



5 December 2007

**Entertainment One Ltd.
Interim Results for the period ended 30 September 2007**

Entertainment One Ltd. ('Entertainment One' or 'the Group'), a leading international film and entertainment content owner and distributor today announces its maiden interim results following its listing on the Alternative Investment Market ('AIM') on 29 March 2007.

Strategic Highlights

- Successfully executing strategy to build a leading international filmed entertainment content owner and distributor following the acquisition of Entertainment One Income Fund
- Completed three further strategic acquisitions expanding the business operations in the US, the UK and Canada
 - Navarre Entertainment Inc. ('Navarre') was acquired by the Group in May 2007 for £3.3 million as an addition to the Distribution divisions operations in the US
 - Contender Entertainment Group ('Contender') was acquired by the Group in July 2007 for £49.1 million expanding its operations into the UK
 - Seville Entertainment Inc. ('Seville') was acquired for £2.5 million strengthening the Entertainment divisions position in the Canadian film distribution market
- Significantly enhanced film supply through long term multi-territory deal with Hollywood studio Summit Entertainment Inc.

Financial Highlights

Pro-forma¹

- Revenue up 0.9% on last year at £116.0 million
- Operating EBITDA² of £7.3 million up 25.9% on last year

Reported

- Revenue of £106.7 million
- Underlying EBITDA³ of £5.6 million
- Loss before tax of £5.4 million

Darren Throop, Chief Executive of Entertainment One, commented "Since our listing in March, we have made significant progress towards our objective of becoming the leading international film and entertainment content owner and distributor. Our acquisitions of Contender in the UK and Seville in Canada have laid the foundation for our multi-territory offering and our film supply deal with the Hollywood studio Summit Entertainment has established Entertainment One as a major independent film distributor.

"Looking forward, we will seek to further develop our business in existing territories and expand geographically to enhance our offering and leverage the benefits of scale."

Business Review

Overview

This maiden set of interim results covers the period from the incorporation of the Group on 11 January 2007 to 30 September 2007. The Group commenced trading following the acquisition of Entertainment One Income Fund which coincided with the listing of the Group on the AIM on 29 March 2007.

Financial Performance

Reported results for the period are set out in the Consolidated Income Statement. Revenues were £106.7 million, underlying EBITDA was £5.6 million and the loss before tax for the period was £5.4 million.

The Group delivered strong year on year growth during the period. For the purpose of providing a like for like comparison of performance in the Group's operations the financial results have been provided on a pro-forma basis. Overall the Group has increased pro-forma operating EBITDA by 25.9% to £7.3 million driven by strong performance across both the Entertainment and Distribution divisions.

Sector Summary

The global filmed entertainment industry generated gross receipts totalling US\$103bn in 2006 and 2007 has proven to be a strong year with year on year growth in global box office receipts.

There are three main components of the filmed entertainment industry value chain: production studios, film distributors and consumer channels which include cinemas, DVD rental and retail stores and TV broadcasters.

Major blockbuster films are generally distributed by the in-house distribution functions of the major Hollywood studios producing these films. However, independently produced films are generally distributed by independent distributors. Independently distributed films account for about 25% of global filmed entertainment market. Growth in global independent co-productions and local market film investment outside of the major studio system has helped secure a position for independent film and independent distributors.

The Group believes that a significant independent film distributor operating across multiple territories, such as Entertainment One, is attractive to producers and studios seeking a partner to acquire and distribute their films. It is also able to drive cost synergies and take advantage of enhanced revenue opportunities not normally available to smaller local distributors operating within only single territories.

Group Strategy

Entertainment One's strategy focuses on becoming the leading multi-territory film distributor acquiring, owning and exploiting filmed entertainment rights across the spectrum of distribution channels including theatres, home video, television and digital delivery platforms. This will be achieved through organic growth and the acquisition of established film distribution businesses in core territories.

The filmed entertainment market outlook remains positive with growth expected in all of the major exploitation windows. In addition the change in formats is expected to provide additional opportunities for growth in both the digital and internet markets, although at present these markets represent a small percentage of the total. As the Group expands its ownership of filmed entertainment rights it will be able to take advantage of these market opportunities.

Group Operating Divisions

Entertainment One consists of two operating divisions:

Entertainment Division: comprised of leading UK and Canadian film distributors, Contender Entertainment and Seville Pictures, which own and distribute film and TV rights. The division also includes Koch the leading independent record label in the US, which owns and distributes music and film rights. Entertainment currently enjoys a large catalogue of entertainment rights and anticipates expanding this through individual film and library acquisitions. This library is available for exploitation in all media formats including home entertainment, TV and digital platforms. By releasing a large number of motion pictures through multiple distribution platforms, Entertainment One creates a diversified portfolio of releases which will provide a foundation of stable cash flows into the future.

Distribution Division: comprised of Entertainment One Canada which is the leading wholesale distributor of DVD's in Canada, and Koch Entertainment Distribution in the US which is the largest independent distributor of exclusive video and music content.

Group Results

Since listing on the AIM, trading across the Group has been strong, delivering year on year growth. In total, on a constant foreign exchange rate basis, the Group pro-forma revenues are up 0.9% year on year delivering an increased pro-forma operating EBITDA of £7.3 million, up 25.9%. This is driven by strong performance across the Group.

Summary Income Statement For the period to 30 September 2007	Reported Current year £000	Pro-forma ¹				
		Actual Foreign Exchange Rates			Constant Foreign Exchange Rates ²	
		Current year £000	Prior year £000	%	Prior year £000	%
Revenue	106,663	115,955	121,616	(4.7)	114,933	0.9
Operating EBITDA (pre content amortisation)	10,582	12,497	9,878	26.5	9,516	31.3
Operating EBITDA	6,994	7,348	6,034	21.8	5,838	25.9
Group Costs ³	(1,350)					
Underlying EBITDA	5,644					

1 – Pro-forma results based on trading from 1 April 2007 to 30 September 2007 for all businesses owned by the Group during that period (Entertainment One, Koch, Contender and Seville). Prior year comparatives are based on the same basis and trading period. Pro-forma numbers only include Navarre revenues for the period since this transaction was completed on 14 May 2007

2 – Constant foreign exchange rates present the prior year comparatives at the same rate as the current year

3 – Group Costs are costs (excluding share-based payment charges) that cannot be allocated to a specific operating division

Entertainment Results

The Group's Entertainment division operates in Filmed Entertainment and Music. Overall Entertainment pro-forma revenues have grown 22.8% to £39.3 million, with the pro-forma operating EBITDA at £3.7 million up 32.5%. The reported results for the Entertainment division are included in Note 3 of the interim financial statements.

Entertainment Pro-forma Financial Overview For the six month period to 30 September 2007	Actual Foreign Exchange Rates			Constant Foreign Exchange Rates	
	Current year £000	Prior year £000	%	Prior year £000	%
Revenue					
- Filmed Entertainment	27,153	24,644	10.2	22,268	21.9
- Music	12,114	10,358	17.0	9,712	24.7
Total	39,267	35,002	12.2	31,980	22.8
Operating EBITDA pre content amortisation					
- Filmed Entertainment	5,239	4,787	9.4	4,743	10.5
- Music	3,569	1,839	94.1	1,689	111.3
Total	8,808	6,626	32.9	6,432	36.9
Operating EBITDA					
- Filmed Entertainment	2,440	2,638	(7.5)	2,620	(6.8)
- Music	1,219	144	747.5	135	797.3
Total	3,659	2,782	31.6	2,754	32.5
Investment in Content					
- Filmed Entertainment	4,011	2,918	37.5	2,881	39.3
- Music	2,280	1,878	21.4	1,722	32.4
Total	6,291	4,796	31.2	4,603	36.7

Filmed Entertainment

This has been a significant period of change for the Filmed Entertainment division. The division has completed two significant transactions in the period which together with the other Filmed Entertainment businesses of the Group, Paradox and Koch Vision have the business operating in three territories, Canada, UK and US under the management of Patrice Theroux, who joined the Entertainment One Board in August as President of Filmed Entertainment.

The acquisition of Contender for £49.1 million established a UK base for the Group. Contender is one of the leading independent filmed entertainment distributors in the UK with established capabilities to exploit content across all windows, a film library of 170 films and is the creator of the very successful children's TV programmes Peppa Pig and Tractor Tom, for which it owns worldwide rights in perpetuity. In August the Group acquired Seville Pictures for £2.5 million, a leading film distribution company and entertainment rights owner in Canada. Seville exploits filmed content across all windows and also has a film library in excess of 500 films, including worldwide rights to over 100 films.

These two acquisitions established the Group's credentials as a multi-territory filmed entertainment distributor and were instrumental in the successful negotiation of the three year output deal for the UK and Canada with Summit Entertainment, the successful Hollywood studio. This deal alone will deliver to the Group approximately 25 movies over the next 3 years in both the UK and Canada and will be a strong driver of growth.

During the period to 30 September 2007 Filmed Entertainment grew pro-forma sales 21.9% (on a constant foreign exchange rate basis) to £27.2 million. Pro-forma operating EBITDA before content rights amortisation was up 10.5% to £5.2 million reflecting strong performances across all the film businesses. Seville saw sales from all media windows and in particular had theatrical releases including War, Contre Toute, 2 Days in Paris and Bluff. In addition on 28 September it released Shake Hands with the Devil. This release impacted results with Print and Advertising ('P&A') spend of £0.5 million which was expensed in the period but revenues that will be earned in the second half of the financial year.

In Contender sales grew following successful DVD releases including TV hits Life on Mars and Spooks, 9th Company and Jekyll. In addition Peppa Pig contributed significantly through both DVD and merchandise income with Peppa Pig rated No.1 pre school show on both Channel 5 and Nick Jr.

Paradox performed well with successes with Mr Bean and Inland Empire, and Koch Vision grew with strong releases including films; A Few Days in September and The Bridge, and TV programmes such as McLeod's Daughters.

The increase in amortisation, reflecting the additional investment in film content rights, resulted in a pro-forma operating EBITDA of £2.4 million, 6.8% down on the prior year. The pipeline of new titles is strong, particularly following the announcement of the Summit deal in September 2007. In the second half Seville will have theatrical releases including SAW IV, P2, Penelope and Funny Game. Contender's line up includes Air Guitar Nation, Weirdsville, A Very British Gangster and Intimate Enemies on film and Spooks and Room with a View on DVD. In the US titles for the second half include War & Peace, Dresden, Hitler: The Rise of Evil, Barbarians, and the films Klimt and Blame it on Fidel.

Following the successes at the recent film markets multi-territory film acquisitions include Tarantino's Sukiyaiki Western Django and The Chosen One, starring Rob Schneider. In Canada films acquired include; I Could Never Be Your Woman, starring Michelle Pfeiffer, and The Flock, starring Richard Gere. In addition to their film pipeline Contender has successfully acquired Ashes to Ashes, (the sequel to Life on Mars), and worldwide DVD rights to The Queen, the controversial documentary broadcast on the BBC. Furthermore, two new children's TV programmes, Humf and Little Kingdom, have gone into production and will be distributed by Contender on a worldwide basis, with Seville handling Canadian rights as part of the Group's integrated distribution strategy.

Rights acquisitions will take place both through the purchase of libraries (either on standalone basis or as part of the acquisition of regional film distributors) or through the acquisition of new films. To the extent that the Group acquires libraries, the acquisition price will be amortised over the lifetime of the library. It should be noted that for new films the Group will amortise the acquisition advance of the film (the "Minimum Guarantee") in line with forecast revenues (which is normally on average 80% within 12 months of theatrical release) but that P&A associated with the initial release of the film will be expensed on the release of the film as incurred. As such an increase in investment in film will in early years result in a direct impact on earnings. However, the Group anticipates that as it creates a diversified portfolio of releases, the earnings profile will be increasingly predictable with a stable stream of cash flows from the continued and recurring exploitation of the titles in the library.

Music

The Music division encompasses the results of Koch Records in the US. Koch Records successful model focuses on attracting and developing artist talent and maximising revenues through its low cost infrastructure. The trading period has been successful with revenue growth of 24.7% reflecting a strong release schedule and artist line up including Unk, DJ Khaled and The Wiggles. Despite the challenging physical market conditions digital download and mobile revenues have grown 185% year on year and now accounts for 25% of recorded music sales.

There is a strong pipeline of releases going into the second half that promise to maintain the momentum gained in the period to date including the Diplomats, Jim Jones, Styles P, Foxy Brown, The Alchemist and the Death Row, Kinks and Wiggles catalogues.

Distribution Results

The Distribution division continues to deliver strong results through its two operating businesses – Entertainment One Canada and Koch Entertainment. Overall pro-forma revenues were up 2.5% with pro-forma operating EBITDA at £4.2 million. The reported results for the Distribution division are included in Note 3 of the interim financial statements.

Distribution	Actual Foreign Exchange Rates			Constant Foreign Exchange Rates	
	Current year £000	Prior year £000	%	Prior year £000	%
Pro-forma Financial Overview For the six month period ended 30 September 2007					
Revenue	83,517	85,138	(1.9)	81,523	2.5
Operating EBITDA	4,182	3,465	20.7	3,290	27.1

Entertainment One Canada

In Canada, Entertainment One continued to dominate the home video market. The second half of the current financial year has an exciting line up of big DVD releases which follow the success at the box office earlier in the year. Sales were impacted by the Group's decision not to further expand the video games business which currently carries too great an inventory risk for the financial return achieved. This period has also seen an underlying trend towards reduced average prices despite a significant increase in the numbers of units shipped by Entertainment One. This trend is expected to continue.

This year has seen the successful expansion of the Vendor Managed Inventory (VMI) programme which significantly improves the performance of the business by allowing the retailer to benefit from the expertise of the Entertainment One team and systems that drive improved replenishment and lower returns.

Other developments include Entertainment One's exclusive relationship with Fox Studios and the expansion of scan based trading which delivers improved service to both customers and suppliers.

Koch Entertainment

The US distribution business, Koch Entertainment, further strengthened its position as the leading independent distributor in the US, despite the challenging state of the overall market and the ongoing decline of physical sales in the US. The digital and mobile markets have continued to progress with revenue growth of 101% year on year.

During the period the Group acquired Navarre for £3.3 million which resulted in the transfer of over 70 independent labels which have been integrated into the Koch business with no disruption.

The business continues to sign new labels for distribution, including Hi Power Entertainment, Drake Web Music, Colossal Entertainment, 1720 Entertainment, Fat Beats Records, Retroactive Entertainment, Immergent Records, and Day One Music Group. Releases from platinum-selling act Little Big Town, Clint Black, JR Writer, Hi-Tek, Mark Chesnutt and Ani DiFranco are scheduled for the second half.

Outlook

The Group remains positive going into the second half of the year. In Entertainment, the Group will continue to pursue its strategy through both organic growth and acquisition. In particular the release of the first films from Summit will provide clear examples of the success of the Group's strategic vision although the timing of these releases will impact the results in the short term with the P&A expenses being recognised ahead of the corresponding revenues. Overall market conditions remain challenging and the impact of the weaker US dollar will be carefully monitored for its impact on Canadian prices relative to the US. However, in the run up to Christmas there is a strong release schedule to support the Distribution businesses in Canada and the US.

Financial Review

IFRS

The financial statements of the Group have been prepared in accordance with applicable International Financial Reporting Standards as adopted by the EU and IFRIC interpretations. As this is the Group's first reporting period the disclosures required by IFRS 1 concerning transition from local GAAP to IFRS for comparative periods are not required.

The financial statements, which have been approved by the directors, are unaudited but have been reviewed by the Group's auditors. The detailed accounting policies are disclosed in the notes to the financial statements.

Underlying Earnings

To provide an insight into the underlying financial performance of the Group certain items that are one off in their nature have been excluded from underlying earnings. These include:

- Share-based payment charges - there was a significant charge in the period relating to the share awards granted to directors and senior employees in the Group on the Group's AIM listing.
- Finance costs in relation to Exchangeable Debenture - on 29 March 2007 the Group issued a £10 million exchangeable debenture to a small number of investors. This financial instrument was converted by the Group in July 2007. An early settlement charge arose on conversion and this has been taken through finance costs but separately identified as one off and excluded from underlying loss before tax.
- Mark to market charges - these charges to the income statement relate to the interest rate swap entered into by the Group as part of the establishment of the Group's UK banking facilities. This charge is excluded from underlying loss before tax.

Tax

The income tax credit was £0.2 million, with an effective rate of 4%. This rate primarily reflects the seasonal nature of earnings across the Group and the impact of the non deductible share-based payment charges. In the full year it is expected that the effective tax rate will be 20%.

Loss per Share

Reported basic and diluted loss per share for the period was 7.61 pence. Underlying basic and diluted loss per share was 2.31 pence. This is impacted by the calculation of the weighted average number of shares that is, under IFRS, calculated from 11 January 2007, the date of incorporation. However, the Group did not commence trading until 29 March 2007, on the acquisition of the Entertainment One Income Fund. Although not in line with the guidance in IAS 33, a trading period underlying basic and diluted loss per share of 1.63 pence has been calculated based on the weighting of shares over the six month trading period. This is helpful in the understanding of the loss per share as it matches the trading period with the weighted average shares issued.

Cashflow

Group net debt as at 30 September 2007 was £34.9 million.

Summary Consolidated Cashflow Statement	£000
Underlying Cash from operating activities	518
One-Off Working Capital Adjustment	(4,405)
Net Cash from operating activities	(3,887)
Investing Activities	(133,045)
Financing Activities	144,519
Net Cash increase in cash and cash equivalents	7,587
Net Debt	
Cash at Bank and in hand	7,587
Debt	(42,458)
Net Debt	(34,871)

The underlying cash from trading activities was £0.5 million. The net cash outflow from operating activities during the period reflects the £4.4 million impact of the one off working capital requirement identified on the acquisition of Entertainment One Income Fund in March.

The amounts of investing activities and financing activities reflect the four acquisitions during the period since incorporation.

Intangibles and Goodwill

The four acquisitions during the period, as expected, have resulted in the need to value intangible assets and goodwill. This has resulted in the creation of intangible assets of £63.2 million and goodwill of £69.4 million. This is based on the allocation of the purchase price across defined categories including exclusive content agreements and libraries, exclusive distribution agreements and customer relationships. The balance, which is goodwill, includes characteristics of the acquired businesses that it has not been possible to specifically value under the requirements of IFRS 3. These include assembled workforce and IT infrastructure. In addition, goodwill includes amounts recognised on the creation of deferred tax liabilities arising on the acquisition of intangible assets.

Entertainment One Ltd.**Condensed Consolidated Interim Financial Statements for the period ended 30 September 2007****Consolidated Income Statement****For the period ended 30 September 2007**

	Notes	Period ended 30 September 2007 £000
Revenue		106,662
Cost of sales		(76,923)
Gross profit		<u>29,739</u>
Administrative expenses		(32,111)
Operating loss		<u>(2,372)</u>
Analysed as:		
Underlying EBITDA		5,644
Amortisation of intangible assets		(4,568)
Depreciation		(534)
Share-based payment charge		(2,914)
		<u>(2,372)</u>
Finance income	4	503
Finance costs	4	(3,556)
Loss before tax		<u>(5,425)</u>
Analysed as:		
Underlying loss before tax		(1,426)
Financing fair value movements		(252)
Share based payment charge		(2,914)
Early settlement cost on conversion of debenture	4	(833)
		<u>(5,425)</u>
Income tax credit	5	195
Loss for the period		<u>(5,230)</u>
Attributable to:		
Equity holders of the parent		<u>(5,230)</u>
Loss per share		
Basic and diluted – pence	7	7.61
Underlying basic and diluted – pence	7	2.31

Entertainment One Ltd.
Condensed Consolidated Interim Financial Statements for the period ended 30 September 2007

Consolidated Balance Sheet
As at 30 September 2007

	Note	30 September 2007 £000
Assets		
Non-current assets		
Investments		321
Intangible assets	8	61,532
Goodwill	9	70,558
Property, plant and equipment		4,091
Other receivables		508
Deferred tax assets		4,089
Total non-current assets		141,099
Current assets		
Inventories		41,929
Investment in content rights		13,148
Trade and other receivables		25,986
Cash and cash equivalents		7,587
Total current assets		88,650
Total assets		229,749
Liabilities and equity		
Non-current liabilities		
Interest bearing loans and borrowings		38,640
Other payables		557
Deferred tax liabilities		7,363
		46,560
Current liabilities		
Trade and other payables		58,943
Current tax liabilities		867
Interest bearing loans and borrowings		3,818
Provisions		262
Financial liabilities		252
Total current liabilities		64,142
Total liabilities		110,702
Equity		
Share capital	11	572
Share premium		123,546
Treasury shares		(7,819)
Warrant reserve		639
Currency translation reserve		4,468
Retained earnings		(2,359)
Total equity		119,047
Total liabilities and equity		229,749

Entertainment One Ltd.**Condensed Consolidated Interim Financial Statements for the period ended 30 September 2007****Consolidated Cash flow statement****Period ended 30 September 2007**

	Notes	Period ended 30 September 2007 £000
Operating activities		
Operating loss		(2,372)
Adjustments for:		
Depreciation		534
Amortisation of acquired intangible assets	8	4,568
Amortisation of content rights		3,882
Foreign exchange movements		(585)
Share option charge		2,914
Increase in inventories		(656)
Increase in trade and other receivables		(3,127)
Decrease in trade and other payables		(7,112)
Decrease in provisions		(12)
		<hr/>
Net cash flow from trading activities		(1,966)
Interest paid		(1,921)
		<hr/>
Net cash from operating activities		(3,887)
		<hr/>
Investing activities		
Interest received		453
Acquisition of subsidiaries	10	(132,266)
Net cash acquired with subsidiaries		3,951
Investment in content rights		(4,784)
Purchases of property, plant and equipment		(399)
		<hr/>
Net cash used in investing activities		(133,045)
		<hr/>
Financing activities		
Proceeds from share issue	11	97,181
Loan repaid on acquisition	10	(3,875)
New loan advances		51,213
		<hr/>
Net cash from financing activities		144,519
		<hr/>
Net increase in cash and cash equivalents		7,587
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Cash and cash equivalents at end of period		7,587
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Entertainment One Ltd.**Condensed Consolidated Interim Financial Statements for the period ended 30 September 2007****Consolidated Statement of Changes in Equity
For the period ended 30 September 2007**

	Issued share capital £000	Share premium £000	Treasury shares £000	Warrant reserve £000	Currency translation reserve £000	Retained earnings £000	Total equity £000
Loss for the period	-	-	-	-	-	(5,230)	(5,230)
Shares issued during the period	537	120,252	-	-	-	-	120,789
Consideration shares	35	7,833	-	-	-	-	7,868
Share issue costs	-	(4,539)	-	-	-	-	(4,539)
Purchase of own shares	-	-	(7,819)	-	-	-	(7,819)
Foreign currency translation	-	-	-	-	4,468	-	4,468
Warrants issued during the period	-	-	-	639	-	-	639
Share option charge	-	-	-	-	-	2,871	2,871
At 30 September 2007	572	123,546	(7,819)	639	4,468	(2,359)	119,047

Notes to the Financial Statements

For the period ended 30 September 2007

1. Nature of operations and general information

Entertainment One Ltd. and subsidiaries' (the Group) principal activity is the acquisition and exploitation of entertainment rights across all media. In addition, the Group owns distribution channels to retailers in territories where it can capture additional margin and improve delivery of products to consumers. The Group is a leading international independent entertainment business currently operating in Canada, the United Kingdom and the United States. Segmental information is disclosed in note 3.

Entertainment One Ltd. is the Group's ultimate parent company and is incorporated in the Cayman Islands and is domiciled in Jersey. Entertainment One Ltd. shares are listed on the Alternative Investment Market of the London Stock Exchange.

Entertainment One Ltd. has presented its consolidated interim financial statements in Pounds Sterling (£), which is also the functional currency of the parent company. These consolidated condensed interim financial statements were approved for issue by the Board of Directors on 4 December 2007.

2. Accounting policies

Basis of Presentation

The interim financial statements have been prepared under the historical cost convention under the going concern basis and in accordance with applicable International Financial Reporting Standards as adopted by the EU and IFRIC interpretations ("IFRS"). As this is the Group's first reporting period the disclosures required by IFRS 1 concerning the transition from local GAAP to IFRS for comparative periods are not required.

At the date of authorisation of this report the following Standards and Interpretations which have not been applied in these financial statements were in issue but not yet effective:

IFRS 8	Operating Segments
IFRIC 12	Service Concession Arrangements
IFRIC 13	Customer Loyalty Programmes
IFRIC 14	The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction
Amendment to IAS 1	Presentation of Financial Statements: a Revised Presentation
Amendment to IAS 23	Borrowing Costs

The directors anticipate that the adoption of these Standards and Interpretations in future periods will have no material impact on the financial statements of the Group when the relevant standards come into effect for periods commencing on or after 1 April 2008.

The interim financial statements, which have been approved by the directors, are unaudited but have been reviewed by the Group's auditors in accordance with the International Standard Review Engagements 2410 (UK and Ireland) *Review of Financial Information Performed by the Independent Auditor of the Entity* issued by the United Kingdom Auditing Practices Board.

Principal Accounting Policies of the Group

This interim financial information has been prepared on the basis of the recognition and measurement requirements of IFRSs in issue that are either endorsed by the EU and effective at 30 September 2007 or are expected to be endorsed and effective at 31 March 2008, the Group's first annual reporting under IFRS. Based on these adopted and unadopted IFRS, the directors have made assumptions about the accounting policies expected to be applied, which are as set out below, when the first annual IFRS financial statements are prepared for the period ending 31 March 2008.

The adopted IFRS that will be effective in the annual financial statements for the period ending 31 March 2008 are still subject to change and to additional interpretations and therefore cannot be determined with certainty. Accordingly, the accounting policies for the annual period will be determined finally only when the annual financial statements are prepared for the period ending 31 March 2008.

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

Notes to the Financial Statements

For the period ended 30 September 2007

2. Accounting policies (continued)

Basis of consolidation

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

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

Minority interests represent the portion of profit or loss and net assets not held by the Group and are presented, where applicable, separately in the income statement and within equity in the consolidated balance sheet, separately from parent shareholders' equity.

Jointly controlled entities are those entities over whose activities the Group has joint control, established by contractual agreement and are accounted for using proportional consolidation from the date that joint control commences.

The accounting policies followed by the Group are shown below:

Goodwill

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

Goodwill is stated at cost less any accumulated impairment losses. Goodwill is allocated to cash-generating units and is not amortised but is tested annually for impairment. Gains or losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

Investment in programmes

Investment in programmes that are in development and for which the realisation of expenditure can be reasonably determined, are classified and capitalised in accordance with IAS 38, as programme development costs under non-current assets. On first exploitation of the property the cost of investment is reclassified as investment in programmes. Also included within investment in programmes are properties acquired on acquisition.

A charge is made to write down the cost of completed programmes over their useful lives. The maximum useful life is considered to be 10 years.

Other intangible assets

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

Other intangible assets comprise exclusive content agreements and libraries, customer relationships, exclusive distribution rights, brands and trade names and non-compete agreements.

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

Investments

Investments are valued at cost less amounts written off.

Property, plant and equipment

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

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

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

Notes to the Financial Statements

For the period ended 30 September 2007

2. Accounting policies (continued)

Impairment of assets

The Group reviews the carrying amounts of its property, plant and equipment and intangible assets annually to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where the asset does not generate cash flows that are independent from other assets, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. An intangible asset with an indefinite useful life is tested for impairment annually and whenever there is an indication that the asset may be impaired.

Investment in content rights

Investment in content rights, currently available for exploitation, are capitalised in the consolidated balance sheet if at the date of the advance such amounts are considered recoverable. 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 advances that appear not to be recoverable from future revenues are written off to cost of sales during the period the loss becomes evident.

Balances are included within current 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.

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is calculated using the weighted average method. Net realisable value represents the estimated selling price less all estimated costs of completion and costs to be incurred in marketing, selling and distribution.

Financial instruments

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

Trade and other receivables

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

Trade and other payables

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

Derivative financial instruments

The Group's activities expose it primarily to the financial risks of changes in foreign currency exchange rates and interest rates. The Group uses derivative financial instruments to reduce its exposure to foreign exchange and interest rate movements. The Group does not hold or issue derivative financial instruments for financial trading purposes but derivatives that do not qualify for hedge accounting are accounted for at fair value through the income statement.

Derivative financial instruments are initially recognised at fair value at the contract date. The gain or loss on re-measurement to fair value is recognised immediately in the income statement.

Equity instruments

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

Treasury shares

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

Interest bearing loans and borrowings

All interest bearing loans and borrowings are initially recognised at the fair value of the consideration received less directly attributable transaction costs.

After initial recognition, interest bearing loans and borrowings are subsequently measured at amortised cost using the effective interest method.

Gains and losses are recognised in the income statement when the liabilities are derecognised as well as through the amortisation process.

**Notes to the Financial Statements
For the period ended 30 September 2007**

2. Accounting policies (continued)

Cash and cash equivalents

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

Provisions

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

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

Operating leases

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

Share based payments

The Group issues equity-settled and cash-settled share-based payments to certain employees. Equity-settled share-based payments are measured at fair value at the date of grant. The fair value determined at the grant date of equity-settled share-based payments is expensed on a straight-line basis over the vesting period, based on the Group's estimate of shares that will eventually vest.

Fair value is measured by means of a binomial valuation model. The expected life used in the model has been adjusted, based on management's best estimate, for the effect of non-transferability, exercise restrictions, and behavioural considerations.

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

Segmental reporting

A business segment is a group of assets and operations engaged in providing products or services that are subject to risks and returns that are different from those of other business segments. The Group has 3 business segments: entertainment, distribution and other.

A geographical segment is a component of the Group that operates within a particular economic environment and is subject to risks and returns that are different from those of components operating in other economic environments. The Group currently operates in 3 geographical segments, Canada, the United States and the United Kingdom.

Revenue recognition

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

- Revenue from the exploitation of film and music rights is recognised based upon the contractual terms of each agreement. Income is recognised on a receivable basis where there is reasonable contractual certainty that the revenue is receivable and will be received.
- Revenue from television licensing represents the invoiced value of licence fees which is recognised when the licence term has commenced, delivery to licensee has occurred and substantially all technical requirements have been met and collection of the fee is reasonably assured.
- Revenues from the sale of DVD, video and audio stocks are recognised at the point at which goods are despatched. A provision is made for returns based on historical trends.
- Revenue from retail sales is recognised at the point of sale to customers.
- Revenue on licensing and merchandising sales represents the invoiced value of licence fees which is recognised when the licence terms have commenced and collection of the fee is reasonably assured.

Pension costs

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

Notes to the Financial Statements

For the period ended 30 September 2007

2. Accounting policies (continued)

Foreign currencies

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

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

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

Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

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

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

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

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised. Deferred tax is charged or credited in the income statement, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt within equity.

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

Significant judgements and estimates

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

**Notes to the Financial Statements
For the period ended 30 September 2007**

2. Accounting policies (continued)

Significant judgements and estimates (continued)

Intangible assets

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

Impairment of goodwill

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

Investment in content rights

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

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

Deferred tax

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

Income tax

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

3. Business and geographical segments

Business segments

For management purposes, the Group is currently organised into two main operating divisions – entertainment and distribution. These divisions are the basis on which the Group reports its primary segment information.

Principal activities are as follows:

Entertainment – acquires and exploits filmed entertainment and music rights across all media.

Distribution – owns distribution channels to retailers in territories and media where it can capture additional margin and improve delivery of products to consumers.

Included within other is a non-core retail operation in Canada.

Entertainment One Ltd.**Condensed Consolidated Interim Financial Statements for the period ended 30 September 2007****Notes to the Financial Statements****For the period ended 30 September 2007****3. Business and geographical segments (continued)****Business segments (continued)**

Segment information for the period ended 30 September 2007 is presented below.

	Entertainment £000	Distribution £000	Other £000	Eliminations £000	Consolidated £000
Revenue					
External sales	16,804	77,436	12,422	-	106,662
Inter-segment sales	13,171	6,080	-	(19,251)	-
	<u>29,975</u>	<u>83,516</u>	<u>12,422</u>	<u>(19,251)</u>	<u>106,662</u>
Total revenue	<u>29,975</u>	<u>83,516</u>	<u>12,422</u>	<u>(19,251)</u>	<u>106,662</u>

Inter-segment sales are charged at prevailing market prices.

Result

Segment result	<u>3,305</u>	<u>4,182</u>	<u>(32)</u>	<u>(461)</u>	6,994
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Unallocated corporate expenses

Group costs					(1,350)
Share-based payments					(2,914)
Depreciation and amortisation					(5,102)
					<u>(2,372)</u>
Operating loss					(2,372)
Finance income					503
Finance costs					(3,556)
					<u>(5,425)</u>
Loss before tax					(5,425)
Tax					195
					<u>(5,230)</u>
Loss after tax					<u>(5,230)</u>

Geographical segments

The Group's operations are located in Canada, the United States and the United Kingdom. The entertainment division is located in Canada, the United States and the United Kingdom. The Group's distribution divisions are located in Canada and the United States.

The following table provides an analysis of the Group's revenue by geographical market, irrespective of the origin of the goods/services:

	Revenue by geographical market £000
Canada	69,147
United States	32,050
United Kingdom	5,465
	<u>106,662</u>

Entertainment One Ltd.

Condensed Consolidated Interim Financial Statements for the period ended 30 September 2007

Notes to the Financial Statements

For the period ended 30 September 2007

4. Finance income and costs

The finance income and costs comprise:

	Period ended 30 September 2007 £000
Interest receivable	503
Interest payable on bank loans and overdrafts	(1,490)
Other interest payable	(26)
Amortisation of deferred finance charges	(141)
Interest payable on exchangeable debenture	(443)
Early settlement cost on conversion of debenture	(833)
Decrease in fair value of interest rate swap	(252)
Net foreign exchange losses	(371)
	<u>(3,556)</u>

On 31 July 2007, one of the Group's subsidiaries, 4384768 Canada Inc. converted a £10 million exchangeable debenture into shares of the Company (see note 11). There was an early settlement cost incurred on conversion of £0.8 million.

5. Tax

	Period ended 30 September 2007 £000
Current tax expense	(714)
Deferred tax credit	909
Income tax credit in income statement	<u>195</u>

Income tax has been calculated using the best estimate of the average annual effective income tax rate expected for the full year (by jurisdiction) and then applying to the pre-tax income for the six month period. The effective tax rate is 3.6%.

6. Dividends

The directors are not recommending payment of an interim dividend.

7. Loss per share

The calculation of the basic and dilutive loss per share is based on the loss attributable to equity holders of the parent of £5.2 million divided by the weighted average number of shares in issue during the period which is 68,768,992. The share options and warrants granted during the period are not dilutive for the purposes of the loss per share calculation as defined by IAS 33.

The basic and diluted underlying loss per share have been calculated to allow shareholders to gain a better understanding of the trading performance of the Group. It is based on the basic and diluted loss per share calculations above except that the results of the Group are adjusted for financing fair value movements, share-based payments and the early settlement cost on conversion of the exchangeable debenture.

Notes to the Financial Statements

For the period ended 30 September 2007

7. Loss per share (continued)

Reconciliations of the losses used in the calculations and the loss and underlying loss per share calculations are set out below.

	Period ended 30 September 2007 £000
<i>For basic and dilutive loss per share</i>	
Loss for the financial period	(5,230)
<i>For underlying basic and diluted loss per share</i>	
Loss for the financial period	(5,230)
Add back:	
Financing fair value movements	252
Share based payment (net of tax)	2,817
Early settlement cost on conversion of debenture (net of tax)	576
	<u>(1,585)</u>
	Period ended 30 September 2007 Pence
Basic and diluted loss per share	7.61
Effect of financing fair value movements	(0.37)
Effect of share-based payment	(4.09)
Effect of early settlement cost on conversion of debenture	(0.84)
Underlying basic and diluted loss per share	<u>2.31</u>

Trading period basic and diluted loss per share

The above calculations utilise the weighted average number of shares in issue over the long period from 11 January 2007 to 30 September 2007. However the Group only started trading on the acquisition of Entertainment One Income Fund on 29 March 2007.

To help shareholders understand the trading performance of the Group over the six month trading period, a trading period loss per share has also been calculated for the period 29 March 2007 to 30 September 2007. Although this calculation is not in line with IAS 33 it provides a helpful comparison as the loss for the full period also represents the trading result for this same six month period.

The weighted average number of shares weighted over the six month trading period is 97,391,720. The losses used for the basic and diluted loss per share calculations were applied to the loss per share calculation for trading period basic and diluted loss per share.

The trading period loss and underlying loss per share calculations are set out below.

Notes to the Financial Statements

For the period ended 30 September 2007

7. Loss per share (continued)

	Period ended 30 September 2007 Pence
Trading period basic and diluted loss per share	5.37
Effect of financing fair value movements	(0.26)
Effect of share-based payment	(2.89)
Effect of early settlement cost on conversion of debenture	(0.59)
	<hr/>
Trading period basic and diluted underlying loss per share	1.63
	<hr/> <hr/>

8. Intangible assets

	Exclusive content agreements and libraries £000	Trade names and brands £000	Exclusive distribution agreements £000	Customer relationships £000	Non- compete agreements £000	Investment in programmes £000	Total £000
Cost							
Additions	17,001	6,065	17,120	15,419	4,515	3,067	63,187
Exchange differences	(49)	236	672	1,866	305	-	3,030
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
At 30 September 2007	16,952	6,301	17,792	17,285	4,820	3,067	66,217
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Amortisation							
Charge for the period	(876)	(268)	(1,564)	(816)	(755)	(289)	(4,568)
Exchange differences	4	(6)	(39)	(48)	(28)	-	(117)
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
At 30 September 2007	(872)	(274)	(1,603)	(864)	(783)	(289)	(4,685)
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Carrying amount							
At 30 September 2007	16,080	6,027	16,189	16,421	4,037	2,778	61,532
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

9. Goodwill

	Total £000
Cost and carrying amount	
Additions	69,433
Exchange differences	1,125
	<hr/>
At 30 September 2007	70,558
	<hr/> <hr/>

Goodwill includes amounts recognised on the creation of deferred tax liabilities arising on the acquisition of intangibles assets in a business combination in accordance with IFRS 3.

Notes to the Financial Statements

For the period ended 30 September 2007

10. Acquisitions

Acquisitions are accounted for using the purchase method of accounting and are incorporated into the Group's balance sheet at the fair value at the date of acquisition. The fair values of all acquisitions made during the current period are provisional awaiting final determination of the balances acquired.

The following acquisitions were made during the period:

Entertainment One Income Fund

On 29 March 2007, the Group acquired the entire operating business of Entertainment One Income Fund for a total consideration of £83.4 million. Proceeds from the initial share placing on 29 March 2007 were used to fund part of the cash consideration of this acquisition.

The operating business of Entertainment One Income Fund was made up of 3 business units, Entertainment One Group, Koch Entertainment and CD Plus. Entertainment One Group is the largest distributor of DVDs, CDs and video games in Canada. Koch Entertainment exploits content rights, distributes home entertainment product and is the largest independent record label in the US. CD Plus owns a number of retail outlets across Canada.

The book value and provisional fair value of the net assets at the date of acquisition were as follows:

	Book value £000	Fair value £000
Net assets acquired:		
Intangible assets	-	40,682
Investment	287	287
Property, plant and equipment	3,873	3,873
Deferred tax assets	1,542	1,542
Inventories	34,512	34,512
Trade and other receivables	24,123	24,123
Cash and cash equivalents	1,608	1,608
Trade and other payables	(49,375)	(49,375)
Provision	(284)	(284)
Deferred tax liabilities	(2,689)	(2,689)
	<hr/>	<hr/>
	13,597	54,279
	<hr/> <hr/>	<hr/> <hr/>
Goodwill arising on acquisition		33,950
		<hr/>
Total consideration		88,229
		<hr/> <hr/>
Satisfied by:		
Cash consideration		83,391
Directly attributable costs		4,838
		<hr/>
		88,229
		<hr/> <hr/>
Net cash outflow arising on acquisition:		
Cash consideration and costs associated with acquisition		(87,590)
Cash and cash equivalents acquired		1,608
		<hr/>
		(85,982)
		<hr/> <hr/>

On completion of the acquisition of Entertainment One Income Fund 4 million share warrants were issued to one of our advisors. This has been accounted for as a share-based payment under IFRS 2 with a fair value of £639,000. This cost has been capitalised as a cost of the acquisition and has been included within directly attributable costs.

Entertainment One Ltd.**Condensed Consolidated Interim Financial Statements for the period ended 30 September 2007****Notes to the Financial Statements****For the period ended 30 September 2007****10. Acquisitions (continued)***Entertainment One Income Fund (continued)*

This acquisition contributed £94.7 million to Group revenue for the period between the date of acquisition and 30 September 2007. It is not practicable to allocate any costs, interest or tax as the assets of Navarre Entertainment Media Inc were incorporated into the existing operating business.

Contender Entertainment Group

On 5 July 2007, the Group acquired 100% of the issued share capital of Contender Limited (and its subsidiaries), the leading independent distributor of filmed entertainment on DVD in the UK, for a total consideration of £45.2 million.

Of the total consideration £37.3 million was paid in cash and £7.9 million was satisfied by the issue of consideration shares to the management of Contender Entertainment Group. In addition, the bank borrowings of Contender Entertainment Group of £3.9 million were repaid following the acquisition.

The book value and provisional fair value of the net assets at the date of acquisition were as follows:

	Book value £000	Fair value £000
Net assets acquired:		
Intangible assets	1,899	16,522
Property, plant and equipment	147	147
Deferred tax assets	1,502	1,502
Inventories	1,144	1,144
Trade and other receivables	6,421	6,421
Cash and cash equivalents	2,201	2,201
Interest bearing loans and borrowings	(3,875)	(3,875)
Trade and other payables	(6,759)	(6,759)
Deferred tax liabilities	(258)	(4,352)
	<hr/>	<hr/>
	2,422	12,951
	<hr/>	<hr/>
Goodwill arising on acquisition		33,692
		<hr/>
Total consideration		46,643
		<hr/>
Satisfied by:		
Cash consideration		37,337
Fair value of consideration shares		7,868
Directly attributable costs		1,438
		<hr/>
		46,643
		<hr/>
Net cash outflow arising on acquisition:		
Cash consideration and costs associated with acquisition		(38,775)
Cash and cash equivalents acquired		2,201
		<hr/>
		(36,574)
		<hr/>

Contender Entertainment Group contributed £5.5 million revenue and £1.2 million to the Group's profit before tax for the period between the date of acquisition and 30 September 2007.

Entertainment One Ltd.

Condensed Consolidated Interim Financial Statements for the period ended 30 September 2007

Notes to the Financial Statements

For the period ended 30 September 2007

10. Acquisitions (continued)

Navarre Entertainment Media Inc

On 14 May 2007, the group acquired 100% of the issued share capital of Navarre Entertainment Media Inc, a distributor of independent music labels in the United States, for a total cash consideration of US\$6.5 million (£3.3 million).

The book value and provisional fair value of the net assets of Navarre Entertainment Media Inc at the date of acquisition were as follows:

	Book value	Fair value
	£000	£000
Net assets acquired:		
Intangible assets	-	5,408
Inventories	915	915
Trade and other receivables	438	438
Trade and other payables	(4,110)	(4,110)
	<hr/>	<hr/>
	(2,757)	2,651
	<hr/> <hr/>	<hr/> <hr/>
Goodwill arising on acquisition		663
Total consideration		3,314
		<hr/> <hr/>
Satisfied by:		
Cash		3,286
Directly attributable costs		28
		<hr/>
		3,314
		<hr/> <hr/>
Net cash outflow arising on acquisition:		
Cash consideration and costs associated with acquisition		(3,314)
		<hr/> <hr/>

Navarre Entertainment Media Inc contributed £5.5 million of revenues to the Group between the date of acquisition and 30 September 2007. It is not practicable to allocate any costs, interest or tax as the assets acquired have essentially been incorporated into the existing operating business.

Notes to the Financial Statements

For the period ended 30 September 2007

10. Acquisitions (continued)

Seville Entertainment Inc

On 20 August 2007, the Group acquired 100% of the issued share capital of Seville Entertainment Inc (and its subsidiaries), a leading Canadian film distribution company and entertainment rights owner, for a total cash consideration of C\$5.2 million (£2.5 million).

The book value and provisional fair value of the net assets of Seville Entertainment Inc at the date of acquisition were as follows:

	Book value £000	Fair value £000
Net assets acquired:		
Intangible assets	-	574
Property, plant and equipment	29	29
Deferred tax assets	106	106
Inventories	590	590
Trade and other receivables	3,997	3,997
Cash and cash equivalents	142	142
Trade and other payables	(3,795)	(3,795)
Deferred tax liabilities	-	(184)
	<hr/>	<hr/>
	1,069	1,459
	<hr/> <hr/>	<hr/> <hr/>
Goodwill arising on acquisition		1,128
Total consideration		2,587
		<hr/> <hr/>
Satisfied by:		
Cash		2,468
Directly attributable costs		119
		<hr/>
		2,587
		<hr/> <hr/>
Net cash outflow arising on acquisition:		
Cash consideration and costs associated with acquisition		(2,587)
Cash and cash equivalents acquired		142
		<hr/>
		(2,445)
		<hr/> <hr/>

Seville Entertainment Inc contributed £1.0 million of revenues and an operating loss of £0.6 million to the Group's result for the period between the date of acquisition and 30 September 2007.

Total contribution to group revenue and operating loss

If all acquisitions had been completed on the first day of the current trading period, 29 March 2007, Group revenues for the period would have been £116.0 million and the Group's underlying EBITDA (before group costs) would have increased by £0.3 million to £7.3 million.

The revenues and profits for Navarre Entertainment Media Inc are not included in the above disclosure because this transaction was essentially an asset purchase, acquired through a special purpose vehicle. There is therefore no data available for a comparable entity for a period prior to the date of acquisition.

Entertainment One Ltd.

Condensed Consolidated Interim Financial Statements for the period ended 30 September 2007

Notes to the Financial Statements

For the period ended 30 September 2007

11. Share capital

	30 September 2007 C\$	30 September 2007 £
Authorised: 200,000,000 million ordinary shares of C\$0.01 each	<u>2,000,000</u>	
Issued and fully paid: 127,097,597 million ordinary shares of C\$0.01 each	<u>1,270,976</u>	<u>572,050</u>

The Company has one class of ordinary shares which carry no right to fixed income.

The Company was incorporated on 11 January 2007 and on the same date issued a subscriber share for C\$1.

On 12 February 2007, the Company entered into a share split arrangement whereby each share of C\$1 was subdivided into 100 shares of C\$0.01 each. Following the share split, the authorised share capital was increased by C\$1,990,000 to C\$2,000,000 comprising 200,000,000 shares of C\$0.01 each.

On 29 March 2007, the Company was listed for trading on the AIM and on the same date issued 80,000,000 shares for £1 each. The proceeds from this share issue were substantially used to fund the acquisition of Entertainment One Income Fund in Canada. In addition, 4,405,286 shares were issued on the same date for £1 each to the Employee Benefit Trust.

On 6 July 2007, the Company issued 27,587,011 shares at £1.07 each. The proceeds from this share issue were used to fund the acquisition of Contender Entertainment Group. Of these shares 7,353,366 were consideration shares issued to the management of Contender Entertainment Group. In addition, 3,190,000 shares were issued on the same date for £1.07 each to the Employee Benefit Trust.

On 31 July 2007, one of the Group's subsidiaries, 4384768 Canada Inc. converted a £10,000,000 exchangeable debenture into shares of the Company. The principal and the interest accrued on this debenture were converted into 11,848,000 shares at £0.95 each.

On 20 August 2007, the Company issued 67,200 shares at £1.07 each.

12. Publication of non-statutory accounts

The financial information set out in these interim financial statements does not constitute statutory accounts.

INDEPENDENT REVIEW REPORT TO ENTERTAINMENT ONE LTD

We have been engaged by the company to review the condensed set of financial statements in the interim financial report for the period ended 30 September 2007 which comprises the consolidated income statement, the consolidated balance sheet, the consolidated statement of changes in equity, the consolidated cash flow statement and related notes 1 to 12. We have read the other information contained in the half-yearly financial report and considered whether it contains any apparent misstatements or material inconsistencies with the information in the condensed set of financial statements.

This report is made solely to the company in accordance with International Standard on Review Engagements 2410 issued by the Auditing Practices Board. Our work has been undertaken so that we might state to the company those matters we are required to state to them in an independent review 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, for our review work, for this report, or for the conclusions we have formed.

Directors' responsibilities

The half-yearly financial report is the responsibility of, and has been approved by, the directors. The directors are responsible for preparing the half-yearly financial report in accordance with the AIM Rules of the London Stock Exchange.

As disclosed in note 2, the annual financial statements of the group will be prepared in accordance with IFRSs as adopted by the European Union. The condensed set of financial statements included in this half-yearly financial report have been prepared in accordance with the accounting policies the group intends to use in preparing its next annual financial statements.

Our responsibility

Our responsibility is to express to the company a conclusion on the condensed set of financial statements in the half-yearly financial report based on our review.

Scope of Review

We conducted our review in accordance with International Standard on Review Engagements (UK and Ireland) 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Auditing Practices Board for use in the United Kingdom. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing (UK and Ireland) and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim financial information is not prepared, in all material respects, in accordance with the AIM Rules of the London Stock Exchange.

Deloitte & Touche LLP

Chartered Accountants and Registered Auditor
4 December 2007
London, United Kingdom

Entertainment One Ltd.
Memorandum information

In order to comply with the AIM reporting requirements a pro-forma income statement for the six months ended 30 June 2007 has been presented above. This pro-forma income statement has also been presented with comparatives for the six months ended 30 June 2006 and these have been translated using the average exchange rate for the 6 months ended 30 June 2006.

The information presented below is unaudited and has not been reviewed by the Group's auditors.

	Three months ended 29 March 2007 £000	Three months ended 30 June 2007 £000	Total £000	Period ended 30 June 2006 £000
Revenue	51,167	47,590	98,757	122,313
Cost of sales	(38,781)	(34,960)	(73,741)	(94,534)
Gross profit	<u>12,386</u>	<u>12,630</u>	<u>25,016</u>	<u>27,779</u>
Administrative expenses	(13,198)	(10,493)	(23,691)	(22,876)
Underlying EBITDA	<u>(812)</u>	<u>2,137</u>	<u>1,325</u>	<u>4,903</u>

The income statement has been presented to underlying EBITDA because of the differing structures of the Group pre and post acquisition.

This information includes the results for Entertainment One Income Fund for the three month period, directly before acquisition, ending 29 March 2007 and comparative information for the six month period ended 30 June 2006. The data relates to a pre-acquisition period and has not been formally approved by the current board of directors. Included within the reported underlying EBITDA for the period ended 29 March 2007 there were one-off items totalling £1.2 million that are not expected to recur.