



Entertainment One Ltd.
Preliminary announcement for the period ended 31 March 2008

Entertainment One ('the Group'), the international entertainment content owner and distributor, today announces its maiden results for the period ended 31 March 2008.

Financial Highlights

Reported

- Revenue of £264.4 million
- Underlying EBITDA¹ of £18.6 million
- Loss before tax of £7.7 million

Proforma²

- Proforma revenues of £292.1 million driving proforma operating EBITDA³ of £25.6 million up 23% on last year
- Proforma underlying EBITDA of £21.5 million

Strategic Highlights

- Strategy on track to create the leading international content owner and distribution infrastructure through consolidation in different territories around the world
- Group is already a significant player in filmed entertainment distribution following three acquisitions:
 - Contender Entertainment Group was acquired in July 2007 for £49.1 million which expanded the Group's operations into the UK
 - Seville Entertainment Inc. was acquired in August 2007 for £2.5 million which strengthened the Group's position in Canada
 - RCV Entertainment was acquired in January 2008 for £31.4 million which expanded the Group's operations in Europe
- Strong pipeline of filmed content built through series of output deals with independent producers, including Summit Entertainment, Yari Film and THINKFilm
- Growing catalogue with over 3,700 film titles across the Group's different markets
- Strong position as a leading independent US music label and physical distributor of entertainment product in Canada and the US which provides the foundation for further Group expansion
- Navarre Entertainment Inc. was acquired in May 2007 for £3.3 million to strengthen music distribution operations in the US
- Opportunities for further consolidation in English-speaking and European film and television markets as the global filmed entertainment outlook remains positive
- Group plans significant growth in spend on content rights to increase scale in international markets

Darren Throop, Chief Executive, said "We are very pleased with what has been a great year since listing on AIM. The benefits of building a multi-territory infrastructure are already coming through as Entertainment One wins business from independent film producers while exploiting increasing operational efficiency.

"We look forward to another year of growth with confidence as we maintain the pace of our acquisition and consolidation strategy."

1. Underlying EBITDA is the loss before tax before share-based payment charges, one off items, interest, depreciation and amortisation of intangible assets
2. Proforma results are unaudited and are based on trading from 1 April 2007 to 31 March 2008 for all businesses owned by the Group during that period with comparatives based on constant foreign exchange rates
3. Operating EBITDA is the loss before tax before group costs, share-based payment charges, one off items, interest, depreciation and amortisation of intangible assets

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Business Review

This maiden set of results covers the period from the incorporation of the Group on 11 January 2007 to 31 March 2008. The Group commenced trading following the acquisition of the operations of Entertainment One Income Fund which coincided with the listing of the Group on AIM on 29 March 2007. The Group has undergone a period of transformation and is successfully executing its strategy to build the leading international independent entertainment content ownership and distribution business. The business has become a significant player in filmed entertainment distribution following acquisitions in Canada, the UK and Europe and has further consolidated its position as the leading independent music record label and physical entertainment distribution business in Canada and the US.

The Group is split into two divisions, Entertainment and Distribution. 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.

Financial Overview

The results for the period reinforce the combined strength of the Group with the Distribution business providing a solid foundation for the growth of the Entertainment division, which has benefited from the contribution of acquisitions completed during the period.

Reported revenue for the period was £264.4 million with underlying EBITDA of £18.6 million and a loss before tax of £7.7 million. Due to the number of acquisitions within Filmed Entertainment during the period the business review focuses on unaudited proforma performance which includes the results of all businesses as if they had been owned by the Group for the full trading period.

The Group has performed in line with management expectations in this period of significant change, delivering strong growth in proforma operating EBITDA of 23% to £25.6 million.

Summary Income Statement for the period to 31 March 2008						
	Reported ¹	Proforma ²			Constant Exchange Rates ³	
		Actual Exchange Rates		%	2007	
		2008	2007		£000	%
	2008	2008	2007		2007	
	£000	£000	£000	%	£000	%
Revenue	264,375	292,050	288,537	1%	293,600	(1%)
Operating EBITDA⁴	22,654	25,572	20,548	24%	20,830	23%
Group Costs ⁵	(4,034)	(4,034)				
Underlying EBITDA⁶	18,620	21,538				

1. Reported results are the audited statutory results for the Group

2. Proforma results are unaudited and are based on trading from 1 April 2007 to 31 March 2008 for all businesses owned by the Group during that period. Prior year comparatives are stated on the same basis and equivalent trading period

3. Constant foreign exchange rates present the prior year comparatives at the same rate as the current year

4. Operating EBITDA is the loss before tax before group costs, share-based payment charges, one off items, interest, depreciation and amortisation of intangible assets

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

6. Underlying EBITDA is the loss before tax before share-based payment charges, one off items, interest, depreciation and amortisation of intangible assets

Strategy

Entertainment One's goal is to become the world's leading independent content ownership and distribution business. The strategy is to acquire, own and exploit entertainment rights across the spectrum of distribution channels (including movie theatres, home entertainment, television and digital delivery platforms) through both organic growth and the acquisition of established content ownership and distribution businesses in key international markets.

The Board believes that the role of the content distributor offers the best risk/return profile within the entertainment value chain. The distributor can diversify risk through the ownership of multiple rights but also contracts to own the content for long periods of time (up to 25 years) across all media channels. The Board has no intention to undertake film production but would consider television production in certain territories where the circumstances dictate an acceptable risk/return profile.

Management has identified an opportunity to create an international distribution infrastructure through consolidation in different territories around the world. Such an infrastructure offers content owners an alternative to the major studios having the scale and security to support the producer's film financing requirements whilst creating a business able to command a stronger, more competitive position in the market allowing for reduced content acquisition costs, improved cost efficiencies, greater access to capital and lower portfolio risk.

Entertainment One has started delivering on this consolidation strategy with four acquisitions having already been completed and has identified additional English-speaking and European markets with opportunities for further acquisitions. Establishing a presence in emerging markets will only form part of the expansion plans when the timing for entry into these markets is deemed to be appropriate.

The growth of the Group through both organic investment and additional strategic acquisitions will allow it to leverage its scale to deliver improved margins. As the business expands it will become a more attractive partner to film producers which in turn will allow the Group to access more film content. As the scale of the Group increases, its ability to negotiate increased revenues and reduced costs through supply side efficiencies will improve, in particular lowering print and advertising ("P&A") expenditure.

The Group's Distribution businesses continue to be leaders in their respective markets providing a solid foundation as the Entertainment division expands. Their strategies focus on improving operational efficiency and working capital management while continuing to maximise revenues.

Market place

The global entertainment market continues to grow with 2007 seeing growth in filmed entertainment and music continuing to migrate from the physical to digital format. The outlook is positive with growth forecast in both the film and music markets.

Filmed Entertainment ⁽¹⁾

The filmed entertainment market forecast remains positive with growth expected in all of the major exploitation windows including movie theatres, home entertainment and television. In addition the change in formats, as the digital and internet channels develop, is expected to provide additional opportunities for market growth, although at present these represent only a small percentage of the overall market. As the Group expands its ownership of filmed entertainment rights it will be well positioned to take advantage of these market opportunities.

The overall size of the global filmed entertainment market based on gross consumer receipts is valued at over \$100 billion and is dominated by the US market which accounts for 46% of the market. It is estimated that \$51 billion of this total is earned by distributors with independent distributors sharing 28% of this total, giving them a market valued at \$14.6 billion of which management believe the Group's target market size is \$4 billion.

The breakdown of the global filmed entertainment market by exploitation window highlights the importance of home entertainment (DVD) which accounts for approximately 53% of all revenues. The theatrical and television broadcast windows account for approximately 25% and 22% respectively. Video on demand (VOD) and Internet TV (IPTV) currently account for only a small part of the market.

Market forecasts predict growth across all filmed entertainment exploitation windows, with the total market increasing to \$115 billion by 2012. This growth is primarily the result of the development of the VOD/IPTV window but is also supported by the onset of Blu-Ray and the expansion of the digital cinema experience. This growth also highlights the change in the mix of film production toward independent films and the increasing importance of the international markets. The Board believes that this provides strong support for the Group's strategy.

Music ⁽²⁾

The US music market continues to develop as the channels shift from a physical to digital format. The digital market now accounts for approximately 25% of US music revenues. The US market is forecast to grow over the long term from \$10.5 billion in 2007 to \$11.3 billion in 2011 but in the short term will see a slight decline as the fall in physical sales continues to outpace the rapid growth of digital revenues. The Board believes the size of this market and the Group's ability to exploit growing digital revenues provide an ongoing opportunity for the music business.

(1) Market data based on Oliver & Ohlbanum report "From middlemen to mini majors – prospects for global, independent film distribution to 2012"

(2) Market data for music based on PWC report "Global Entertainment and media outlook: 2007-2011"

Group Operating Divisions

Entertainment

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

Filmed Entertainment

In less than a year the Filmed Entertainment division has established itself as a significant player in the global film entertainment market following the acquisitions of:

- **Contender Entertainment Group** ("Contender") which was acquired in July 2007 for £49.1 million and established a UK presence for the Group. Contender is one of the leading independent filmed entertainment distributors in the UK with the capability to exploit content across all windows, a library of over 500 television and film rights and is the creator of the very successful childrens' television programmes Peppa Pig and Tractor Tom, for which it owns worldwide rights in perpetuity.
- **Seville Pictures** ("Seville") which was acquired in August 2007 for £2.5 million, is a leading film distribution business and content owner in Canada. Seville exploits filmed content across all windows and also has a film library of over 700 films, including worldwide rights to over 100 films.
- **RCV Entertainment** ("RCV") which was acquired in January 2008 for £31.4 million is a leading independent Benelux film distributor and content owner with a long-term library of circa 1,900 feature films in all media including theatrical, home entertainment, television and new media. Its focus is on acquiring titles from independent US producers.

The benefits of developing a multi-territory infrastructure can already be seen through the announcement in September 2007 of a three year output deal for the UK and Canada with Summit Entertainment, the independent Hollywood studio. This deal alone will deliver approximately 25 movies over the next three years in both the UK and Canada and will be a strong driver of growth. Future titles include Sex Drive (starring James Marsden), Twilight (starring Kristen Stewart) and Knowing (starring Nicolas Cage).

In addition the Group has been successful in signing a strong slate of new film and television properties including Edge of Darkness (starring Mel Gibson), Law Abiding Citizen (starring Gerrard Butler), The Marc Pease Experience (starring Ben Stiller), as well as Eddie the Eagle (starring Steve Coogan) and Mr Nice (starring Rhys Ifans). The business is seeing a commercial benefit from multi-territory acquisitions and has also been able to deliver improved cost efficiencies as a result of increasing the Group's operational scale.

In March the Group announced another two Canadian output deals with Yari Film and THINKFilm. These, along with Summit Entertainment, underline the success of the business in establishing itself in the film distribution market. Future releases from Yari Film include Nothing But the Truth (starring Kate Beckinsdale and Matt Dillon) and from THINKFilm Bordertown (starring Jennifer Lopez and Antonio Banderas). As part of the THINKFilm deal Entertainment One also acquired THINKFilm's library rights for Canada. The library of 235 critically acclaimed and commercially proven titles includes the hit movies Crouching Tiger, Hidden Dragon and The Assassination of Richard Nixon.

Filmed Entertainment - Financial Overview for the period to 31 March 2008						
	Reported	Proforma				
		Actual Exchange Rates			Constant Exchange Rates	
	2008	2008	2007		2007	
	£000	£000	£000	%	£000	%
Revenue	53,036	80,712	79,356	2%	81,643	(1%)
Operating EBITDA pre content amortisation	13,460	25,192	27,511	(8%)	27,995	(10%)
Operating EBITDA	7,449	10,367	12,727	(19%)	13,074	(21%)
Investment in content rights	10,616	20,300	15,923	27%	17,738	14%

Reported revenue in the period is £53.0 million with operating EBITDA of £7.5 million. Proforma revenue was £80.7 million with proforma operating EBITDA pre content amortisation of £25.2 million and proforma operating EBITDA of £10.4 million. The EBITDA performance reflects the impact of the strategy to increase investment in film content and the associated film P&A costs which get expensed as incurred on the release of a film. Investment in content rights, which is the amounts paid to producers to secure film rights, is higher than the prior year reflecting the Group's strategy.

More specifically the performance is driven by the results from the Group's acquisitions.

- Contender had a good year driven by the success of DVD titles such as Life on Mars and Series 6 of Spooks. In addition Peppa Pig, the pre school cartoon series, announced a broadcast deal with US network Noggin (owned by Nickelodeon) and grew licensing and merchandising activities. Looking forward the growth in the film slate which includes Franklyn (starring Ryan Phillippe) and Travelling (starring Jennifer Aniston), in combination with the new childrens' TV animation programmes, Humf and Little Kingdom, provide an exciting line up for further top line growth in the business.
- RCV also performed well with a further expansion of its film library from the release of top titles including The Golden Compass, Hairspray, Fracture and Rendition. The strength of the library continued to support the strong performance of the business. The line up for the forthcoming year again looks positive with titles including Defiance (starring Daniel Craig) and Bangkok Dangerous (starring Nicolas Cage).
- Seville, which now includes the results of the Group's video label Paradox, expanded its film investment activity. In particular it released two larger titles, P2 and Penelope, which impacted EBITDA as upfront P&A costs were expensed on release of the films during the period. The renewal and expansion of the output deal with Image through Paradox, announced in December 2007, provides rights to Image product in all major windows including digital rights through to 2012. The upcoming year will see further growth with a significant increase in the number of releases including titles such as The Lonely Maiden (starring Morgan Freeman) and Assassination of a High School President (starring Mischa Barton).

Music

The Music division represents the results of the Group's US record label Koch Records which has over 15,000 active tracks in its library. Koch Records' business model focuses on attracting and developing artist talent and maximising earnings through its low cost infrastructure. Trading over the period has been robust with a solid revenue performance relative to the market of £22.1 million, and strong growth in operating EBITDA to £1.8 million. This has been driven by artist successes such as DJ Khaled, Unk and Jim Jones and growing digital sales which now account for over 29.2% of revenues.

Music - Financial Overview for the period to 31 March 2008					
	Actual Exchange Rates			Constant Exchange Rates	
	2008¹	2007²		2007	
	£000	£000	%	£000	%
Revenue	22,089	22,867	(3%)	21,568	2%
Operating EBITDA pre content amortisation	6,046	5,891	3%	6,040	0%
Operating EBITDA	1,771	784	126%	739	140%
Investment in content rights	4,965	4,302	15%	4,245	17%

1. Reported results are the audited statutory results for Music

2. Prior year comparatives are for the trading period 1 April 2006 to 31 March 2007 and are unaudited

Distribution

The Distribution division delivered strong results through its two operating businesses – Entertainment One Canada (“E1 Canada”) and Koch Entertainment. Overall revenues were up 11% at £202.5 million with operating EBITDA up £8.1 million to £14.2 million.

Distribution - Financial Overview for the period ended 31 March 2008					
	Actual Exchange Rates			Constant Exchange Rates	
	2008¹	2007²		2007	
	£000	£000	%	£000	%
Revenue	202,508	181,429	12%	183,193	11%
Operating EBITDA	14,222	6,168	131%	6,111	133%

1. Reported results are the audited statutory results for Distribution

2. Prior year comparatives are for the trading period 1 April 2006 to 31 March 2007 and are unaudited

Distribution – Canada

This has been a positive year for E1 Canada driven by a strong box office performance in Canada in 2007 which delivered good DVD sales. The business has continued to develop as a result of its strong market position. The focus has been on growing revenues through increasing market share whilst improving the efficiency of the operating model. During the year E1 Canada has welcomed new customers and expanded its Vendor Managed Inventory services. In addition, E1 Canada has improved its operational performance through the rationalisation of its distribution infrastructure which in June 2007 saw the closure of the Winnipeg operation and in March 2008 the announcement of the consolidation of its operations in Western Canada. The business is also focused on enhancing systems to drive further operational performance improvements in particular the management of inventory stock turn. The success of these initiatives will allow the business to continue to deliver a solid financial performance.

Distribution – US

The Group’s US distribution business, operated through Koch Entertainment, further strengthened its position as the leading independent distributor in the US through a deal with Navarre that consolidated 70 exclusive independent distribution contracts into the Koch business. This enabled the business to continue its success despite the ongoing challenges of the physical music market. In addition, growth of digital sales supported the improved performance of the business. Koch Entertainment continues to focus on driving improved operating efficiencies and delivering reduced returns processing costs as well as benefits to cash management in the 2009 financial year. The business is well positioned to take advantage of video opportunities as they develop over the coming period.

Outlook

The outlook for the year is positive and it is expected there will be further acquisition led growth as the business continues to execute its strategy. Further business acquisitions, both within new and existing territories, are expected and will further enhance the scale of the business in the film and TV market and also ensure that the Filmed Entertainment division can maximise the operating and financial upsides that a multi-territory infrastructure offers. In tandem with this activity there will be an increase in the investment in content rights.

The Group plans to spend in excess of £40.0 million on content rights across the Group in the 2009 financial year, up from £25.3 million (on a proforma basis) in 2008. This increased investment will be focused on film content acquisitions which will attract increased year on year P&A costs as the movies are released theatrically but will generate strong revenues. Across the Group the plan is to release upward of 238 films.

Looking forward the Distribution division is focused on maintaining steady growth as markets develop including reviewing digital opportunities, and will build on this with further improvements in operating efficiencies, in particular focused on stock and working capital management.

Financial Review

Reported revenue for the period was £264.4 million with underlying EBITDA of £18.6 million. Underlying profit before tax was £2.0 million resulting in an underlying loss per share of 0.03 pence. The loss before tax was £7.7 million with a basic loss per share of 9.49 pence.

Summary Consolidated Income Statement for the period to 31 March 2008 (Audited)	£000
Revenue	264,375
Underlying EBITDA	18,620
Depreciation and amortisation of intangible assets	(12,074)
Share-based payments	(5,797)
One-off costs	(2,249)
Net finance costs	(6,176)
Loss before tax	(7,676)
Analysed as:	
Underlying profit before tax	1,965
Share based payment charge	(5,797)
Financing fair value movements and amortisation	(722)
Early settlement cost on conversion of debenture	(873)
One off items	(2,249)
	(7,676)
Income tax expense	(879)
Loss after tax	(8,555)

Underlying profit before tax was £2.0 million and reflects a successful trading period in the underlying businesses acquired in March 2007. The financial results from subsequent acquisitions (Navarre, Contender, Seville and RCV) traded in line with management expectations and have been included from the date of acquisition. The underlying EBITDA of £18.6 million includes group costs of £4.0 million which include directors' remuneration and professional and advisory fees associated with running a publicly quoted company. As the Group continues to expand and develop in the new financial year these costs are expected to increase.

The loss before tax of £7.7 million reflects the impact of one off costs of £2.2 million, non cash charges relating to the share-based payments charge of £5.8 million and amortisation of intangible assets of £11.1 million.

Depreciation and amortisation

The total charge of £12.1 million includes £11.1 million in relation to the amortisation of intangible assets identified in the fair value review completed following the acquisition activity during the period. This is expected to increase in 2009 financial year reflecting the full year's charge for all the acquisitions made during the period. Depreciation was £1.0 million and will also increase in 2009 financial year to reflect a full year's charge following the completed acquisitions.

Share-based payments

There is a charge of £5.8 million in the period relating to share options awarded to all executives and the senior management of the Group. The majority of the options granted during the period relate to those awarded following the acquisition of the operations of Entertainment One Income Fund in March 2007.

One off items

The Group has non-recurring costs of £2.2 million primarily associated with the reorganisation of the business following the acquisition of the operations of Entertainment One Income Fund in March 2007. These reorganisation costs relate to the restructuring of the Canadian Distribution warehouse infrastructure completed in June 2007 and associated severance costs. In addition, the Group has established a provision in respect of the consolidation of the Western Canadian Distribution facilities which include the closure of a further warehouse.

Net finance costs

Summary of net finance costs	£000
Interest receivable	(795)
Interest payable on bank loans and borrowings	3,158
Interest payable on exchangeable debentures	883
Other finance costs	725
Underlying net finance costs	3,971
Net foreign exchange losses	776
Fair value movements	556
Early settlement cost on conversion of debenture	873
Net finance costs	6,176

The underlying net finance costs are £4.0 million. This excludes fair value movements arising from marked to market adjustments for interest rate collars entered into by the Group as part of the establishment of the Group's UK and European banking facilities, and the embedded equity option identified on the exchangeable debenture issued in January 2008. A non-recurring early settlement cost of £0.9 million arising on the conversion of the exchangeable debenture issued in March 2007, along with foreign exchange losses primarily associated with the retranslation of the Group's Euro term loan have also been excluded for the purposes of calculating underlying net finance costs.

In addition, the exchangeable debenture issued in January 2008 is amortised over the life of the financial instrument resulting in a £0.2 million charge (included within other finance costs). This amortisation represents only a 3 months charge and will therefore increase in the 2009 financial year to reflect a full year's charge.

The weighted average interest rate as at 31 March 2008 was 7.6%, with underlying interest cover of 4.7 times of underlying EBITDA.

Tax

The total tax charge for the year was £0.9 million with an effective charge of 11.5%. This charge in the period primarily reflects the impact of non-deductible share-based payment charges and other costs that are incurred by the Group that do not attract tax relief.

Loss per share

Reported basic and diluted loss per share for the period was 9.49 pence. Underlying basic and diluted loss per share was 0.03 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 operations of 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 0.02 pence has been calculated based on the weighting of shares over the 12 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.

Foreign exchange

Underlying EBITDA includes a foreign exchange gain of £0.5 million reflecting the net impact of transactional gains or losses during the period. The balance sheet reflects the currency fluctuations on translating overseas results into Pounds Sterling.

Cashflow

Summary Consolidated Cash Flow Statement	£000
Operating activities	28,718
Investing activities	(178,792)
Financing activities	166,558
Net cash increase in cash and cash equivalents	16,484
Net debt	
Cash at bank and in hand	16,484
Debt	(63,878)
Net debt	(47,394)

During the period ended 31 March 2008, the Group generated cash from operating activities of £28.7 million driven by the strong underlying EBITDA performance and an improvement in working capital. The cash outflow from investing activities primarily relates to the successful acquisition of five businesses during the period along with the continued investment in content rights. The cash inflow from financing activities reflects debt and equity required to fund acquisitions during the period.

Corporate acquisitions

The five acquisitions during the period have resulted in the need to value intangible assets and goodwill. This has resulted in the creation of intangible assets of £80.0 million and goodwill of £78.7 million.

The intangible assets balance is based on the allocation of the purchase price across defined categories including exclusive content agreements and libraries, exclusive distribution agreements and customer relationships less any amortisation charged during the period.

Goodwill is largely attributable to the anticipated profitability and market share of these new businesses, along with the deemed value of the workforce and infrastructure. In addition, goodwill includes amounts recognised on the creation of deferred tax liabilities arising on the acquisition of intangible assets.

The Group has a rigorous investment review process which includes full financial and legal due diligence by our professional advisers and review by the Acquisitions Committee and the Board, where necessary. The Group has clearly defined investment criteria which include a review of the key investment financial multiples, discounted cashflow valuations and a determination of the impact the proposed acquisition will have on Group earnings per share.

Investment in content rights

Content investment at the balance sheet date totalled £77.8 million and comprised content rights acquired directly from producers (£43.5 million), intangible assets acquired through acquisition of other businesses (£29.6 million) and investment in programmes (£4.7 million).

It should be noted that content rights acquired directly from producers are amortised in line with forecast revenues (which normally results in an average of 80% being amortised within 12 months of theatrical release).

The investment in content rights during the period was £15.6 million and this investment has supported the Group's strategy of developing a diverse library of titles available for exploitation over a number of years. The 2009 financial year will see the Group continue to build on the strategy with further investment of approximately £40.0 million.

Net debt

The Group's net debt (including an exchangeable debenture) at 31 March 2008 was £47.4 million, leveraging the business at 2.5 times underlying EBITDA. The Group has interest bearing loans and borrowings at a fixed and floating rate.

Consolidated Income Statement
For the period ended 31 March 2008

	Notes	Period ended 31 March 2008 £000
Revenue	2	264,375
Cost of sales		(201,094)
Gross profit		<u>63,281</u>
Administrative expenses		(64,781)
Operating loss		<u>(1,500)</u>
Analysed as:		
Underlying EBITDA		18,620
Amortisation of intangible assets	9,10	(11,067)
Depreciation		(1,007)
Share-based payment charge		(5,797)
One off items	3	(2,249)
		<u>(1,500)</u>
Finance income	4	795
Finance costs	4	(6,971)
Loss before tax		<u>(7,676)</u>
Analysed as:		
Underlying profit before tax		1,965
Share-based payment charge		(5,797)
Financing fair value movements and amortisation	4	(722)
Early settlement cost on conversion of debenture	4	(873)
One off items	3	(2,249)
		<u>(7,676)</u>
Income tax charge	5	(879)
Loss for the period		<u>(8,555)</u>
Attributable to:		
Equity holders of the parent		<u>(8,555)</u>
Loss per share		
Basic and diluted – pence	7	9.49
Underlying basic and diluted – pence	7	0.03

**Consolidated Balance Sheet
As at 31 March 2008**

	Notes	31 March 2008 £000
Assets		
Non-current assets		
Goodwill	8	80,681
Investment in programmes	9	4,672
Other intangible assets	10	70,465
Investments		319
Property, plant and equipment		5,031
Other receivables		549
Deferred tax assets		1,006
Total non-current assets		<u>162,723</u>
Current assets		
Inventories		40,659
Investment in content rights		43,547
Trade and other receivables		31,585
Cash and cash equivalents		16,484
Total current assets		<u>132,275</u>
Total assets		<u><u>294,998</u></u>
Liabilities and equity		
Non-current liabilities		
Interest bearing loans and borrowings		60,339
Provisions		272
Other payables		621
Deferred tax liabilities		9,033
		<u>70,265</u>
Current liabilities		
Trade and other payables		93,368
Current tax liabilities		303
Interest bearing loans and borrowings		3,539
Provisions		907
Other financial liabilities		3,038
Total current liabilities		<u>101,155</u>
Total liabilities		<u>171,420</u>
Equity		
Share capital	12	587
Share premium		126,352
Treasury shares		(7,819)
Warrant reserve		639
Currency translation reserve		6,705
Retained earnings		(2,886)
Total equity		<u>123,578</u>
Total liabilities and equity		<u><u>294,998</u></u>

Consolidated Cash Flow Statement
Period ended 31 March 2008

	Notes	Period ended 31 March 2008 £000
Operating activities		
Operating loss		(1,500)
Adjustments for:		
Depreciation		1,007
Amortisation of acquired intangible assets	9,10	11,067
Amortisation of content rights		10,160
Foreign exchange movements		(489)
Share option charge		5,797
Decrease in inventories		514
Increase in trade and other receivables		(3,421)
Increase in trade and other payables		5,743
Increase in provisions		886
		<hr/>
Net cash flow from trading activities		29,764
Income tax paid		(1,046)
		<hr/>
Net cash from operating activities		28,718
		<hr/>
Investing activities		
Interest received		722
Acquisition of subsidiaries (net of cash acquired)	11	(159,857)
Investment in content rights		(15,581)
Investment in programmes	9	(1,781)
Purchases of property, plant and equipment		(1,714)
Purchases of intangible software assets	10	(581)
		<hr/>
Net cash used in investing activities		(178,792)
		<hr/>
Financing activities		
Proceeds from share issue		100,002
Loan repaid on acquisition		(3,875)
New loan advances		79,504
Loan repayments		(4,309)
Interest paid		(4,764)
		<hr/>
Net cash from financing activities		166,558
		<hr/>
Net increase in cash and cash equivalents		16,484
		<hr/>
Cash and cash equivalents at end of period		16,484
		<hr/> <hr/>

Consolidated Statement of Changes in Equity
For the period ended 31 March 2008

	Issued share capital	Share premium	Treasury shares	Warrant reserve	Currency translation reserve	Retained earnings	Total equity
	£000	£000	£000	£000	£000	£000	£000
Loss for the period	-	-	-	-	-	(8,555)	(8,555)
Shares issued during the period	552	123,238	-	-	-	-	123,790
Consideration shares	35	7,833	-	-	-	-	7,868
Share issue costs	-	(4,719)	-	-	-	-	(4,719)
Purchase of own shares	-	-	(7,819)	-	-	-	(7,819)
Foreign currency translation	-	-	-	-	6,705	-	6,705
Warrants issued during the period	-	-	-	639	-	-	639
Share option charge	-	-	-	-	-	5,669	5,669
At 31 March 2008	587	126,352	(7,819)	639	6,705	(2,886)	123,578

Entertainment One Ltd.

Preliminary Announcement for the Group for the period ended 31 March 2008

Notes to the Financial Statements

1. Basis of preparation

The financial information set out in the preliminary announcement does not constitute statutory accounts within the meaning of Section 240 of the Companies Act 1985, but is derived from those accounts. While the financial information in this preliminary announcement has been prepared in accordance with International Financial Reporting Standards (IFRS), this announcement does not itself contain sufficient information to comply with IFRS. The IFRS accounting policies applied were previously disclosed in the Group Interim Results.

The statutory accounts for the period ended 31 March 2008 will be despatched to shareholders by 31 July 2008 for approval at the Annual General Meeting on 10 September 2008. The auditors have reported on those accounts – their report was unqualified and did not contain statements under Section 237(2) or (3) of the Companies Act 1985.

2. 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.

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	<u>73,888</u>	<u>202,508</u>	<u>29,812</u>	<u>(41,833)</u>	<u>264,375</u>

Inter-segment sales are charged at prevailing market prices.

Notes to the Financial Statements

2. Business and geographical segments (continued)

Business segments (continued)

	Entertainment £000	Distribution £000	Other £000	Eliminations £000	Consolidated £000
Result					
Operating EBITDA	9,220	14,222	(112)	(676)	22,654
One-off costs	(359)	(1,545)	-	-	(1,904)
Depreciation and amortisation	(6,149)	(5,823)	(102)	-	(12,074)
Segment result	<u>2,712</u>	<u>6,854</u>	<u>(214)</u>	<u>(676)</u>	<u>8,676</u>
Unallocated corporate expenses					
Group costs					(4,034)
Share-based payments					(5,797)
One off costs					(345)
Operating loss					(1,500)
Finance income					795
Finance costs					(6,971)
Loss before tax					(7,676)
Tax					(879)
Loss after tax					<u>(8,555)</u>
Other information					
Capital additions	<u>50,297</u>	<u>37,386</u>	<u>478</u>	<u>-</u>	<u>88,161</u>
Unallocated capital additions					58
Consolidated total capital additions					<u>88,219</u>
Balance sheet					
Assets					
Segment assets	<u>175,868</u>	<u>109,787</u>	<u>7,207</u>	<u>(2,685)</u>	<u>290,177</u>
Unallocated corporate assets					4,821
Consolidated total assets					<u>294,998</u>
Liabilities					
Segment liabilities	<u>(44,308)</u>	<u>(48,895)</u>	<u>(818)</u>	<u>2,217</u>	<u>(91,804)</u>
Unallocated corporate liabilities					(79,616)
Consolidated total liabilities					<u>(171,420)</u>

Geographical segments

The Group's operations are located in Canada, the United Kingdom, the United States 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:

Entertainment One Ltd.
Preliminary Announcement for the Group for the period ended 31 March 2008

Notes to the Financial Statements

2. Business and geographical segments (continued)

Geographical segments (continued)

	Revenue by geographical market £000
Canada	171,538
United States	68,833
United Kingdom	18,645
Rest of Europe	5,359
	<hr/>
	264,375
	<hr/> <hr/>

The following is an analysis of the carrying amount of segment assets and capital additions, analysed by the geographical area in which the assets are located:

	Carrying amount of segment assets £000	Capital additions £000
Canada	111,619	32,780
United States	52,295	20,281
United Kingdom	65,470	22,419
Rest of Europe	60,793	12,681
	<hr/>	<hr/>
Segment assets	290,177	88,161
Unallocated corporate assets	4,821	58
	<hr/>	<hr/>
	294,998	88,219
	<hr/> <hr/>	<hr/> <hr/>

Notes to the Financial Statements**3. 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. Items of income or expense that are considered by management for designation as one off are as follows:

	Period ended 31 March 2008 £000
Restructuring costs	1,648
Retention bonuses	256
Abortive acquisition costs	345
	<hr/>
	2,249
	<hr/> <hr/>

Restructuring costs have been incurred by the Group in reorganising some businesses following acquisition in order to deliver cost savings. The types of costs incurred include severance and warehouse closure costs.

Retention bonuses were included within the terms and conditions of the employment contracts of some senior managers employed by businesses acquired in the period. The amounts are therefore contractual and were inherited on acquisition. These amounts are payable as one off bonuses and will not recur.

Abortive acquisition costs include due diligence and legal costs for deals that did not complete.

4. Finance income and costs

The finance income and finance costs comprise:

	Period ended 31 March 2008 £000
Interest receivable	795
	<hr/>
Interest payable on bank loans and overdrafts	(3,158)
Other interest payable	(185)
Amortisation of deferred finance charges	(374)
Interest payable on exchangeable debentures	(883)
Early settlement cost on conversion of debenture (see below)	(873)
Amortisation of exchangeable debenture	(166)
Decrease in fair value of embedded equity option	(100)
Decrease in fair value of interest rate collars	(456)
Net foreign exchange losses	(776)
	<hr/>
	(6,971)
	<hr/> <hr/>

On 31 July 2007, one of the Group's subsidiaries, 4384768 Canada Inc., converted a £10 million exchangeable debenture into shares of the Company (note 12). An early settlement cost of £0.9 million was incurred on conversion.

Entertainment One Ltd.
Preliminary Announcement for the Group for the period ended 31 March 2008

Notes to the Financial Statements

5. Tax

	Period ended 31 March 2008 £000
Current tax	1,175
Deferred tax	(296)
	<hr/>
	879
	<hr/> <hr/>

The charge for the period can be reconciled to the loss in the income statement as follows:

	Period ended 31 March 2008 £000	%
Loss before tax	(7,676)	
	<hr/>	
Taxes at domestic rates applicable	(1,816)	23.7
Effect of income that is exempt from taxation	(231)	3.0
Effect of expenses that are not deductible in determining taxable profit	1,802	(23.5)
Effect of losses not utilised	939	(12.3)
Effect of irrecoverable withholding tax	191	(2.5)
Effect of tax rate changes	(6)	0.1
	<hr/>	
Income tax expense and effective tax rate for the period	879	(11.5)
	<hr/> <hr/>	

Taxation is calculated at the rates prevailing in the respective jurisdictions. The standard tax rates in each jurisdiction are 32.5% in Canada, 37.5% in the United States, 30% in the United Kingdom, 20% in Hungary, 0% in Jersey and 25.5% in the Netherlands.

6. Dividends

The directors are not recommending payment of a 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 £8.6 million divided by the weighted average number of shares in issue during the period which is 90,166,431. 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 further understanding of the trading performance of the Group. They are 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 and amortisation, share-based payments, the early settlement cost on conversion of the exchangeable debenture and one off items.

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

Entertainment One Ltd.**Preliminary Announcement for the Group for the period ended 31 March 2008****Notes to the Financial Statements****7. Loss per share (continued)**

	Period ended 31 March 2008 £000
<i>For basic and diluted loss per share</i>	
Loss for the financial period	(8,555)
<hr/>	
<i>For underlying basic and diluted loss per share</i>	
Loss for the financial period	(8,555)
Add back:	
Financing fair value movements and amortisation	722
Share based payment (net of tax)	5,599
Early settlement cost on conversion of debenture (net of tax)	589
One off items (net of tax)	1,621
<hr/>	
Underlying loss after tax	(24)
<hr/>	
	Pence
Basic and diluted loss per share	9.49
Effect of financing fair value movements and amortisation	(0.80)
Effect of share-based payment	(6.22)
Effect of early settlement cost on conversion of debenture	(0.65)
Effect of one off items	(1.79)
<hr/>	
Underlying basic and diluted loss per share	0.03
<hr/>	

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 31 March 2008. However the Group only started trading upon the acquisition of the operations of Entertainment One Income Fund on 29 March 2007.

To help shareholders understand the trading performance of the Group over the 12 month trading period, a trading period loss per share has also been calculated for the period 29 March 2007 to 31 March 2008. 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 12 month period.

The weighted average number of shares weighted over the 12 month trading period is 109,032,756. 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.

	Period ended 31 March 2008 Pence
Trading period basic and diluted loss per share	7.85
Effect of financing fair value movements and amortisation	(0.66)
Effect of share-based payment	(5.14)
Effect of early settlement cost on conversion of debenture	(0.54)
Effect of one off items	(1.49)
<hr/>	
Trading period basic and diluted underlying loss per share	0.02
<hr/>	

Notes to the Financial Statements

8. Goodwill

	£000
Cost and carrying amount	
Recognised on acquisition of a subsidiary	78,715
Exchange differences	1,966
	<hr/>
At 31 March 2008	80,681
	<hr/> <hr/>

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

Impairment testing for goodwill

Goodwill acquired in business combinations is allocated, at acquisition, to the cash generating units (CGUs) that are expected to benefit from that business combination. The carrying amount of goodwill had been allocated as follows:

	Total £000
Entertainment	59,633
Distribution	21,048
	<hr/>
	80,681
	<hr/> <hr/>

The Group tests goodwill annually for impairment or more frequently if there are indications that goodwill might be impaired.

The recoverable amounts of the CGUs are determined from the value in use calculations. In assessing value in use, the estimated future cash flows are calculated by preparing cash flow forecasts derived from the most recent financial budget and 3 year forecasts and an assumed growth rate of 3%, which does not exceed the long-term average growth rate of the relevant markets. The terminal value of the cash flow is then calculated by discounting using an appropriate weighted average cost of capital. If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. Any impairment losses are recognised in the income statement as an expense.

Key assumptions used in value in use calculation

The calculations of the value in use for both CGUs are most sensitive to the operating profit, discount rate and growth rate assumptions.

Operating profits – Operating profits are based on budgeted increases in revenue resulting from new investment in content rights and growth in the relevant markets.

Discount rates – Discount rates reflect management’s estimate of the risks specific to each unit. This is the benchmark used by management to assess operating performance and to evaluate future investment proposals. In determining appropriate discount rates for each unit, regard has been given to the yield on a ten-year government bond at the beginning of the budgeted year.

Growth rate estimates – Rates are based on the most recent financial budget and 3 year forecast and the assumed growth rate of 3% beyond the end of year 3.

Entertainment One Ltd.
Preliminary Announcement for the Group for the period ended 31 March 2008

Notes to the Financial Statements

9. Investment in programmes

	Investment in programmes £000
Cost	
Acquisition of subsidiaries	3,856
Additions	1,781
At 31 March 2008	<u>5,637</u>
Amortisation	
Charge for the period	(965)
At 31 March 2008	<u>(965)</u>
Carrying amount	
At 31 March 2008	<u><u>4,672</u></u>

10. Other intangible assets

	Exclusive content agreements and libraries £000	Trade names and brands £000	Exclusive distribution agreements £000	Customer relationships £000	Non- compete agreements £000	Software £000	Total £000
Cost							
Acquisition of subsidiaries	31,691	7,345	17,172	15,419	4,515	-	76,142
Additions	-	-	-	-	-	581	581
Exchange differences	740	333	831	1,746	317	-	3,967
At 31 March 2008	<u>32,431</u>	<u>7,678</u>	<u>18,003</u>	<u>17,165</u>	<u>4,832</u>	<u>581</u>	<u>80,690</u>
Amortisation							
Charge for the period	(2,829)	(630)	(3,381)	(1,690)	(1,569)	(3)	(10,102)
Exchange differences	(22)	(8)	(45)	(27)	(21)	-	(123)
At 31 March 2008	<u>(2,851)</u>	<u>(638)</u>	<u>(3,426)</u>	<u>(1,717)</u>	<u>(1,590)</u>	<u>(3)</u>	<u>(10,225)</u>
Carrying amount							
At 31 March 2008	<u><u>29,580</u></u>	<u><u>7,040</u></u>	<u><u>14,577</u></u>	<u><u>15,448</u></u>	<u><u>3,242</u></u>	<u><u>578</u></u>	<u><u>70,465</u></u>

Entertainment One Ltd.**Preliminary Announcement for the Group for the period ended 31 March 2008****Notes to the Financial Statements****11. 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 (excluding directly attributable acquisition costs). 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 and fair value of the net assets at the date of acquisition were as follows:

	Book value	Fair value
	£000	£000
Net assets acquired:		
Intangible assets	40,957	40,957
Investments	287	287
Property, plant and equipment	3,875	3,875
Deferred tax assets	1,542	1,542
Inventories	34,511	34,511
Investment in content	6,391	6,391
Trade and other receivables	17,458	17,458
Cash and cash equivalents	1,608	1,608
Trade and other payables	(49,376)	(49,376)
Provision	(284)	(284)
Deferred tax liabilities	(2,689)	(2,689)
	<hr/>	
	54,280	54,280
	<hr/> <hr/>	
Goodwill arising on acquisition		33,787
		<hr/>
Total consideration		88,067
		<hr/> <hr/>
Satisfied by:		
Cash consideration		83,390
Directly attributable costs		4,677
		<hr/>
		88,067
		<hr/> <hr/>
Net cash outflow arising on acquisition:		
Cash consideration and costs associated with acquisition		(87,427)
Cash and cash equivalents acquired		1,608
		<hr/>
		(85,819)
		<hr/> <hr/>

Notes to the Financial Statements

11. Acquisitions (continued)

Entertainment One Income Fund (continued)

On completion of the acquisition of the operating business of Entertainment One Income Fund 4 million share warrants were issued to one of the Group's 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.

This acquisition contributed £223.9 million to Group revenue for the period between the date of acquisition and 31 March 2008. Contribution to profit after tax in the post acquisition period cannot be calculated as it is impractical 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 £49.1 million (including debt repayment of £3.9 million).

Of the total consideration £37.3 million was paid in cash (excluding directly attributable acquisition costs) 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:

Entertainment One Ltd.**Preliminary Announcement for the Group for the period ended 31 March 2008****Notes to the Financial Statements****11. Acquisitions (continued)***Contender Entertainment Group (continued)*

	Book value £000	Fair value £000
Net assets acquired:		
Intangible assets	1,899	20,474
Property, plant and equipment	147	147
Deferred tax assets	1,502	1,502
Inventories	1,144	1,144
Investment in content	4,381	4,381
Trade and other receivables	3,220	3,220
Cash and cash equivalents	2,201	2,201
Interest bearing loans and borrowings	(3,875)	(3,875)
Trade and other payables	(7,939)	(7,938)
Deferred tax liabilities	(258)	(5,460)
	<hr/>	
	2,422	15,796
	<hr/>	
Goodwill arising on acquisition		30,916
		<hr/>
Total consideration		46,712
		<hr/>
Satisfied by:		
Cash consideration		37,337
Fair value of consideration shares		7,868
Directly attributable costs		1,507
		<hr/>
		46,712
		<hr/>
Net cash outflow arising on acquisition:		
Cash consideration and costs associated with acquisition		(38,844)
Cash and cash equivalents acquired		2,201
		<hr/>
		(36,643)
		<hr/>

Contender Entertainment Group contributed £18.6 million revenue and £3.9 million to the Group's profit before tax for the period between the date of acquisition and 31 March 2008.

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:

Entertainment One Ltd.

Preliminary Announcement for the Group for the period ended 31 March 2008

Notes to the Financial Statements

11. Acquisitions (continued)

Navarre Entertainment Media Inc

	Book value £000	Fair value £000
Net assets acquired:		
Intangible assets	-	5,409
Inventories	915	915
Trade and other receivables	438	438
Trade and other payables	(4,110)	(4,110)
	<hr/>	<hr/>
	(2,757)	2,652
	<hr/> <hr/>	<hr/> <hr/>
Goodwill arising on acquisition		716
Total consideration		<hr/> 3,368 <hr/> <hr/>
Satisfied by:		
Cash		3,286
Directly attributable costs		82
		<hr/> 3,368 <hr/> <hr/>
Net cash outflow arising on acquisition:		
Cash consideration and costs associated with acquisition		<hr/> (3,368) <hr/> <hr/>

Navarre Entertainment Media Inc contributed £12.1 million of revenue to the Group between the date of acquisition and 31 March 2008. Contribution to profit after tax in the post acquisition period cannot be calculated as it is impractical to allocate any costs, interest or tax as the assets acquired have essentially been incorporated into the existing operating business.

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:

Entertainment One Ltd.**Preliminary Announcement for the Group for the period ended 31 March 2008****Notes to the Financial Statements****11. Acquisitions (continued)***Seville Entertainment Inc (continued)*

	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
Investment in content	2,898	2,898
Trade and other receivables	1,099	1,099
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/>	
Goodwill arising on acquisition		1,204
		<hr/>
Total consideration		2,663
		<hr/> <hr/>
Satisfied by:		
Cash		2,468
Directly attributable costs		195
		<hr/>
		2,663
		<hr/> <hr/>
Net cash outflow arising on acquisition:		
Cash consideration and costs associated with acquisition		(2,663)
Cash and cash equivalents acquired		142
		<hr/>
		(2,521)
		<hr/> <hr/>

Seville Entertainment Inc contributed £4.4 million of revenue and an operating loss of £1.2 million to the Group's result for the period between the date of acquisition and 31 March 2008.

RCV Entertainment BV

On 10 January 2008, the Group acquired 100% of the issued share capital of RCV Entertainment BV (and its subsidiaries), a leading independent film distributor in the Dutch and Belgian markets, for a total cash consideration of €1.5 million (£31.4 million).

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

Notes to the Financial Statements

11. Acquisitions (continued)

RCV Entertainment BV (continued)

	Book value £000	Fair value £000
Net assets acquired:		
Intangible assets	-	12,584
Property, plant and equipment	94	94
Inventories	130	130
Investment in content	21,365	21,365
Trade and other receivables	6,589	6,589
Cash and cash equivalents	875	875
Trade and other payables	(18,330)	(18,330)
Deferred tax liabilities	-	(3,018)
	<hr/>	
	10,723	20,289
	<hr/> <hr/>	
Goodwill arising on acquisition		12,092
		<hr/>
Total consideration		32,381
		<hr/> <hr/>
Satisfied by:		
Cash		31,363
Directly attributable costs		1,018
		<hr/>
		32,381
		<hr/> <hr/>
Net cash outflow arising on acquisition:		
Cash consideration and costs associated with acquisition		(32,381)
Cash and cash equivalents acquired		875
		<hr/>
		(31,506)
		<hr/> <hr/>

RCV Entertainment BV contributed £5.4 million of revenues and a profit before tax of £0.8 million to the Group's result for the period between the date of acquisition and 31 March 2008.

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 £289.9 million and the Group's operating EBITDA would have increased by £2.7 million to £25.4 million.

The revenues and profits for Navarre Entertainment Media Inc are not included in the above disclosure because this transaction was in substance an asset purchase, with certain trading assets and liabilities being transferred into a holding company which was subsequently acquired by the Group.

Residual goodwill

The goodwill arising on these acquisitions is largely attributable to the anticipated profitability and market share of these new businesses, along with the deemed value of the workforce and infrastructure.

Entertainment One Ltd.

Preliminary Announcement for the Group for the period ended 31 March 2008

Notes to the Financial Statements

12. Share capital

	31 March 2008 C\$	31 March 2008 £
Authorised: 200,000,000 ordinary shares of C\$0.01 each	<u>2,000,000</u>	
Issued and fully paid: 129,996,149 ordinary shares of C\$0.01 each	<u>1,299,961</u>	<u>586,670</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 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 the operations 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 in relation to the acquisition of Seville Entertainment Inc.

On 10 January 2008, the Company issued 2,898,552 at £1.03 each. The proceeds from this share issue were used to fund the acquisition of RCV Entertainment BV.