



Entertainment One Ltd.

Preliminary announcement for the year ended 31 March 2011

Revenue growth of 12% drives 20% increase in underlying EBITDA¹

Entertainment One Ltd. ('Entertainment One' or 'the Group'), a leading international entertainment content owner and distributor, announces its preliminary results for the year ended 31 March 2011.

Financial Highlights – continuing operations²

	Adjusted results			Reported results	
	2011	2010	Change	2011	2010
Revenue (£m)	469.7	419.0	+12.1%	469.7	419.0
Underlying EBITDA ¹ (£m)	42.5	35.3	+20.4%	n/a	n/a
Profit before tax ³ (£m)	32.3	23.2	+39.2%	11.4	8.0
Diluted earnings per share ⁴ (Pence)	13.0	11.9	+9.2%	4.1	4.8
Net debt ⁵ (£m)	38.6	63.2	-£24.6m	60.7	86.0

Operational Highlights

- Released 121 films theatrically generating gross box office receipts of \$202 million (2010: \$156 million) including number one hits *The Twilight Saga: Eclipse*, *RED* and *Gnomeo & Juliet*
- Delivered 269 half hours of television programming with major successes *Rookie Blue*, *Haven* and *Call me Fitz* all now into second series
- Established *Peppa Pig* as number one UK pre-school toy property in 2010 and achieved strong viewer ratings from initial broadcast on Nick Jr. in the US

Strategic Highlights

- Completed step up to main market of London Stock Exchange in July 2010
- Raised £16 million through oversubscribed placing in March 2011 to fund corporate acquisitions
- Renewed Summit Entertainment output deal until 2015
- Acquired Hopscotch to consolidate presence in Australia and New Zealand
- Completed closure of remaining Canadian Retail stores

1 Underlying EBITDA is earnings from continuing operations before operating one-off items, share-based payment charges, interest, tax, depreciation and amortisation of intangible assets. Underlying EBITDA is reconciled to operating profit in the 'Other Financial Information' section of this preliminary announcement.

2 Continuing operations excludes the results of the discontinued Canadian Retail business.

3 Adjusted profit before tax is profit before tax from continuing operations before one-off items, share-based payment charges, one-off items within net finance charges, depreciation and amortisation of intangible assets.

4 Adjusted diluted earnings per share is adjusted for operating one-off items, share-based payments, amortisation of acquired intangible assets, one-off items within net finance charges and the tax effect of these items.

5 Adjusted net debt includes net borrowings under the Group's senior debt facility and also, in the prior year, exchangeable notes.

Darren Throop, Chief Executive Officer, commented:

“This year has seen a number of significant milestones for Entertainment One which have helped the Group deliver another strong financial performance. The recent acquisition of Hopscotch adds to our growing international footprint and we continue to look for further territories to expand the network. In accordance with our stated strategy we anticipate making further progress over the coming year through focusing on increased investment in quality content and acquisitions.”

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A presentation to analysts will take place on Monday 23 May at 10.30am BST at:
Redleaf Communications, 11-33 St John Street, London EC1M 4AA.

Cautionary Statement

This Preliminary Announcement 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 Preliminary Announcement should be construed as a profit forecast.

A copy of this Preliminary Announcement for the year ended 31 March 2011 can be found on our website at www.entertainmentonegroup.com. Copies of the Annual Report for the year ended 31 March 2011 will be available to shareholders shortly.

BUSINESS PERFORMANCE AND FINANCIAL REVIEW, YEAR ENDED 31 MARCH 2011

OVERVIEW

2010/11 was another excellent year as the Group successfully continued its strategy to become the leading independent global entertainment company.

The Film business maintained its progress, releasing 121 films in the year and generating a total box office of \$202 million compared to \$156 million in 2009/10. This strong performance was underpinned by the release of *The Twilight Saga: Eclipse*, the third instalment of the hit international series for which the Group has full distribution rights in the UK and Canada. Other highlights included *RED* and the animated blockbuster *Gnomeo & Juliet* as well as award winning movies *Incendies* and *Barney's Version*. £52 million was invested in new content during the year. The independent valuation of the film library at 31 March 2010 was \$250 million and is expected to increase further when the 31 March 2011 valuation is received later in the year.

Subsequent to the year end the multi-territory film output deal with leading independent Hollywood studio Summit Entertainment was renewed, extending our successful relationship and securing the Group's future access to quality content.

The Television business had a particularly strong year driven by increased investment in programming. In particular *Rookie Blue*, *Haven* and *Call Me Fitz* all premiered during the year with extremely strong ratings in both Canada and the US. All are now selling well internationally and are into second series and in the case of *Call Me Fitz* a third series. In addition two new productions have already been commissioned for the new financial year, *Hell on Wheels*, a period drama based on the construction of the US railroad in the nineteenth century, and *The Firm*, a series following on from John Grisham's best selling 1990's novel.

The Family business enjoyed notable success, with Peppa Pig becoming the number one pre-school licensed property in the UK with retail sales of over £200 million. The Peppa Pig World theme park has recently opened in Hampshire to excellent reviews while the programme has opened to extremely encouraging viewing figures following its launch on Nick Jr. in the US in February 2011. A further 52 episodes are currently in production which will increase the total number to 208 and will ensure a pipeline of new broadcast content until at least 2013. Ben & Holly's Little Kingdom will deliver a second series in 2012, is already being broadcast in over 160 territories internationally and is delivering strong licensing and merchandising growth.

Digital sales increased by over 70% during the year to £33 million and generated more than 11% of Film business revenues.

In North America the market for DVDs is now contracting although the scale and mix of the Group's business enabled the physical distribution division to outperform the market. The non-core Canadian Retail chain was closed during the year.

The Group's structure was simplified in the first half of the year as the parent company moved to Canada and this was combined with the step up to a standard listing on the Main Market of the London Stock Exchange. In March 2011 an oversubscribed placing to fund future acquisition opportunities raised gross proceeds of £16 million.

Subsequent to the year end the Group completed the acquisition of independent Australian distributor, Hopscotch. This business, which controls a library of more than 300 film and television titles and released 15 titles in cinemas in 2010, cements the Group's presence in this important market.

Outlook

We are continuing our strategy to grow the business through increased investment in quality content and acquisitions. The 2011 release schedule is strong with films including *Source Code*, the fourth Twilight Saga movie, *Breaking Dawn - Part 1*, and *The Three Musketeers*. Television shows in 2011 will include *Rookie Blue (Series Two)*, *Hell on Wheels* and *The Firm*. In addition as part of the international expansion of *Peppa Pig* we anticipate signing a master toy license deal in the US in the near future. The recent acquisition of Hopscotch adds to our international footprint and the Group, which now has operations in all the main English speaking markets, continues to look for further territories to expand the network. The Board therefore looks forward to another year of growth.

SUMMARY FINANCIAL PERFORMANCE

The Group's strategy of investing in film and television content has delivered another year of strong growth. Reported revenue from continuing activities increased by 12% from £419.0 million to £469.7 million and, adjusting for the effects of currency, revenue increased by 7%. Reported profit before tax from continuing activities was up 43% at £11.4 million compared to £8.0 million in the prior year. Excluding depreciation, amortisation, share-based payments and one-off items, adjusted profit before tax was up 39% at £32.3 million compared to £23.2 million in 2010 and was driven by the growth of the Film and Television businesses.

Earnings before interest, tax, depreciation, amortisation, share-based payments and one-off items ('underlying EBITDA') increased strongly, by 20% to £42.5 million. Adjusting for exchange translation benefits, underlying EBITDA increased by 17%.

Investment in content and programmes increased by 22% to £91.3 million.

Continuing operations	2011 Reported (audited) £m	2010 Reported (audited)		2010 Constant Currency (unaudited) *	
		£m	%	£m	%
Revenue	469.7	419.0	12.1%	438.3	7.2%
Underlying EBITDA	42.5	35.3	20.4%	36.4	16.8%
Investment in content & programmes	91.3	74.7	22.2%	78.1	16.9%

* Unless otherwise stated, in order to provide like for like comparisons, the discussion of results and analysis of comparisons to the prior year in the Divisional Reviews section that follows are on an unaudited constant currency basis and are from continuing operations. For the purposes of this analysis constant currencies have been calculated by retranslating the comparative figures using weighted average exchange rates for the year to 31 March 2011.

DIVISIONAL REVIEWS

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

ENTERTAINMENT

The Entertainment division comprises the Film and Television businesses.

Film

Film includes the Group's film operations in the UK, Canada, the US and Benelux. These businesses acquire and exploit film content through all major release windows (cinema, home entertainment, television and digital). The US film business focuses mainly on home entertainment and digital.

Revenue increased by 9% in the year to £232.2 million due to continuing growth in the UK and Canada. Underlying EBITDA increased by 27% from £18.5 million to £23.4 million despite higher P&A which rose by 26% to £75.0 million and is expensed on release. Investment in content was maintained at £52.3 million as the Group invested to drive growth from future releases.

Film	2011 Reported (audited)	2010 Reported (audited)		2010 Constant Currency (unaudited)	
	£m	£m	%	£m	%
Revenue	232.2	208.1	11.6%	213.5	8.8%
Underlying EBITDA	23.4	18.1	29.3%	18.5	26.5%
Investment in content	52.3	50.6	3.4%	51.7	1.2%

Multiple territories

The Group increased the number of films released in multiple territories in 2010/11. These included *Furry Vengeance*, *Letters to Juliet*, *RED*, *The Hole 3D* and *The Way Back*. In addition the 3D animation *Gnomeo & Juliet* was released in the UK and Canada in February 2011 and reached number one at the box office in both territories. The DVD will be released in May 2011.

The global smash hit Twilight Saga franchise continued its success with the premiere in July 2010 of the third instalment, *The Twilight Saga: Eclipse*, which was released on DVD and Blu-ray in November 2010. The franchise has so far generated global box office of \$1.8 billion and achieved over six million DVD/Blu-ray sales in the UK and almost three million in Canada. The fourth film in the five part series, *The Twilight Saga: Breaking Dawn - Part 1*, is due for theatrical release in November 2011.

The multi-territory slate is expected to grow further in 2011 with titles including courtroom drama *The Lincoln Lawyer* (starring Matthew McConaughey and Marisa Tomei), thriller *Dream House* (Daniel Craig, Rachel Weisz and Naomi Watts), the much-anticipated film directed by Jodie Foster *The Beaver* (with Mel Gibson) and an adaptation of John le Carré's novel *Tinker, Tailor, Soldier, Spy* (Colin Firth, Gary Oldman and Tom Hardy). Action thriller *Source Code* (starring Jake Gyllenhaal and Vera Farmiga) has recently been released in Canada and the Benelux as well as in Australia by the Group's newly acquired Hopscotch business.

The distribution agreement with Summit Entertainment has recently been renewed and additional output deals are currently being negotiated which will continue to generate momentum in expanding the Group's multi-territory offering.

UK

In the UK revenue increased by more than 20% with 16 films released theatrically compared to ten in the previous year. In addition to multi-territory films other releases included *Mr Nice* and Peter Mullan's award winning drama *NEDs*. Home video also performed well supported by titles with previous theatrical releases such as *RED*, *Nativity*, *Remember Me* and *Streetdance 3D*, DVD catalogue titles including *Spooks*, *Ashes to Ashes* and *Life on Mars* and straight to DVD films such as *Unthinkable*, *The Tortured* and the French Canadian title *7 Days*.

2011/12 will see a similar number of theatrical releases albeit weighted to the second half of the year. In addition to multi-territory titles, UK releases will include *The Ides of March* (directed by and starring George Clooney with Philip Seymour Hoffman, Paul Giamatti, Ryan Gosling and Marisa Tomei), *The Three Musketeers in 3D* (Orlando Bloom, Ray Stevenson, Christoph Waltz, Milla Jovovich and Matthew MacFadyen) and action thriller *The Cold Light of Day* (Bruce Willis and Sigourney Weaver).

In addition to theatrically released titles, DVD releases will include hit TV series *The Walking Dead*, *Camelot*, *The Killing*, and action film *5 Days of War* (starring Val Kilmer and Rupert Friend).

Canada

In Canada revenue increased by 7%, driven by strong growth in television, digital and international sales. 56 titles were released theatrically compared to 59 in the prior year as the business consolidated its position with fewer but larger films. Nine titles generated box office in excess of \$2 million in 2010/11 compared to only two in 2009/10.

Theatrical releases included the Golden Globe winning *Barneys Version*, Academy Award nominated *Incendies* and ice hockey movie *Lance et Compte*. In addition to the multi-territory titles, successful home video releases included *Unthinkable*, *Triage* and *Centurion*. *Wrecked*, *Animal Kingdom* and *Incendies* all performed well internationally.

Further growth in Canada is underpinned by extensions to the existing output deals for Canadian rights with US independent distributors IFC Films and Image Entertainment while a new deal was signed in February 2011 with Wrekin Hill Films. The company's exclusive distribution agreement with WWE was also renewed in 2010. In September 2010 an agreement was signed with Netflix to license films on their entry into the Canadian market.

Major theatrical releases for 2011/12 include *Shark Night 3D*, *Tree of Life* (starring Brad Pitt and Sean Penn), *A Dangerous Method* (Viggo Mortensen, Keira Knightley), *The Grey* (Liam Neeson), *One for the Money* (Katherine Heigl) and *Killer Elite* (Jason Statham, Clive Owen and Robert DeNiro). DVD releases in 2011/12 will include *Universal Soldier 4*, *Darkest Hour*, *London Boulevard*, *50/50*, *The Impossible* and *The Whistleblower*.

Benelux

Revenues in the Benelux were lower than the prior year due to fewer theatrical releases. 49 films were released compared to 54 in 2009/10. Revenues from other channels were in line with the previous year. Major releases included *Streetdance 3D*, *Resident Evil: Afterlife 3D*, *Another Year* and the third in the *Sinterklaas (Santa Claus)* family film series.

Home video revenues were broadly in line with 2009/10, supported by a strong library of titles and despite challenging market conditions. Sales to television broadcasters showed signs of recovery following the difficulties in the previous year.

A strong slate of releases is expected during 2011/12 including Wes Craven's *Scream 4* (starring Courteney Cox, David Arquette and Neve Campbell), thriller *13* (Mickey Rourke and Jason Statham), Joel Schumacher's *Trespass* (Nicolas Cage and Nicole Kidman) and comedy *Larry Crowne* (Tom Hanks and Julia Roberts). DVD releases will include *The Next Three Days*, *The Lincoln Lawyer* and local title *Bende van Oss* and will also benefit from the recent acquisition of the Miramax catalogue in May 2011 which includes titles such as *Pulp Fiction*, *The English Patient* and *Cold Mountain*.

US

Despite difficulties in the US retail market, US video revenues were more than 20% ahead of the prior year with a similar number of releases (101 compared to 102 in 2009/10). Major titles included *Ellery Queen*, *Love Ranch*, season two of TV series *Sanctuary*, *The Greatest*, *The Secret of Moonacre*, *Dorian Gray* and *Triage*. Releases in 2011/12 are expected to include *Lord of the Dance*, *Bands on the Run*, *Being Human* and eOne's own production hit Canadian TV series *Haven* and *Rookie Blue*.

Film also incorporates the results of the US music label. Revenue from the label, which represents less than 4% of the Group's revenues and EBITDA, was up 9% compared to prior year boosted by the addition of the IndieBlu Christian catalogue. Major releases on the label during 2010/11 included new albums by *DJ Khaled*, *Zakk Wylde*, *Faith Evans*, *Donnel Jones* and *Slim Thug*. 2011 will see releases from *Jim Jones*, *William McDowell*, *Faith Evans* and *Black Label Society*. Digital revenues from the music label continue to grow and are now 50% of the total (2010: 44%).

Television

Television comprises the Canadian-based television production and international sales businesses and the UK-based Family business.

Television	2011 Reported (audited)	2010 Reported (audited)		2010 Constant Currency (unaudited)	
	£m	£m	%	£m	%
Revenue	67.6	43.7	54.7%	44.9	50.6%
Underlying EBITDA	10.9	8.4	29.8%	8.1	34.6%
Investment in content & programmes	39.0	24.1	61.8%	26.4	47.7%

2010/11 was a year of excellent progress in the Television business as the production of quality programmes over the last two years translated into strong growth in both revenue and underlying EBITDA. Revenue increased by 51% and underlying EBITDA by 35%. 269 half hours of production (including Family) were delivered to broadcasters compared to 213 in the prior year.

Canada TV

The first series of police drama *Rookie Blue* premiered on ABC and Global TV in June 2010 and achieved excellent ratings in its primetime slot. The show is selling extremely well internationally, generating over \$5 million of international sales to date. A second series has now been delivered to broadcasters and will premiere in the US and Canada in June 2011.

Other major shows delivered include the first series of supernatural mystery drama *Haven* (based on a Stephen King novella), a second series of the critically acclaimed *Call me Fitz*, starring Jason Priestley, sports comedy *Men with Brooms*, crime drama *Shattered*, controversial teen-drama *Skins* and new true crime reality show *The Devil You Know*. A second series of the award winning adult comedy *Hung* was completed in the first half of the year while non-scripted deliveries included new series of *Party Mamas*, *Re-Vamped* and *Outlaw Bikers*. The business also enjoyed success with television movies *Goodnight for Justice*, which achieved record ratings for a television movie on the Hallmark channel in the US, *One Angry Juror* and *Finding a Family*.

During the year international digital, home video and television rights were acquired for AMC and Fox International's smash hit zombie show *The Walking Dead*, starring Andrew Lincoln, which became the most watched drama series in basic US cable history for its target demographic. The show is currently airing on Channel 5 in the UK and a second series has already been commissioned.

2011/12 will see continued progress. In addition to the new series of *Call Me Fitz*, *Haven* and *Hung*, production has now commenced on the newly commissioned AMC drama series *Hell on Wheels*, set in post-civil war America. The eagerly anticipated legal drama based on John Grisham's novel *The Firm* is expected to go into production in summer 2011 and will be broadcast on NBC in the US and Global TV in Canada. A number of non-scripted shows will see new series including *Party Mamas*, *Megabuilders*, and *The Devil You Know*. At 31 March 2011 contracted revenues not yet recognised relating to work in progress were £21 million (2010: £21 million).

Family

The Family business also performed strongly in the year, mainly due to the continued success of *Peppa Pig*. Production is underway on series five and all scripts have now been received for series six. Delivery to broadcasters is expected during 2011 and 2012. In the UK *Peppa Pig* became the number one pre-school licensed property in 2010 and in April 2011 *Peppa Pig World* opened at Paultons family theme park in Hampshire. Broadcast commenced in the US on Nick Jr. in February 2011 and initial audience figures have been very strong. In the first seven weeks of broadcast the show already ranks in Nick Jr.'s top 10, achieving higher ratings in its timeslot than both the Cartoon Network and Disney channel. The show averaged more than 500,000 viewers in the two to five year old age range, which was 23% more than the show in the same timeslot previously. It is anticipated that a toy deal will be concluded shortly and that merchandise will be on US store shelves nationally in time for Christmas 2012. *Peppa Pig* will be making her US licensing debut at the forthcoming Licensing International Expo trade fair in Las Vegas in June 2011.

Elsewhere in the Family business *Ben & Holly's Little Kingdom* continues to make excellent progress in the UK and is now being broadcast in over 160 territories worldwide. The first scripts for the second series of 52 episodes (bringing the total to 104) have now been delivered and following a highly successful retail launch in 2010 the product range will be extended in 2011 to include stationery, party products, toys, confectionery and accessories. Following the appointment of a managing director for the Family business in June 2010, activity increased significantly during the year and a number of other shows are now in development with a range of major international broadcasters. It is anticipated that the first commissions will commence later this year.

DISTRIBUTION

The Distribution division comprises the Group's physical warehousing and distribution businesses in Canada and the US. Overall revenue at £227.3 million was £20.4 million or 8% lower than the prior year following challenging market conditions in Canada.

Distribution	2011 Reported (audited)	2010 Reported (audited)		2010 Constant Currency (unaudited)	
	£m	£m	%	£m	%
Revenue	227.3	231.0	-1.6%	247.7	-8.2%
Underlying EBITDA	13.0	13.3	-2.3%	14.3	-9.1%

The Canadian business distributes DVDs and Blu-ray discs for the Group's Entertainment division and also represents major US studios and other third party producers. Its sales are therefore impacted by the overall market trends in Canada where home entertainment declined by more than 10% in the year to 31 March 2011. The decrease was partly due to fewer blockbuster hits from the major Hollywood studios (there were 26 titles with a box office of over \$100 million in 2010/11 compared to 32 in 2009/10) and also lower sales to the Group's Retail business which was closed during the year to 31 March 2011. Excluding the impact of the Retail business, sales in Canada were 7% down year on year. Sales of higher margin Blu-ray discs almost doubled in the year and now make up around 15% of revenue. Market conditions are expected to remain difficult for the foreseeable future and as such the business is focusing on maximising its revenues and reducing costs where possible, although profitability is expected to decline year on year in line with market expectations.

The US business distributes for the Group's in-house video and music labels as well as representing other third party producers. Despite the declining market sales remained broadly flat year on year due to the growth of the Group's home video business and a return to growth in the Group's music label.

GROUP COSTS

Group costs at £4.7 million (2010: £4.5 million) before one-off items were broadly in line with the prior year.

OTHER FINANCIAL INFORMATION

A summary of adjusted financial information is presented in order to provide useful information to investors. It comprises results from continuing operations and excludes the following: one-off items, amortisation of acquired intangible assets, share-based payments and non-recurring items within net finance charges.

Adjusted operating profit increased 21% to £40.1 million (2010: £33.2m) reflecting the growth in underlying EBITDA. Adjusted profit before tax increased 39% to £32.3 million reflecting the increased operating profit and lower finance charges.

Continuing operations	Adjusted (audited)		Reported (audited)	
	2011 £m	2010 £m	2011 £m	2010 £m
Underlying EBITDA	42.5	35.3	42.5	35.3
One-off items	-	-	(2.7)	(1.6)
Amortisation of intangible assets	(0.7)	(0.2)	(15.3)	(17.5)
Depreciation	(1.7)	(1.9)	(1.7)	(1.9)
Share-based payment charge	-	-	(2.5)	(2.7)
Operating profit	40.1	33.2	20.3	11.6
Net finance charges	(7.8)	(10.0)	(8.9)	(3.6)
Profit before tax	32.3	23.2	11.4	8.0
Taxation	(8.8)	(4.9)	(4.0)	(0.7)
Profit after tax	23.5	18.3	7.4	7.3

One-off Items

One-off items totalled £2.7 million and included £1.9 million of final costs incurred as part of the step up to the Main Market of the London Stock Exchange and corporate reorganisation. The remaining one-off items comprise costs incurred relating to corporate activity, primarily the acquisition of the Hopscotch group of companies which completed in May 2011.

Amortisation of Intangible Assets and Depreciation

Amortisation of intangible assets decreased from £17.5 million to £15.3 million, in line with the profile of the acquired intangible assets, and depreciation decreased by £0.2 million to £1.7 million.

Share-based payment charge

The share-based payment charge of £2.5 million decreased by £0.2 million. The charge includes new grants in the year to management and the first year charge relating to the Management Participation Scheme. Also included were amounts relating to 2.5 million warrants issued to Summit Entertainment LLC in May 2010.

Net Finance Charges

Reported net finance charges increased from £3.6 million to £8.9 million. The prior year benefited from the buy back of 74% of exchangeable notes at a discount which resulted in a one-off gain of £7.3 million, while the current year was impacted by conversion to shares of the remaining notes with an associated loss of £1.8 million.

Excluding the impact of the buy back and conversion of the exchangeable notes, as well as movements in the fair value of financial instruments, the underlying net finance charge reduced from £10.0 million to £7.8 million due mainly to the lower level of net debt.

The weighted average interest cost was 6.1% compared to 6.3% in the prior year, giving a cash interest cover of 8.2 times underlying EBITDA (2010: 6.1 times).

Tax

The tax charge for the year was £4.0 million (2010: £0.7 million) giving an effective tax rate of 35.1% (2010: 8.8%). The low effective rate in the prior year arose mainly from the one-off gain from the repurchase of exchangeable notes in that year. The effective rate in 2010/11 was higher than the average of the statutory rates in the jurisdictions in which the group operates due mainly to the impact of costs incurred that are not deductible for tax purposes such as the share based payments charge.

On an adjusted basis, excluding one-off items, amortisation of intangible assets, share-based payment charges and one-off net finance items, the effective tax rate was 27.2% (2010: 21.1%). This is lower than the simple average of tax rates of the countries in which the Group operates due mainly to benefits in some jurisdictions from utilising historic tax losses. The adjusted effective rate has increased compared to the prior year as these losses begin to be utilised.

Earnings per Share

Reported profit after tax was £7.4 million (2010: £7.3 million). Reported diluted earnings per share was 4.1 pence (2010: 4.8 pence). The reduction reflects the one-off gain associated with the exchangeable notes bought back in the prior year. On an adjusted basis profit after tax was £23.5 million, 28% ahead of the prior year. The adjusted diluted earnings per share was 13.0 pence (2010: 11.9 pence), up 9% and incorporates the impact of the increase in the number of dilutive shares following the strong share price performance in the year.

Discontinued Operations

Discontinued Operations comprise the results of the Canadian Retail chain which was closed during the year. The loss after tax from discontinued operations, which in the year to 31 March 2011 included costs of early termination of leases, employee terminations and other one-off costs was £3.8 million compared to a loss of £0.7 million in the prior year.

Cashflow and Financing

The Group's cash balances increased by £10.9 million during the year.

	31 March 2011 £000	31 March 2010 £000
Net cash from operating activities	104.9	85.2
Investment in content rights and TV programmes	(91.3)	(74.7)
Purchase of other non-current assets *	(1.6)	(2.0)
Free cashflow	12.0	8.5
Acquisition of subsidiaries	(3.1)	(5.9)
Net interest paid	(5.2)	(5.7)
Net proceeds from issue of ordinary shares	16.3	10.0
Cash paid on repurchase of exchangeable notes	-	(9.0)
Cash from other financing activities	(9.1)	7.9
Net increase in cash and cash equivalents **	10.9	5.8

* Other non-current assets comprise property, plant and equipment and intangible software.

** Prior to the impact of exchange rate fluctuations on cash held

Cash flows from operating activities at £104.9 million were 23.1% ahead of the previous year reflecting the improved underlying EBITDA and strong cash generation from the Group's investments made in the past few years. Net working capital balances were broadly unchanged compared to last year.

The Group invested £91.3 million in content rights and television programmes in the year (2010: £74.7 million) and incurred cash costs of £3.1 million relating to the final earn out payments for the September 2008 acquisition of the Television businesses.

Cash from other financing activities reflects the Group's reduction in its borrowings of £9.1 million.

The Group's overall net debt reduced by £25.3 million from £86.0 million to £60.7 million as follows:

	31 March 2011 £000	31 March 2010 £000
Net debt at 31 March b/f	(86.0)	(89.8)
Movement in cash and cash equivalents	10.9	5.8
Net movement in borrowings	9.1	(7.9)
Reduction in exchangeable notes	6.2	15.6
Foreign exchange movements on net debt	1.3	(5.4)
Other items	(2.2)	(4.3)
Net debt at 31 March c/f	(60.7)	(86.0)

The net debt balances at 31 March 2011 comprise the following:

	£'000 2011	£'000 2010
Cash and other items (excl. Television Production)	(27.8)	(17.1)
JP Morgan – Senior Revolving Credit Facility	66.4	74.7
Senior Net Debt	38.6	57.6
Exchangeable Notes	-	5.6
Adjusted Net Debt	38.6	63.2
Television Production Net Debt	22.1	22.8
	60.7	86.0

The reduction in net debt comprises a decrease in adjusted net debt of £24.6 million (including a net £16.3 million raised from share issues in the year mainly from an oversubscribed placing in March 2011), elimination of the Exchangeable notes, which were carried at £5.6 million at 31 March 2010, and a decrease of £0.7 million in net debt in the Television Production business.

Adjusted net debt leverage (defined as adjusted net debt divided by underlying EBITDA) further reduced year on year and was 0.9 times at 31 March 2011 compared to 1.8 times in the prior year.

Senior Net Debt

The Senior Net Debt balance was £38.6 million, down £19.0 million from the previous year end. £15.3m is attributable to the share placement in March 2011 and the remainder is due to strong cash generation which more than offset the increase in content and programme spend through the year. At 31 March 2011, using prevailing exchange rates, the total available facility was US\$175 million. The facility is due for renewal in September 2012.

Exchangeable Notes

In November 2010 the holders of the remaining exchangeable notes exercised their option to convert their notes into shares of the Company. This resulted in the debt being extinguished and the Company issuing 7.5 million shares to the holder. A resulting one-off non-cash cost of £1.8 million was incurred representing the difference between the value of the shares issued and the carrying value of the notes at the point of exchange.

Television Production Net Debt

Television Production net debt decreased slightly year on year to £22.1m. This financing is independent of the Group's senior credit facility. It is secured over the assets of individual production companies within the Television business and represents shorter-term working capital financing that is arranged and secured on a production-by-production basis.

Financial Position and Going Concern Basis

The Group's net assets increased from £164.0 million at 31 March 2010 to £190.9 million at 31 March 2011. The increase of £26.9 million was mainly due to the strong trading in the year, which more than covered the amortisation of intangible assets, increased content investment and reduced debt. The oversubscribed placing in March increased net assets by over £15 million.

The directors acknowledge guidance issued by the Financial Reporting Council relating to going concern. The directors consider it appropriate to prepare the accounts on a going concern basis, as set out in Note 1 to this preliminary announcement.

Consolidated Income Statement
For the year ended 31 March 2011

	Notes	Year ended 31 March 2011 £m	Year ended 31 March 2010 £m
Continuing operations			
Revenue	2	469.7	419.0
Cost of sales		(357.6)	(323.7)
Gross profit		112.1	95.3
Administrative expenses		(91.8)	(83.7)
Operating profit		20.3	11.6
Analysed as:			
Underlying EBITDA		42.5	35.3
Amortisation of intangible assets		(15.3)	(17.5)
Depreciation		(1.7)	(1.9)
Share-based payment charge		(2.5)	(2.7)
One-off items	3	(2.7)	(1.6)
		20.3	11.6
Finance income	4	0.7	7.8
Finance costs	4	(9.6)	(11.4)
Profit before tax		11.4	8.0
Income tax charge	5	(4.0)	(0.7)
Profit for the year from continuing operations		7.4	7.3
Loss for the year from discontinued operations		(3.8)	(0.7)
Profit for the year attributable to equity holders of the parent company		3.6	6.6
Continuing earnings per share (pence)			
Basic	7	4.5	5.1
Diluted	7	4.1	4.8
Earnings per share (pence)			
Basic	7	2.2	4.6
Diluted	7	2.0	4.3

Consolidated Statement of Comprehensive Income
For the year ended 31 March 2011

	Year ended 31 March 2011 £m	Year ended 31 March 2010 £m
Profit for the year	3.6	6.6
Exchange differences on foreign operations	(1.9)	10.5
Fair value movements on cash flow hedges	(0.1)	0.5
Reclassification of cash flow hedges	(1.2)	-
Tax on cash flow hedges	0.3	(0.1)
Total comprehensive income for the year attributable to equity holders of the parent company	0.7	17.5

Consolidated Balance Sheet
As at 31 March 2011

	31 March 2011 £m	31 March 2010 £m
Assets		
Non-current assets		
Intangible assets	165.7	182.4
Investment in programmes	32.4	26.0
Property, plant and equipment	4.0	5.4
Other receivables	2.0	1.9
Deferred tax assets	4.2	2.0
Total non-current assets	208.3	217.7
Current assets		
Inventories	56.5	47.8
Investment in content rights	77.3	65.3
Trade and other receivables	108.9	114.2
Current tax assets	-	0.7
Other financial assets	-	0.5
Cash and cash equivalents	29.2	18.6
Total current assets	271.9	247.1
Total assets	480.2	464.8
Liabilities and equity		
Non-current liabilities		
Interest bearing loans and borrowings	70.7	86.2
Other payables	1.2	0.5
Deferred tax liabilities	9.5	10.6
Total non-current liabilities	81.4	97.3
Current liabilities		
Trade and other payables	179.4	177.6
Current tax liabilities	5.4	4.8
Interest bearing loans and borrowings	19.2	18.4
Provisions	2.1	0.5
Other financial liabilities	1.8	2.2
Total current liabilities	207.9	203.5
Total liabilities	289.3	300.8
Equity		
Share premium	167.2	139.0
Treasury shares	(7.8)	(7.8)
Other reserves	9.3	13.9
Currency translation reserve	36.8	38.7
Retained earnings	(14.6)	(19.8)
Total equity	190.9	164.0
Total liabilities and equity	480.2	464.8

Consolidated Cash Flow Statement
For the year ended 31 March 2011

	Year ended 31 March 2011 £m	Year ended 31 March 2010 £m
Operating activities		
Operating profit – continuing operations	20.3	11.6
Operating loss – discontinued operations	(5.4)	(1.1)
Operating profit – total Group	14.9	10.5
Adjustments for:		
Depreciation	1.7	2.1
Amortisation of other intangible assets	14.9	16.9
Amortisation of content rights	43.0	37.6
Amortisation of television programmes	31.4	18.8
Foreign exchange movements	(0.5)	0.2
Share-based payment charge	2.5	2.7
Loss on disposal of property, plant and equipment	0.4	-
Increase in inventories	(9.0)	(7.7)
Decrease/(increase) in trade and other receivables	6.9	(30.0)
Increase in trade and other payables	1.2	38.9
Increase/(decrease) in provisions	1.6	(1.0)
Net cash inflow from trading activities	109.0	89.0
Income tax paid	(4.1)	(3.8)
Net cash from operating activities	104.9	85.2
Investing activities		
Interest received	-	0.1
Acquisition of subsidiaries	(3.1)	(5.9)
Investment in content rights	(52.4)	(50.9)
Investment in television programmes	(38.9)	(23.8)
Purchases of property, plant and equipment	(1.0)	(1.0)
Purchases of intangible software assets	(0.6)	(1.0)
Net cash used in investing activities	(96.0)	(82.5)
Financing activities		
Proceeds on issue of shares (net of costs)	16.3	10.0
Increase in interest bearing loans and borrowings	63.8	34.3
Repayment of interest bearing loans and borrowings	(71.3)	(43.2)
Net (repayment)/drawdown of production financing	(1.6)	7.8
Interest paid	(5.2)	(5.8)
Net cash from financing activities	2.0	3.1
Net increase in cash and cash equivalents	10.9	5.8
Cash and cash equivalents at beginning of the year	18.6	11.8
Effects of exchange rate fluctuations on cash held	(0.3)	1.0
Cash and cash equivalents at end of year	29.2	18.6

Consolidated Statement of Changes in Equity
For the year ended 31 March 2011

	Share capital £m	Share premium £m	Treasury shares £m	Other reserves £m	Currency translation reserve £m	Retained earnings £m	Total equity £m
At 1 April 2009	0.7	126.3	(7.8)	14.9	28.2	(29.1)	133.2
Total comprehensive income for the year	-	-	-	0.4	10.5	6.6	17.5
Shares issued during the year	0.1	11.9	-	(1.4)	-	-	10.6
Share-based payment charge	-	-	-	-	-	2.7	2.7
At 31 March 2010	0.8	138.2	(7.8)	13.9	38.7	(19.8)	164.0
Effect of scheme arrangement	(0.8)	4.4	-	(3.6)	-	-	-
At 1 April 2010 (restated)	-	142.6	(7.8)	10.3	38.7	(19.8)	164.0
Total comprehensive income for the year	-	-	-	(1.0)	(1.9)	3.6	0.7
Shares issued during the year	-	24.6	-	-	-	-	24.6
Share-based payment charge	-	-	-	-	-	1.6	1.6
At 31 March 2011	-	167.2	(7.8)	9.3	36.8	(14.6)	190.9

1. Basis of preparation

Financial statements

The full year results for the year ended 31 March 2011 have been extracted from the audited consolidated financial statements which have not yet been dispatched to shareholders. The financial information set out in this preliminary announcement does not constitute statutory accounts 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 auditors have reported on the statutory accounts for the year ended 31 March 2011 and their report was unqualified.

Additional performance measures

The Group presents one-off items, underlying EBITDA, adjusted profit before tax and adjusted earnings 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 'adjusted' may not be comparable with similarly titled measures reported by other companies. The term 'underlying EBITDA' refers to operating profit or loss excluding operating one-off items, share-based payment charges, depreciation and amortisation of intangible assets. The terms 'adjusted profit before tax' and 'adjusted earnings per share' refer to the reported measures excluding operating one-off items, amortisation of intangible assets arising on acquisition, one-off items relating to the Group's financing arrangements and share-based payment charges.

Going concern

The Group meets its day to day working capital requirements and funds its investment in content through a revolving credit facility ("Facility") which matures in September 2012 and is secured on assets held in the Group. Under the terms of the Facility the Group is able to draw down in the local currencies of its operating businesses. The Facility is subject to a series of covenants including fixed charge cover, net debt against EBITDA and capital expenditure. The Group has a track record of cash generation and is in full compliance with its existing bank facility covenant arrangements.

The Group is exposed to uncertainties arising from the economic climate and also in the markets in which it operates. Market conditions could lead to lower than anticipated demand for the Group's products and services and exchange rate volatility could also impact reported performance. The directors have considered the impact of these and other uncertainties and factored them into their financial forecasts and assessment of covenant headroom. The Group's forecasts and projections, taking account of reasonable possible changes in trading performance (and available mitigating actions), show that the Group will be able to operate within the expected limits of the Facility and provide headroom against the covenants for the foreseeable future. For this reason the directors continue to adopt the going concern basis in preparing the financial statements.

2. Operating segments

Segment information for the year ended 31 March 2011 is presented below on a continuing basis:

	Entertainment £m	Distribution £m	Eliminations £m	Consolidated £m
Segment revenues				
External sales	251.3	218.4	-	469.7
Inter-segment sales	46.7	8.9	(55.6)	-
Total segment revenues	298.0	227.3	(55.6)	469.7
Segment results				
Segment underlying EBITDA	34.1	13.0	0.1	47.2
Group costs				(4.7)
Underlying EBITDA				42.5
Depreciation and amortisation				(17.0)
Share-based payment charge				(2.5)
One-off items				(2.7)
Operating profit				20.3
Finance income				0.7
Finance costs				(9.6)
Profit before tax				11.4
Tax				(4.0)
Profit after tax from continuing operations				7.4
Loss for the year from discontinued operations				(3.8)
Profit for the year attributable to equity holders of the parent company				3.6

Segment information for the year ended 31 March 2010 is presented below on a continuing basis:

	Entertainment £m	Distribution £m	Eliminations £m	Consolidated £m
Segment revenues				
External sales	205.3	213.7	-	419.0
Inter-segment sales	46.5	17.3	(63.8)	-
Total segment revenues	251.8	231.0	(63.8)	419.0
Segment results				
Segment underlying EBITDA	26.5	13.3	-	39.8
Group costs				(4.5)
Underlying EBITDA				35.3
Depreciation and amortisation				(19.4)
Share-based payment charge				(2.7)
One-off items				(1.6)
Operating profit				11.6
Finance income				7.8
Finance costs				(11.4)
Profit before tax				8.0
Tax				(0.7)
Profit after tax from continuing operations				7.3
Loss for the year from discontinued operations				(0.7)
Profit for the year attributable to equity holders of the parent company				6.6

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:

	Notes	Year ended 31 March 2011 £m	Year ended 31 March 2010 £m
Corporate restructuring	(a)	1.9	0.4
Acquisition costs	(b)	0.8	0.6
Other	(c)	-	0.6
		2.7	1.6

(a) Corporate restructuring

Restructuring costs in the current year of £1.9 million comprise the final costs incurred as part of the step up to a standard listing on the Main Market of the London Stock Exchange and concurrent corporate reorganisation. Prior year restructuring costs include £0.4 million for the initial costs of the step up and corporate reorganisation.

(b) Acquisition costs

Acquisition costs relate mainly to the costs of acquiring the Hopscotch group of companies further detailed in note 8 and, in the prior year, to an abortive acquisition.

(c) Other

Other one-off costs in the prior year included the loss on disposal of an investment and legal costs relating to the rebranding of the Group.

4. Finance income and finance costs

Finance income and finance costs comprise:

	Notes	Year ended 31 March 2011 £m	Year ended 31 March 2010 £m
Finance income			
Interest income		-	0.1
Gain on repurchase of exchangeable notes	(a)	-	7.3
Gain in fair value of derivative instruments	(a)	0.7	0.4
		0.7	7.8
Finance costs			
Interest expense arising on bank loans and overdrafts		(5.5)	(5.6)
Amortisation of deferred finance charges		(1.8)	(2.0)
Interest expense arising on exchangeable notes		(0.5)	(2.5)
Loss on exercise of exchangeable notes option	(a)	(1.8)	-
Loss in fair value of derivative instruments	(a)	-	(1.3)
		(9.6)	(11.4)
Net finance charges		(8.9)	(3.6)

(a) Items excluded from the calculation of adjusted earnings after tax in note 7.

5. Tax

	Year ended 31 March 2011 £m	Year ended 31 March 2010 £m
Current tax charge	6.9	5.7
Deferred tax credit	(2.9)	(5.0)
Tax charge	4.0	0.7

The charge for the year can be reconciled to the profit in the income statement as follows:

	Year ended 31 March 2011 £m	%	Year ended 31 March 2010 £m	%
Profit before tax	11.4		8.0	
Taxes at applicable domestic rates	2.9	25.4	0.2	2.5
Effect of income that is exempt from taxation	-	-	(1.0)	(12.5)
Effect of expenses that are not deductible in determining taxable profit	1.3	11.4	1.1	13.8
Effect of deferred tax (recognition)/write downs or reversal	(0.5)	(4.4)	(2.3)	(28.8)
Effect of losses/temporary differences not recognised	0.2	1.8	2.2	27.5
Effect of irrecoverable withholding tax	0.1	0.9	0.5	6.3
Effect of tax rate changes	(0.1)	(0.9)	(0.7)	(8.8)
Prior year items	0.1	0.9	0.7	8.8
Income tax charge and effective tax rate for the year	4.0	35.1	0.7	8.8

Taxation is calculated at the rates prevailing in the respective jurisdictions. The standard tax rates in each jurisdiction are 30.1% in Canada (2010: 32.7%), 35.5% in the United States (2010: 35.5%), 28.0% in the United Kingdom (2010: 28.0%), 12.25% in Hungary (2010: 20.0%), 0.0% in Jersey (2010: 0.0%), and 25.4% in the Netherlands (2010: 25.5%).

6. Dividends

The directors are not recommending payment of a dividend (2010: nil).

7. Earnings per share

Year ended 31 March 2011			
	Continuing operations	Discontinued operations	Total
	Pence	Pence	Pence
Basic earnings per share	4.5	(2.3)	2.2
Diluted earnings per share	4.1	(2.1)	2.0
Adjusted basic earnings per share	14.3		
Adjusted diluted earnings per share	13.0		

Year ended 31 March 2010			
	Continuing operations	Discontinued operations	Total
	Pence	Pence	Pence
Basic earnings per share	5.1	(0.5)	4.6
Diluted earnings per share	4.8	(0.5)	4.3
Adjusted basic earnings per share	12.8		
Adjusted diluted earnings per share	11.9		

Basic earnings per share has been calculated by dividing the earnings/(loss) attributable to shareholders by the weighted average number of shares in issue during the year, after deducting Treasury shares.

The adjusted basic earnings per share calculation is based on the basic earnings per share calculation after allowing for adjusted items. It is shown in order to highlight the underlying performance of the Group.

Diluted and adjusted diluted earnings per share have been calculated after adjusting the weighted average number of shares used in the basic and adjusted basic calculation to assume the conversion of all potentially dilutive shares.

Reconciliations of the profit and loss used in the basic and diluted earnings calculations to profit and loss used in the adjusted earnings per share calculations are set out below.

Year ended 31 March 2011			
	Continuing operations	Discontinued operations	Total
	£m	£m	£m
For basic and diluted earnings per share			
Profit/(loss) for the financial year	7.4	(3.8)	3.6
For adjusted basic and diluted earnings per share			
Profit for the financial year	7.4		
Add back:			
One-off items	2.7		
Amortisation of acquired intangibles	14.6		
Share-based payments	2.5		
Financing net fair value movements	(0.7)		
One-off financing movements	1.8		
Direct tax effect of above items	(4.8)		
Adjusted earnings after tax	23.5		

7. Earnings per share (continued)

	Year ended 31 March 2010		
	Continuing operations £m	Discontinued operations £m	Total £m
For basic and diluted earnings per share			
Profit/(loss) for the financial year	7.3	(0.7)	6.6
For adjusted basic and diluted earnings per share			
Profit for the financial year	7.3		
Add back:			
One-off items	1.6		
Amortisation of acquired intangibles	17.3		
Share-based payments	2.7		
Financing net fair value movements	0.9		
One-off financing movements	(7.3)		
Direct tax effect of above items	(4.2)		
Adjusted earnings after tax	18.3		

Weighted average number of shares in issue	2011	2010
	Million	Million
Basic	163.9	142.6
Dilution for share options	16.2	11.0
	180.1	153.6

8. Events after the balance sheet date

On 13 May 2011 the Group acquired 100% of the issued share capital of the Hopscotch group of companies ("Hopscotch"). Hopscotch is an Australian film distribution group based in Sydney focused on independent international titles alongside Australian content. Hopscotch was acquired in line with the Group's strategy to expand internationally thereby enhancing its multi-territory offering.

Consideration is AUD\$20 million (£13.1 million), subject to working capital adjustments, comprising \$10 million paid in cash (excluding directly attributable acquisition costs) and AUD\$10 million was satisfied by the allotment of common shares to the management of the acquired entities.

The initial accounting for the acquisition is incomplete due to completion of the acquisition occurring after the year end.