



3 December 2008

**Entertainment One Ltd.
Interim Results for the six months ended 30 September 2008**

Entertainment One Ltd. ('Entertainment One' or the 'Group') a leading international independent entertainment content owner and distributor today announces its interim results.

Strategic Highlights

- Successfully building scale in the Filmed Entertainment businesses
- Completed the acquisition of Barna-Alper, Blueprint, Oasis and Maximum, to expand the Group's activities in the Canadian market
- Secured a new four-year multi-currency US\$150 million credit facility led by JP Morgan

Financial Highlights

- Revenue up 22.9% to £131.1 million (2007/08: £106.7 million)
- Underlying EBITDA¹ of £6.8 million (2007/08: £5.6 million) up 19.6%
- Loss before tax of £5.5 million (2007/08: £5.4 million)

Darren Throop, Chief Executive said "We have continued successfully to execute our strategy in the first half of the financial year. We are pleased to welcome the team from Blueprint, Barna-Alper, Oasis and Maximum into the Group. The addition of these Canadian television production businesses provides another step forward in delivering the Group's strategy. Completing the new senior credit facility with JP Morgan has secured the necessary financing for the Group to support our growth plans for the next four years. The overall performance of the Group was in line with our expectations and reflects our growth in Filmed Entertainment. Looking forward, while macro economic uncertainty is high we remain confident in the business to perform well."

Notes

- 1 – Underlying EBITDA is Operating EBITDA after Group costs.
- 2 – Operating EBITDA is the profit for the period before Group costs, one off items, share-based payment charges, interest, tax, depreciation and amortisation of acquired intangible assets.
- 3 – Unless otherwise stated, in order to provide like for like comparisons, the discussion of business unit results and analysis of comparisons to the prior year are on a proforma and constant currency basis. For the purposes of this analysis 'proforma' includes the operating results for businesses that were acquired by the Group prior to 31 March 2008 (Contender, Seville and RCV) as if they had been acquired on the first day of the comparative period. Barna-Alper, Blueprint, Oasis and Maximum, acquired on 24 September 2008, have been excluded from the proforma analysis. In addition the results are shown on a constant currency basis. Constant currencies have been calculated by retranslating the comparative figures using average exchange rates for the six months to 30 September 2008.
- 4 – This Interim Statement contains certain forward-looking statements with respect to the financial condition, results, operations and businesses of Entertainment One Ltd.. These statements and forecasts involve risk and uncertainty because they relate to events and depend upon circumstances that will occur in the future. There are a number of factors that could cause actual results or developments to differ materially from those expressed or implied by these forward-looking statements and forecasts. Nothing in this Interim Statement should be construed as a profit forecast.
- 5 – A copy of this Interim Statement for the six months ended 30 September 2008 can be found on our website at www.entertainmentonegroup.com.

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REVIEW OF INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2008

Overview

The interim results for the six months ended 30 September 2008 reflect the progress that has been made in executing the Group's strategy to own and exploit entertainment rights across the spectrum of distribution channels (including movie theatres, home entertainment, television and digital delivery platforms) on a multi-territory basis and to expand its operations through both organic growth and the acquisition of established content ownership and exploitation businesses in key international markets. The strategic goal of the Group is to become the world's leading independent content ownership and distribution business.

The Group operates with two main divisions. The Entertainment division focuses on the exploitation of content rights in filmed entertainment and music while the Distribution division focuses on the physical distribution of entertainment product in Canada and the US. During the first half the Group has been building the scale and strength of the businesses acquired during the last financial year within the Entertainment Division. The Group has expanded the capabilities and efficiencies of its Filmed Entertainment businesses and has been actively investing in film content rights to build a strong release schedule in all territories. The Distribution businesses overall continue to deliver good results. The US music businesses within the Entertainment and Distribution divisions face challenging markets which have affected performance.

On 24 September 2008 the Group acquired four Canadian television production and distribution businesses for £27.9 million. These acquisitions included Barna-Alper Productions Inc. and Blueprint Entertainment Corp., both established independent television production companies in Canada and Oasis Pictures Inc., a film and television international sales and distribution company. The acquisitions have established Entertainment One as a significant television producer and distributor in the Canadian market and provide the Group with an international sales infrastructure which the directors believe will enable the company to license its filmed content more effectively around the world. These businesses diversify the revenue base into a unique industry, which enjoys a favourable financing environment, and are able to create content with a favourable risk-return profile for delivery into the Group's multi-territory film distribution infrastructure. The acquisition also included Maximum, a Canadian film distribution business, which will be combined into the operations of the Group's existing Canadian film distribution business, Seville, and provides the Group with a stronger platform to continue growth in the Canadian market.

On 17 September 2008 the Group announced a new four-year multi-currency US\$150 million senior credit facility led by JP Morgan. This replaced the Group's existing debt facilities and provides additional capital to the Group for continued growth alongside greater flexibility and certainty of funding for the foreseeable future. Along with JP Morgan, participating banks include Bank of America, Barclays, Toronto Dominion Bank, Royal Bank of Canada and Alliance & Leicester. As part of the financing, the Group commissioned an independent third party report that has valued the film and music library, which currently includes over 3,700 film titles and approximately 15,000 music tracks, in excess of US\$175 million.

On 29 September 2008 the Group announced that it had entered into a conditional agreement to combine its operations with those of DHX Media Ltd ("DHX"). The combination will be structured as a reverse takeover of Entertainment One by DHX. On completion the enlarged Group will have a primary listing on the Toronto Stock Exchange and a secondary listing on AIM. The transaction is continuing to be progressed.

Outlook

The Group remains confident in the business to perform well despite the uncertain economic backdrop and is focused on progressing the Group's strategy in the second half of the financial year. The Entertainment division continues to acquire and release film content with a strong second half line up of theatrical releases in its territories including the films *Twilight*, *Knowing* and *Pride and Glory*. The Distribution division remains well positioned to deliver a solid performance.

Group Results

Six months ended 30 September	Current year	Prior year - reported		Prior year – proforma (constant currency)	
	£000	£000	%	£000	%
Revenue	131,076	106,662	22.9%	131,591	(0.4)%
Operating EBITDA (pre content amortisation)	18,151	10,582	71.5%	18,532	(2.1)%
Operating EBITDA	9,048	6,994	29.4%	9,434	(4.1)%
Group costs ¹	(2,295)	(1,350)	(70.0)%	(1,413)	(62.4)%
Underlying EBITDA	6,753	5,644	19.6%	8,021	(15.8)%
One off item	(800)				
Amortisation of acquired intangibles	(6,668)				
Depreciation	(721)				
Share based payments	(2,347)				
Operating loss	(3,783)				
Net finance charges	(1,722)				
Loss before tax	(5,505)				

1 Group costs are costs (excluding share-based payment charges) that do not relate to a specific operating division

Reported revenues were up 23% to £131.1 million (2007/08: £106.7 million) driven mainly by a full six months contribution from the acquisitions of Contender, Seville and RCV which were completed during the 2007/08 financial year. Operating EBITDA at £9.0 million was up £2.0 million with reported Underlying EBITDA increasing £1.1 million to £6.8 million.

Proforma revenues were flat year on year at £131.1 million (2007/08: £131.6 million) with growth in Entertainment coming from Filmed Entertainment partly offset by a decline in Music due to the challenging music market in the US. Proforma Operating EBITDA at £9.0m (2007/08: £9.4 million) was down £0.4m due primarily to the weaker performance in Music. Operating EBITDA in Filmed Entertainment and Distribution was flat. Group costs increased reflecting the increased size of the Group since listing in March 2007.

The reported loss before tax was £5.5 million (2007/08: £5.4 million) reflecting a reduced share based payment charge and lower net finance costs offset by a one off item in relation to a bad debt provision and an increased amortisation charge. Amortisation (which primarily relates to intangible assets arising on consolidation of acquired businesses) increased year on year reflecting the impact of the Contender, Seville and RCV acquisitions which were completed during the last financial year. The movement in share based charges year on year reflects the profile of the share based incentive scheme established on listing in March 2007.

Net finance costs decreased £1.4 million to £1.7 million (2007/08: £3.1 million). The underlying net finance costs were £2.6 million compared to £1.4 million in the comparative period reflecting the Group's increased debt levels. This was offset mainly by foreign exchange movements which reduced the charge in the current period by £1.4 million, compared to a £0.4 million cost in the comparative period last year. Additional items in the current year included a one off charge of £0.6 million in relation to the refinancing. Fair value gains of £0.7 million were broadly offset by financing amortisation charges. The prior year included a one off charge of £0.8 million and £0.4 million net charge arising from fair value gains and amortisation.

The reported loss for the period was £4.4 million (2007/08: £5.2 million). Income tax was a credit of £1.1 million compared to £0.2 million in the comparative period last year. The Group tax credit reflects the loss before tax. It is expected that the full year effective rate, excluding the impact of the acquisitions at the end of the reporting period, will be 4% (credit) compared to 11.5% (charge) in the prior financial year. This movement reflects the change in the mix of earnings in the various territories in which the Group operates.

Operating Results by Business Segment

The Group is split into two divisions – Entertainment and Distribution. A summary of the operating results including proforma results at constant currency for the six months ended 30 September 2008 are set out below:

Entertainment

The Group's Entertainment division operates in Filmed Entertainment and Music.

Six months ended 30 September	Current year £000	Prior year - reported		Prior year - proforma (constant currency)	
		£000	%	£000	%
Revenue					
- Filmed Entertainment	41,236	18,522	122.6%	37,832	9.0%
- Music	10,368	12,114	(14.4)%	12,655	(18.1)%
Total	51,604	30,636	68.4%	50,487	2.2%
Operating EBITDA (pre content amortisation)					
- Filmed Entertainment	11,397	3,336	241.6%	10,936	4.2%
- Music	2,686	3,557	(24.5)%	3,701	(27.4)%
Total	14,083	6,893	104.3%	14,637	(3.8)%
Operating EBITDA					
- Filmed Entertainment	4,307	2,098	105.2%	4,277	0.7%
- Music	673	1,207	(44.2)%	1,262	(46.7)%
Total	4,980	3,305	50.7%	5,539	(10.1)%

Filmed Entertainment

The Filmed Entertainment division, which was established in the previous financial year following the acquisitions of Contender in the UK, Seville in Canada and RCV in Holland and Belgium, has continued to build scale in the market.

Revenue: During the six months ended 30 September 2008 Filmed Entertainment grew proforma revenue 9.0% to £41.2 million (2007/08: £37.8 million).

Seville released 51 film titles (15 theatrically) in the first half of the financial year which has driven growth in all the major exploitation windows and increased the scale of the business in the Canadian market. Strong titles included *Never Back Down*, *Penelope* and *Shake Hands with the Devil*. The business also benefited from new TV deals with Comedy Network, Series+ and Z Tele and new DVD revenue share agreements with the main home video retailers. In September Seville acquired 27 films from Christal, the Quebec based film distribution business, boosting the film release schedule significantly. The second half slate totals 98 film releases (36 theatrical) and includes *Twilight*, *Sex Drive* and *Knowing*. *Twilight* was released in North America on 21 November and grossed \$70 million on its opening weekend.

Contender continued to benefit from the success of Peppa Pig both in sales of DVDs and also through the further expansion of its licensing and merchandising revenues. A new third series of Peppa Pig was commissioned in the period alongside the production of *Little Kingdom*, *Humf* and *Lost and Found*. In video the business faced a strong comparative period last year and this year saw key releases of *Ashes to Ashes* (the sequel to *Life on Mars*) and subsequent series of *Spooks*. The second half is expected to benefit from a number of theatrical releases, principally resulting from the Summit output agreement, including *Twilight*, *Franklyn*, *Sex Drive* and *Knowing*.

RCV completed its first full half year as part of the Group and reported growth on last year. Strong performers in the theatrical window included *Untraceable* and *Bangkok Dangerous* while video benefited from strong revenues from *The Golden Compass* and *Hairspray*. The second half has a strong line up of titles including *My Best Friends Girl*, *How To Lose Friends and Alienate People*, *Pride and Glory*, *Defiance* and *Blindness*.

In the US the Group continued to expand its video content distribution business seeing revenues grow from the success of titles including *PD James*, *Faerie Tale Theatre* and *Ballet Shoes*.

Operating EBITDA: Proforma operating EBITDA for Filmed Entertainment at £4.3 million (2007/08: £4.3 million) was flat year on year reflecting the increased theatrical activity during the period which impacts the level of print and advertising expenditure and content rights amortisation. On a multi-territory basis the Group continued to benefit from its increased scale to drive further efficiencies into its operational cost base with print and film stock deals for the UK and Europe and expanded media deals in the UK. It should be noted that the Group amortises the initial acquisition advance paid for a film (the “Minimum Guarantee”) in line with forecast revenues (which is typically 80% within 12 months of theatrical release). However, print and advertising costs associated with the initial release of the film are expensed on the release of the film meaning that the operating results of Filmed Entertainment will be impacted while the investment in content rights increases year on year.

On 26 November 2008 Entertainment UK, one of the Group’s largest customers in the UK, announced it had been placed into administrative receivership. For a number of weeks leading up to this announcement Entertainment UK’s parent company, Woolworths Group plc, had been in financial difficulties and by 30 September a number of credit insurers had stopped providing cover for its suppliers. The Group has assessed the recoverability of its exposure to this customer and a provision for £0.8 million has been established and charged as a ‘one off’ item to the income statement.

Music

Revenue: Koch Records reported lower revenues, down 18.1% compared to the comparative period, driven by the continued transition from physical to digital. The business was also impacted by higher than expected returns from retailers in the first quarter as they reduced their in-store selections. The reduction in physical revenue was partially offset by the continued increase in digital revenues which were up 21.9% year on year and accounted for 44.5% of total Music sales in the period.

Operating EBITDA: Operating EBITDA was also lower than the comparative period, principally due to the lower revenues. The Group continues to closely monitor the development of the music market in the US, in particular in the run up to Christmas.

Distribution

The Distribution division continues to deliver good results through its two operating businesses: Entertainment One in Canada and Koch Distribution in the US.

Six months ended 30 September	Current year	Prior year - reported		Prior year - proforma (constant currency)	
	£000	£000	%	£000	%
Revenue	90,315	83,516	8.1%	88,096	2.5%
Operating EBITDA	4,401	4,182	5.2%	4,395	0.1%

Revenue: Overall proforma revenues at £90.3 million (2007/08: £88.1 million) were up 2.5%. The Canadian business has had a robust first half and continued to dominate the home video market and roll out its Vendor Managed Inventory programme to customers. The success of the Canadian box office has maintained a strong flow of product through the business and is expected to support sales momentum throughout the rest of the year. US Distribution, through Koch Entertainment, benefited from having the volume of the Navarre business following the transaction in June 2007. The challenge of the declining physical music market will be monitored closely in the second half of the year and the business will seek to mitigate this by continuing to shift its focus to DVD sales.

Operating EBITDA: Proforma operating EBITDA for the Distribution division at £4.4 million (2007/08: £4.4 million) was in line with the comparative period. The Canadian business remains focused on maintaining cost efficiency in the face of reducing average selling prices. It has completed the closure of its Vancouver warehouse and is investing in IT systems to better manage the purchasing and returns processes within the business and drive lower working capital requirements. In the US the business already benefits from an efficient operational infrastructure from its site in Port Washington and will continue to review opportunities to further improve efficiencies.

Financing

Six months ended 30 September	Current year £000
Movement in cash and cash equivalents	
Operating Activities	5,482
Investing Activities	(27,365)
Financing Activities	16,556
Net decrease in cash and cash equivalents	(5,327)

The net cash inflow from operating activities during the period of £5.5 million reflects the underlying EBITDA offset by the expected seasonal working capital outflow. Investing activities include £17.1 million on acquiring content rights and programmes, £1.8 million capital expenditure and £8.5 million relating to the net cash element of the acquisitions completed during the first half of the financial year. The inflow from financing activities of £16.6 million arises mainly as a result of the increase in debt to support the content investment of the Group net of £5.3 million of interest paid.

Movement in net debt	30 September 2008 £000
Net debt at 31 March 2008	(47,394)
Net decrease in cash and cash equivalents	(5,327)
New loan advances	(79,175)
Loan repayments	57,312
Debt acquired on acquisition	(9,241)
Other (including foreign exchange movements)	(1,719)
Net debt at 30 September 2008	(85,544)
Analysed as:	
- Cash and cash equivalents	11,812
- Bank Borrowings	(69,868)
- Exchangeable Debenture	(17,452)
- Interim Production Financing	(10,036)
Net debt	(85,544)

The Group's net debt increased to £85.5 million from £47.4 million at 31 March 2008. The principal elements of the movement comprise of £21.9 million of increased bank borrowings and £9.2 million of interim production financing debt assumed as part of the TV company acquisitions made during the first half.

Condensed Consolidated Income Statement
For the six months ended 30 September 2008

	Notes	Six months ended 30 September 2008 (Unaudited) £000	Period ended 30 September 2007 (Unaudited) £000	Period ended 31 March 2008 (Audited) £000
Revenue	3	131,076	106,662	264,375
Cost of sales		(98,083)	(76,923)	(201,094)
Gross profit		<u>32,993</u>	<u>29,739</u>	<u>63,281</u>
Administrative expenses		(36,776)	(32,111)	(64,781)
Operating loss		<u>(3,783)</u>	<u>(2,372)</u>	<u>(1,500)</u>
Analysed as:				
Underlying EBITDA		6,753	5,644	18,620
Amortisation of intangible assets		(6,668)	(4,568)	(11,067)
Depreciation		(721)	(534)	(1,007)
Share-based payment charge		(2,347)	(2,914)	(5,797)
One off items	4	(800)	-	(2,249)
		<u>(3,783)</u>	<u>(2,372)</u>	<u>(1,500)</u>
Finance income	5	2,322	503	795
Finance costs	5	(4,044)	(3,556)	(6,971)
Loss before tax		<u>(5,505)</u>	<u>(5,425)</u>	<u>(7,676)</u>
Analysed as:				
Underlying (loss)/profit before tax		(2,192)	(1,426)	1,965
Financing fair value movements		464	(252)	(722)
Share based payment charge		(2,347)	(2,914)	(5,797)
Early settlement cost on conversion of debenture		-	(833)	(873)
Early settlement cost on refinancing		(630)	-	-
One off items		(800)	-	(2,249)
		<u>(5,505)</u>	<u>(5,425)</u>	<u>(7,676)</u>
Income tax credit/(charge)	6	<u>1,059</u>	<u>195</u>	<u>(879)</u>
Loss for the period		<u>(4,446)</u>	<u>(5,230)</u>	<u>(8,555)</u>
Attributable to:				
Equity holders of the parent		<u>(4,446)</u>	<u>(5,230)</u>	<u>(8,555)</u>
Loss per share				
Basic and diluted – pence	8	3.40	7.61	9.49
Underlying basic and diluted – pence	8	1.11	2.31	0.03

Entertainment One Ltd.
Condensed Consolidated Interim Financial Statements for the six months ended 30 September 2008
**Condensed Consolidated Balance Sheet
As at 30 September 2008**

	Notes	30 September 2008 (Unaudited) £000	30 September 2007 (Unaudited) £000	31 March 2008 (Audited) £000
Assets				
Non-current assets				
Goodwill		95,794	70,558	80,681
Intangible assets		94,273	61,532	75,137
Investments		447	321	319
Property, plant and equipment		6,419	4,091	5,031
Other receivables		789	508	549
Deferred tax assets		1,931	4,089	1,006
Total non-current assets		<u>199,653</u>	<u>141,099</u>	<u>162,723</u>
Current assets				
Inventories		42,930	41,929	40,659
Investment in content rights		72,595	13,148	43,547
Trade and other receivables		48,541	25,986	31,585
Cash and cash equivalents		11,812	7,587	16,484
Total current assets		<u>175,878</u>	<u>88,650</u>	<u>132,275</u>
Total assets		<u><u>375,531</u></u>	<u><u>229,749</u></u>	<u><u>294,998</u></u>
Liabilities and equity				
Non-current liabilities				
Interest bearing loans and borrowings		87,320	38,640	60,339
Provisions		-	-	272
Other payables		376	557	621
Deferred tax liabilities		14,635	7,363	9,033
		<u>102,331</u>	<u>46,560</u>	<u>70,265</u>
Current liabilities				
Trade and other payables		115,076	58,943	93,368
Current tax liabilities		793	867	303
Interest bearing loans and borrowings	10	10,036	3,818	3,539
Provisions		3,897	262	907
Other financial liabilities		2,236	252	3,038
Total current liabilities		<u>132,038</u>	<u>64,142</u>	<u>101,155</u>
Total liabilities		<u>234,369</u>	<u>110,702</u>	<u>171,420</u>
Equity				
Share capital	11	675	572	587
Share premium		126,352	123,546	126,352
Treasury shares		(7,819)	(7,819)	(7,819)
Other reserves		14,915	639	639
Currency translation reserve		12,031	4,468	6,705
Retained earnings		(4,992)	(2,359)	(2,886)
Total equity		<u>141,162</u>	<u>119,047</u>	<u>123,578</u>
Total liabilities and equity		<u><u>375,531</u></u>	<u><u>229,749</u></u>	<u><u>294,998</u></u>

Condensed Consolidated Cash Flow Statement
Six months ended 30 September 2008

	Notes	Six months ended 30 September 2008 (Unaudited) £000	Period ended 30 September 2007 (Unaudited) £000	Period ended 31 March 2008 (Audited) £000
Operating activities				
Operating loss		(3,783)	(2,372)	(1,500)
Adjustments for:				
Depreciation		721	534	1,007
Amortisation of acquired intangible assets		6,668	4,568	11,067
Amortisation of content rights		10,747	3,882	10,160
Foreign exchange movements		138	(585)	(489)
Share option charge		2,347	2,914	5,797
(Increase)/decrease in inventories		(2,248)	(656)	514
Increase in trade and other receivables		(5,382)	(3,127)	(3,421)
(Decrease)/increase in trade and other payables		(3,039)	(7,112)	5,743
(Decrease)/increase in provisions		(186)	(12)	886
Net cash flow from trading activities		5,983	(1,966)	29,764
Income tax paid		(501)	-	(1,046)
Net cash from operating activities		5,482	(1,966)	28,718
Investing activities				
Interest received		118	453	722
Acquisition of subsidiaries (net of cash acquired)	9	(8,587)	(128,315)	(159,857)
Investment in content rights		(14,954)	(4,784)	(15,581)
Investment in programmes		(2,151)	-	(1,781)
Purchases of property, plant and equipment		(1,428)	(399)	(1,714)
Purchases of intangible software assets		(363)	-	(581)
Net cash used in investing activities		(27,365)	(133,045)	(178,792)
Financing activities				
Proceeds from share issue		-	97,181	100,002
Loan repaid on acquisition		-	(3,875)	(3,875)
New loan advances		79,175	51,213	79,504
Loan repayments	10	(57,312)	-	(4,309)
Interest paid		(5,307)	(1,921)	(4,764)
Net cash from financing activities		16,556	142,598	166,558
Net (decrease)/increase in cash and cash equivalents		(5,327)	7,587	16,484
Cash and cash equivalents at beginning of period		16,484	-	-
Effect of foreign exchange rate changes		655	-	-
Cash and Cash equivalents at end of period		11,812	7,587	16,484

Condensed Consolidated Statement of Changes in Equity
For the period ended 30 September 2008

	Issued share capital £000	Share premium £000	Treasury shares £000	Other reserves ¹ £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 based payments	-	-	-	-	-	2,871	2,871
At 30 September 2007	572	123,546	(7,819)	639	4,468	(2,359)	119,047
Loss for the period	-	-	-	-	-	(3,325)	(3,325)
Shares issued during the period	15	2,986	-	-	-	-	3,001
Share issue costs	-	(180)	-	-	-	-	(180)
Foreign currency translation	-	-	-	-	2,237	-	2,237
Share based payments	-	-	-	-	-	2,798	2,798
At 31 March 2008	587	126,352	(7,819)	639	6,705	(2,886)	123,578
Loss for the period	-	-	-	-	-	(4,446)	(4,446)
Shares issued during the period	88	-	-	14,276	-	-	14,364
Foreign currency translation	-	-	-	-	5,326	-	5,326
Share based payments	-	-	-	-	-	2,340	2,340
At 30 September 2008	675	126,352	(7,819)	14,915	12,031	(4,992)	141,162

¹ Other reserves include 4 million share warrants issued to Marwyn Neptune Fund in the period ended 30 September 2007 with a fair value of £0.6 million and a £14.3 million reserve for S class shares in relation to the acquisitions described in note 9.

1. Nature of operations and general information

Entertainment One Ltd. and subsidiaries' (the Group) principal activities are 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 2 December 2008.

2. Basis of presentation

The Group's financial information has been prepared in accordance with the accounting policies and methods of computation which the Group expects to adopt for the 2009 year end. These policies are consistent with the principal accounting policies which were set out in the Group's latest annual audited financial statements which were consistent with International Financial Reporting Standard's (IFRS) issued by the International Accounting Standards Board as adopted by the European Commission for use in the European Union. The Group has adopted IAS 34, "Interim Financial Reporting", in preparing these interim financial statements.

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.

Comparative periods disclosed are "period ended 30 September 2007" which relates to the trading period 11 January 2007 to 30 September 2007 and "period ended 31 March 2008" which relates to the trading period 11 January 2007 to 31 March 2008.

Use of non-defined measures

The Group presents one off items, underlying EBITDA, underlying profit before tax, operating EBITDA and underlying loss per share information. These measures are used by the Group for internal performance analysis and incentive compensation arrangements for employees. The terms 'one off items', 'underlying' and 'operating' are not defined terms under IFRS and may therefore not be comparable with similarly titled measures reported by other companies. They are not intended to be a substitute for, or superior to, GAAP measurements of profit. The term 'underlying EBITDA' refers to operating loss excluding one off items, share based payment charges, depreciation and amortisation of intangible assets arising on acquisition of businesses. The terms 'underlying loss before tax' and 'underlying loss per share' refer to the reported measures excluding one off items, certain costs relating to the Group's financing arrangements and share based payment charges. The term 'operating EBITDA' comprises underlying EBITDA excluding group costs.

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

Distribution – the ownership of retail distribution channels 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.

Segment information for the six months ended 30 September 2008 is presented below.

	Entertainment £000	Distribution £000	Other £000	Eliminations £000	Consolidated £000
Revenue					
External sales	35,278	83,444	12,354	-	131,076
Inter-segment sales	15,815	6,871	-	(22,686)	-
Total revenue	<u>51,093</u>	<u>90,315</u>	<u>12,354</u>	<u>(22,686)</u>	<u>131,076</u>

Inter-segment sales are charged at prevailing market prices.

	Entertainment £000	Distribution £000	Other £000	Eliminations £000	Consolidated £000
Result					
Operating EBITDA	4,980	4,401	(239)	(94)	9,048
One off items	(800)	-	-	-	(800)
Depreciation and amortisation	(3,040)	(4,279)	(70)	-	(7,389)
Segment result	<u>1,140</u>	<u>122</u>	<u>(309)</u>	<u>(94)</u>	<u>859</u>
Unallocated corporate expenses					
Group costs					(2,295)
Share-based payments					<u>(2,347)</u>
Operating loss					(3,783)
Finance income					2,322
Finance costs					(4,044)
Loss before tax					<u>(5,505)</u>
Tax					1,059
Loss after tax					<u>(4,446)</u>

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)	-
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.

Entertainment One Ltd.**Condensed Consolidated Interim Financial Statements for the six months ended 30 September 2008****3. Business and geographical segments (continued)****Business segments (continued)**

	Entertainment £000	Distribution £000	Other £000	Eliminations £000	Consolidated £000
Result					
Operating EBITDA	3,305	4,182	(32)	(461)	6,994
Depreciation and amortisation	(1,444)	(3,611)	(47)	-	(5,102)
Segment result	1,861	571	(79)	(461)	1,892
Unallocated corporate expenses					
Group costs					(1,350)
Share-based payments					(2,914)
Operating loss					(2,372)
Finance income					503
Finance costs					(3,556)
Loss before tax					(5,425)
Tax					195
Loss after tax					(5,230)

Segment information for the period ended 31 March 2008 is presented below.

	Entertainment £000	Distribution £000	Other £000	Eliminations £000	Consolidated £000
Revenue					
External sales	47,361	187,202	29,812	-	264,375
Inter-segment sales	26,527	15,306	-	(41,833)	-
Total revenue	73,888	202,508	29,812	(41,833)	264,375

Inter-segment sales are charged at prevailing market prices.

	Entertainment £000	Distribution £000	Other £000	Eliminations £000	Consolidated £000
Result					
Operating EBITDA	9,220	14,222	(112)	(676)	22,654
One off items	(359)	(1,545)	-	-	(1,904)
Depreciation and amortisation	(6,149)	(5,823)	(102)	-	(12,074)
Segment result	2,712	6,854	(214)	(676)	8,676
Unallocated corporate expenses					
Group costs					(4,034)
Share-based payments					(5,797)
One off items					(345)
Operating loss					(1,500)
Finance income					795
Finance costs					(6,971)
Loss before tax					(7,676)
Tax					(879)
Loss after tax					(8,555)

3. Business and geographical segments (continued)

Geographical segments

The Group's operations are located in Canada, the United States, the United Kingdom and the Rest of Europe. The Entertainment division is located in all geographies. 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 destination:

	Six months ended 30 September 2008 £000	Period ended 30 September 2007 £000	Period ended 31 March 2008 £000
Canada	77,196	69,147	171,538
United States	31,463	32,050	68,833
United Kingdom	10,687	5,465	18,645
Rest of Europe	11,730	-	5,359
	<u>131,076</u>	<u>106,662</u>	<u>264,375</u>

4. One off items

One off items are items of income and expenditure that are non-recurring and, in the judgement of management, should be disclosed separately on the basis that they are material, either by their nature or their size, to provide a further understanding of the Group's financial performance and enable comparison of financial performance between periods. One off items for the six months ended 30 September 2008 of £0.8m (30 September 2007: £nil; 31 March 2008: £2.2m) relate to a provision for doubtful debts in relation to the recoverability of trade receivables from Entertainment UK, one of the Group's largest customers in the UK which was placed into administrative receivership during November 2008. One off items for the period ended 31 March 2008 relate to restructuring costs, retention bonuses and abortive acquisition costs.

5. Finance income and costs

The finance income and costs comprise:

	Six months ended 30 September 2008 £000	Period ended 30 September 2007 £000	Period ended 31 March 2008 £000
Interest receivable	118	503	795
Increase in fair value of embedded equity option	686	-	-
Increase in fair value of interest rate collars	116	-	-
Net foreign exchange gains	1,402	-	-
	<u>2,322</u>	<u>503</u>	<u>795</u>
Interest payable on bank loans and overdrafts	(1,719)	(1,490)	(3,158)
Other interest payable	-	(26)	(185)
Amortisation of deferred finance charges	(1,007)	(141)	(374)
Interest payable on exchangeable debenture	(980)	(443)	(883)
Early settlement cost on conversion of debenture	-	(833)	(873)
Amortisation of exchangeable debenture	(338)	-	(166)
Decrease in fair value of embedded equity option	-	-	(100)
Decrease in fair value of interest rate swap	-	(252)	(456)
Net foreign exchange losses	-	(371)	(776)
	<u>(4,044)</u>	<u>(3,556)</u>	<u>(6,971)</u>
Net finance charges	<u>(1,722)</u>	<u>(3,053)</u>	<u>(6,176)</u>

6. Tax

	Six months ended 30 September 2008 £000	Period ended 30 September 2007 £000	Period ended 31 March 2008 £000
Current tax	(1,010)	(714)	(1,175)
Deferred tax	2,069	909	296
	<hr/>	<hr/>	<hr/>
Income tax credit/(charge) in income statement	1,059	195	(879)
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

Income tax for the six months ended 30 September 2008 is credited at 19.2% (30 September 2007: 3.6% credit; 31 March 2008: 11.5% charge), representing the estimated annual effective income tax rate by tax jurisdiction applied individually to the pre-tax profits and losses of each jurisdiction for the six month period.

7. Dividends

The directors are not recommending payment of an interim dividend (30 September 2007: £nil; 31 March 2008: £nil).

8. Loss per share

The calculation of the basic and diluted loss per share is based on the loss attributable to equity holders of the parent of £4.4m (30 September 2007: £5.2m; 31 March 2008: £8.6m) divided by the weighted average number of shares in issue during the period which is 130,649,463 (30 September 2007: 68,768,992; 31 March 2008: 90,166,431). The share options granted during the period are not dilutive for the purposes of the loss per share calculation as defined by IAS 33 "Earnings per share".

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 certain movements disclosed in the table below.

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

	Six months ended 30 September 2008 £000	Period ended 30 September 2008 £000	Period ended 31 March 2008 £000
<i>For basic and diluted loss per share</i>			
Loss for the financial period	(4,446)	(5,230)	(8,555)
	<hr/>	<hr/>	<hr/>
<i>For underlying basic and diluted loss per share</i>			
Loss for the financial period	(4,446)	(5,230)	(8,555)
Add back:			
Financing fair value movements and amortisation	(464)	252	722
Share based payment (net of tax)	2,347	2,817	5,599
Early settlement cost on conversion of debenture (net of tax)	-	576	589
Early settlement cost on refinancing (net of tax)	541	-	-
One off items (net of tax)	570	-	1,621
	<hr/>	<hr/>	<hr/>
Underlying loss after tax	(1,452)	(1,585)	(24)
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

Entertainment One Ltd.**Condensed Consolidated Interim Financial Statements for the six months ended 30 September 2008**

	Six months ended 30 September 2008 Pence	Period ended 30 September 2007 Pence	Period ended 31 March 2008 Pence
Basic and diluted loss per share	3.40	7.61	9.49
Effect of financing fair value movements and amortisation	0.36	(0.37)	(0.80)
Effect of share-based payment	(1.80)	(4.09)	(6.22)
Effect of early settlement cost on conversion of debenture	-	(0.84)	(0.65)
Effect of early settlement cost on refinancing	(0.41)	-	-
Effect of one off items	(0.44)	-	(1.79)
	<hr/>	<hr/>	<hr/>
Underlying basic and diluted loss per share	<u>1.11</u>	<u>2.31</u>	<u>0.03</u>

9. Acquisitions

On 24 September 2008 the Group acquired 100% of the issued share capital of each of the following companies, involved in television production and film and television international sales and distribution:

(i) Barna-Alper Productions Inc.; (ii) Blueprint Entertainment Corporation which also includes the subsidiary Oasis Pictures Inc.; and (iii) Maximum, comprising Maximum Film Distribution Inc. and Maximum Film International Inc.

Under the terms of certain acquisition agreements contingent consideration of up to CAD\$14 million is payable if certain financial targets are reached. No provision has been recognised in respect of this as at 30 September 2008.

The fair values of all acquisitions made during the current period are provisional awaiting final determination of the balances acquired.

(i) Barna-Alper Productions Inc.

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

	Book value £000	Provisional fair value £000
Net assets acquired:		
Intangible assets	-	4,657
Property, plant and equipment	72	72
Investment in content	6,814	6,814
Trade and other receivables	3,456	3,456
Cash and cash equivalents	664	664
Interest bearing loans and borrowings	(5,889)	(5,889)
Trade and other payables	(3,078)	(3,078)
Deferred tax liabilities	-	(1,513)
	<hr/>	<hr/>
	2,039	5,183
	<hr/>	<hr/>
Provisional goodwill arising on acquisition		1,513
		<hr/>
Total consideration		6,696
		<hr/>
Satisfied by:		
Cash consideration		2,078
Deferred consideration to be settled by cash and shares within 12 months		4,140
Directly attributable costs		478
		<hr/>
		6,696
		<hr/>

Entertainment One Ltd.**Condensed Consolidated Interim Financial Statements for the six months ended 30 September 2008**

Net cash outflow arising on acquisition:

Cash consideration and costs associated with acquisition	(2,556)
Cash and cash equivalents acquired	664
	<hr/>
	(1,892)
	<hr/> <hr/>

(ii) Blueprint Entertainment Corporation

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

	Book value	Provisional
	£000	fair value
		£000
Net assets acquired:		
Intangible assets	-	14,658
Property, plant and equipment	96	96
Investments	102	102
Inventories	23	23
Investment in content	8,601	8,601
Trade and other receivables	6,063	6,063
Cash and cash equivalents	1,730	1,730
Interest bearing loans and borrowings	(3,352)	(3,352)
Trade and other payables	(11,833)	(11,833)
Deferred tax liabilities	-	(4,764)
	<hr/>	<hr/>
	1,430	11,324
	<hr/> <hr/>	<hr/> <hr/>
Provisional goodwill arising on acquisition		7,491
		<hr/>
Total consideration		18,815
		<hr/> <hr/>
Satisfied by:		
Cash consideration		5,678
Deferred consideration to be settled by cash and shares within 12 months		11,797
Directly attributable costs		1,340
		<hr/>
		18,815
		<hr/> <hr/>
Net cash outflow arising on acquisition:		
Cash consideration and costs associated with acquisition		(7,018)
Cash and cash equivalents acquired		1,730
		<hr/>
		(5,288)
		<hr/> <hr/>

(iii) Maximum

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

	Book value £000	Provisional fair value £000
Net assets acquired:		
Intangible assets	-	333
Property, plant and equipment	6	6
Investment in content	1,779	1,779
Trade and other payables	(730)	(730)
Deferred tax liabilities	-	(108)
	<hr/>	<hr/>
	1,055	1,280
	<hr/> <hr/>	<hr/> <hr/>
Provisional goodwill arising on acquisition		3,220
		<hr/>
Total consideration		4,500
		<hr/> <hr/>
Satisfied by:		
Cash consideration		1,086
Deferred consideration to be settled by cash and shares within 12 months		3,093
Directly attributable costs		321
		<hr/>
		4,500
		<hr/> <hr/>
Net cash outflow arising on acquisition:		
Cash consideration and costs associated with acquisition		(1,407)
Cash and cash equivalents acquired		-
		<hr/>
		(1,407)
		<hr/> <hr/>

Total contribution to group revenue and operating loss

If all acquisitions had been completed on the first day of the current trading period, 1st April 2008, Group revenues for the period would have been £136m and the Group's underlying EBITDA (before group costs) would have decreased by £0.2m to £6.5m.

10. Bank loans and overdrafts

On 19 September 2008 the Group agreed a new four-year multi-currency US\$150m (£84.0m) senior credit facility led by JP Morgan. The facility replaces the Group's existing debt facilities and provides additional capital for continued future growth.

£71.4m was drawn down under the Group's new loan facility to repay the previous debt facility and to fund working capital. Repayments of the previous banking facility amounted to £57.3m.

Current interest bearing loans and borrowings of £10.0m relate to TV production financing in the acquired Barna-Alper Productions Inc and Blueprint Entertainment Corporation businesses.

11. Share capital

	30 Sept 2008 C\$	30 Sept 2008 £	30 Sept 2007 C\$	30 Sept 2007 £	31Mar 2008 C\$	31 Mar 2008 £
Authorised:						
200,000,000 ordinary shares of C\$0.01 each	2,000,000		2,000,000		2,000,000	
25,000,000 S Class shares of C\$0.01 each	250,000		-		-	
	<u>2,250,000</u>		<u>2,000,000</u>		<u>2,000,000</u>	
Issued and fully paid:						
129,996,149 ordinary shares of C\$0.01 each	1,299,961	586,670	1,270,976	572,050	1,299,961	586,670
16,899,762 S Class shares of C\$0.01 each	168,998	88,167	-	-	-	-
	<u>1,468,959</u>	<u>674,837</u>	<u>1,270,976</u>	<u>572,050</u>	<u>1,299,961</u>	<u>586,670</u>

On 24 September 2008 the Company issued 16,899,762 new S Class shares. All shares issued carry equal voting rights and there is no right to dividends.

12. Subsequent events

On 29 September 2008 the Group announced the conditional agreement to combine its operations with those of DHX Media Ltd (DHX). The combination will be structured as a reverse takeover of Entertainment One by DHX. It is intended that the enlarged group will have a primary listing on the Toronto Stock Exchange and a secondary listing on AIM.

13. Seasonality

The Group's exposure to seasonality varies by division. The results of the Entertainment division are impacted by the number and timing of film release dates. The release dates are not entirely in the control of the Group and are determined largely by the production and releasing schedules of the film's producers. Revenues from television productions are driven by contracted delivery dates with primary broadcasters and can fluctuate materially from period to period. Results of Entertainment One's Distribution division reflect seasonal patterns with the fourth calendar quarter providing the highest sales due to the increased consumer spending that accompanies the holiday season.

14. Risks and uncertainties

The Board considers risk assessment, identification of mitigating actions and internal control to be fundamental to achieving the Group's strategic objectives. The Corporate Governance report on page 31 of the Annual Report & Accounts for the period ended 31 March 2008 describes the systems and processes through which the directors manage and mitigate risks. The Board considers that the principal risks to achieving its objectives are set out below. The Board recognises that the nature and scope of the risks can change and so reviews the risks faced by the Group as well as the systems and processes to mitigate them.

- Attracting and retaining the best people
- Strategy execution
- Acquisition effectiveness
- Content investment opportunities
- Financial risk management

As part of financial risk management the Group monitors foreign currency movements. The significant movement in foreign currency exchange rates during the period has an impact on the reporting of the financial performance of the Group. In particular, the different functional currencies of the Group (USD, CAD, EUR, GBP) result in consolidation translation gains and losses as the Group reports its financial results in GBP. During the period the balance sheet translation reserve shows a gain of £5.3 million, reflecting the impact of the weaker GBP on the Group's non-sterling net assets. The Group looks to balance local currency borrowings with the net assets of the individual operating units to help mitigate the impact of currency movements in relation to the consolidated borrowings of the Group. To ensure the performance of the Group is monitored on a like for like basis the results of the business are also presented on a constant currency basis to eliminate any positive or negative effects from the relative movement of the functional currencies of the individual businesses within the Group.

Entertainment One Ltd.

Condensed Consolidated Interim Financial Statements for the six months ended 30 September 2008

The financial results of individual businesses within the Group are not significantly impacted by foreign currency movements other than in relation to the investment in film content which is generally transacted in USD. The Group will reduce its exposure to risk in relation to foreign currency movements in these circumstances through hedging instruments and internal currency offsets where available.

The Board believes that the current economic downturn has increased its exposure to credit risk since the year end. The Group has no significant concentrations of credit risk and management are continuing to mitigate the Group's exposure through closer control over granting credit and monitoring ageing of receivables. Other than this increased risk in the view of the Board there is no material change in the remaining risk factors in respect of the remaining six months of the year.

Further details of these risks are provided on page 22 of the Annual Report & Accounts for the year ended 31 March 2008 a copy of which is available on the Company's website at www.entertainmentonegroup.com.

INDEPENDENT REVIEW REPORT TO ENTERTAINMENT ONE LTD

We have been engaged by the company to review the condensed set of financial statements in the half-yearly financial report for the six months ended 30 September 2008 which comprises the condensed consolidated income statement, the condensed consolidated balance sheet, the condensed consolidated statement of changes in equity, the condensed consolidated cash flow statement and related notes 1 to 14. 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 are prepared in accordance with IFRSs as adopted by the European Union. The condensed set of financial statements included in this half-yearly financial report has been prepared in accordance with International Accounting Standard 34, "Interim Financial Reporting," as adopted by the European Union.

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 condensed set of financial statements in the half-yearly financial report for the six months ended 30 September 2008 is not prepared, in all material respects, in accordance with International Accounting Standard 34 as adopted by the European Union and the AIM Rules of the London Stock Exchange.

Deloitte LLP

Chartered Accountants and Registered Auditors
2 December 2008
London, United Kingdom