

Company Registration No. 02989602 (England and Wales)

Entertainment One UK Limited

**Annual report and financial statements
for the period ended 29 December 2019**

Entertainment One UK Limited

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Entertainment One UK Limited

Officers and professional advisers

Directors	Edward Parry Nicholas Gawne Steven Andriuzzo Clare Vosper Mortimer	(Appointed 5 May 2021) (Appointed 20 January 2021)
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Company number 02989602

Registered office 45 Warren Street
London
W1T 6AG

Independent auditor Saffery Champness LLP
71 Queen Victoria Street
London
EC4V 4BE

Bankers Barclays Bank plc
1 Churchill Place
London
E14 5HP

Entertainment One UK Limited

Strategic report

For the period ended 29 December 2019

The directors, in preparing this strategic report, have complied with s414C of the Companies Act 2006.

Principal activities

The principal activities of Entertainment One UK Limited (the "Company") are the acquisition and distribution of film content and television rights across all media and the licensing and marketing of intellectual property rights.

Business review

Overview and operational performance

The key performance indicators assessed by the directors and key management personnel are considered to be revenue and operating profit. In the 9 month period ended 29 December 2019 revenue decreased to £188.0 million (12 month year ended 31 March 2019: £278.8 million) and operating profit decreased to £25.5 million (March 2019: £74.6 million).

Profit for the period after taxation was £20.2 million (March 2019: £54.1 million). Net assets at 29 December 2019 were £263.1 million (March 2019: £244.1 million). No interim or final dividends were authorised to be paid during the period (March 2019: £nil).

During the period, the Company delivered 17 UK film theatrical releases (March 2019: 16 releases) which generated £19.8 million of box office revenues (March 2019: £49.1 million). During the period, the Company's licensed properties generated global retail sales of licensed merchandise amounting to approximately US\$1.5 billion (March 2019: approximately US\$2.5 billion).

The directors of Entertainment One Ltd. manage the Group's operations on a divisional basis with this Company including elements from the Family & Brands and Film & Television Divisions. For this reason, the Company's directors use the Entertainment One Group relevant Division's analysis in managing and understanding the development, performance and position of the Company. Business reviews for the Divisions are included in the consolidated accounts of Entertainment One UK Holdings Limited, which is the immediate holding company of the Company.

Principal risks and uncertainties

Risks are identified and assessed by the Company every three months and are measured against a defined set of criteria, considering likelihood of occurrence and potential impact to the Company before and after mitigation. The Entertainment One Group Risk and Assurance function facilitates a risk identification and assessment exercise with the Executive and Risk Management Committee members. This information is combined with a consolidated view of the business area risks. The top risks (based upon likelihood and impact) form the Group Risk Profile, which is reported to the Executive Committee for review and challenge ahead of it being presented to the board of directors or final review and approval.

The principal risks and the mitigating activities in place to address such risks are included in the consolidated accounts of Entertainment One UK Holdings Limited, which is the immediate holding company of the Company.

Impact of COVID-19

The ongoing global pandemic has the potential to have a significant impact on the Company. The measures introduced by various governments have been unprecedented, involving voluntary or enforced quarantines, restaurant, bar and shop closures, as well as restrictions on global movement.

Entertainment One UK Limited

Strategic report (continued)

For the period ended 29 December 2019

While this situation is new and developing, the Company has carried out an assessment of the long-term impact of COVID-19 on its operations and financial projections.

Forecasting – the Company has considered the impact of COVID-19 on its longer-term forecasts and applied applicable downside scenarios, assuming the lockdown measures remain in place on a periodic basis, allowing for the reopening of cinemas and high streets taking place on a staged basis.

Revenues – the closure of cinemas and high street shops continues to have an adverse impact on the Company's film distribution business and licensing and merchandising sales. However, the impact is mitigated by the ability to reschedule film releases and the ability for licensee customers to sell via online marketplaces.

Costs – certain variable costs, such as print and advertising costs associated with cinema releases, have been deferred in line with the rescheduling of film releases and will continue match the timing of future box office revenues and cash receipts. The Company continues to monitor its cost base and reduce costs where practicable.

Investment – the Company is able to control the timing of its content and other investment spending and reschedule planned investment, where appropriate.

Liquidity and Solvency - the Company has considered the adverse impact of COVID-19 of the items outlined above on the liquidity. The Company continues to monitor its debtors closely and ensure timely cash collection. The Company is highly cash-generative and continues to have sufficient cash reserves at hand to ensure its ability to operate on an ongoing basis.

The Company is also employing appropriate measures to ensure the health and safety of its staff, including office closures, the use of remote working solutions and the extension of employee assistance and other support programmes.

The Company continues to monitor these developments on an ongoing basis.

Acquisition by Hasbro, Inc.

On 22 August 2019, Entertainment One Ltd., the Company's ultimate controlling parent, entered into an agreement with Hasbro, Inc. under which Hasbro was to acquire Entertainment One Ltd. in an all-cash transaction valued at £3.3 billion. Under the terms of the agreement, the group's shareholders were to receive £5.60 in cash for each common share of Entertainment One Ltd held.

Section 172 Statement

The directors of Entertainment One UK Limited consider that they have acted in the way they consider, in good faith, would be most likely to promote the success of the company for the benefit of its members as a whole (having regard to the stakeholders and matters set out in s172(1)(a-f) of the Act) in the decisions taken during the period ended 29 December 2019.

The Company is committed to being a responsible business. Our behaviour is aligned with the expectations of our people, suppliers, customers, communities and societies as a whole.

Entertainment One UK Limited

Strategic report (continued)

For the period ended 29 December 2019

Our strategy focusses on producing, acquiring and exploiting television, music and film content rights across all media. To do this, we need to develop and maintain strong client relations. We value all of our suppliers and contractors and are committed to developing talent.

Approved by the board of directors and signed on behalf of the board.

Edward Parry

Director

29 July 2021

Entertainment One UK Limited

Directors' report

For the period ended 29 December 2019

The directors present their annual report and financial statements for the period ended 29 December 2019.

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 1.

Dividends

No interim or final dividends were authorised or proposed to be paid during the period (March 2019: £nil).

Statement on business relationships

Our strategy focusses on producing, acquiring and exploiting television, music and film content rights across all media. To do this, we need to develop and maintain strong client relations. We value all of our suppliers and contractors and are committed to developing talent.

Directors

The directors who held office during the period and up to the date of signature of the financial statements were as follows:

Edward Parry	
Kezia Williams	(Resigned 5 May 2021)
Nicholas Gawne	
Nelson Kuo-Lee	(Resigned 30 April 2020)
Steven Andriuzzo	(Appointed 5 May 2021)
Clare Vosper Mortimer	(Appointed 20 January 2021)
Chaitanya Kulkarni	(Appointed 14 July 2020 and resigned 20 January 2021)

Future developments

On 30 December 2019, the purchase of Entertainment One Ltd. by Hasbro was completed.

On 28 February 2020, the Company declared a dividend of £200m.

The directors are not aware, at the date of this report, of any other major changes in the Company's activities in the next year.

Financial risk management

Liquidity risk

The Company maintains an appropriate liquidity risk management position by having sufficient cash and availability of funding through an adequate amount of committed credit facilities.

Interest rate risk

The Company is exposed to interest rate risk from its borrowings and cash deposits, however, interest rate risk is monitored at a group level. At 29 December 2019, the group's fixed rate debt represents 72% of total gross debt (March 2019: 89%)

Entertainment One UK Limited

Directors' report (continued)

For the period ended 29 December 2019

Foreign exchange risk

The Company 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 television division located in North America. The company manages transaction foreign exchange exposures by undertaking foreign currency hedging using forward foreign exchange contracts for significant balances and transactions.

Disabled persons

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 within the company continues and that the appropriate training is arranged. It is the policy of the company that the training, career development and promotion of disabled persons should, as far as possible, be identical to that of other employees.

Employee involvement

The company's policy is to consult and discuss with employees, through unions, staff councils and at meetings, matters likely to affect employees' interests.

Information about matters of concern to employees is given through information bulletins and reports which seek to achieve a common awareness on the part of all employees of the financial and economic factors affecting the group's performance.

There is no employee share scheme at present, but the directors are considering the introduction of such a scheme as a means of further encouraging the involvement of employees in the company's performance.

Energy and carbon report

Energy and carbon reporting for the Divisions are included in the consolidated accounts of Entertainment One UK Holdings Limited, which is the immediate holding company of the Company.

Statement of disclosure of information to independent 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 auditors are unaware; and
- the director has taken all the steps that he ought to have taken as a director in order to make himself aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

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

Auditor

Saffery Champness LLP were appointed as auditor to the company.

Entertainment One UK Limited

Directors' report (continued)

For the period ended 29 December 2019

Statement of directors' responsibilities

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

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have prepared the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 101 "Reduced Disclosure Framework", 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 the financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- state whether applicable United Kingdom Accounting Standards, comprising FRS 101, have been followed, subject to any material departures disclosed and explained in the financial statements;
- make judgements and accounting estimates that are reasonable and prudent; 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 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.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006.

Approved by the board of directors and signed on behalf of the board.

Edward Parry
Director

29 July 2021

Entertainment One UK Limited

Independent auditor's report

To the members of Entertainment One UK Limited

Opinion

We have audited the financial statements of Entertainment One UK Limited (the 'Company') for the period ended 29 December 2019 which comprise the profit and loss account, the statement of comprehensive income, the balance sheet, the statement of changes in equity and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 101 'Reduced Disclosure Framework' (United Kingdom Generally Accepted Accounting Practice).

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 29 December 2019 and of its profit for the period 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.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

Entertainment One UK Limited

Independent auditor's report (continued)

To the members of Entertainment One UK Limited

Other information

The directors are responsible for the other information. The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of our audit:

- the information given in the strategic report and the directors' report for the financial period for which the financial statements are prepared is consistent with the financial statements; and
- the strategic report and the directors' report have been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we have not identified material misstatements in the strategic report and the directors' report.

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 remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Responsibilities of directors

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, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

Entertainment One UK Limited

Independent auditor's report (continued)

To the members of Entertainment One UK Limited

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: <http://www.frc.org.uk/auditorsresponsibilities>. This description forms part of our auditor's report.

Use of our report

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 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.

Darren Drake (Senior Statutory Auditor)
for and on behalf of Saffery Champness LLP

29 July 2021

Chartered Accountants
Statutory Auditors

71 Queen Victoria Street
London
EC4V 4BE

Entertainment One UK Limited

Income statement

For the period ended 29 December 2019

		Period ended 29 December 2019 £'000	Year ended 31 March 2019 £'000
	Notes		
Revenue	4	188,009	278,774
Cost of sales		(124,295)	(154,079)
Gross profit		63,714	124,695
Administrative expenses		(21,539)	(36,074)
Restructuring costs	5	(1,232)	(3,159)
Amortisation of intangibles		(15,412)	(10,881)
Operating profit	7	25,531	74,581
Interest receivable	11	5,230	9
Finance costs	12	(2,590)	(7,283)
Profit before taxation		28,171	67,307
Tax on profit	13	(4,416)	(13,200)
Profit for the financial period	29	23,755	54,107

There is no difference between the results as disclosed in the profit and loss account and results on a historical cost basis. All activities relate to continuing operations. The notes on pages 16 - 42 form part of these accounts.

Entertainment One UK Limited

Statement of comprehensive income
For the period ended 29 December 2019

	Period ended 29 December 2019 £'000	Year ended 31 March 2019 £'000
Profit for the period	23,755	54,107
Other comprehensive income:		
Items that may be reclassified to profit or loss		
Fair value movements on cash flow hedges	(606)	2,218
Tax related to components of other comprehensive income/(expense)	126	(418)
Total items that may be reclassified to profit or loss	(480)	1,800
Total comprehensive income for the period	23,275	55,907

Entertainment One UK Limited

Balance sheet

As at 29 December 2019

		29 December 2019	31 March 2019
	Notes	£'000	£'000
Fixed assets			
Intangible assets	15	19,724	16,326
Tangible assets	16	13,159	1,502
Investments	17	1	1
		<u>32,884</u>	<u>17,829</u>
Current assets			
Inventories	18	1,262	1,442
Investment in acquired content rights	19	106,048	97,440
Trade and other receivables:			
Amounts falling due within one year	20	171,773	171,550
Amounts falling due after one year	20	102,154	109,330
Current tax recoverable		6,742	-
Cash and cash equivalents		11,175	7,683
Derivative financial instruments		454	401
Deferred tax asset	21	1,375	1,359
		<u>400,983</u>	<u>389,215</u>
Current liabilities			
Trade and other payables	22	(158,934)	(160,188)
Provisions	23	(555)	-
Current tax liabilities		-	(2,274)
Derivative financial instruments		(813)	(496)
		<u>(160,302)</u>	<u>(162,958)</u>
Net current assets		<u>240,681</u>	<u>226,257</u>
Total assets less current liabilities		<u>273,565</u>	<u>244,086</u>
Non-current liabilities			
Trade and other payables	22	(6,881)	-

Entertainment One UK Limited

Balance sheet (continued)

As at 29 December 2019

		29 December 2019	31 March 2019
	Notes	£'000	£'000
Net assets being total assets less current liabilities		266,684	244,086
		=====	=====
Capital and reserves			
Called up share capital	24	113	113
Share premium account	25	440	440
Other reserves	26	10,109	10,588
Retained earnings	29	256,022	232,945
		=====	=====
Total Shareholders' funds		266,684	244,086
		=====	=====

The financial statements of Entertainment One UK Limited on pages 10 to 42 were approved by the Board of Directors on 15 July 2021 and signed on its behalf by

Edward Parry
Director

Entertainment One UK Limited

Statement of changes in equity
For the period ended 29 December 2019

	Share capital	Share premium account	Hedging reserve	Other reserves	Retained earnings	Total
	£'000	£'000	£'000	£'000	£'000	£'000
Balance at 1 April 2018	113	440	(1,124)	7,197	178,838	185,464
Period ended 31 March 2019:						
Profit for the period	-	-	-	-	54,107	54,107
Other comprehensive income:						
Cash flow hedges gains	-	-	2,218	-	-	2,218
Tax relating to other comprehensive income	-	-	(418)	-	-	(418)
Total comprehensive income for the period	-	-	1,800	-	54,107	55,907
Transfer to other reserves	-	-	-	2,715	-	2,715
Balances at 31 March 2019	113	440	676	9,912	232,945	244,086
Period ended 29 December 2019:						
Profit for the period	-	-	-	-	23,755	23,755
Other comprehensive income:						
Cash flow hedges losses	-	-	(606)	-	-	(606)
Tax relating to other comprehensive income	-	-	126	-	-	126
Total comprehensive income for the year	-	-	(480)	-	23,755	23,275
Other movements	-	-	-	-	(677)	(677)
Balances at 29 December 2019	113	440	196	9,912	256,023	266,684

Entertainment One UK Limited

Notes to the financial statements

For the period ended 29 December 2019

1 Accounting policies

Company information

Entertainment One UK Limited is a private company limited by shares incorporated in the United Kingdom. The registered office is 45 Warren Street, London, W1T 6AG.

The financial statements of Entertainment One UK Limited for the year ended 29 December 2019 were authorised for issue by the board of directors on 15 July 2021.

The Company meets the definition of a qualifying entity under FRS 100 'Application of Financial Reporting Requirements' issued by the FRC. Accordingly, these financial statements were prepared in accordance with Financial Reporting Standard 101 'Reduced Disclosure Framework'.

1.1 Accounting convention

The financial statements have been prepared in accordance with Financial Reporting Standard 101 Reduced Disclosure Framework (FRS 101) and The Companies Act 2006 in accordance with applicable accounting standards. The accounting policies have been applied consistently, other than where new policies have been adopted.

The financial statements are prepared in sterling, which is the functional currency of the Company. Monetary amounts in these financial statements are rounded to the nearest £'000.

The financial statements have been prepared on the historical cost basis. The principal accounting policies adopted are set out below.

The Company has taken advantage of the following disclosure exemptions under FRS 101:

- the requirements of paragraphs 45(b) and 46-52 of IFRS 2 Share based Payment, because the share based payment arrangement concerns the instruments of another group entity;
- The requirements of paragraphs 62, B64(d), B64(e), B64(g), B64(h), B64(j) to B64(m), B64(n)(ii), B64(o)(ii), B64(p), B64(q)(ii), B66 and B67 of IFRS 3 Business Combinations;
- the requirements of IFRS 7 Financial Instruments: Disclosures;
- the requirements of paragraphs 91-99 of IFRS 13 Fair Value Measurement;
- the requirements of paragraphs 10(d), 10(f), 39(c) and 134-136 of IAS 1 Presentation of Financial Statements;
- the requirements of IAS 7 Statement of Cash Flows;
- the requirements of paragraphs 30 and 31 of IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors;
- the requirements of paragraph 17 of IAS 24 Related Party Disclosures;
- the requirements in IAS 24 Related Party Disclosures to disclose related party transactions entered into between two or more members of a group, provided that any subsidiary which is a party to the transaction is wholly-owned by such a member; and
- the requirements of paragraphs 130(f)(ii), 130(f)(iii), 134(d)-134(f) and 135(c)-135(e) of IAS 36 Impairment of Assets.

Entertainment One UK Limited

Notes to the financial statements (continued)

For the period ended 29 December 2019

1 Accounting policies (continued)

The company has taken advantage of the exemption under section 400 of the Companies Act 2006 not to prepare consolidated accounts. The financial statements present information about the company as an individual entity and not about its group.

Entertainment One UK Limited is a wholly owned subsidiary of Entertainment One UK Holdings Limited and the results of Entertainment One UK Limited are included in the consolidated financial statements of Entertainment One UK Holdings Limited which are available from 45 Warren Street, London, W1T 6AG.

The Company has adopted IFRS 16 'Leases' from 1 April 2019 which has changed lease accounting for lessees under operating leases. Such agreements now require recognition of an asset, representing the right to use the leased item, and a liability, representing future lease payments. Lease costs (such as property rent) are recognised in the form of depreciation and interest, rather than as an operating cost.

The Company has adopted the modified retrospective approach with the right of use asset equal to the lease liability at transition date, adjusted by any prepayments or lease incentives recognised immediately before the date of initial application. Under the modified retrospective approach, the comparative information is not restated.

1.2 Going concern

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

Following the acquisition of Entertainment One Ltd., the Company is now a wholly-owned indirect subsidiary of Hasbro, Inc. and obtains financing through its parent company, Entertainment One UK Holdings Limited, in the form of intercompany loans.

The Company's forecasts and projections, taking account of reasonable 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.

1.3 Operating segments

For internal reporting purposes, the Company is organised into three main reportable segments based on the types of product and services from which each segment drives its revenue – Family & Brands, Television and Film.

1 Accounting policies (continued)

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

- Family & Brands – the production, acquisition and exploitation, including licensing and merchandising, of content rights across all media.
- Television – the production, acquisition and exploitation of television and music content rights across all media.
- Film - the production, acquisition and exploitation of film content rights across all media.

Revenue by segment is disclosed in Note 4.

1.4 Revenue

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 and trading of feature films, television, video programming and music rights. Revenue is also derived from television and film production and family licensing and merchandising sales. The following summarises the Company's main revenue recognition policies:

- Revenue from the exploitation of television, film and licensing rights is recognised based upon the completion of contractual obligations relevant to 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 film or 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 home entertainment and audio inventory is recognised at the point at which goods are despatched. A provision is made for returns based on historical trends
- Revenue from licensing and merchandising sales represents the contracted value of licence fees which is recognised when the licence terms have commenced and collection of the fees is reasonably assured
- Revenue from digital sales is recognised on transmission or during the period of transmission of the sponsored programme or digital channel

1 Accounting policies (continued)

1.5 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 acquired (including other intangible assets) 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 profit and loss 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.

1.6 Intangibles - intellectual property rights and amortisation

Intellectual property rights are third party costs incurred in creating and enhancing the programming assets in the licensing and merchandising business and 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.

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

1.7 Fixed assets and depreciation

Property, plant and equipment are stated at original cost less accumulated depreciation and impairment. 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:

Short leasehold property	Straight-line over the life of the lease
Fixtures, fittings and equipment	3 years straight-line
Plant and machinery	3 years straight-line

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 Company 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 derecognition of the asset (determined as the difference between the sales proceeds and the carrying amount of the asset) is recorded in the profit and loss account in the period of derecognition.

1 Accounting policies (continued)

1.8 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.

1.9 Fair value measurement of financial instruments

When the fair values of financial assets and financial liabilities recorded in the balance sheet cannot be measured based on quoted prices in active markets, their fair value is measured using valuation techniques including the discounted cash flow model. The inputs to these models are taken from observable markets where possible, but where this is not feasible, a degree of judgement is required in establishing fair values. Judgements include considerations of inputs such as liquidity risk, credit risk and volatility. Changes in assumptions about these factors could affect the reported fair value of financial instruments.

1.10 Cash and cash equivalents

Cash comprises cash in hand and deposits repayable on demand, less overdrafts payable on demand. Bank overdrafts are shown within borrowings in current liabilities on the balance sheet.

1.11 Trade and other receivables

Trade receivables are generally non-interest bearing and are stated at their fair value as reduced by appropriate allowances for estimated irrecoverable amounts.

1.12 Trade and other payables

Trade payables are generally non interest-bearing and are stated at their nominal value.

1.13 Derivative financial instruments and hedging

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

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

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

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

1 Accounting policies (continued)

Fair value hedges record the change in the fair value in the profit and loss account, 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 profit and loss account.

1.14 Taxation

Income Tax

The income tax charge represents the sum of the current income tax payable and deferred tax.

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

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 of other assets and liabilities in a transaction (other than in a business combination) that affects neither the tax profit nor the accounting profit.

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 profit and loss account, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity.

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 tax authority and the Company intends to settle its current tax assets and liabilities on a net basis.

1 Accounting policies (continued)

1.15 Provisions

Provisions are recognised when the Company 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.

1.16 Pension costs

Payments to defined contribution retirement benefit plans are charged as an expense as they fall due. Any contributions unpaid at the year-end reporting date are included as a liability.

1.17 Share-based payments

The total charge in the year relating to the equity-settled schemes was £1.3 million (March 2019: £3 million) and related to share-based payment schemes, for the Company's employees and directors.

At 29 December 2019, the Company had two equity-settled share-based payment schemes approved for its employees (including executive directors). These are the Long-Term Incentive Plan (LTIP) and the Employee Save-As-You-Earn scheme (SAYE).

The contractual life of an option under the LTIP scheme is between 5 and 10 years (March 2019: between 5 and 10 years). The weighted average contractual life remaining of the options in existence at the end of the year was 7.1 years (March 2019: 7.2 years).

On 30 September 2016, a SAYE for the benefit of the employees (including executive directors) of the Group was approved by the Company's shareholders. Employees make a monthly contribution for up to 3 years. At the end of the savings period the employee has the opportunity to retain their savings, in cash, or to buy shares in eOne at a price fixed at the date of grant. The weighted average contractual life remaining of the options in existence at the end of the year was 0.5 years (March 2019: 0.5). As at 29 December 2019, the number of options issued under the SAYE was 240,761 (March 2019: 407,333) at a weighted exercisable price of £4.25 (March 2019: £2.86).

Further details regarding these schemes can be found in the Annual Report and Accounts for Entertainment One UK Holdings Limited.

1.18 Operating leases

At inception, the company assesses whether a contract is, or contains, a lease within the scope of IFRS 16. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. Where a tangible asset is acquired through a lease, the company recognises a right-of-use asset and a lease liability at the lease commencement date. Right-of-use assets are included within property, plant and equipment, apart from those that meet the definition of investment property.

1 Accounting policies (continued)

The company has elected not to recognise right-of-use assets and lease liabilities for short-term leases of machinery that have a lease term of 12 months or less, or for leases of low-value assets including IT equipment. The payments associated with these leases are recognised in profit or loss on a straight-line basis over the lease term.

1.19 Foreign currencies

Transactions in currencies other than the entity's functional currency 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 profit and loss account.

1.20 Recognition and calculation of interest payable/receivable

Interest payable and receivable is calculated and recognised on an accruals basis.

1.21 Investment in content rights

In the ordinary course of business, the Company contracts with film producers to acquire content rights for exploitation. Certain of these agreements require the Company to pay minimum guaranteed advances ("MGs"). MGs are recognised in the balance sheet when a liability arises, usually on delivery of the film or television programme to the Company.

Investments in acquired content rights are recorded in the balance sheet if such amounts are considered recoverable against future revenues. These costs are amortised to cost of sales on a revenue forecast basis over a period not exceeding 10 years from the date of initial release. Acquired libraries are amortised over a period not exceeding 20 years. Amounts capitalised are reviewed at least quarterly and any portion of the unamortised amount that appears not to be recoverable from future net 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 Film business. The normal operating cycle of this business can be greater than 12 months.

1.22 Changes in accounting policies

As indicated in note 1.1 above, the Company has adopted IFRS 16 as issued in January 2016, which resulted in changes in accounting policies and adjustments to the amounts recognised in the financial statements. The main changes are explained in note 2 below.

2 Adoption of new and revised standards and changes in accounting policies

IFRS 16 Leases is effective for reporting periods commencing after 1 January 2019. IFRS 16 requires lessees to recognise a lease liability reflecting future lease payments and a right of use asset for lease contracts, subject to limited exceptions for short-term leases and leases of low value assets. Lease costs (primarily for the Company's rental properties) will be recognised in the form of depreciation and interest rather than as an operating cost.

The Company adopted IFRS 16 on 1 April 2019 using the modified retrospective approach with the right of use asset equal to the lease liability at transition date, less any lease incentives received. The Company has elected not to recognise right of use assets and lease liabilities for short-term leases or low value assets. The Company will continue to expense the lease payments associated with these leases on a straight line basis over the lease term.

The impact of adopting IFRS 16 at 1 April 2019 has been the recognition of non-current assets relating to right of use asset and total lease liability of approximately £10 million.

The estimated impact to the income statement for the period ending 29 December 2019 are that the lease payments currently recorded as operating expenses will be replaced by depreciation on the right of use asset and interest expense on the lease liability.

3 Significant accounting judgements and key sources of estimation uncertainty

The preparation of these financial statements requires the Company 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 Company determines whether goodwill is impaired on at least an annual basis. This requires an estimation of the value-in-use of the CGUs to which the goodwill is allocated. Estimating a value-in-use amount requires the directors to make an estimate of the expected future cash flows from the CGU and also to choose a suitable discount rate in order to calculate the present value of those cash flows. Further details of goodwill are contained in Note 15.

3 Significant accounting judgements and key sources of estimation uncertainty (continued)

Investment in acquired content rights

The Company capitalises investment in acquired content rights and then amortises these balances on a revenue forecast basis, recording the amortisation charge in cost of sales. Amounts capitalised are reviewed at least quarterly and any amounts that appear to be irrecoverable from future net revenues are written-off to cost of sales during the period the loss becomes evident. The estimate of future net revenues depends on the directors' judgement and assumptions based on the pattern of historical revenue streams and the remaining life of each contract. Further details of investment in acquired content rights are contained in Note 19.

Royalty accrual

The Company accounts for royalty accruals by estimating the total royalty payable and then expensing these balances on a revenue forecast basis, recording the royalty charge in cost of sales. The estimates and accruals are reviewed at least quarterly. The estimate of future net revenues and total royalty payable depends on the directors' judgement and assumptions based on the pattern of historical revenue streams and the remaining life of each contract.

Share-based payments

The charge for share-based payments is determined based on the fair value of awards at the date of grant by use of the binomial model which 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 28.

Deferred tax

Deferred tax assets and liabilities require the directors' 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. Further details of deferred tax are contained in Note 21.

Income tax

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

Fair value measurement of financial instruments

When the fair values of financial assets and financial liabilities recorded in the balance sheet cannot be measured based on quoted prices in active markets, their fair value is measured using valuation techniques including the discounted cash flow model. The inputs to these models are taken from observable markets where possible, but where this is not feasible, a degree of judgement is required in establishing fair values. Judgements include considerations of inputs such as liquidity risk, credit risk and volatility. Changes in assumptions about these factors could affect the reported fair value of financial instruments.

Entertainment One UK Limited

Notes to the financial statements (continued)

For the period ended 29 December 2019

3 Significant accounting judgements and key sources of estimation uncertainty (continued)

4 Revenue

	29 December 2019	31 March 2019
	£'000	£'000
Revenue by segment		
Family & Brands	116,102	157,502
Film & Television	71,907	121,272
	<u>188,009</u>	<u>278,774</u>

	29 December 2019	31 March 2019
	£'000	£'000
Revenue analysed by geographical market		
North America	47,716	78,535
Rest of World	108,972	120,301
United Kingdom & Ireland	31,321	79,938
	<u>188,009</u>	<u>278,774</u>

5 Restructuring costs

	29 December 2019	31 March 2019
	£'000	£'000
Restructuring costs - Home entertainment	942	1,583
Restructuring costs - Strategy-related	290	1,576
	<u>1,232</u>	<u>3,159</u>

Entertainment One UK Limited

Notes to the financial statements

For the period ended 29 December 2019

Home Entertainment

On the 25th March 2019, the Entertainment One group entered into a new global home entertainment partnership with Universal Pictures Home Entertainment (UPHE) to handle the physical distribution and digital home entertainment marketing of its content.

As a result of this new agreement, certain costs were incurred in the storage and transition of inventory from its previous distributor 20th Century Fox Home Entertainment (FOX) to UPHE. Where it was deemed that UPHE would not be able to successfully distribute the inventory, this was destroyed.

The costs of the transition was £0.9m.

Film & Television Combination

On 1 April 2019 the Entertainment One group continued to combine its Film Division and Television Division into one reporting segment, which is in line with broader developments within the media and entertainment industry. The costs of the integration have been included as a one-off charge as follows:

Related severance and staff costs of £0.3m.

7 Operating profit

	29 December 2019	31 March 2019
	£'000	£'000
Operating profit for the period is stated after charging/(crediting):		
Amortisation of intangible assets	3,139	10,881
Depreciation - tangible fixed assets	2,137	453
Operating lease rentals:		
Plant and machinery	-	91
Land and buildings	661	2,192
Loss/(gain) on foreign currencies	1,130	(267)
Bad debt expense	254	93
Amortisation of acquired investment in content	16,032	34,892
	<u> </u>	<u> </u>

8 Auditors' remuneration

	29 December 2019	31 March 2019
	£'000	£'000
Fees payable to the company's auditors and associates:		
For audit services		
Audit of the financial statements of the company	80	125
	<u> </u>	<u> </u>

Entertainment One UK Limited

Notes to the financial statements

For the period ended 29 December 2019

9 Employees

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

	29 December 2019	31 March 2019
	Number	Number
Administration	21	47
Marketing and production	237	145
Directors	3	3
	<u>261</u>	<u>195</u>

The aggregate payroll costs of these persons were as follows:

	29 December 2019	31 March 2019
	£'000	£'000
Wages and salaries	12,780	14,880
Social security costs	1,364	1,687
Pension costs	463	607
Share-based payments	1,506	2,765
	<u>16,113</u>	<u>19,939</u>

10 Directors' remuneration

	29 December 2019	31 March 2019
	£'000	£'000
Remuneration	465	667
Company contributions to money purchase schemes	13	29
Compensation for loss of office	-	560
Amounts receivable under long term incentive schemes	30	1,383
	<u>508</u>	<u>2,639</u>

Entertainment One UK Limited**Notes to the financial statements****For the period ended 29 December 2019****10 Directors' remuneration (continued)**

During the year 2 directors (31 March 2019: 4) participated in money purchase pension schemes and 1 (31 March 2019: 2) director exercised share options receiving £29,828 (31 March 2019: £1,417,269). 2 directors were remunerated by other group companies (31 March 2019: 2)

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

	29 December 2019	31 March 2019
	£'000	£'000
Remuneration	218	396
Pension contributions to money purchase pension schemes	7	10
Compensation for loss of office	-	50
Amounts receivable under long term incentive schemes	30	1,156
	<u>255</u>	<u>1,612</u>

11 Interest receivable

	29 December 2019	31 March 2019
	£'000	£'000
Interest receivable from group companies	5,225	-
Other interest	5	9
	<u>5,230</u>	<u>9</u>

12 Interest payable

	29 December 2019	31 March 2019
	£'000	£'000
Interest on lease liabilities	307	-
Payable on loans from other group companies	1,695	4,847
Other interest	297	595
Interest on financial liabilities measured at fair value through profit or loss	291	1,841
	<u>2,590</u>	<u>7,283</u>

Entertainment One UK Limited**Notes to the financial statements****For the period ended 29 December 2019****13 Tax on profit**

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

	29 December 2019 £'000	31 March 2019 £'000
United Kingdom corporation tax at 19% (2019: 19%)	2,008	11,153
Adjustments in respect of prior periods	-	(239)
Overseas tax	2,299	2,593
	<u>4,307</u>	<u>13,505</u>
Total current taxation	4,307	13,505
Deferred tax – origination and reversal of timing differences	107	(317)
Deferred tax - adjustments in respect of prior period	2	12
	<u>4,416</u>	<u>13,200</u>
Total tax charge	<u>4,416</u>	<u>13,200</u>

The tax assessed for the period is lower (31 March 2019: higher) than at the standard rate of corporation tax in the United Kingdom of 19% (March 2019: 19%). The differences are explained as follows:

	29 December 2019 £'000	31 March 2019 £'000
Profit before taxation	<u>28,170</u>	<u>67,307</u>
Expected tax charge based on a corporation tax rate of 19.00%	5,352	12,788
Effects of:		
Expenses not deductible for tax purposes	(878)	588
Adjustment in respect of prior periods	2	(239)
Irrecoverable overseas tax	(61)	63
	<u>4,416</u>	<u>13,200</u>
Total tax for the year	<u>4,416</u>	<u>13,200</u>

The UK Government has enacted legislation to maintain the main rate of UK corporation tax at 19% with effect from 1 April 2020. The UK government has also enacted legislation to increase the main rate of UK corporation tax to 25% from 1 April 2023. The impact of the future rate changes will be accounted for to the extent that they are enacted at future balance sheet dates, however, it is estimated that this will not have a material impact on the Company.

Entertainment One UK Limited

Notes to the financial statements

For the period ended 29 December 2019

14 Impairments

Impairment tests have been carried out where appropriate and the following impairment losses have been recognised in profit or loss:

	29 December 2019	31 March 2019
	£'000	£'000
In respect of:		
Intangible assets	25,994	-
	<u>25,994</u>	<u>-</u>
Recognised in:		
Cost of sales	25,994	-
	<u>25,994</u>	<u>-</u>

15 Intangible fixed assets

	Purchased goodwill	Intellectual property rights	Total
	£'000	£'000	£'000
Cost			
At 1 April 2019	3,479	43,823	47,302
Additions	-	6,537	6,537
	<u>3,479</u>	<u>50,360</u>	<u>53,839</u>
At 29 December 2019	3,479	50,360	53,839
Accumulated amortisation			
At 1 April 2019	3,479	27,497	30,976
Charge for the year	-	3,139	3,139
	<u>3,479</u>	<u>30,636</u>	<u>34,115</u>
At 29 December 2019	3,479	30,636	34,115
Carrying amount			
At 29 December 2019	-	19,724	19,724
	<u>-</u>	<u>19,724</u>	<u>19,724</u>
At 31 March 2019	-	16,326	16,326
	<u>-</u>	<u>16,326</u>	<u>16,326</u>

Entertainment One UK Limited

Notes to the financial statements

For the period ended 29 December 2019

16 Tangible fixed assets

	Right of use asset	Short leasehold property	Fixtures, fittings and equipment	Plant and machinery	Total
	£'000	£'000	£'000	£'000	£'000
Cost					
At 1 April 2019	-	1,813	449	582	2,844
Additions	10,247	2,843	164	558	13,813
Disposals	-	-	(58)	(78)	(136)
At 29 December 2019	10,247	4,656	555	1,063	16,521
Accumulated depreciation					
At 1 April 2019	-	698	363	281	1,342
Charge for the period	1,522	394	59	161	2,137
Disposal	-	-	(58)	(59)	(117)
At 29 December 2019	1,522	1,092	364	383	3,362
Carrying amount					
At 29 December 2019	8,725	3,564	191	680	13,159
At 31 March 2019	-	1,115	86	301	1,502

See Note 1.18 for further details relating to the additions to the right of use asset.

17 Investments

	Wholly-owned subsidiary undertakings £'000
Cost at 1 April 2019 and 29 December 2019	1

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

Entertainment One UK Limited**Notes to the financial statements****For the period ended 29 December 2019****17 Investments (continued)**

Subsidiary undertakings	Place of incorporation and operations	Class of share held	Proportion of ownership interest and voting power held (%)
Medusa Communications and Marketing Limited *	United Kingdom	Ordinary	100
Film Resources Limited *	United Kingdom	Ordinary	100
Entertainment One UK Rights Limited *	United Kingdom	Ordinary	100
Entertainment One (Asia) Limited	Hong Kong	Ordinary	100
Entertainment One China Limited**	China	Ordinary	100

The registered office for the above companies registered in the United Kingdom was 45 Warren Street, London, W1T 6AG.

The registered office for Entertainment One (Asia) Limited is 20/F, Tower 535, 535 Jaffe Road, Causeway Bay, Hong Kong.

The registered office for Entertainment One China Limited is 1228 Yan An Middle Road, Room 2204G, Jing An District, Shanghai, China.

* These companies were dissolved post period end in March 2021.

** This company is indirectly owned by Entertainment One UK Limited as it is a 100% subsidiary of Entertainment One (Asia) Limited.

18 Inventories

	29 December 2019	31 March 2019
	£'000	£'000
Stock of DVDs and Blu-ray discs	1,262	1,442

Entertainment One UK Limited

Notes to the financial statements

For the period ended 29 December 2019

19 Investment in acquired content rights

	Film and TV rights £'000	Total £'000
Cost		
At 1 April 2019	441,340	441,340
Additions	50,633	50,633
	<hr/>	<hr/>
At 29 December 2019	491,973	491,973
	<hr/>	<hr/>
Amortisation and impairment		
At 1 April 2019	343,900	343,900
Charge for the year	16,031	16,031
Impairment loss	25,994	25,994
	<hr/>	<hr/>
At 29 December 2019	385,925	385,925
	<hr/>	<hr/>
Carrying amount		
At 29 December 2019	106,048	106,048
	<hr/>	<hr/>
At 31 March 2019	97,440	97,440
	<hr/>	<hr/>

Entertainment One UK Limited

Notes to the financial statements

For the period ended 29 December 2019

20 Trade and other receivables

	29 December 2019	31 March 2019
	£'000	£'000
Trade receivables	23,826	20,320
Provision for bad and doubtful debts	(1,178)	(1,430)
Net trade receivables	22,648	18,890
Prepayments	8,012	9,131
Accrued income	72,284	82,754
Other debtors	22,596	21,271
VAT recoverable	2,105	-
Amounts owed by parent undertaking	1,382	-
Amounts owed by subsidiary undertakings	137	-
Amounts owed by fellow group undertakings	42,609	39,504
Amounts falling due within one year	171,773	171,550
Amounts owed by parent undertaking	102,154	109,330
Amounts falling due after more than one year	102,154	109,330

Trade debtors are generally non-interest bearing. Included within amounts falling due after one year are intercompany loans to Entertainment One UK Holdings Limited which bear interest at the rate of 2.75% above the 3 month UK LIBOR rate (the rate is capped at 0%).

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

Entertainment One UK Limited

Notes to the financial statements

For the period ended 29 December 2019

21 Deferred taxation

The following are the major deferred tax liabilities and assets recognised by the company and movements thereon during the current and prior reporting period.

	Cash flow hedges £'000	Accelerated tax depreciation £'000	Share-based payments £'000	Other timing differences £'000	Total £'000
Deferred tax asset at 31 March 2018	259	(145)	893	12	1,019
Deferred tax movements in prior year					
Credit to profit or loss	-	20	284	1	305
Credit direct to equity	(418)	-	463	-	45
Deferred tax asset at 31 March 2019	(159)	(125)	1,640	13	1,369
Deferred tax movements in current period					
Credit to profit or loss	-	(111)	-	2	(110)
Credit direct to equity	116	-	-	-	116
Deferred tax asset at 29 December 2019	(43)	(236)	1,640	15	1,375

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

	29 December 2019 £'000	31 March 2019 £'000
Deferred tax assets	1,375	1,369

The UK Government has enacted legislation to maintain the main rate of UK corporation tax at 19% with effect from 1 April 2020. The UK government has also enacted legislation to increase the main rate of UK corporation tax to 25% from 1 April 2023. The impact of the future rate changes will be accounted for to the extent that they are enacted at future balance sheet dates, however, it is estimated that this will not have a material impact on the Company.

Entertainment One UK Limited**Notes to the financial statements****For the period ended 29 December 2019****22 Trade and other payables**

	29 December 2019	31 March 2019
	£'000	£'000
Trade creditors	17,124	22,278
Other taxation and social security	357	1,301
Amounts owed to parent undertaking	517	-
Amounts owed to subsidiary undertakings	36	-
Amounts owed to fellow group undertakings	29,043	22,979
Accruals and deferred income	99,543	112,255
Other creditors	12,314	1,375
	<u>158,934</u>	<u>160,188</u>

Other creditors are repayable on demand and are generally non-interest bearing. Except for intercompany loans to Entertainment One UK Holdings Limited which bear interest at the rate of 3.75% above the 3 month UK LIBOR rate, amounts payable to group undertakings are repayable on demand and are non-interest bearing.

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

23 Provisions

	Restructuring and redundancy
	£'000
At 1 April 2019	-
New provision	555
At 29 December 2019	<u>555</u>

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.

Entertainment One UK Limited

Notes to the financial statements

For the period ended 29 December 2019

23 Provisions (continued)

Movements on provisions:	£'000	£'000	Total £'000
Other	215	340	555
	<u> </u>	<u> </u>	<u> </u>

24 Share capital

29 December 2019 31 March 2019

£ £

Allotted, called up and fully paid:

112,833 ordinary shares of £1 each (31 March 2019: 112,833)

112,833 112,833

25 Share premium account

29 December 2019 31 March 2019

£'000 £'000

At beginning and end of period

440 440

The share premium account represents the difference between the par value and the issue price of share capital. This reserve is not normally distributable.

26 Other reserves

	Share-based payment reserve £'000	Hedging reserve £'000	Total £'000
Balance at 1 April 2018	7,197	(1,124)	6,074
Additions	2,715	-	2,715
Other movements	-	1,800	1,800
	<u> </u>	<u> </u>	<u> </u>
Balance at 31 March 2019	9,912	676	10,589
Other movements	-	(480)	(480)
	<u> </u>	<u> </u>	<u> </u>
Balance at 29 December 2019	9,912	196	10,108
	<u> </u>	<u> </u>	<u> </u>

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Notes to the financial statements

For the period ended 29 December 2019

26 Other reserves (continued)

Other reserves comprise the share-based payment reserve and hedging reserve.

The share-based payment reserve comprises the fair value outstanding share options recognised as an expense in the profit and loss account on the accruals basis.

The hedging reserve represents the cumulative portion of gains and losses on hedging instruments deemed effective in hedging variable interest rate risk of recognised financial instruments. Amounts accumulated in this reserve are reclassified to profit and loss in the periods in which the hedged item affects profit or loss or when the hedging relationship ends.

27 Hedging reserve

	29 December 2019	31 March 2019
	£'000	£'000
At beginning of period	676	(1,124)
Gains and losses on cash flow hedges	(606)	2,218
Income tax related to gains and losses transferred to income	126	(418)
	<hr/>	<hr/>
At end of period	196	676
	<hr/>	<hr/>

The hedging reserve represents the cumulative portion of gains and losses on hedging instruments deemed effective in hedging variable interest rate risk of recognised financial instruments. Amounts accumulated in this reserve are reclassified to profit and loss in the periods in which the hedged item affects profit or loss or when the hedging relationship ends.

28 Share-based payments

The total charge in the year relating to the equity-settled schemes was £1.3 million (March 2019: £3 million) and related to share-based payment schemes, for the Company's employees and directors

At 29 December 2019, the Company had two equity-settled share-based payment schemes approved for its employees (including executive directors). These are the Long-Term Incentive Plan (LTIP) and the Employee Save-As-You-Earn scheme (SAYE).

The contractual life of an option under the LTIP scheme is between 5 and 10 years (March 2019: between 5 and 10 years). The weighted average contractual life remaining of the options in existence at the end of the year was 6.9 years (March 2019: 7.2 years).

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Notes to the financial statements

For the period ended 29 December 2019

28 Share-based payments (continued)

On 30 September 2016, a SAYE for the benefit of the employees (including executive directors) of the Group was approved by the Company's shareholders. Employees make a monthly contribution for up to 3 years. At the end of the savings period the employee has the opportunity to retain their savings, in cash, or to buy shares in eOne at a price fixed at the date of grant. The weighted average contractual life remaining of the options in existence at the end of the year was 0.8 years (March 2019: 0.5). As at 29 December 2019, the number of options issued under the SAYE was 240,761 (March 2019: 407,333) at a weighted exercisable price of £4.25 (March 2019: £2.86).

Further details regarding these schemes can be found in the Annual Report and Accounts for Entertainment One UK Holdings Limited.

29 Retained earnings

	29 December 2019 £'000	31 March 2019 £'000
At the beginning of the period	232,267	199,578
Impact of adoption of IFRS 15	-	(20,740)
Adjusted balance	232,267	178,838
Profit for the period	23,755	54,107
At the end of the period	256,022	232,945

Retained earnings reserve represents cumulative profits or losses.

30 Capital commitments

	29 December 2019 £'000	31 March 2019 £'000
Contracted for but not provided in the financial statements:	19,504	48,467

31 Other leasing information

Operating lease payments amount to £3 million (March 2019: £2.3 million) are due within one year. The future minimum lease payments to which the Company is committed are as follows:

Entertainment One UK Limited

Notes to the financial statements

For the period ended 29 December 2019

31 Other leasing information (continued)

	29 December 2019	31 March 2019
	£'000	£'000
Land and buildings		
Within one year	2,959	2,283
Between two and five years	7,303	8,314
	<u>10,262</u>	<u>10,597</u>
	<u><u>10,262</u></u>	<u><u>10,597</u></u>
	29 December 2019	31 March 2019
	£'000	£'000
Other		
Within one year	35	21
	<u>35</u>	<u>21</u>
	<u><u>35</u></u>	<u><u>21</u></u>

32 Post balance sheet events

On 30 December 2019, Entertainment One Ltd., the immediate parent of Entertainment One UK Holdings Limited, was purchased by Hasbro, Inc. As a result, the Company's ultimate controlling parent as at the date of the release of these financial statements is Hasbro, Inc.

On 28 February 2020, the Company declared a dividend of £200m

Impact of COVID-19

The outbreak of COVID-19, which has been declared a pandemic by the World Health Organisation, has had a significant impact on the Company. The measures introduced by various governments have been unprecedented, involving voluntary or enforced quarantines, restaurant, bar and shop closures, as well as restrictions on global movement.

While this situation is still developing, the Company expects the prolonged lockdown to result in delays to its production cycle, which may result in additional costs, as well as reduction to theatrical revenues due to continued cinema closures.

The Company is also employing appropriate measures to ensure the health and safety of its staff, including office closures, the use of remote working solutions and the extension of employee assistance and other support programmes.

The Company continues to monitor these developments on an ongoing basis.

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Notes to the financial statements

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33 Related party transactions

Royalty payable due to Astley Baker Davies Limited, a 70% owned member of the Entertainment One Group, of £16.1m (31 March 2019: £22.1m) was recognised in the period to 29 December 2019. The balance owing at the end of the period was £7.2m (31 March 2019: £7.5m). There are no other related party transactions, with the exception of other transactions with other members of the group, during current year and prior years.

The company has taken advantage of the exemption from disclosing transactions entered into between two or more members of a group, where any subsidiary undertaking which is party to the transaction is wholly owned by a member of that group.

34 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. The expense for the period was £463,000 (31 March 2019: £598,000) of which £93,000 (31 March 2019: £70,000) was unpaid at 29 December 2019.

35 Controlling party

The Company is a wholly-owned subsidiary of Entertainment One UK Holdings Limited which is the immediate controlling entity as at 29 December 2019. The ultimate controlling entity as at 29 December 2019 was Entertainment One Ltd. a company incorporated in Canada. The parent undertaking of the largest and smallest group of companies into which the results of the Company are consolidated is Entertainment One UK Holdings Limited, the accounts of which are publicly available. At the date of signing these financial statements, the ultimate controlling entity is Hasbro, Inc.

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