entertainmentone

Entertainment One UK Limited
(formerly E1 Entertainment UK Limited)

Directors' report and financial statements

Registered number 02989602
31 March 2011

Entertainment One UK Limited
(formerly E1 Entertainment UK Limited)

Report and financial statements 2011

Contents

Entertainment One UK Limited
(formerly E1 Entertainment UK Limited)

Report and financial statements 2011

Officers and professional advisers

Directors

Charles Ogilvie
Giles Willits
Richard Bridgwood (resigned 31 May 2010)

Registered Office

120 New Cavendish StreeetLondonW1W 6XX

Bankers

Barclays Bank PLC
1 Churchill Place
London
E14 5HP

Auditor

Deloitte LLP
Chartered Accountants and Statutory Auditor
London

Entertainment One UK Limited
(formerly E1 Entertainment UK Limited)

Directors' report

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

Principal activities

The principal activities of the Company are the sourcing and distribution of general interest DVDs and theatrical films to the retail trade and to cinema exhibitors, the production of television programmes for the international broadcast market, and the licensing and marketing of intellectual property rights

Results and dividends

Profit for the year after taxation was £7 3 million (2010 £3 2 million)

Net assets at year ended 31 March 2011 were £17 9m (2010 £10 5m)

No dividends were paid during the year (2010 £nil)

Business review

Overview and operational performance

The year ended 31 March 2011 has seen the Company's content investment strategy delivering strong growth in profitability and cash flow Operating profit for the year was £11 7 million (2010 profit of £6 7 million), driven by strong performance in eOne Films, the film distribution division, and eOne Family, the children's TV and licensing division

eOne Films showed strong revenue growth on the back of a strong release slate which saw 16 films released theatrically compared to ten in the previous year

The Twilight Saga continues to captivate cinema audiences July 2010 saw the release of the third film in the Twilight Saga series The Twilight Saga Eclipse was one of the top 10 grossing films in the UK in 2010, achieving box office takings of over £29 million The film was released on DVD, Blu-ray, online and on TV video on demand (VOD) channels in December 2010, and delivered strong performance across all formats The fourth in the five part film series, The Twilight Saga Breaking Dawn Part 1, will be released in November 2011

In addition to Eclipse, the film division had notable success at the box office with Remember Me, RED, and the animated blockbuster, Gnomeo & Juliet It also continued to promote high quality British film-making with the release of Mr Nice and Peter Mullan's award winning drama NEDs

The Home Entertainment division has maintained its strong position in a marketplace which is in a state of transition Traditional DVD revenues are being replaced and augmented by Blu-ray sales, downloads, streaming and both TV and internet based VOD

As well as releasing titles from the eOne Films and eOne Family divisions, notable new releases for the eOne Home Entertainment division included Streetdance 3D, The Devil's Playground, Lemmy (all films), series 8 of Spooks, and the final instalment of Ashes to Ashes (both broadcast on the BBC) Catalogue sales for Life on Mars, Spooks, and Coast continued to perform well The bulk of revenue is still generated by sales of physical media (DVD and Blu-ray) but delivery relationships have been developed with all major digital and television VOD platforms enabling growing wider home entertainment revenues

The Company also continued to develop its home video footprint In addition to its activities in Australia, New Zealand and France, the Company signed partnership deals with local independent distributors in Germany, Scandinavia and South Africa This extended reach, combined with the North American operations in the wider eOne

Business review (continued)

group, enables the Company to provide content producers with a compelling solution to get their content into as many markets as possible

The Family division also performed strongly in the year, mainly due to the continued success of Peppa Pig Production is underway on a number of new Peppa Pig series with delivery to broadcasters expected during 2011 and 2012 In the UK Peppa Pig became the number one pre-school licensed property in 2010 and in April 2011 Peppa Pig World opened at Paultons family theme park in Hampshire Broadcast commenced in the US on Nick Jr in February 2011 and initial audience figures have been very strong On 31 May 2011, the Company announced that it had appointed Fisher-Price as the US toy partner

Elsewhere in the Family division Ben & Holly's Little Kingdom continues to make excellent progress in the UK and is now being broadcast in over 160 territories worldwide The first scripts for the second series of 52 episodes (bringing the total to 104) have now been delivered and following a highly successful retail launch in 2010 the product range will be extended in 2011 to include stationery, party products, toys, confectionery and accessories

The Company announced on 2 June 2010 that Richard Bridgwood would be stepping down as Managing Director, effective 2 July 2010, having resigned as a Company Director on 31 May 2010 Charles Ogilvie, previously Finance Director, was appointed Chief Operating Officer

Current Markets

The UK box office continued to show growth in calendar year 2010, generating revenues of £1,077 million, up almost 2% on the prior year The performance of an individual title relies not only upon the health of the overall market but also on the quality of the product and its consumer acceptance There is, however, a strong relationship between the box office success of a title and its future sales in the other distribution channels Box office revenues are expected to continue to grow, albeit slowly The increasing number of digital screens in cinemas and the continued development of 3D look to be the main growth drivers The UK's current economic climate may have some impact on box office revenues, although historically the film industry's box office performance has proved to be robust in times of low growth

The home entertainment market comprises physical media such as DVD and Blu-ray discs as well as digital channels allowing consumer devices to download content to own, to rent for a fixed period, or to stream content to their TVs or home computers Success in this channel is again driven by the quality of product, consumer acceptance and box office performance (where a title has previously been released theatrically) The home entertainment market continues to represent the largest proportion of a film's revenues over the life of a title and as such the dynamics of this segment of the market are a key driver of the performance of the Company While the physical DVD market is in long-term decline, there are a growing number of material digital opportunities that are offsetting this decline in the short-term and will drive growth going forward

The television market is influenced heavily by television broadcasters who derive their revenues from advertising and also directly from consumers through licence fees or subscriptions These revenues flow into the industry as broadcasters provide direct financing for new television productions and licensed content from independent producers and distributors The global economic downturn has had an impact on the television industry across the globe, as advertising revenues have fallen This has resulted in cuts to broadcaster budgets for the funding of new productions and the acquisition of content from distributors There are recent signs of recovery in advertising revenues and as a result broadcasters are expected to increase expenditure in the future The value of television sales is influenced by performance at box office (where relevant), quality of product both on an individual and package basis, and, where it is part of or related to a franchise or series, previous sales of that franchise or series

Entertainment One UK Limited
(formerly E1 Entertainment UK Limited)

Directors' report

Business review (continued)

Looking ahead, the television market, particularly the pay sector, is expected to become more competitive with VOD, subscription VOD and internet television service providers rolling out competing services via the media of TV, streaming and download Take up of these services will gather pace as UK broadband speeds increase to a point

where the viewing experience is unhindered, and the wider content availability and convenience entices viewers away from traditional TV offerings

Principal risks and uncertainties

The commercial and market risks facing Entertainment One UK are described above In addition, the Company's activities expose it to a number of financial risks including credit risk, cash flow risk and liquidity risk The use of financial derivatives is governed by the Company's policies approved by the board of directors The Company does not use derivative financial instruments for speculative purposes

Credit risk the Company's principal financial assets are bank balances and cash, trade and other receivables and investments

The Company's credit risk is primarily attributable to its trade receivables The amounts presented in the balance sheet are net of allowances for doubtful receivables An allowance for impairment is made where there is an identified loss event which, based on previous experience, is evidence of a reduction in the recoverability of the cash flows

The credit risk on liquid funds is limited because the counterparties are banks with high credit-ratings assigned by international credit-rating agencies

The Company has no significant concentration 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 Company uses intercompany loans from its immediate holding company

Cash flow risk the Company's activities expose it to the financial risks of changes in foreign currency exchange rates, primarily transaction risk Transaction risk arises where the Company enters into contracts denominated in a currency other than pounds sterling These include Minimum Guarantee payments to film studios, which are often denominated in U S Dollars The Company uses foreign exchange forward contracts when appropriate to minimise exposure in these areas

Outlook and future prospects

The Company will continue to invest in theatrical rights, programming licences and the production of its own content The Company aims to maintain its successful exploitation of these intellectual property rights across formats and territories

The directors continue to adopt the going concern basis in preparing the annual report and accounts Further details are set out in note 1

Directors

The directors who held office during the year are as shown below

Charles Ogilvie
Giles Willits
Richard Bridgwood (resigned 31st May 2010)

Entertainment One UK Limited
(formerly E1 Entertainment UK Limited)

Directors' report

Charitable donations

During the year, the Company made no political donations (2010 £nil) and charitable donations of £1,072 (2010 £526)

Supplier payment policy

The Company'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 for the Company were equivalent to 54 days purchases

Share capital

Details of the existing share capital are disclosed in note 16

Auditors

Each of the persons who is a director at the date of approval of this report confirms that

- so far as the director is aware, there is no relevant audit information of which the company's auditor is unaware, and
- the director has taken all the steps that he/she ought to have taken as a director in order to make himself/herself aware of any relevant audit information and to establish that the company's auditor is aware of that information

This confirmation is given and should be interpreted in accordance with the provisions of s418 of the Companies Act 2006

Deloitte LLP were reappointed as auditor during the year and have indicated their willingness to continue in office A resolution for their reappointment will be proposed at the forthcoming Annual General Meeting

Approved by the Board of Directors
and signed on behalf of the Board

Charles Ogilvie
Director
5th AUGUST 2011

E1 Entertainment UK Limited
(formerly E1 Entertainment UK Limited)

Statement of directors' responsibilities

The directors are responsible for preparing the annual report and the financial statements in accordance with applicable law and regulations

Company law requires the directors to prepare financial statements for each financial year Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law) Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period In preparing these financial statements, the directors are required to

- select suitable accounting policies and then apply them consistently,
- make judgements and estimates that are reasonable and prudent,
- state whether applicable UK Accounting Standards have been followed, and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions with reasonable accuracy at any time the financial position of the company and to enable them to ensure that the financial statements comply with the Companies Act 2006 They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities

Independent auditor's report to the members of
Entertainment One UK Limited

We have audited the financial statements of Entertainment One UK Limited for the year ended 31 March 2011 which comprise the profit and loss account, the balance sheet and the related notes 1 to 26 The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice)

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006 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 auditors' report and for no other purpose To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed

Respective responsibilities of directors and auditor

As explained more fully in the Directors' Responsibilities Statement, the directors are responsible for the preparation of the 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 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 financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error This includes an assessment of whether the accounting policies are appropriate to the company's circumstances and have been consistently applied and adequately disclosed, the reasonableness of significant accounting estimates made by the directors, and the overall presentation of the financial statements In addition, we read all the financial and non-financial information in the annual report to identify material inconsistencies with the audited financial statements If we become aware of any apparent misstatements or inconsistencies we consider the implications for our report

Opinion

In our opinion the financial statements

- give a true and fair view of the state of the company's affairs as at 31 March 2011 and of its profit for the year then ended,
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, and
- have been prepared in accordance with the requirements of the Companies Act 2006

Opinion on other matter prescribed in the Companies Act 2006

In our opinion the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us, or
- the financial statements are not in agreement with the accounting records and returns, or
- certain disclosures of directors' remuneration specified by law are not made, or
- we have not received all the information and explanations we require for our audit

M. R. Lee-Amies

Mark Lee-Amies (Senior Statutory Auditor)
for and on behalf of Deloitte LLP
Chartered Accountants and Statutory Auditor
London, United Kingdom
12 August. 2011

Entertainment One UK Limited
(formerly E1 Entertainment UK Limited)

Profit and loss account
Year ended 31 March 2011

	Notes	2011 £'000	2010 £'000
Turnover	2	103,511	84,110
Cost of sales		(81,978)	(68,181)
Gross profit		21,533	15,929
Administrative expenses		(9,785)	(9,202)
Operating profit		11,748	6,727
Interest payable and similar charges	4	(1,344)	(1,969)
Interest receivable and similar charges	5	6	2
Profit on ordinary activities before taxation	3	10,410	4,760
Tax on profit on ordinary activities	7	(3,092)	(1,578)
Profit for the financial year		7,318	3,182

There is no difference between the result as disclosed in the profit and loss account and result on a historical cost basis

All results are derived from continuing operations

A statement of total recognised gains and losses has not been presented since there were no recognised gains or losses in the current and preceding financial years other than as stated above

Entertainment One UK Limited
(formerly E1 Entertainment UK Limited)

Balance sheet
31 March 2011

	Notes	2011 £'000	2010 £'000
Fixed assets			
Intangible assets	8	8,380	9,354
Tangible assets	9	259	219
Investments	10	1	1
		8,640	9,574
Current assets			
Stocks	11	1,707	1,088
Debtors	12	41,948	43,446
Cash at bank and in hand		4,090	844
		47,745	45,378
Creditors: amounts falling due within one year	13	(38,461)	(44,457)
Net current assets		9,284	921
Total assets less current liabilities		17,924	10,495
Net assets		17,924	10,495
Capital and reserves			
Called up share capital	16	113	113
Share premium account	17	440	440
Other reserves	17	2,579	2,468
Profit and loss account	17	14,792	7,474
Shareholders' funds		17,924	10,495

The financial statements of Entertainment One UK Limited registered number 02989602 were approved by the Board of Directors on 5th August 2011

Signed on behalf of the Board of Directors

C Ogilvie

Director

Entertainment One UK Limited
(formerly E1 Entertainment UK Limited)

Notes to the accounts
Year ended 31 March 2011

1. **Accounting policies**

The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the financial statements

Basis of preparation

The financial statements have been prepared in accordance with United Kingdom accounting standards and under the historical cost accounting rules, except for share based payments which are discussed below

The Company is exempt by virtue of s400 of the Companies Act 2006 from the requirement to prepare group financial statements These financial statements present information about the Company as an individual undertaking and not about its group

Going concern

The Company's activities, together with the factors likely to affect its future development, are set out in the directors' report

The Company is a wholly owned subsidiary of the Entertainment One Ltd group and obtains financing through its parent company, Entertainment One UK Holdings Limited, in the form of intercompany loans The Company is subject to cross guarantees given by companies in the Entertainment One Group to its external finance providers

The Company's forecasts and projections, taking account of reasonably possible changes in trading performance, show that the Company is able to operate within its current intercompany financing arrangements Having considered these forecasts and projections and other factors that might impact on the Company's business, including downside sensitivities to the business plan, the directors are satisfied that the Company has adequate resources to continue in operational existence for the foreseeable future Accordingly, they continue to adopt the going concern basis in preparing the Company's annual financial statements

Goodwill and negative goodwill

Purchased goodwill (representing the excess of the fair value of the consideration given over the fair value of the separable net assets acquired) arising on business combinations in respect of acquisitions since 1 January 1998 is capitalised Positive goodwill is amortised to nil by equal annual instalments over its estimated useful life, 20 years

Intangible fixed assets and amortisation

Intangible fixed assets purchased separately from a business are capitalised at their cost if such amounts are considered recoverable against future revenues These costs are amortised on a revenue forecast basis over a period not exceeding 15 years from the date of initial release

Investment in content rights

Investment in content rights, currently available for exploitation, are capitalised in the balance sheet when the liability arises 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

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 the ordinary course of business, the Company contracts with film producers to acquire rights to exploit films Certain of these agreements require the Company to pay minimum guaranteed advances (MGs), the largest portion of which often becomes due when the film is received by the Company, usually some months subsequent to signing the contract

1. **Accountıng policies (contınued)**

Fıxed assets and depreciatıon

Fıxed assets are stated at cost, net of depreciatıon and any provısıon for ımpaırment Depreciatıon ıs provıded to wrıte off the cost less the estımated resıdual value of tangıble fixed assets by equal ınstalments over theır estımated useful economıc lıves as follows

Leasehold propertıes	-	straıght-lıne over the lıfe of the lease
Computer equıpment	-	3 years straıght lıne
Plant and machınery	-	4 years straıght lıne

No depreciatıon ıs provıded on freehold land

Stocks

Stocks are stated at the lower of cost and net realısable value Cost ıs calculated usıng the weıghted average method Net realısable value represents the estımated sellıng prıce less all dırect estımated costs of completıon and costs to be ıncurred ın marketıng, sellıng and dıstrıbutıon

Foreıgn currencıes

Transactıons ın foreıgn currencıes are recorded usıng the rate of exchange rulıng at the date of the transactıon Monetary assets and lıabılıtıes denomınated ın foreıgn currencıes are translated usıng the contracted rate or the rate of exchange rulıng at the balance sheet date and the gaıns or losses on translatıon are ıncluded ın the profit and loss account

Leases

Assets acquıred under finance leases are capıtalısed and the outstandıng future lease oblıgatıons are shown ın credıtors Operatıng lease rentals are charged to the profit and loss account on a straıght lıne basıs over the perıod of the lease

Share-based payments

Entertaınment One Ltd , the ultımate parent company, ıssues equıty-settled share-based payments to certaın employees Equıty-settled share-based payments are measured at faır value at the date of grant The faır value determıned at the grant date of equıty-settled share-based payments ıs expensed on a straıght-lıne basıs over the vestıng perıod, based on Entertaınment One Ltd 's estımate of shares that wıll eventually vest

Faır value ıs measured by means of a bınomıal valuatıon model The expected lıfe used ın the model has been adjusted, based on management's best estımate, for the effect of non-transferabılıty, exercıse restrıctıons, and behavıoural consıderatıons

Taxatıon

Current tax, ıncludıng UK corporatıon tax and foreıgn tax ıs provıded at amounts expected to be paıd (or recovered) usıng the tax rates and laws that have been enacted or substantıvely enacted by the balance sheet date

Deferred tax ıs provıded ın full ın respect of all tımıng dıfferences that have arısen but not reversed at the balance sheet date where transactıons or events that result ın an oblıgatıon to pay more tax ın the future or a rıght to pay less tax ın the future have occurred at the balance sheet date Tımıng dıfferences arıse from the ınclusıon of gaıns and losses ın tax assessments ın perıods dıfferent from those ın whıch they are recognısed ın the financıal statements

Deferred tax assets are recognısed to the extent that ıt ıs regarded as more lıkely than not that they wıll be recovered The Company has not pursued the polıcy of dıscountıng deferred tax balances

1. Accounting policies (continued)

Cash

Cash comprises cash in hand and deposits repayable on demand, less overdrafts payable on demand

Liquid resources are current asset investments which are disposable without curtailing or disrupting the business and are either readily convertible into known amounts of cash at or close to their carrying values or traded in an active market

Financial instruments

The Company uses financial instruments in order to hedge its foreign exchange exposures on trading payables and receivables The Company designates these instruments as cash flow hedges As a non-listed company, the Company is exempt from applying Financial Reporting Standard Numbers 26 and 29 As a result, the unrealised gains or losses of these financial instruments are accounted for as off-balance sheet arrangements When gains or losses relating to the cash flow hedges crystallise, they are recognised in the line of the profit and loss account relating to the hedged item

Turnover

Theatrical income, DVDs and videos

Turnover in relation to theatrical income, DVDs and videos represents the total invoiced value, excluding value added tax, of sales made during the year, less provision for returns

Television licences

Turnover on television licence sales represents the invoiced value of licence fees, excluding value added tax, which is recognised when the following criteria are met

(a) the licence term has commenced,

(b) a licence agreement has been executed by both parties,

(c) delivery to licence agreement has occurred and substantially all technical requirements have been met,

(d) collection of the fee is reasonably assured

Merchandising licences

Turnover on licensing and merchandising sales represents the invoiced value of licence fees, excluding value added tax, which is recognised when the following criteria are met

(a) the licence term has commenced,

(b) a licence agreement has been executed by both parties,

(c) collection of the fee is reasonably assured

Pension costs

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

Cash flow statement

The Company is a wholly-owned subsidiary of Entertainment One UK Holdings Limited The cash flows of the Company are included in the consolidated cash flow statement of Entertainment One Ltd Consequently the Company is exempt under the terms of Financial Reporting Standard Number 1 (Revised 1996) from publishing a cash flow statement

2. Turnover analysis

	2011 £'000	2010 £'000
Turnover by geographical area		
United Kingdom	93,229	78,207
Overseas	10,282	5,903
	103,511	84,110
Turnover by class of business		
Theatrical, DVD and video distribution	85,493	71,930
Television licences	4,881	4,020
Merchandising licenses	13,137	8,160
	103,511	84,110

3. Profit/(loss) on ordinary activities before taxation

	2011 £'000	2010 £'000
Profit on ordinary activities before taxation is stated after charging		
Fees payable to the Company's auditors for the audit of the Company's annual accounts	37	36
Amortisation of intangible assets	2,086	2,155
Depreciation – tangible fixed assets	127	102
Operating lease rentals		
Plant and machinery	17	14
Land and buildings	346	273
(Gain)/Loss on foreign currencies	(311)	31

4. Interest payable and similar charges

	2011 £'000	2010 £'000
Payable on loans from other group companies	1,093	1,339
Amortisation of deferred finance charges	238	609
Payable on other loans	13	21
	1,344	1,969

5 Interest receivable and similar charges

	2011 £'000	2010 £'000
Bank interest receivable	6	2

6 Staff numbers and costs

The average number of persons employed by the Company (including directors) during the year, analysed by category, was as follows

	Number of employees	
	2011	**2010**
Administration	21	14
Marketing and production	50	44
Directors	2	2
	73	60

The aggregate payroll costs of these persons were as follows

	2011 £'000	2010 £'000
Wages and salaries	4,166	3,484
Social security costs	479	400
Other pension costs	185	199
Share-based payments	111	451
	4,941	4,534

Remuneration in respect of directors was as follows

	2011 £'000	2010 £'000
Emoluments	300	451
Company contributions to money purchase schemes	29	48
	329	499

During the year two directors (2010 2) participated in money purchase pension schemes and no directors (2010 nil) exercised share options

The amount set out above includes remuneration in respect of the highest paid director as follows

	2011 £'000	2010 £'000
Emoluments	260	227
Pension contributions to money purchase pension schemes	14	35
	274	262

7 Taxation

The tax charge is based on the profit for the year and represents

	2011 £'000	2010 £'000
United Kingdom corporation tax	3,033	326
Adjustment in respect of prior period	(20)	-
Overseas tax	57	29
Total current rate	3,070	355
Deferred tax - origination and reversal of timing differences	2	1,221
Deferred tax - adjustment in respect of prior period	20	2
	3,092	1,578

The tax assessed for the year is higher (2010 lower) than at the standard rate of corporation tax in the United Kingdom of 28% (2010 28%) The differences are explained as follows

	2011 £'000	2010 £'000
Profit on ordinary activities before taxation	10,410	4,760
Profit on ordinary activities multiplied by standard rate of corporation tax in the United Kingdom of 28% (2010 28%)	2,915	1,333
Effects of		
Expenses not deductible for tax purposes	79	147
Amortisation of purchased goodwill	98	98
Adjustment in respect of prior periods	(20)	-
Difference between capital allowances and depreciation	(3)	(8)
Utilisation of prior period losses	-	(1,193)
Other timing differences	1	(22)
Total current tax charge for the period	3,070	355

There are no factors that may affect the current and total tax charges in future periods

8. Intangible fixed assets

	Purchased goodwill £'000	Intellectual property rights £'000	Total £'000
Cost			
At 1 April 2010	7,184	12,932	20,116
Additions	-	1,112	1,112
At 31 March 2011	7,184	14,044	21,228
Accumulated amortisation			
At 1 April 2010	2,237	8,525	10,762
Charge for the year	367	1,719	2,086
At 31 March 2011	2,604	10,244	12,848
Net book value			
At 31 March 2011	4,580	3,800	8,380
At 31 March 2010	4,947	4,407	9,354

The purchased goodwill shown above arose from the acquisition in February 2004 of Medusa Communications & Marketing Limited

9. Tangible fixed assets

	Short leasehold property £'000	Plant and machinery £'000	Fixtures, fittings and equipment £'000	Total £'000
Cost				
At 1 April 2010	186	396	273	855
Additions	21	132	16	169
At 31 March 2011	207	528	289	1,024
Depreciation				
At 1 April 2010	111	312	215	638
Provided in year	22	70	35	127
At 31 March 2011	133	382	250	765
Net book value				
At 31 March 2011	74	146	39	259
At 31 March 2010	75	84	58	217

10. Fixed asset investments

	Wholly owned subsidiary undertakings £'000
Cost at 1 April 2010 and 31 March 2011	1

Details of the investments in which the Company holds 20% or more of the nominal value of any class of share capital, all of which were dormant, are as follows

	Country	Holding	Share held %
Medusa Communications & Marketing Limited	United Kingdom	£1 Ordinary shares	100
Entertainment One Rights UK Limited	United Kingdom	£1 Ordinary shares	100
Film Resources Limited	United Kingdom	£1 Ordinary shares	100

Entertainment One Rights UK Limited changed its name from E1 Entertainment Rights UK Limited on 31 August 2010

11. Stocks

	2011 £'000	2010 £'000
Stock of DVDs and Blu-ray discs	1,707	1,088

12. Debtors

	2011 £'000	2010 £'000
Trade debtors	8,742	19,624
Investment in Content Rights	27,337	20,206
Corporation tax	-	365
Prepayments and accrued income	4,439	3,197
Other debtors	20	15
Amounts owed by group undertakings	1,410	22
Deferred taxation (see note 15)	-	17
	41,948	43,444

Entertainment One UK Limited
(formerly E1 Entertainment UK Limited)

Notes to the accounts
Year ended 31 March 2011

13. Creditors: amounts falling due within one year

	2011 £'000	2010 £'000
Trade creditors	10,422	12,744
Other taxation and social security	900	3,136
Accruals and deferred income	25,021	20,794
Other creditors	76	1,176
Amounts owed to Group undertakings	1,369	6,607
Corporation Tax	668	-
Deferred taxation (see note 15)	5	-
	38,461	44,457

14 Borrowings

Included within Amounts owed to Group undertakings is £82,460 of borrowings, which are repayable as follows

	2011 £'000	2010 £'000
Within one year		
Bank loans and other borrowings	82	6,119
After one and within two years		
Bank loans and other borrowings	-	-
After two and within five years		
Bank loans and other borrowings	-	-
	82	6,119

The intercompany revolving credit facility bears interest at 4 5% above 3 month LIBOR and is repayable on demand

Notes to the accounts
Year ended 31 March 2011

15. Deferred taxation

	Deferred taxation 2011 £'000	Deferred taxation 2010 £'000
At 1 April 2010	(17)	(1,240)
Provided during the year	22	1,223
At 31 March 2011	5	(17)

Deferred taxation provided for in the financial statements relates to accelerated capital allowances, and accelerated tax relief for investments in generation of intellectual property rights

	£'000
Accelerated capital allowances	(2)
Accelerated tax relief for investments in generation of intellectual property rights	12
Other timing differences	(5)
At 31 March 2011	5

Notes to the accounts
Year ended 31 March 2011

16. Called up share capital

	2011 £	2010 £
Authorised:		
204,800 ordinary 'A' shares of 25p each	51,200	51,200
115,200 ordinary 'B' shares of £1 each	115,200	115,200
80,000 ordinary 'C' shares of £1 each	76,000	76,000
4,000 ordinary 'D' shares of £1 each	4,000	4,000
	246,400	246,400
Allotted, called up and fully paid:		
102,400 ordinary 'A' shares of 25p each	25,600	25,600
60,813 ordinary 'B' shares of £1 each	60,813	60,813
22,420 ordinary 'C' shares of £1 each	22,420	22,420
4,000 ordinary 'D' shares of £1 each	4,000	4,000
	112,833	112,833

Voting rights

The 'A', 'B', 'C' and 'D' ordinary shares rank equally in the right to vote at general meetings

The majority 'A' shareholder is entitled to appoint two persons to be directors Two additional directors will be nominated by the 'A' shareholders sending notice to 'B' shareholders to nominate two other directors The nominations are voted on by 'B' shareholders

Rights to dividends

'C' and 'D' shareholders cannot receive dividends or any other distributions in respect of the 'C' and 'D, shares

Entitlement on winding up

The capital and assets of the Company shall firstly be applied among 'A' shares, 'B' shares, 'C' shares and 'D' shares pro-rata in relation to the paid up amount upon each share

17. Share premium account and reserves

	Share premium account £'000	Other reserves £'000	Profit and loss account £'000
At beginning of year	440	2,468	7,474
Profit for the financial year	-	-	7,318
Share-based payments	-	111	-
At end of year	440	2,579	14,792

18. Reconciliation of movements in shareholders' funds

	2011 £'000	2010 £'000
Profit for the financial year	7,318	3,182
Share-based payments	111	451
Shareholders' funds brought forward	10,495	6,862
Shareholders' funds carried forward	17,924	10,495

19. Share-based payments

Entertainment One UK Limited directors and employees participate in a number of share-based remuneration schemes The principal share-based remuneration schemes are the Executive Share Plan and Employee Benefit Trust Awards under these schemes are satisfied by ordinary shares of Entertainment One Ltd

The share-based payment charge for equity-settled share schemes for the year ended 31 March 2011 was £0 1 million (2010 £0 5 million)

A summary of the movement in share options is as follows

Options outstanding	Executive Share Plan (Number)	Weighted average exercise price (pence)	Employee Benefit Trust (Number)	Weighted average exercise price (pence)
At 31 March 2009	-	-	2,879,861	-
Options granted	-	-	75,000	-
At 31 March 2010	-		2,954,861	-
Options granted	240,000	0 01	-	-
Options lapsed	-	-	(949,025)	-
At 31 March 2011	240,000	0 01	2,005,836	-
Exercisable at 31 March 2011	-	0 01	1,930,836	-

The contractual life of an option under these schemes is between three and five years The weighted average contractual life remaining of the options in existence at the end of the year was four years (2010 two years)

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

The fair value of share options granted during the year was calculated using the Binomial model The assumptions used in the model were

	Executive Share Plan	Employee Benefit Trust
Fair value at measurement date	110 0 pence	30 5 pence
Weighted average share price	110 0 pence	30 5 pence
Weighted average exercise price	-	-
Expected volatility	30 0%	30 0%
Expected life	3 0 years	3 0 years
Risk free interest rate	1 82%	2 28%

The expected volatility is based on the Entertainment One Ltd 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

20. Capital commitments

	2011 £'000	2010 £'000
Contracted for but not provided for in these financial statements	19,601	17,186

21. Contingent liabilities

The Company has provided guarantees to its immediate parent in respect of its borrowing facilities At 31 March 2011, guarantees outstanding amounted to £31 3m (2010 £42 0m)

22. Off balance sheet arrangements

The Company uses financial instruments in order to hedge its foreign exchange exposures The unrealised loss on hedging instruments outstanding at 31 March 2011 was £219,881 (2010 £42,552)

23. Pensions

The Company operates a defined contribution pension scheme for the benefit of the employees The assets of the scheme are administered by trustees in a fund independent from those of the Company

24. Leasing commitments

Operating lease payments amounting to £428,274 (2010 £282,580) are due within one year The leases to which these amounts relate expire as follows

	2011 Land and buildings £'000	2011 Other £'000	2010 Land and buildings £'000	2010 Other £'000
Within one year	409	19	264	19
Between one and five years	920	7	1,144	23
	1,329	26	1,408	42

25. Post balance sheet events

There have been no material post balance sheet events

26. Controlling entities

The Company is a wholly-owned subsidiary of Entertainment One UK Holdings Limited (formerly E-One UK Limited) which is the immediate controlling entity as at 31 March 2011 The ultimate controlling entity as at 31 March 2011 was Entertainment One Ltd a company that until 14 July 2010 was incorporated in the Cayman Islands On 14 July 2010, following the completion of a scheme of arrangement in the Cayman Islands, Entertainment One Ltd migrated its place of incorporation to Canada and amalgamated with a newly incorporated Canadian company, also called Entertainment One Ltd Copies of the financial statements of Entertainment One Ltd for the year ending 31 March 2011 may be obtained from 175 Bloor Street East, Suite 1400, North Tower, Toronto, Ontario, Canada M4W 3R8

The parent undertaking of the largest group of companies into which the results of the Company are consolidated is Entertainment One Ltd Consequently the Company is exempt under the terms of Financial Reporting Standard Number 8 from disclosing details of transactions and balances with Entertainment One Ltd , fellow group subsidiaries and associated undertakings, and those deemed under control during the year ended 31 March 2011