euros	**€7.1**	**0.37**	**–**	€6.9	3.49	(0.1)
Pounds sterling	**£12.6**	**0.74**	**–**	£3.7	2.83	–
Pounds sterling	**£20.8**	**1.00**	**(0.2)**	–	–	–
Canadian dollars	**C$30.0**	**1.49**	**(0.1)**	C$12.2	1.70	–
Canadian dollars	**C$79.7**	**1.84**	**(0.4)**	–	–	–

Interest rate collar

At 31 March 2012, the Group had an interest rate collar, of which the notional principal amount was £10.0 million and had a fair value of £0.3 million (liability). This interest rate collar expired in September 2012.

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29. 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 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 2013, the longest term of any debt held by the Group was until 2018.

Interest rate sensitivity

A simultaneous 1% increase in the Group's variable interest rates in each of pounds sterling, euros, US dollars and Canadian dollars at the end of 31 March 2013 would result in a £0.1 million (2012: £0.4 million) decrease to the Group's profit before tax and a decrease of 1% would result in a £0.3 million (2012: £0.4 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 US 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 28.

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 derivative financial instruments. Sensitivity is calculated on financial instruments at 31 March 2013 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 assessment of foreign exchange rate risk.

Percentage movement	**31 March 2013 Consolidated income statement +/– £m**	31 March 2012 Consolidated income statement +/– £m
10% appreciation of the US dollar	**1.3**	(0.8)
10% appreciation of the Canadian dollar	**–**	(0.2)
10% appreciation of the Australian dollar	**0.3**	0.1
10% appreciation of the euro	**0.8**	0.7

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 under policies 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 and net trade receivables recorded in the consolidated balance sheet represent the Group's maximum exposure to credit risk.

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

	Note	**31 March 2013 £m**	31 March 2012 £m
Cash and cash equivalents	22	**33.4**	17.4
Net trade receivables	21	**141.9**	75.8
Total		**175.3**	93.2

29. Financial risk management continued

Liquidity risk management

The Group maintains an appropriate 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 reserves on the basis of expected cash flows in the short, medium and long-term. At 31 March 2013, the undrawn uncommitted facility amount was £153.2 million (2012: £82.2 million). As explained in Note 23, the facility was re-financed in January 2013 and matures in January 2018.

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:

Amount due for settlement at 31 March 2013	Trade and other payables £m	Interest-bearing loans and borrowings £m	Total £m
Within one year	**122.1**	**46.0**	**168.1**
One to two years	**0.1**	**17.7**	**17.8**
Two to five years	**–**	**114.2**	**114.2**
Total	**122.2**	**177.9**	**300.1**

Amount due for settlement at 31 March 2012			
Within one year	88.4	33.5	121.9
One to two years	0.2	18.4	18.6
Two to five years	–	55.7	55.7
Total	88.6	107.6	196.2

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, provide returns for shareholders, provide benefits for other stakeholders, optimise the weighted average cost of capital and achieve tax efficiencies. The objectives are 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.

Financial instruments at fair value

Under IFRS, fair value measurements are grouped into the following levels:

Level 1 – fair value measurements are derived from unadjusted quoted prices in active markets for identical assets or liabilities;
Level 2 – fair value measurements are 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 are derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data.

At 31 March 2013, the Group had derivative financial instrument assets and liabilities of £1.7 million and £1.3 million, respectively, grouped into Level 2. At 31 March 2012 the Group had derivative financial instrument liabilities of £0.9 million grouped into Level 2.

The carrying value of the Group's financial instruments approximate to their fair value. See Note 28 for further details of the Group's derivative financial instruments.

30. Stated capital, treasury shares and other reserves

Stated capital

	Year ended 31 March 2013		Year ended 31 March 2012	
	Number of shares '000	Value £m	Number of shares '000	Value £m
Balance at 1 April	**191,980**	**173.9**	187,458	167.2
Issue of common shares – for cash	**73,333**	**110.0**	–	–
Issue of common shares – as part-consideration for acquisition	**–**	**–**	4,127	6.3
Transaction costs relating to issue of common shares (net of tax)	**–**	**(3.0)**		
Shares issued on exercise of share options	**5,806**	**0.2**	395	0.4
Shares issued on exercise of share warrants	**2,500**	**1.3**	–	–
Balance at 31 March	**273,619**	**282.4**	191,980	173.9

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30. Stated capital, treasury shares and other reserves continued

At 31 March 2013 and 2012, the Company had common shares and preferred variable voting shares which carry no right to income.

On 1 October 2012, the Company issued 73,333,333 common shares at £1.50 per common share, raising gross equity proceeds of £110.0 million. These proceeds were used to part-finance the acquisition of Alliance. The Company incurred related transaction fees of £3.0 million (net of tax of £1.1 million) which were recorded against stated capital.

During the year ended 31 March 2013, 5,806,115 common shares (2012: 395,717 common shares) were issued to employees exercising share options granted under various schemes. The total consideration received by the Company on the exercise of these options was £0.2 million (2012: £0.4 million).

On 2 November 2012, the Company issued 2,500,000 common shares at £0.50 per common share to Lions Gate Entertainment Inc., the parent company of Summit Entertainment LLC ("Summit") relating to outstanding warrants previously granted to Summit. The total consideration received by the Company on the exercise of these warrants was £1.3 million.

In total, the gross proceeds received by the Company during the year on the issue of new shares was £111.5 million (2012: £nil).

In May 2011, the Company issued 4,126,636 common shares at £1.53, raising net proceeds after transaction fees of £6.3 million, as part-consideration for the acquisition of Hopscotch as described in further detail in Note 33.

Subsequent to these transactions, and at the date of authorisation of these consolidated financial statements, the Company's stated capital comprised 273,619,314 common shares (although for earnings per share purposes the shares held by the EBT are treated as cancelled).

Treasury shares

At 31 March 2013, 7,005,286 common shares (2012: 7,510,286 common shares) were held as treasury shares by the Employee Benefit Trust ("EBT") to satisfy the grants of shares under the Group's share schemes (see Note 31 for further details). During the year, 505,000 common shares (2012: 85,000 common shares) previously issued to the EBT were used to satisfy certain employee share awards. The book value of treasury shares at 31 March 2013 was £7.2 million (2012: £7.7 million).

Other reserves

Other reserves comprise the following:

- a cash flow hedging reserve of £1.1 million at 31 March 2013 (2012: debit balance of £0.4 million);
- a warrant reserve of £0.6 million at 31 March 2013 and 2012 which represents four million share warrants issued to Marwyn Value Investors L.P. on the completion of the acquisition of the Entertainment One Income Fund in 2007. This was accounted for as a share-based payment and is described in further detail in Note 31; and
- a permanent restructuring reserve of £9.3 million at 31 March 2013 and 2012 which arose on completion of the Scheme of Arrangement in 2010 and represents the difference between the net assets and share capital and share premium in the ultimate parent company immediately prior to the Scheme.

31. 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 £1.2 million (2012: £1.4 million). Details of grants to directors during the year are given in the Remuneration Report on pages 34 to 36.

ESP	**2013 Number (Million)**	**2013 Weighted average exercise price (Pence)**	2012 Number (Million)	2012 Weighted average exercise price (Pence)
Outstanding at 1 April	**5.6**	**11.6**	9.1	10.2
Granted	**–**	**–**	0.3	1.0
Lapsed	**(0.4)**	**74.3**	(0.2)	5.8
Exercised	**(2.6)**	**9.6**	(3.6)	8.2
Outstanding at 31 March	**2.6**	**3.6**	5.6	11.6
Exercisable	**1.4**	**5.8**	4.1	8.9

31. Share-based payments continued

EBT	**2013 Number (Million)**	**2013 Weighted average exercise price (Pence)**	2012 Number (Million)	2012 Weighted average exercise price (Pence)
Outstanding at 1 April	**4.0**	**–**	4.1	–
Distributed	**(0.5)**	**–**	(0.1)	–
Outstanding at 31 March	**3.5**	**–**	4.0	–
Exercisable	**3.5**	**–**	4.0	–

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 2.4 years (2012: 2.1 years) and their weighted average exercise price was 3.6 pence (2012: 11.6 pence). The weighted average share price at the date of exercise for share options exercised during the year was 168.0 pence (2012: 155.0 pence).

There are certain performance criteria to be met before share options are exercisable. The majority of share options granted are based on 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. There were no grants in the current year. The fair value of ESP options granted in the prior year were calculated using a binomial model. The assumptions used in the model were:

	Year ended 31 March 2012 ESP
Fair value at measurement date	155.0 pence
Weighted average share price	155.0 pence
Weighted average exercise price	1.0 pence
Expected volatility	30.0%
Expected life	3.0 years
Dividend yield	–
Risk free interest rate	1.93%

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 an MPS for executive directors which was granted on 31 March 2010. The extent to which the rights vested depended 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 10.0% 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 was measured on 31 March 2013 and has been met. All vesting conditions have been met and the participants are able to convert their shares into common shares of the Company at any point up to and including 31 March 2015.

At the balance sheet date the number of vested awards outstanding but not yet exercised (based on the 90 day volume-weighted average price as at 31 March 2013) was 9.3 million (2012: 7.7 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%.

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31. Share-based payments continued

Other share-based payment awards

On completion of the acquisition of Entertainment One Income Fund in 2007, four million share warrants were issued to Marwyn Value Investors L.P. 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, 2,500,000 warrants were issued to Summit at an exercise price of £0.50 per common share. On 2 November 2012, the Company issued 2,500,000 common shares at £0.50 per common share to Lions Gate Entertainment Inc., the parent company of Summit relating to the outstanding warrants previously granted to Summit. The total consideration received by the Company on the exercise of these warrants was £1.3 million.

The fair value of the share warrants was determined using a binomial option pricing model. Awards were valued using an assumed exercise behaviour that recognises the exercise restrictions.

32. 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:

	31 March 2013	31 March 2012
	£m	£m
Within one year	**7.4**	5.2
In the second to fifth years inclusive	**19.5**	15.1
After five years	**4.1**	0.8
Total	**31.0**	21.1

Future capital expenditure

	31 March 2013	31 March 2012
	£m	£m
Investment in content rights contracted for but not provided	**201.4**	96.3

33. Business combinations

Year ended 31 March 2013 – Alliance

On 8 January 2013, the Group acquired 100% of the issued share capital of Alliance Films Holdings Inc. (“Alliance”) for a total consideration of £167.4 million, comprising £149.7 million cash consideration and £17.7 million contingent consideration. This purchase has been accounted for as an acquisition.

Alliance, a Canadian group of companies, is a leading independent film distributor in Canada, the UK and Spain. The acquisition establishes eOne as the largest independent film distributor in each of the Canadian and UK markets and adds a new territory, Spain, to the Group’s global footprint. In addition, the acquisition means the Group now has access to Alliance’s library of more than 11,500 film and television titles, including some of the most commercially successful independently produced titles of recent times. Furthermore, the acquisition provides the Group with increased access to film content via output agreements with a number of successful independent film studios. In summary, the acquisition strengthens the Group’s existing film distribution business, helps to drive growth and provides significant strategic and commercial benefits.

For the reasons outlined above, combined with the enhanced access to future operating synergies, the Group paid a premium on the acquisition, giving rise to goodwill. None of the goodwill recognised is expected to be deductible for income tax purposes.

33. Business combinations continued

The following table summarises the fair values of the assets acquired and liabilities assumed as part of this acquisition.

	Note	Fair value £m
Goodwill	15	103.9
Other intangible assets	16	83.9
Investment in programmes	17	0.1
Property, plant and equipment	18	1.5
Inventories		4.4
Investment in content rights	20	90.7
Trade and other receivables		107.0
Cash and cash equivalents		9.0
Interest-bearing loans and borrowings		(2.7)
Trade and other payables		(197.5)
Provisions	26	(22.7)
Tax		
– Current tax assets		0.4
– Current tax liabilities		(9.9)
– Net deferred tax liabilities	12	(0.7)
Net assets acquired		**167.4**
Satisfied by:		
Cash		149.7
Contingent consideration		17.7
Total consideration transferred		**167.4**

The contingent consideration of £17.7 million represents amounts payable to the former shareholders of Alliance subject to (i) Alliance meeting certain box office targets over a two year period and (ii) certain tax liabilities being settled for less than the amount provided in Alliance's financial statements within the first three years post-completion. The potential undiscounted amount of all future payments that the Group could be required to make in respect of the contingent consideration arrangement is approximately £30.0 million.

Below is an analysis of the other intangible assets acquired as part of the acquisition of Alliance:

	£m
Exclusive content agreements and libraries	56.1
Trade names and brands	20.5
Non-compete agreements	6.8
Software	0.5
Total	**83.9**

The net cash outflow in the current year arising from this acquisition was £140.7 million, made up of:

	£m
Cash consideration	149.7
Less: cash and cash equivalents acquired	(9.0)
Total	**140.7**

Acquisition-related costs amounted to £9.9 million and have been charged to the consolidated income statement within one-off items (see Note 9 for further details).

Alliance contributed £69.7 million to the Group's revenue and a £5.3 million loss before tax to the Group's profit before tax for the period from the date of the acquisition to 31 March 2013. If the acquisition of Alliance had been completed on 1 April 2012, Group revenue for the year would have been £832.3 million and Group profit before tax would have been £12.3 million.

Year ended 31 March 2012 – Hopscotch
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.

Goodwill of £7.0 million recorded on this acquisition is attributable to anticipated profitability arising from the Group's enhanced access to the Australian market and future operating synergies from the combination. None of the goodwill recognised is expected to be deductible for income tax purposes.

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33. Business combinations continued

The following table summarises the fair values of the assets acquired and liabilities assumed as part of this acquisition.

	Note	Final fair value £m
Goodwill	15	7.0
Other intangible assets		8.5
Property, plant and equipment	18	0.2
Inventories		0.2
Investment in content rights	20	4.1
Trade and other receivables		1.1
Cash and cash equivalents		5.4
Trade and other payables		(7.6)
Net deferred tax liabilities	12	(0.6)
Net assets acquired		**18.3**
Satisfied by:		
Cash		12.0
Common shares of Entertainment One Ltd.		6.3
Total consideration transferred		**18.3**

At 31 March 2012, £0.3 million of cash consideration was payable to the vendors relating to finalisation of the completion accounts. This was paid during the year ended 31 March 2013.

The fair value of the 4,126,636 ordinary shares issued as part of the consideration paid for Hopscotch (£6.3 million) was determined based on the market price of £1.53 per share on the date of issue.

Below is an analysis of the other intangible assets acquired as part of the acquisition of Hopscotch:

	£m
Trade names and brands	3.2
Customer relationships	5.3
Total	**8.5**

The net cash outflow in the year ended 31 March 2012 arising from this acquisition was £6.3 million, made up of:

	£m
Cash consideration	11.7
Less: cash and cash equivalents acquired	(5.4)
Total	**6.3**

Acquisition-related costs included in administration costs in the Group's consolidated income statement (as one-off items), for the year ended 31 March 2012 amounted to £0.3 million and principally comprised professional fees.

Hopscotch contributed £15.8 million to the Group's revenue and £1.8 million to the Group's profit before tax for the period between the date of acquisition and 31 March 2012. If the acquisition of Hopscotch had been completed on the first day of the financial year, 1 April 2011, Group revenue for the year would have been £503.8 million and Group profit before tax would have been £22.9 million.

34. 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 at 31 March 2013 (2012: 75,424,894), amounting to 27.6% (2012: 39.3%) of the issued capital of the Company. In addition, Marwyn Value Investors L.P. holds warrants of four million common shares (2012: four million). Marwyn Value Investors L.P. is deemed to be a related party of Entertainment One Ltd. by virtue of this significant shareholding.

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.

34. Related party transactions continued

During the year loans were granted by the Company of £1.3 million to Darren Throop and £1.3 million to Patrice Theroux, both directors of the Company, to fund the payment of tax liabilities arising on the exercise of options under the Entertainment One Share Schemes. The exercise of these options took place on 27 March 2012 and 3 July 2012 and, in each case, had they not have been exercised by 29 March 2012 and 5 July 2012 respectively, would have lapsed. The loans were required as neither director were able to dispose of any shares resulting from the exercise of such options at the time that the tax liabilities became due because they were restricted from dealing in the Company's shares under the Company's share dealing code. These loans were repaid in full in October 2012.

During the year the Company paid fees of £0.3 million (2012: £0.4 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 and increased corporate activities to the Company for a fixed monthly fee of £25,000 (2012: £15,000) plus expenses up to August 2012. From September 2012 the corporate activities decreased and the fee returned to £15,000 with additional fees for each corporate transaction to be agreed.

At 31 March 2013, the Group owed Marwyn Capital LLP less than £0.1 million (2012: £0.1 million). The amounts outstanding are unsecured and will be settled in cash. No guarantees have been given or received.

Robert Lantos, who resigned as a director of the Company on 1 February 2013, is the 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 television productions with the Group. The Group owed Serendipity £nil at 31 March 2013 (2012: less than £0.1 million).

During the year payments of £0.1 million (2012: £1.0 million) were made to One Voice Media Inc., a joint venture of the Group (see Note 27). The Group owed £nil (2012: £0.1 million) to One Voice Media Inc. at 31 March 2013.

The Group owed £1.5 million (2012: £1.4 million) to its joint venture television production companies and was owed £2.2 million (2012: £0.8 million) by its joint venture television production companies as at 31 March 2013.

35. Subsidiaries

The Group's principal subsidiary undertakings are as follows:

Name	Country of incorporation	Principal activity
Entertainment One Films Canada Inc.	Canada	Content ownership
Alliance Films Inc.	Canada	Content ownership
Seville Pictures Inc.	Canada	Content ownership
Alliance Viva Film Inc.	Canada	Content ownership
Entertainment One Limited Partnership	Canada	Content ownership and distribution
7508999 Canada Inc.	Canada	Holding company
4384768 Canada Inc.	Canada	Holding company
Entertainment One Television BAP Ltd.	Canada	Production of television programmes
Entertainment One Television International Ltd.	Canada	Sales and distribution of films and television programmes
Entertainment One Television Productions Ltd.	Canada	Production of television programmes
Videoglobe 1 Inc.	Canada	Content distribution
Entertainment One UK Limited	England and Wales	Content ownership
Alliance Films (UK) Limited	England and Wales	Content ownership
Entertainment One UK Holdings Limited	England and Wales	Holding company
Entertainment One US LP	US	Content ownership and distribution
Earl Street Capital Inc.	US	Holding company
Aurum Producciones S.A.U.	Spain	Content ownership
Entertainment One Benelux BV	Holland	Content ownership
Entertainment One Holding Holland BV	Holland	Holding company
Entertainment One Hopscotch Pty Ltd.	Australia	Content ownership
Entertainment One Australia Holdings Pty Ltd.	Australia	Holding company

All of the above subsidiary undertakings are 100% owned and, other than 7508999 Canada Inc., are owned through intermediate holding companies.

The proportion held is equivalent to the percentage of voting rights held.

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

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[1] The Company has appointed JP Morgan Cazenove as its Sponsor in relation to the proposed Transfer and, subject to the Transfer taking place, as joint broker.

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