2017 Annual Report and Accounts

Bringing the best content to the world

entertainment One

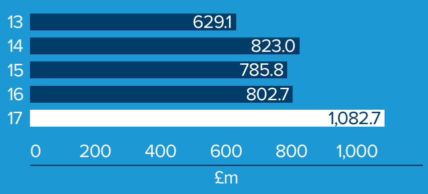
At a glance

Financial highlights

Revenue

£1,082.7m

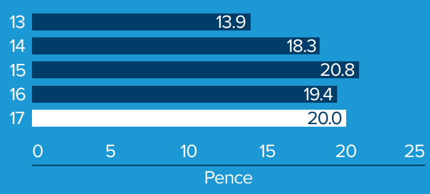
+35% (2016: £802.7m)



Adjusted fully diluted earnings per share

20.0 pence

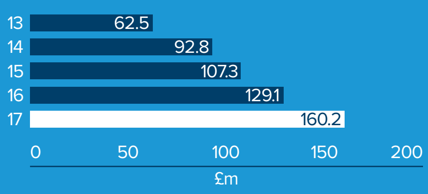
+3% (2016: 19.4 pence)



Underlying EBITDA

£160.2m

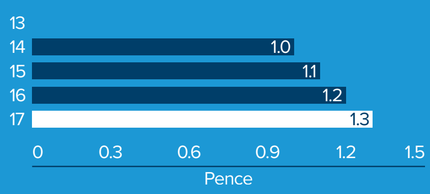
+24% (2016: £129.1m)



Dividend

1.3 pence

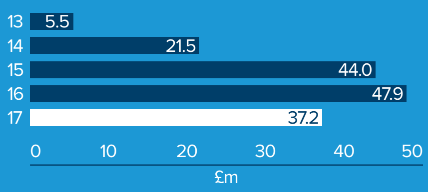
+8% (2016: 1.2 pence)



Profit before tax

£37.2m

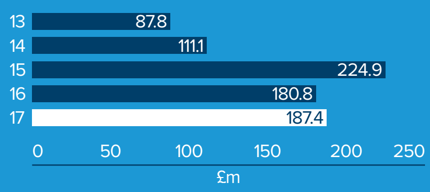
-22% (2016: £47.9m)



Adjusted net debt

£187.4m

£6.6m higher (2016: £180.8m)



2017 Strategic progress

– Significant progress on the reshaping of the Film business, including progress on Fox and Sony partnerships and the renegotiation of a distribution arrangement with one of our partners, with associated one-off charges during the year

– Company structure evolving to underpin future growth with plans to combine Film and Television Divisions into a single studio operation, following establishment of a combined global sales team effective 1 April 2017

– Independent library valuation increased to US$1.5 billion at 31 March 2016 (2015: >US$1 billion) – does not yet include benefit of FY17 performance

– On track to double the size of the business over the five years to FY20

– Confirmation of a new series of *Peppa Pig*, with 117 episodes to air over four years from Spring 2019

– Launch of MAKEREADY, a global content creation company with industry veteran Brad Weston

Alternative performance measures
We use both statutory and adjusted measures in our strategic report. A full reconciliation between our reported and adjusted results is provided in our Appendix to the Annual Report on page 136.

Our unique model gives us access to the best talent to bring the highest quality content to the world.

We source, select and sell entertainment content rights across all media platforms globally.

We offer investors an attractive and risk mitigated return in a strong, dynamic and growing market. Demand for multi-channel content is growing and eOne is well positioned to capitalise.

Contents

Visit our website: entertainmentone.com

Our world of entertainment: we source, select and sell entertainment content rights across all media platforms globally.

Sourcing

Selecting

Selling

from world class talent

We partner with the most talented producers in the world, bringing the very best content into our portfolio for monetisation

the highest quality content

We focus on the high value content genres and family brands that have global appeal to consumers

around the world

Our global sales presence enables us to sell content on a single territory, multi-territory or global basis

creating value through the sourcing of high quality rights from leading creative talent...

Source

Connect with creative talent

Creating value

We source our content from the most talented producers in the world, working with them to develop, produce and monetise content most effectively across our global distribution network. By offering them a range of different partnership structures, we are able to capture their content in our portfolio, driving present and future value.

Co-production deals
First Look deals
Overhead deals
Option deals
Output deals

KPIs

£265.3m

Investment in content across Television and Family

FY13	79.6
FY14	87.1
FY15	105.1
FY16	108.3
FY17	265.3

£142.6m

Investment in content in Film

FY13	95.4
FY14	189.7
FY15	175.7
FY16	110.2
FY17	142.6

US$1.5bn

Library valuation as at 31 March 2016

FY13	350
FY14	650
FY15	801
FY16	1,000
FY17	1,500

...selecting the most commercial route for bringing the content to consumers...

Select

Produce/acquire global rights

Creating value

In some cases we will acquire content for distribution but increasingly our content businesses are producing content, funded through low risk production financing secured on pre-sales to our customers.

By producing our own content we can take full control of ownership, globally and in perpetuity, in turn enabling us to maximise revenues through our sales teams.

Our partner companies:

The Mark Gordon Company
an entertainment One company
Dualtone
Renegade
Annapurna Pictures
Amblin Partners
Sierra Pictures

KPIs

1,023
Television half hours produced and acquired

FY13	507
FY14	551
FY15	752
FY16	998
FY17	1,023

1,083
Family licences

FY13	246
FY14	457
FY15	635
FY16	847
FY17	1,083

172
Film releases

FY13	214
FY14	275
FY15	227
FY16	210
FY17	172

...maximising returns through our deep relationships, expertise across multiple platforms and global footprint...

Sell

Cinema – Retail – Broadcast – Digital

Creating value

eOne operates an integrated, international distribution team that stretches across over 150 territories, with presence in all parts of the content value chain.

Our deep relationships with all of the key content buyers and our ownership of global content rights positions us well to meet the challenges of this evolving market as our customers look to buy multi-territory or global content rights.

Key channels

Cinema

VUE, Cineplex Odeon, cineworld, ODEON

Retail

hmv, Walmart, amazon.co.uk, PLAY.COM

Broadcast

4, sky, AMC, abc

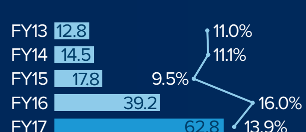
Digital

iTunes, amazon Prime instant video, NETFLIX

KPIs

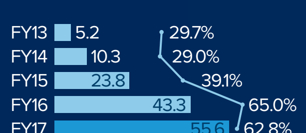
£62.8m

TV EBITDA and margin



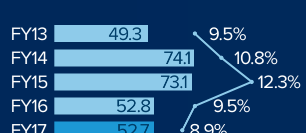
£55.6m

Family EBITDA and margin



£52.7m

Film EBITDA and margin



Fear the Walking Dead

Over
10 million
viewers

Peppa Pig

Over
800
licences

US$1.2 billion
retail sales

La La Land

6
Oscar® awards

US$441 million
worldwide total lifetime gross

Deliver

...successful execution of the strategy generating improved financial returns.

2017 Performance

Our business model has delivered another strong set of results in FY17.

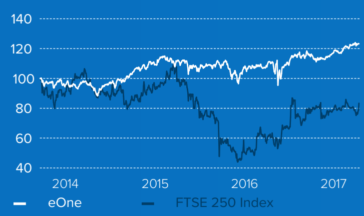
As well as robust performances in revenues and EBITDA (up 35% and 24% respectively), we have once again delivered strong free cash flow (before production finance), continued our progressive dividend policy and increased the value of our content library.

KPIs

20.0p
Adjusted fully diluted earnings per share (EPS)

FY13	13.9
FY14	18.3
FY15	20.8
FY16	19.4
FY17	20.0

Total shareholder return (TSR)



Continuing to develop and evolve content markets

The coming together of content services, technology and consumer demand in this way has created a vibrant and dynamic market for those who produce and own attractive content rights across multiple platforms and territories.

Allan Leighton,
Non-executive Chairman

A vibrant market outlook

Seismic change has become the norm in the global content market, bringing with it both opportunities and challenges for all participants. Liberated from linear programming schedules by technology and new digital content platforms, consumers have embraced new ways to discover and view their favourite shows and films. They demand, and expect, the best television shows and films to be delivered to them in the way they want, at a time they dictate and on the screen of their choice. Traditional broadcasters and networks have been challenged by these new demands, but many have now responded through improved functionality, pricing and choice of content.

As the industry continues to adjust to this new market paradigm, one thing remains clear: demand for quality content remains high and content platforms are prepared to pay premium prices for the very best. In response we are developing deeper relationships with top producers and talent giving us greater control over the highest quality content.

For producers such as Entertainment One, with its strong producer relationships, track record of delivery and global presence, there are exciting opportunities to further engage with both traditional and digital platforms in a market hungry for content. Through the ongoing investment in its content portfolio the Group owns an attractive and high quality library of content rights that creates value both today and in the future for its shareholders.

Entertainment One has delivered a strong trading performance for the year, with very pleasing revenue growth from Television and Family, and another year of growth in underlying EBITDA. It is particularly noteworthy that this performance includes significant organic growth and has been delivered against a backdrop of a recovering Film business after two years of market volatility. This robust set of results allows the Board to increase the dividend for the year to 1.3 pence, in line with its progressive policy.

Operational highlights

Operationally, Entertainment One has had another busy year across a number of fronts. A broad slate of successful film releases, led by *The BFG* and *The Girl on the Train*, reversed two years of revenue decline and will help drive ancillary windows in future years. Supporting this, action has been taken to further optimise the film slate and drive operating efficiencies.

Once more, Television delivered over 1,000 half hours of content to its network partners, with the mix more biased towards higher-value scripted drama shows. The Mark Gordon Company (MGC) has also had a strong year, producing and delivering *Designated Survivor*, one of the biggest US network television shows over the last ten years. The international rights to the show were sold to Netflix in a landmark deal for the Group and we look forward to the exciting MGC pipeline yielding further new television series going to broadcast.

"The demand we are currently experiencing for our productions bodes well for future growth."

Family also goes from strength-to-strength. *Peppa Pig* continues to delight and entertain its pre-school audiences supporting strong retail revenue growth, especially in the important US market. New brand *PJ Masks* has consolidated its position as an important global property for the Group. The consumer product roll-out started in the US last autumn and the response has been very encouraging, boding well for further international licensing launches in the current year and beyond.

Board of directors

At the Group's Annual General Meeting in September 2016, three non-executive directors retired from the Board, each having served Entertainment One for ten years. On behalf of management and the remaining Board directors, I say farewell and thank you to Clare Copeland (former Senior Non-Executive Director), Bob Allan (former Chairman of the Audit Committee) and Garth Girvan.

In May 2017 we received the sad news of the unexpected death of Ron Atkey, a serving member of the Board for the last seven years. Ron played a significant role both in developing Entertainment One into the company that it is today and a much wider contribution in his stewardship of the Canadian cultural industries; his wise counsel and inspiration will be missed by us all.

During the year Giles Willits resigned from his role as Chief Financial Officer and stepped down from the Board. We thank Giles for his considerable contribution to the Group and wish him well in his future ventures.

In his place the Board has appointed Joe Sparacio as Chief Financial Officer. Joe brings over 30 years of extensive experience following nine years as Chief Financial Officer of IMAX Corporation, and prior to that senior finance roles at iN DEMAND and Loews Cineplex Entertainment.

The Board also appointed Mitzi Reaugh as a non-executive director and Margaret O'Brien as an executive director. Mitzi has held senior positions in a number of large media and internet businesses, including Miramax, The Chernin Group and NBC Universal. Margaret has been with eOne since 2008 and currently has responsibility for all of eOne's corporate development and mergers & acquisitions activity.

Highlights for the year

- **Consumers continue to embrace new ways to discover and view their favourite shows and films through new digital content platforms**
- **Traditional broadcasters and networks are responding to this shift through improved functionality, pricing and choice of content**
- **Demand for high quality content remains high and consumer platforms are prepared to pay a premium for the best**

Our people

The Group has completed another successful year, underlined by its strong financial performance. This would not have been possible without the hard work and dedication of all the Entertainment One teams around the world. Once more they have overcome the challenges and harvested the opportunities thrown up by the evolving entertainment market and I have no hesitation in thanking them all for their enthusiasm and professionalism.

My final words, as ever, are dedicated to the Group's shareholders. I thank them for their support throughout the year as Entertainment One has focused on delivering organic growth, building the value of its content library and executing its strategy. I believe that Entertainment One remains well positioned to take advantage of further opportunities from the ongoing evolution of the content markets we work in and I look forward to the current year with confidence.

Allan Leighton
Non-executive Chairman

Darren Throop,
Chief Executive Officer

Maximise return on investment

It has been another exciting year for the Group, and I am pleased to be reporting another strong set of financial results. The work undertaken during the year keeps us at the centre of the positive structural change ongoing in the industry, and is in line with the source, select, sell strategy which continues to serve eOne so well, underpinning our growth trajectory.

The Television and Family Divisions have performed extremely well this year, both with double-digit growth in sales and continuing to build momentum for the future. Particular highlights include The Mark Gordon Company illustrating its strength in creative content production with the success of internationally acclaimed *Designated Survivor*, as well as the very successful roll-out of the licensing programme for newcomer *PJ Masks*, which supported another stellar year for *Peppa Pig*.

Film delivered a stable set of financial results with underlying EBITDA in line with the prior year. The continued reshaping of the Division, where initiatives undertaken included integrating our physical distribution partnerships with Fox and Sony, and the refocusing of our film distribution arrangements, has positioned us well to retain our strong position catering to a changing global film market.

The Company is in an excellent position to continue to thrive going forward. Joe Sparacio has been permanently appointed as CFO, we are focusing on ensuring the business is best placed to maximise return on investment, and our significantly increased library valuation clearly demonstrates the enduring value of premium content in a constantly-evolving entertainment market. We are on track to deliver our growth target of doubling the size of the business in the five years to FY20.

Financial highlights

Group reported revenues were 35% higher at £1,082.7 million (2016: £802.7 million), driven by strong growth in Television (85% higher), Family (33% higher) and stable financial results in Film. Acquisitions completed during the year contributed £50.2 million to Group reported revenues. On a constant currency basis (re-translating prior year reported financials at current year foreign exchange rates), Group revenue growth was 20.5% higher, reflecting the impact of the weaker pound sterling against the US dollar, Canadian dollar, Australian dollar and euro during the year.

Group reported underlying EBITDA was 24% higher at £160.2 million (2016: £129.1 million), driven by strong growth in Television (60% higher), Family (28% higher) and stable financial results in Film. Television Division underlying EBITDA was higher across eOne Television (+36%), The Mark Gordon Company (+82%) and Music (+185%). The Family Division saw excellent growth driven by the continuing strong performance of *Peppa Pig* and a strong contribution from the initial roll-out of the licensing programme for *PJ Masks*. Underlying EBITDA in Film was flat with a strong year for theatrical revenues offset by the expected continued decline in physical home entertainment.

On a constant currency basis, Group underlying EBITDA would have increased by 14.5%, reflecting the impact of the weaker pound sterling against the US dollar, Canadian dollar, Australian dollar and euro during the year. Acquisitions completed during the financial year contributed £1.0 million to Group underlying EBITDA.

Net cash from operating activities amounted to £34.0 million in comparison to £69.3 million in FY16, driven by higher investment in content and productions, which not only supports our current operations but also drives growth in the value of our content library. Net leverage remains low at 1.2x Group underlying EBITDA.

Adjusted profit before tax for the year was £129.9 million (2016: £104.1 million), due to the increase in underlying EBITDA, partly offset by higher interest costs. Reported profit before tax for the year was £37.2 million (2016: £47.9 million), impacted by previously announced one-off charges mainly in relation to the reshaping of the Film business and higher amortisation of intangibles, partly offset by lower one-off finance costs.

Adjusted diluted earnings per share were 20.0 pence (2016: 19.4 pence). On a reported basis, diluted earnings per share were 3.0 pence (2016: 9.6 pence), impacted by higher one-off charges and amortisation of acquired intangibles from the full year impact of prior year acquisitions.

Strategic progress

As well as having delivered strong operational and financial results, the Group continues to deliver strong progress against the strategy, including:

- Positioning the organisation for growth with the creation of a new global Film and Television sales team and planned integration of the Film and Television Divisions into a combined studio – consistent with this, the Group is considering how best to report the combined operations on a go-forward basis
- Delivering a significant increase in the independent FY16 valuation of the Group's content library to US$1.5 billion (2015: >US$1 billion), demonstrating the enduring value of premium content in a constantly-evolving entertainment market, not yet reflecting the contribution from a strong FY17
- Completing another successful year under The Mark Gordon Company's independent studio model with underlying EBITDA higher by 82% and *Designated Survivor* recently announced for a second season and multiple projects in development
- Ongoing delivery of season 4 of *Peppa Pig* and an additional 117 episodes of *Peppa Pig* going into production to ensure a continuous flow of new programming content to support the longevity of the brand from a licensing perspective
- Reporting strong results from *Peppa Pig* in strategically important markets (maturing into an evergreen property), with further growth opportunities in the US, China, South East Asia, France and Canada
- Following a successful broadcast launch for *PJ Masks* with a very well received licensing programme (initially in the US, expanding internationally in the coming year, with further international expansion in the current year), with season two in production and season three already in development
- Moving into production on two further Family properties (*Ricky Zoom* and *Cupcake & Dino: General Services*), with a development pipeline focusing on brands with truly global, long-lasting potential
- Announcing new ventures with top creative talent, including the launch of MAKEREADY with Brad Weston
- Continued reshaping of the Film Division through our physical distribution partnerships with Fox and Sony, allowing eOne to exit its own physical distribution activities, and focus on digital exploitation
- Continuing realignment of our film slate, including the renegotiation of a larger distribution arrangement
- Announcement of a new multi-year film and television partnership with Megan Ellison's Annapurna Pictures
- Bringing Secret Location fully in-house to focus on innovation and content for emerging platforms

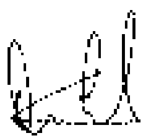
Outlook

The Television Division is expected to see continued organic growth for FY18, with investment in acquired content for eOne Television expected to increase to over £40 million and production spend expected to grow to over £170 million. Investment in productions for The Mark Gordon Company is expected to decrease to around £80 million.

Peppa Pig and *PJ Masks* will continue to be the drivers of growth for the Family business in FY18. Revenue and EBITDA are expected to grow significantly, but underlying EBITDA margins for Family are anticipated to decline in percentage terms, a mix effect caused by the increased contribution from *PJ Masks* which accrues a higher level of third party participation royalties than *Peppa Pig*, as well as an increased investment in overhead of around £2 million necessary to grow the sales platform in our various territories.

The Group will continue to reshape the Film business over the coming years as it adapts to the changing global film market. eOne is to focus on continued access to high quality premium content and on building deep partnerships with high quality film producers where eOne has more control over the content. Investment in acquired content is expected to increase to £150 million. Investment in productions is expected to be higher than the current year at over £50 million. As part of this programme, eOne is to focus on producing and sourcing a reduced slate of premium films, with rights controlled on a global basis.

From an efficiency perspective, the Group will continue to review opportunities to streamline its operations. The combined global sales team is expected to lead to a more focused approach to the sale of television and film content in windows outside of theatrical release, while creation of a combined Film and Television studio operation will also provide opportunities to create more efficient functions across both front and back offices.



Darren Throop
Chief Executive Officer

Business review

A growing content portfolio of television, family and film assets

Every year we invest in building our content library across Television, Family, Music and Film. This drives growth in revenues and profits as well as increasing longer-term equity value for our shareholders.

Television

Entertainment One is one of the major independent producers of television content commissioned primarily by the North American broadcast networks. This content is then sold through our in-house television sales teams to broadcasters globally and leading digital platforms.

Key titles

Family

Family focuses on building a portfolio of children's properties spearheaded by *Peppa Pig*, one of the world's leading pre-school brands. In addition to *Peppa Pig*, we own a number of launched and developing children's brands including *PJ Masks*.

Key titles

Film

Entertainment One is a market leader in the territories where we operate including Canada, the UK, Spain, Australia, New Zealand and the Benelux.

In addition, we use our scale to finance and produce a number of titles every year, enabling us to participate in a film's global success.

Key titles

Highlights

Investment in acquired content and productions

£260.2m

(2016: £102.5m)

Half hours

1,023

(2016: 998)

Contribution to Group revenue[1]

Contribution to EBITDA[2]

Highlights

Number of Family licences

1,083

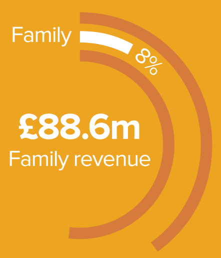
(2016: 847)

Retail revenue generated by Family

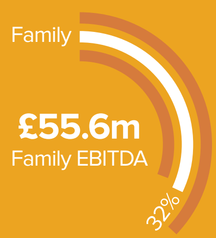
US$1.5 billion

(2016: US$1.1 billion)

Contribution to Group revenue



Contribution to EBITDA



Highlights

Film releases during the year

172

(2016: 210)

Investment in acquired content

£142.6m

(2016: £110.2m)

Contribution to Group revenue

Contribution to EBITDA

1. Contribution is calculated on Group revenue including inter-segment sales.
2. Contribution is calculated on Group underlying EBITDA excluding Group costs.

Television

Entertainment One is a leading producer of high quality original drama and unscripted series. Our shows are predominantly commissioned by US and Canadian broadcast networks and are sold around the world through the Group's international distribution team.

John Morayniss
Chief Executive Officer, Television

Highlights for the year

- **Strong revenue and EBITDA growth across the Division in FY17, driven by healthy levels of investment in content**
- **eOne Television delivered over 1,000 half hours of content, with a balanced slate of new shows and recommissions**
- **The Mark Gordon Company delivered an exceptionally strong performance as it migrated to an independent studio model**
- **Music more than doubled EBITDA contribution**
- **Positive outlook for FY18**

Entertainment One produces a large number of original scripted drama and unscripted reality shows from its development hub in North America. The Division includes eOne TV (which includes the combined Paperny and Force Four businesses and Renegade 83) and its strategic ownership of The Mark Gordon Company. These shows are commissioned and financed mainly by leading broadcast networks in the US and Canada and then distributed into global markets by eOne's own international television sales network, which reaches over 500 broadcasters and digital platforms in more than 150 territories. This broad global presence ensures that high quality shows are brought to audiences across both traditional and digital content networks, including Netflix and Amazon Instant Video.

The Group also leverages its sales infrastructure by selling in-demand third party content from producer partners, such as AMC Networks.

Market backdrop

The global television industry continues to transition as subscription revenues generated by pay-television services maintain modest levels of growth in the face of improved traction by global digital platforms. Many traditional pay-TV operators have responded to the threat posed by the digital operators by introducing improved functionality and commissioning exclusive content for their customers. According to the PricewaterhouseCoopers Global Entertainment and Media Outlook: 2016-2020 report, the global total television and video market revenues (made up of TV subscriptions, public licence fees, digital over the top (OTT)/streaming and physical home video) were estimated to be worth US$289.3 billion in 2016. These revenues are expected to grow to US$318.3 billion by 2020, a CAGR of 2.5%.

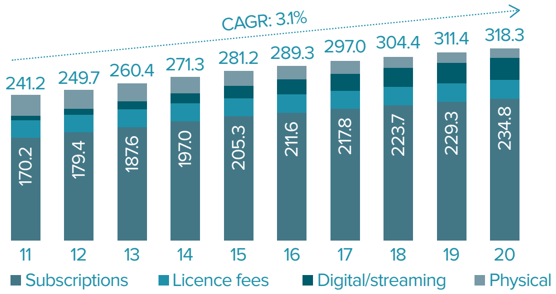
Within the headline numbers, two important trends continue to play out. Physical video markets are experiencing consistent year-on-year shrinkage in revenue, forecast to fall from US$22.7 billion in 2016 to US$15.7 billion in 2020, a CAGR decline of 8.8%. However, running counter to this trend, OTT and streaming services are set to generate strong revenue growth, increasing from US$19.6 billion in 2016 to an estimated US$30.3 billion in 2020, a healthy CAGR of 10.2%. These figures include both subscription video on demand (SVOD) and transactional video on demand (TVOD) revenues and are driven by the global roll-out of platforms such as Netflix, Amazon Instant Video and Apple TV, as well as local operators launching platforms for locally-produced content.

In its September 2016 report on Television Production in the US, IBISWorld suggests that revenues achieved by the US television sector grew from US$29.2 billion in 2015 to US$29.8 billion in 2016 and are set to reach US$35.8 billion by 2021. This is an important market for the Group, which continues to grow through its eOne Television and MGC production units. Significantly, its two key production sectors – scripted drama and unscripted reality shows – account for around 37.5% of this market, providing good headroom for further growth.

Market developments

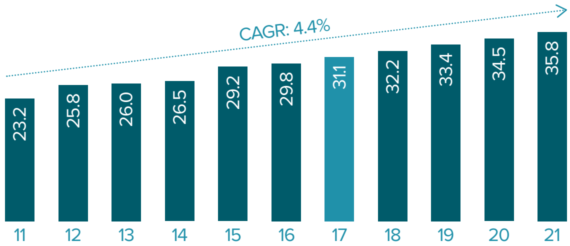
In 2007, Netflix launched a subscription video on demand service that would change consumer viewing habits forever. Ten years later we have seen the impact of this paradigm shift on the US broadcast industry, dramatically disrupting the existing models of the time and creating a wave of change that is still being felt today. In addition to taking viewer share from the incumbent broadcasters and networks, the SVOD model has opened up a new market, allowing a generation of 'cord nevers' to cheaply and easily find high quality television content and consume it at their convenience on a smart, connected device of their choice.

Global television revenues (US$ billion)



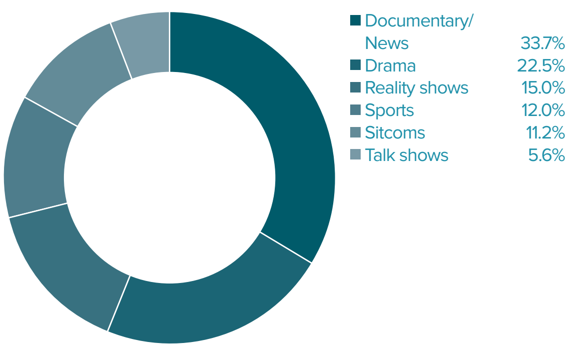
Source: PricewaterhouseCoopers Global Entertainment and Media Outlook 2016 - 2020

US television production revenues (US$ billion)



Source: www.IBISworld.com

US production market by genre



Source: www.IBISworld.com

As the SVOD model gained traction with domestic consumers in markets such as the US and the UK, supported by a high speed broadband availability and the increased penetration of smart mobile devices, a host of competing services were launched by local digital platforms, incumbent broadcasters and global operators, such as Amazon Instant Video. The PricewaterhouseCoopers data on global television revenues shows the financial impact of this trend, with steady growth in digital/streaming revenues, as SVOD services have become established with consumers.

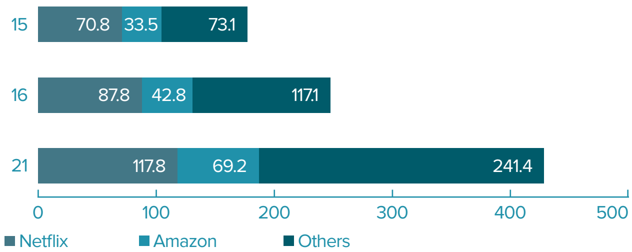
In the face of this new competition for viewers, cable networks, Pay-TV platforms and terrestrial broadcasters alike have made their own investments in technology – improving the capacity of set top boxes to search for, record and store content whilst at the same time improving the flexibility of how, when and where their customers can consume the content they want. In parallel, the content offering itself has improved, ranging from recent box office films via TVOD; catch-up services for network programming; entire box sets available to download; and improved original content.

These moves appear to have stemmed significant levels of subscriber 'cord-cutting' across the pay-TV landscape, which remains a significant proportion of the global market (combined SVOD and TVOD revenues represented just 8.6% of the global television market in 2016). Increasingly, online video platforms are seen as a complementary set of content services, as some subscribers 'cord-shave' from high value pay-TV subscriptions to lower cost bundles in order to accommodate their SVOD subscriptions. These bundles frequently feature broadband access and must-have sports content (typically unavailable on SVOD platforms) with a reduced number of film and TV channels.

Until recently, the growth experienced in SVOD was driven by the US market, with industry leaders Netflix and Amazon Instant Video competing for share as the market developed. However, with saturation approaching (with competing services from a number of domestic players such as Hulu, HBO Now, Showtime, Starz Play, DirecTV Now), both of these companies have turned their attention overseas for further growth opportunities. In particular, they have rolled out across the European markets over the last three years and Netflix has pushed quickly into the Far East.

A December 2016 report from industry analyst Digital TV Research suggests that SVOD subscribers across 200 countries could rise from 248 million in 2016 to 428 million by 2021. Of this number, around 129 million will be from the US, although China will show the fastest growth during this period and contribute around 74 million to the 2021 total. The report also claims that Netflix will be the dominant global platform, despite the fact that it is unlikely to be able to secure access in markets such as China. By 2021, there will be 118 million paying subscribers to Netflix globally, about 27.5% global market share, with Amazon Instant Video reaching just over 69 million subscribers, or 16.2% market share.

SVOD subscriber forecasts by platform (millions)



Source: Digital TV research

This global growth in SVOD services will fuel the demand for quality television shows and films from consumers, in turn creating opportunities for those producers who can create, control and sell the best content for global audiences. Entertainment One is one of the largest independent creators and distributors of quality content across television, family and film, so is well-positioned for this growth to come.

Financial review

The Television Division comprises eOne Television, The Mark Gordon Company and the Group's Music operation. It also incorporates the operations of Secret Location, the Group's digital content studio, which has been under full ownership since the Group acquired the remaining 50% stake in the business in August 2016. The Division's focus is on the development and production of high quality television programming and the acquisition of the best third party television content rights, for sale to broadcasters and digital platforms globally.

£m	2017	2016	Change
Revenue	**452.7**	244.7	85%
Underlying EBITDA	**62.8**	39.2	60%
Investment in acquired content	**37.3**	21.6	73%
Investment in productions	**222.9**	80.9	176%

Revenues for the year were 85% higher at £452.7 million (2016: £244.7 million), driven by new production revenue in The Mark Gordon Company, continued growth in eOne Television and the full year impact of the prior year acquisitions of Renegade 83, Dualtone Music Group and Last Gang Entertainment. Television revenue is calculated net of intra-segment eliminations of £49.5 million between eOne Television, The Mark Gordon Company and Music. The financial tables below are presented gross of eliminations, in line with eOne's management of the business.

Underlying EBITDA increased by 60% to £62.8 million (2016: £39.2 million), driven by higher revenues. Underlying EBITDA margin decreased by 2.1pts to 13.9% (2016: 16.0%), driven by changes in the mix of revenues.

eOne Television

£m	2017	2016	Change
Revenue	**328.2**	187.9	75%
Underlying EBITDA	**30.9**	22.8	36%
Investment in acquired content	**34.1**	18.5	84%
Investment in productions	**121.4**	73.3	66%

Revenues for the year increased 75% to £328.2 million (2016: £187.9 million), driven by higher global sales of content, international distribution sales for productions delivered by The Mark Gordon Company and the full year impact of the Renegade 83 acquisition. Underlying EBITDA increased by 36% to £30.9 million (2016: £22.8 million), driven by revenue growth. The underlying EBITDA margin percentage was lower than the prior year due to a stronger performance from lower risk/lower margin acquired content shows and higher budgets on own-produced shows.

Investment in acquired content and productions was higher than prior year at £155.5 million (2016: £91.8 million), driven by the impact of the Renegade 83 acquisition, increased budgets on own-produced shows and increased investment in AMC/Sundance shows. 1,023 half hours of new programming were produced/acquired in the year compared to 998 half hours in the prior year, with an increased mix of higher revenue shows. The business continues to maintain a steady pipeline of productions as new show commissions replace long-running series that have come to an end.

Key scripted deliveries included seasons one and two of *Private Eyes*, which was the number one drama in Canada for the first episode premiere night, season one of *Ice* and *Cardinal*, season four of *Rogue*, season five of *Saving Hope*, and season two of *You Me Her*. Other deliveries in the financial year included *Ransom* and *Mary Kills People*.

Key content acquisitions for the year included season two of *Fear the Walking Dead* with *The Walking Dead* maintaining its high viewership and ratings. AMC titles *Halt and Catch Fire*, *Turn*, *Hap & Leonard* and *Into the Badlands* continued to support revenues. International sales for *Designated Survivor* were very strong, including a worldwide streaming rights deal with Netflix outside North America, and are expected to continue to grow over time.

The unscripted business included the impact of the Renegade 83 acquisition with deliveries of *Naked and Afraid* and *Naked and Afraid XL* which is Discovery's number one Sunday night show. The US reality business delivered fewer shows after a very strong FY16; *Growing Up Hip Hop* continues to perform well and the new financial year has started strongly.

During the year, the Paperny Entertainment and Force Four Entertainment businesses in Vancouver were amalgamated and now operate as one Canadian unscripted business to take advantage of synergies whilst continuing to support eOne Television's goal of building a world-class portfolio of content across all genres for global exploitation. This amalgamation led to one-off charges of £2.6 million in the year, with annualised overhead savings of £1.1 million expected to be achieved going forward.

2018 Outlook for eOne Television

eOne Television is expected to see continued organic growth for FY18.

The new financial year will see a number of current scripted shows going into second season including *Ice*, *Cardinal* and *Private Eyes*, season three of *You Me Her* and a number of new series including *The Detail*, *Burden of Proof* and a number of other shows waiting to be greenlit. Production has commenced on *Sharp Objects*, starring Amy Adams, while the US unscripted pipeline is expected to grow significantly in the new financial year.

For third party global sales, AMC titles including *Halt & Catch Fire*, *Turn*, *Hap & Leonard* and *Into the Badlands* will continue into new seasons. International sales for *Fear the Walking Dead* and *The Walking Dead* are expected to continue at their existing robust levels, and sales on titles from The Mark Gordon Company are expected to increase year-on-year.

The number of half hours of programming expected to be acquired/produced next year is expected to be around 1,000, with over 60% of the new financial year's budget by value already committed or greenlit. Investment in acquired content is expected to increase to over £40 million and production spend is expected to grow to over £170 million.

Secret Location, eOne's digital studio, currently has a number of projects for different platforms underway, focusing on the fast-growing virtual reality industry. *VUSR,* a virtual reality content distribution platform, its biggest project in development, has already seen commitments from a number of large media companies including Amazon, The New York Times, CBC and Frontline. Although still in its early stages, the business has received a number of accolades for its innovation in the digital and virtual reality arena including a Peabody Award in conjunction with Frontline for *Ebola Outbreak: A 360 Virtual Journey*, two Webby awards for "Best Use of Interactive Video" and "VR: Cinematic or Pre-Rendered", and has been nominated for numerous other industry awards.

To fully leverage eOne's scale in the market and to meet the needs of its partners and customers, the TV sales force for eOne Television and Film has been combined into a global sales team from 1 April 2017. This is expected to lead to a more streamlined approach to the sale of television and film content in windows outside of theatrical release. We expect this change in structure to yield increased revenue and profitability benefits from FY18 onwards.

Designated Survivor

The Mark Gordon Company marked its migration to a studio model with the delivery of season one of *Designated Survivor* to ABC in the US, Bell in Canada and Netflix globally. A combination of compelling storylines, outstanding talent on-screen and high production values, the show generated strong audience traction, with season two set to commence production later this year.

The Mark Gordon Company (MGC)

£m	2017	2016	Change
Revenue	**119.9**	14.6	721%
Underlying EBITDA	**26.2**	14.4	82%
Investment in productions	**101.5**	7.6	1236%

Revenues for the year were up 721% to £119.9 million (2016: £14.6 million), driven by deliveries of the two productions under the new independent studio model, *Designated Survivor*, ordered for a second season, and *Conviction*. Underlying EBITDA increased 82% to £26.2 million (2016: £14.4 million). Underlying profitability in the prior year benefitted by £3.5 million relating to the 2015 financial year, following the full consolidation of MGC in May 2015 and its alignment with Group accounting policies. On a like-for-like basis, underlying EBITDA for MGC was £15.3 million or 140% higher.

Investment in productions increased to £101.5 million (2016: £7.6 million) driven by investment in *Designated Survivor*, *Conviction* and *Molly's Game*. Consistent with all eOne Group television productions, the amount of investment in production does not represent the Group's investment capital at risk, as the significant majority of production investment risk is mitigated through commitments received prior to greenlighting from commissioning broadcasters and government subsidies to reduce the Group's exposure to around 15%-20% of the investment in production budget.

MGC has seen an increase in revenue growth year-on-year, mainly driven by delivery of *Designated Survivor* and *Conviction*. 56 half hours of programming were delivered during the year, including 13 episodes of *Conviction* and 15 episodes of *Designated Survivor* (from a total of 21 episodes for season one). *Designated Survivor* premiered strongly on ABC and continues be one of the broadcaster's most watched dramas amongst its target demographics, beating other fan-favourites like *Grey's Anatomy* and *Once Upon a Time*. So far, in its first season it has been recognised as TV Guide's "Most Exciting TV Series" and the Critics' Choice "Most Exciting New Series" and has been nominated for the People's Choice "Favourite New TV Drama" and "Favourite Actor in a TV Series".

The studio continues to benefit from its library of television and film titles, with relatively high margins favourably contributing to the bottom line and cash generation. In addition, MGC currently has five series airing on both US network and premium cable, all with continued strong viewership, including *Criminal Minds* (now in season twelve and renewed for season thirteen), *Criminal Minds: Beyond Borders* (now in season two), *Grey's Anatomy* (now in season thirteen and renewed for season fourteen), *Ray Donovan* (now in season four and renewed for season five), and *Quantico* (now in season two renewed for season three), as well as three film projects where producer fees are earned.

2018 Outlook for MGC

The Mark Gordon Company independent studio model will continue to ramp-up and gain traction. The strong ratings for *Designated Survivor* have resulted in the recent announcement of a renewal for a second season of the show with ABC. In addition to existing TV programmes, The Mark Gordon Company has numerous television and film projects under development including a pilot already ordered by Amazon, with production set to start early in FY18. Film projects include *Molly's Game*, *The Nutcracker and the Four Realms* and *Murder on the Orient Express,* which have all completed principal photography, and a number of other titles are in various stages of development and pre-production including *Chronicles of Narnia: The Silver Chair*, *The Killer*, *All the Old Knives* and *Arc of Justice*.

Over 80% of the new financial year's budget by value is already greenlit/contracted. Investment in productions in FY18 is expected to decrease to around £80 million. Half hours delivered are anticipated to increase to around 75 based on the current business plan for FY18.

Music

£m	2017	2016	Change
Revenue	**54.1**	42.2	28%
Underlying EBITDA	**5.7**	2.0	185%
Investment in acquired content	**3.2**	3.1	3%

Revenues for the year increased by 28% to £54.1 million (2016: £42.2 million), driven by a strong Urban release slate and the full year impact of the acquisitions of Dualtone Music Group and Last Gang Entertainment. Underlying EBITDA increased 185% to £5.7 million (2016: £2.0 million) and EBITDA margin increased by 6pts, driven by an increasing mix of higher margin digital revenues and cost savings in the business.

The physical distribution business has experienced an expected decline driven by the changing market, as consumer appetite shifts from physical to digital media. To address this dynamic, eOne has concluded a multi-year distribution partnership with ADA, a member of Warner Music Group, which will handle all physical sales and distribution in the US and Canada for Music. This has allowed the Music business to exit its own US distribution facility and focus on higher margin digital distribution. The Group's independent label experienced year-on-year growth from its Urban releases and library catalogue. Dualtone Music Group, acquired in FY16, released *Cleopatra*, the highly anticipated second album from *The Lumineers*, which reached number one on the US Billboard 200 within a week of its release and made a significant revenue contribution.

During the year, Music also entered into a venture with Nerve and Hardlivings, the artist management company behind British dance music successes *Riton*, *TIEKS* and *Jax Jones*. Since its release in December 2016, *You Don't Know Me*, by *Jax Jones*, has sold nearly two million copies worldwide, reached number three on the UK official charts and been streamed more than 150 million times on Spotify, demonstrating Music's developing international artist management capabilities.

The number of albums released in the year was higher at 79, versus 64 in the prior year, and digital singles released increased to 206, compared to 108 in the prior year, mainly driven by the full year impact of the acquisitions of Dualtone Music Group and Last Gang Entertainment.

2018 Outlook for Music

Music will continue to build on its existing label business by investing in profitable content and improving margins through cost savings and a continued transition to higher margin digital revenues. The Group will continue to develop the initiatives launched in the current financial year to reposition eOne Music as a worldwide brand and to grow the music publishing business.

As a result, the Group expects to see continued improvement in the profitability of the Music business from FY18 onwards.

Family

Entertainment One's Family business develops, produces and manages children's character properties for global licensing and merchandising. Awareness of these brands is built through broadcast of the shows across traditional and digital platforms, with product licensing programmes launched when the brand has reached a high level of traction with audiences.

Olivier Dumont
Managing Director

Highlights for the year

- **Retail sales of US$1.5bn generated across the Family Division in FY17, up 25%**
- **Almost 1,100 live licensing and merchandising contracts across the brand portfolio in FY17, up 28%**
- **Strong Divisional results driven by *Peppa Pig* following wide consumer launch in the US**
- ***PJ Masks* products were launched in FY17, and will continue to roll out globally during FY18**

Entertainment One is a developer, owner and producer of a growing number of children's brands. The best-known property in its portfolio is *Peppa Pig*, which was launched in May 2004 and continues to delight and entertain pre-school children worldwide. The brand is established in a number of territories such as the UK, Canada, Australia, parts of Europe and the US, where broadcast presence has been supported by licensing roll-outs. In other territories, such as China and Latin America, the brand has been introduced to audiences, but major licensing programmes have yet to commence.

In addition to managing the growth of *Peppa Pig*, the Family business also owns a developing portfolio of complementary brands. *Ben & Holly's Little Kingdom* continues to develop in a number of new territories and *PJ Masks* has continued to be rolled out globally across the Disney Junior network. This has been followed with the first licensing roll-outs in territories such as the US, France and the UK, with the global programme continuing into 2017 and beyond.

The Group is currently in development on a number of new brands with major broadcasting partners.

Market backdrop

The global licensed merchandise industry operates in a mature market that encompasses toys and games, stationery and paper products, sporting goods, housewares, infant products, home furnishings, apparel, video games and software and publishing activities. Data from independent industry analysts The Licensing Letter suggests that global retail sales generated by licensed merchandise reached US$163.1 billion in 2015, up from US$158.2 billion in the previous year, with growth of 3.1%.

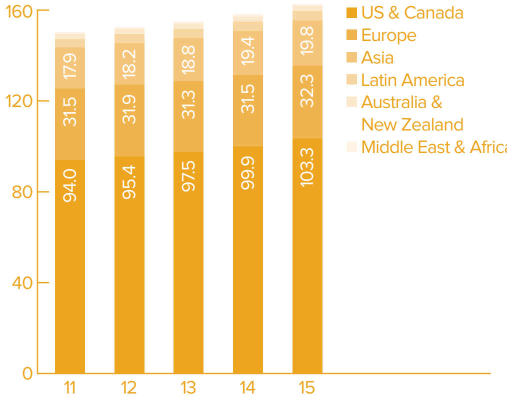
In 2015, global growth was driven by the largest territory, North America. Representing around 64% of the global market in 2015, the US and Canada generated revenues of US$103.3 billion, up by 3.4% over the period. Western Europe is the next largest territory, accounting for around 19.5% of global retail sales at US$31.7 billion, modest growth of 1.5% over 2014. Although growth patterns are mixed in other territories, it is notable that China is now the sixth largest licensing market, generating revenues of US$6.3 billion in 2015, up 6.0% over 2014, reflecting improved levels of disposable income and the greater penetration of Western brands.

Entertainment One's pre-school brands are primarily focused on the largest product categories – Apparel & Accessories, Toys and Interactive Games and Home Furnishing. In 2015, these categories generated aggregate sales of US$96.4 billion, or 60% of total licensing revenues.

Market developments

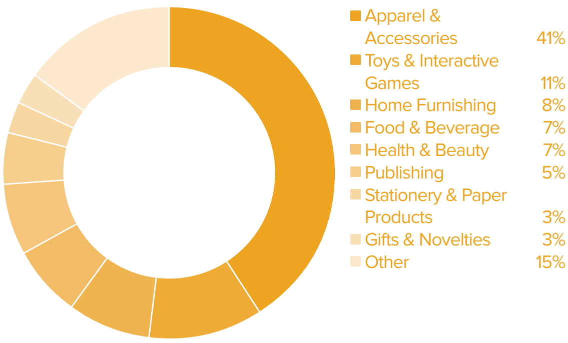
The coming together of smart, connected devices and digital content services has created a market in which consumers can watch their favourite shows when, how and where they want. This effect is by no means limited to the adult markets; children's viewing habits have also undergone profound change over the last few years. In its review of media use among 6-15 year old children, the Childwise 2016 Monitor Report notes that tablet ownership across the 2,000 participants in the survey has

Global retail sales of licensed merchandise (US$ billion)



Source: The Licensing Letter database

Global retail sales of licensed merchandise by product category, 2015



Source: The Licensing Letter

Family

doubled, with two in three (67%) now having their own device. This finding is echoed by Ofcom in its Children and Parents: Media Use and Attitudes report, which finds that the tablet has become the default entertainment screen, particularly among younger children. As a result, children are now spending more time consuming content online than through their television sets.

Although younger viewers, typically pre-school, still have their consumption determined by their parents, older children are increasingly watching content curated by digital intermediaries such as YouTube and Google. The Childwise study found that around half of the children surveyed visited YouTube on a daily basis, primarily to watch music videos or watch funny content, but also to access vloggers, gaming content, television shows and 'how to' videos. It concludes that as internet access becomes more pervasive for this group and the boundaries of television content across channels and devices blurs, television viewing has been redefined.

Traditional television broadcast has been a reliable and successful method to build awareness of Entertainment One's brands, delivering to mass market audiences. In tandem, as digital content viewing habits have evolved, the Group has developed strong relationships with the major OTT, SVOD and multichannel service providers to ensure the digital presence of its content. As well as helping to satisfy the ongoing demand for entertaining and safe content for children, this strategy also allows brands to reach new audiences, in turn helping to drive new licensing opportunities around the world.

Financial review

The Family business develops, produces and distributes a portfolio of children's properties on a worldwide basis, the principal brand being *Peppa Pig*, with much of its revenue generated through licensing and merchandising programmes across multiple retail categories. In addition to managing the growth of *Peppa Pig*, the Family business also manages and distributes a balanced portfolio of complementary family brands including the new property *PJ Masks*.

£m	2017	2016	Change
Revenue	**88.6**	66.6	33%
Underlying EBITDA	**55.6**	43.3	28%
Investment in acquired content	**0.9**	1.6	(44%)
Investment in productions	**4.2**	4.2	0%

Revenues for the year were up 33% to £88.6 million (2016: £66.6 million), driven by the continuing strong performance of *Peppa Pig*, accelerated growth from new property *PJ Masks* and contributions from other properties including delivery of *Winston Steinburger and Sir Dudley Ding Dong*.

Underlying EBITDA increased 28% to £55.6 million (2016: £43.3 million), driven by increased revenues. The underlying EBITDA margin was marginally lower reflecting the revenue mix from different properties.

Investment in acquired content and productions of £5.1 million (2016: £5.8 million) was broadly in line with prior year. Investment spend in the year included season four of *Peppa Pig*, season two of *PJ Masks* and new productions *Winston Steinburger and Sir Dudley Ding Dong* and *Cupcake & Dino: General Services*.

The Family business continued to perform strongly with the ongoing success of *Peppa Pig* and growing portfolio of brands including *PJ Masks* which has delivered a hugely successful first season. The business generated US$1.5 billion of retail sales in the FY17 (over 25% higher than FY16) and almost 800 new and renewed broadcast and licensing agreements were concluded in the year. The business ended the year with almost 1,100 live licensing and merchandising contracts across its portfolio of brands, an increase of 28% from prior year.

Peppa Pig continued to grow with total retail sales of US$1.2 billion (2016: US$1.1 billion) and licensing and merchandising revenue of £45.7 million (2016: £39.4 million). It remains one of the leading pre-school brands in key territories such as the US and the UK. The financial performance in the year was driven by the growth in the US where licensing and merchandising revenue increased by over 170%, following the successful licensing programme launch before the Christmas period, which now makes the US the number one licensing territory for *Peppa Pig*. The brand remains a top brand in toddler apparel at Target and Kohls with strong sell-through across the toys and clothing ranges at Walmart. This success is backed up by strong broadcast support from Nick Jr, where it remains a top-rated show on the channel for children between 2-5 years old.

Since debuting in 2016 in China, the second largest licensing market globally after the US, *Peppa Pig's* licensing and merchandising revenue has increased significantly year-on-year. The brand has solidified its position and reputation in the region and was recently awarded "Best New Property" at the prestigious Asia Licensing Awards in January 2017. *Peppa Pig* resonates well on traditional broadcast television as well as local on-demand platforms; surpassing 24 billion views across a roster of on-demand platforms that includes iQiyi, Youku, Tencent and LeEco since launch. This continued growth in China and across South East Asia remains a key growth driver for the brand.

In the UK, the property is still considered to be an "evergreen" brand amongst retailers and ratings on Nick Jr and Five remain strong, with the territory remaining a key market for *Peppa Pig*. The UK is a mature market along with other territories such as Australia, Italy and Spain where the aim is to maintain a market-leading position and generate steady revenues. The continued roll-out of *Peppa Pig* into emerging territories such as France, Russia and Latin America are showing positive results with *Peppa Pig* maintaining its position as the top-rated programme on state broadcasters France 4 and France 5.

PJ Masks has been a key driver of revenue growth for the business in FY17, with revenue increasing over 500% year-on-year from £2.2 million to £13.5 million. After the US broadcast launch of *PJ Masks* in September 2015, season one (52 episodes) has now been broadcast in over 85 territories across the global Disney Junior network and France TV in France to excellent ratings. The programme was viewed by more than 32 million individuals on Disney Junior in the first calendar quarter of 2017 alone.

The licensing programme for the brand started in September 2016 in the US as a Toys 'R' Us exclusive and widened to other retailers in late December 2016 due to strong demand and positive retail feedback. Following the successful US roll-out, the licensing programme continued to expand to the UK, France and Spain in February 2017 and, building on this momentum, agents are being signed across Europe, China, Latin America and Russia. Driven by positive television ratings and a strong licensing programme, physical home entertainment and digital revenue has also grown year-on-year and this growth is expected to continue as new seasons of programming are broadcast.

Following the success of the first season of *PJ Masks*, a second season has been greenlit and is currently in production with delivery expected to commence in FY19, and season three is also in development.

The business continues to build on and expand its current portfolio of brands by forming relationships with creative partners and exploring different platforms through which it can monetise its brands. Production on *Winston Steinburger and Sir Dudley Ding Dong* was completed during the year and broadcast on Teletoon in Canada and ABC in Australia, with TV rights already sold in a number of Europe, Middle East and Africa (EMEA) countries.

The Group is also in production on a number of other properties, including: *Ricky Zoom*, a preschool vehicle-based series of 52 episodes from the same creative team as hit series *PJ Masks* with major broadcasters attached in France, Italy and Latin America and a master toy arrangement currently in the final stages of negotiation; and *Cupcake & Dino: General Services*, a high profile 52 episode comedy series which is in full production with a global subscription video on demand platform and major Canadian and Latin American channels committed. Family's ground-breaking theatrical title *Peppa Pig: My First Cinema Experience* featuring new interstitial content and never-before-seen episodes from season four was released widely in the UK and Australia in April 2017, taking almost £3.5 million at the UK box office to-date.

PJ Masks L&M roll-out

Since its FY16 launch, *PJ Masks* has become one of the top-rated pre-school shows on Disney Junior channel globally. In September 2016, the L&M programme started in the US with strong demand driving revenues up 500% to £13.5m. Further L&M programmes will start in other territories during FY18.

The business is continuing to explore and is seeing growth potential in other platforms including mobile applications, live shows and experiential events to engage the consumer in new ways.

2018 Outlook for Family

Peppa Pig and *PJ Masks* will continue to be the drivers of growth for the Family business in FY18.

Family continues to focus on building *Peppa Pig* into the most loved pre-school brand in the world. The US, China, South East Asia, Canada and France are expected to be the main growth territories in FY18, with a stable level of revenue generated from more mature markets such as the UK and Australia. China is expected to grow from 20 licensing agreements in FY17 to 60 by the end of FY18, thanks to the strong foundation built by exposure on broadcast and on-demand platforms.

Production has continued on season four of *Peppa Pig*, with an additional 117 episodes now confirmed for production, to ensure a continuous flow of new programming content to support the longevity of the brand from a licensing perspective.

PJ Masks will build upon the success of the current year with sustained growth expected in the US and the full international roll-out of the brand expected to be completed by the end of FY18. The brand is generating significant interest in China and deals with prime partners for both broadcast and licensing are close to conclusion.

The business is expected to generate strong revenue and EBITDA growth across the portfolio in FY18. It is also expected that underlying EBITDA margins will decline somewhat in percentage terms driven by the growth of *PJ Masks* as a proportion of total sales and increased overhead costs of around £2 million necessary to facilitate growth.

Film

Entertainment One is one of the largest independent film companies in the world, focused on bringing the best films to audiences around the world, across all content windows.

Steve Bertram
President, Global Film Group

Highlights for the year

- As anticipated, Film's financial performance stabilised, with FY17 underlying EBITDA in line with prior year
- Strong box office revenues (up 50%) from an improved movie slate should offset headwinds in ancillary windows
- Transition from physical to digital now largely complete, reflecting changes in the global film markets
- Further streamlining across the business to come as reshaping continues to drive efficiency

The Group's Film Division operations consist of a multi-territory distribution business, which mainly acquires content from production partners for distribution across all consumer platforms. The Division has direct distribution capabilities in Canada, the UK, the US, Australia/New Zealand, Spain and the Benelux.

Historically, the Film Group has acquired film rights through output deals with independent production studios, via single picture acquisitions and through production relationships with leading creative talent. The Group expects that over time it will focus on a lower number of larger film titles for release across its territories as the content strategy is re-focused. The risk of these larger titles will be controlled through closer working relationships with high quality film producers, where eOne has a greater level of control and influence over a title's development and production. This approach will also reduce the level of investment in content acquisition during the transition, improving the Group's financial profile.

Market backdrop

The last few years have been volatile for the global film market, with the compression of 2014 followed by a strong rebound in 2015, driven by a full slate of major studio blockbusters. By comparison, the market in 2016 was relatively quiet, returning to a more balanced offering between the major studios and independent producers. Alongside big titles such as *Captain America: Civil War*, *Star Trek Beyond*, *Fantastic Beasts and Where to Find Them* and *Finding Dory*, there were strong films from the indies, including *Moonlight*, *Jackie*, *Arrival*, *The Girl on the Train* and Steven Spielberg's *The BFG*.

The Motion Picture Association of America (MPAA) in its 2016 review suggested 1% growth in the global box office in 2016 to $38.6 billion. This growth was primarily as a result of a 2% year-on-year increase in the North American box office to US$11.4 billion. In total, 1.32 billion tickets were sold at the box office with ticket prices increasing by 3%.

The international film market experienced a territorially mixed performance in 2016, producing a flat aggregate box office of US$27.2 billion for the year. The strong expansion of the Asia Pacific box office (which grew by 13% in 2015) continued, albeit at a lower rate of 5% to US$14.9 billion. Notably, after five years of consecutive gains, China delivered a 1% box office decline to US$6.6 billion.

In EMEA the 9% decline of 2015 moderated to a 2% fall in 2016, with the UK's performance 9% lower than in 2015 due to the devaluation of pound sterling against the US dollar in the wake of the Brexit vote. However, France and Italy returned to growth of 5% and 6%, respectively, as currency movements provided a tailwind during the year.

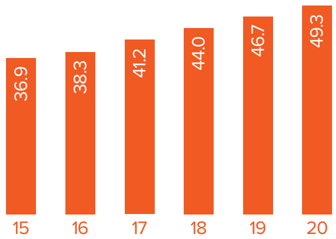
Currency issues were also a major factor in the performance of the Latin America box office, with widespread local currency devaluations impacting the reported dollar box office numbers. Overall the region showed an 18% decline to US$2.8 billion, with Argentina and Venezuela both down by over 30% year-on-year. Only Brazil showed box office growth, up 5% in 2016.

In its Global Entertainment and Media Outlook: 2016-2020 report PricewaterhouseCoopers forecast a healthy 6.0% CAGR from 2015 to 2020 in global box office revenues. In particular, it sees growth across all regions, with cinema admissions expected to reach 9.6 billion in 2020, up from 7.4 billion in 2015.

Asia Pacific remains the fastest-growing region, forecast to experience 2015-2020 CAGR of 12.0% to reach US$24.1 billion in 2020, around half of the global box office. Much of this will be driven by China, which should recover from its economic wobble to become the largest single cinema market by the end of 2017, reaching US$10.3 billion. Cinema admissions are forecast to grow from 1.2 billion in 2015 to 2.5 billion in 2020 as additional cinema infrastructure is brought on-stream, with an estimated 15 new screens added every day.

Latin America will also continue to grow strongly over the medium term, with the box office expanding from an estimated US$2.2 billion in 2015 to US$3.0 billion in 2020, a CAGR of 6.4%. Brazil, the region's second largest market, is expected to be a major driver, growing its box office from US$635 million in 2015 to US$919 million in 2020, a CAGR of 7.7%.

Global box office revenue (US$ billion)



Source: PricewaterhouseCoopers: Global Entertainment and Media Outlook 2016 - 2020

The more mature Western markets' box office performance is set to continue at modest growth rates, despite the rise of digital home video services, which are anticipated to show 2015-2020 CAGR of 11.5% to reach US$36.7 billion by 2020.

Market outlook

Cinema

Film-going is deeply embedded as a leisure activity across demographics and cultures, delivering attractive value as an affordable form of entertainment. For example, in the US, a family of four can make a trip to see a film for under US$35, significantly less expensive than sports events, live shows and theme parks. Despite the plethora of digital platforms that allow users to stream or download content to a multitude of devices, where viewing is essentially on an individual basis, the social aspects of a trip to the cinema still appear to be very important to consumers.

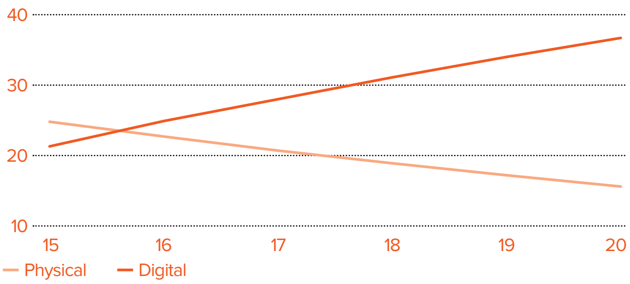
Looking ahead, producers look set to deliver a broad slate of releases into the market in 2017. The big blockbusters include *Beauty and the Beast*, as well as franchise titles *Pirates of the Caribbean: Dead Men Tell No Tales*, *Guardians of the Galaxy*, *Cars 3*, *Transformers: The Last Knight*, *Spider-Man: Homecoming*, *Despicable Me 3* and *Star Wars: The Last Jedi*. Alongside these titles is a broad slate of strong indie titles such as *La La Land*, *American Assassin*, *Captain Underpants*, *Valerian and the City of a Thousand Planets*, Steven Spielberg's *Entebbe* and eOne's *Villa Capri*.

Transition from physical to digital continues

Across both physical and digital home video, global revenues are set to grow from US$43.0 billion in 2015 to US$52.3 billion in 2020 according to PricewaterhouseCoopers data. During this period the migration from physical to digital will continue, with digital representing 70% of this revenue by 2020; in 2011 it represented only 19% of the market. The ongoing global roll-out of digital content subscription services, led by Netflix and Amazon Instant Video, is driving this transition as consumers take advantage of low monthly costs to access the best quality content across both film and television formats.

Importantly, 2016 was the year when physical and digital home entertainment revenues reached an inflection point, with the physical market set to experience a CAGR decline of 8.9% between 2015 and 2020, while digital continues its 11.5% CAGR over the same period. As this transition continues, Entertainment One remains well-positioned as a result of its strong relationships with both local and global digital content service providers.

Global home entertainment revenue



Source: PricewaterhouseCoopers Global Entertainment and Media Outlook 2016 - 2020

Financial review

eOne's Global Film Group is one of the largest independent film businesses in the world with operations in the US, the UK, Canada, Spain, the Benelux, Australia and New Zealand, and, together with its global digital rights business, focuses on production and sales of film content worldwide.

£m	**2017**	2016	Change
Revenue	**594.2**	553.4	7%
Theatrical	**97.2**	64.9	50%
Home entertainment	**149.3**	192.4	(22%)
Broadcast and digital	**189.4**	189.1	0%
Production and international sales	**108.0**	60.4	79%
Other	**54.5**	48.5	12%
Eliminations	**(4.2)**	(1.9)	121%
Underlying EBITDA	**52.7**	52.8	(0%)
Investment in acquired content	**143.2**	98.3	46%
Investment in productions	**(0.6)**	11.9	(105%)

Revenues increased by 7% to £594.2 million (2016: £553.4 million), driven by higher production and international sales revenues, as well as double-digit growth in theatrical revenues. This was partly offset by lower home entertainment revenues which showed the same level of decline as the prior year, a reduction of some 22%.

Underlying EBITDA was stable year-on-year, with the underlying EBITDA margin decreasing by 0.6pts to 8.9% (2016: 9.5%) due to the higher contribution from the Sierra production and international sales business, which has lower margins.

Investment in acquired content and productions was higher by £32.4 million at £142.6 million (2016: £110.2 million), driven by the higher-profile theatrical releases in the current year.

Theatrical

Overall theatrical revenues grew by 50% versus prior year, reflecting a much stronger box office performance, where box office takings increased 30% to US$337 million (2016: US$259 million). This increase was driven by a strong content release slate with several high-profile releases, which more than offset the reduction in volume of releases year-on-year (172 compared to 210 in 2016). The number of unique theatrical releases was 102 compared to 125 in 2016.

The FY17 release slate included key releases in both the first and the second half of the year such as *The BFG* and *The Girl on the Train*, which grossed over £31 million and £24 million, respectively, at the UK box office. These highly successful titles come from the Company's relationship with Amblin Partners. Other key releases included *La La Land* which won six Oscars®, *Arrival* which also won an Oscar®, *Eye in the Sky*, *Now You See Me 2*, *Bad Moms*, Woody Allen's *Café Society*, *Light Between the Oceans*, *Lion*, *Jackie*, *Denial* and *20th Century Women*.

Home entertainment

Revenues decreased by 22% driven by the continued shift from physical to digital formats as well as the lower number of releases and reduced catalogue sales from weaker FY15 and FY16 slates.

The transition to eOne's new partnerships with 20th Century Fox Home Entertainment, on a multi-territory basis, and Sony Pictures Home Entertainment, in the US, for the physical home entertainment marketplace progressed during the year with associated cost savings starting to be recognised.

Overall, 366 DVDs and Blu-rays were released during the year (2016: 569), including key titles such as *The BFG*, *The Girl on the Train*, *Spotlight*, *The Divergent Series: Allegiant Part 1*, *The Walking Dead Season 6*, *Arrival* and *Now You See Me 2*.

Broadcast and digital

The Group's combined broadcast and digital revenues were in line with the prior year. Key broadcast/digital titles in the year included *The BFG*, *The Walking Dead Season 6*, *The Girl on the Train*, *The Hateful Eight*, *The Last Witch Hunter* and *The Hunger Games: Mockingjay Part 2*.

During the year, the Group renewed its deal with Amazon Instant Video in the UK, giving Amazon Prime members exclusive access to all eOne new releases from its future film slate. In addition, the Group negotiated a deal with Netflix for temporary download rights on existing contracts in the UK and a library deal was signed with AMC.

New deals in Canada included an exclusive deal with Netflix for the worldwide SVOD rights for *Trailer Park Boys Season 2*, whilst in Spain an SVOD deal has been agreed with HBO and an output deal agreed with Movistar+. In Australia, a new SVOD deal was signed with Netflix.

Production and international sales

Revenues increased by 79% to £108.0 million (2016: £60.4 million). This increase is primarily due to the full year impact of the strategic investment in Sierra Pictures in FY16 and the buy-out of Sierra Affinity in the current year.

Molly's Game

Developed by The Mark Gordon Company and produced in partnership with eOne, this film is slated for release in FY18. The production budget was largely pre-sold prior to the production process starting and its international distribution will be managed by eOne's Film business. By structuring production in this way, we have been able to better evaluate and control production risks while at the same time positioning ourselves to benefit from the global success of the title.

Sierra Pictures delivered *Atomic Blonde* and *The Lost City of Z* in the financial year and significant international sales included *Gold*, *The Zookeeper's Wife* and *Manchester by the Sea* (winner of the Best Original Screenplay Oscar® and the Best Performance by an Actor in a Leading Role Oscar®).

During the year, eOne delivered *David Brent: Life on the Road*, written by Ricky Gervais, which was released theatrically in the UK and Australia by eOne with the remaining worldwide rights sold to Netflix.

2018 Outlook for Film

The Group will continue to reshape Film activities over the coming years as it adapts to the changing global film market. eOne will focus on continued access to high quality premium content and on building deep partnerships with high quality film producers where eOne has more ownership and control over the content.

As part of this programme, eOne will focus on acquiring and producing a reduced slate with fewer and larger films, where the Company has a greater level of control with consistent financial risk, including the recent Annapurna Pictures and MAKEREADY deals. Following year end the business renegotiated a distribution arrangement with one of its partners, leading to a significant one-off charge accrued in the year, which it expects will improve profitability and cash flow going forward.

From an efficiency perspective, the Film business will continue to streamline its operations. This is already in progress for the home entertainment operation where the partnerships with 20th Century Fox Home Entertainment and Sony Pictures Home Entertainment ensure the Group remains best-positioned to compete in the physical home entertainment marketplace as it transitions from physical to digital.

Additionally, the Film business will benefit from the new combined global TV sales team that has been in place since 1 April 2017, while creation of a combined Film and Television studio operation will also provide opportunities for efficiencies.

In FY18 we anticipate 200 film releases in total across all territories, of which 100 are expected to be unique titles. Investment in acquired content is expected to be slightly higher at around £150 million. The pipeline for the year includes Luc Besson's *Valerian and the City of a Thousand Planets*, Steven Spielberg's *The Post* starring Tom Hanks and Meryl Streep (from Amblin Partners), the Aaron Sorkin written and directed *Molly's Game* starring Jessica Chastain and Idris Elba and produced through The Mark Gordon Company, and George Clooney's *Suburbicon*. Investment in productions is expected to be higher than the current year at over £50 million.

Delivering strong financial results

eOne has delivered solid financial results at the Group level, driven by strong growth in Television and Family.

Joe Sparacio,
Chief Financial Officer

Highlights for the year

- **Robust financial performance across the Group has driven positive free cash flow generation once more**
- **Continued reshaping of the business reflected in one-off charges for the year**
- **Net debt/Underlying EBITDA gearing reduced from 1.4x in FY16 to 1.2x in FY17**

Financial summary

Adjusted operating profit increased by 25% to £155.3 million (2016: £124.7 million), reflecting the growth in the Group's underlying EBITDA. Adjusted profit before tax increased by 25% to £129.9 million (2016: £104.1 million), in line with increased adjusted operating profit, partly offset by higher underlying finance charges reflecting higher interest rates following the re-financing in December 2015. Reported operating profit decreased by 18% to £61.3 million, with the Group reporting a profit before tax of £37.2 million (2016: £47.9 million), impacted by significant one-off charges and higher amortisation of acquired intangibles.

Joint ventures

Underlying EBITDA includes a £0.7 million loss related to the Secret Location joint venture. On 15 August 2016 the Group purchased the remaining 50% share in Secret Location. Following completion, Secret Location has become a wholly-owned subsidiary of the Company and its financial statements have been fully consolidated into the Group's consolidated financial statements.

Amortisation of acquired intangibles

Amortisation of acquired intangibles increased by £14.5 million to £41.9 million reflecting the full year impact of the acquisitions completed during FY16, which included The Mark Gordon Company, Astley Baker Davies Limited, Sierra Pictures, Renegade 83, Dualtone Music Group, Last Gang Entertainment and Amblin Partners.

Depreciation & capital expenditure

Depreciation, which includes the amortisation of software, has increased by £0.5 million to £4.9 million, reflecting the higher level of capital expenditure in the prior year from the consolidation of the Group's Toronto offices.

Capital expenditure on property, plant and equipment and software decreased £4.5 million to £3.2 million (2016: £7.7 million) (excluding Production capital expenditure of £0.3 million (2016: £0.9 million)). The unusually high capital expenditure in the prior year primarily reflected the move to a new office location in Toronto in September 2015.

Group	Reported 2017 £m	Reported 2016 £m	Adjusted 2017 £m	Adjusted 2016 £m
Revenue	1,082.7	802.7	1,082.7	802.7
Underlying EBITDA	160.2	129.1	160.2	129.1
Amortisation of acquired intangibles	(41.9)	(27.4)	–	–
Depreciation and amortisation of software	(4.9)	(4.4)	(4.9)	(4.4)
Share-based payment charge	(5.0)	(4.1)	–	–
Tax, finance costs and depreciation related to joint ventures	–	(1.6)	–	–
One-off items	(47.1)	(16.6)	–	–
Operating profit[1]	61.3	75.0	155.3	124.7
Net finance costs	(24.1)	(27.1)	(25.4)	(20.6)
Profit before tax	37.2	47.9	129.9	104.1
Tax[2]	(12.3)	(7.7)	(27.1)	(24.5)
Profit for the year	24.9	40.2	102.8	79.6

1. Adjusted operating profit excludes amortisation of acquired intangibles, share-based payment charge, tax, finance costs and depreciation related to joint ventures and operating one-off items and one-off items relating to the Group's financing arrangements.

2. The Group calculates the effective tax rate after adjusting for the share of results of joint ventures of £0.7 million loss (2016: £3.4 million profit). The Group calculates the adjusted effective tax rate after adjusting for the pre-tax share of results of joint ventures of £0.7 million loss (2016: £3.4 million profit) and the related underlying income tax charge of £nil (2016: £2.1 million credit, excluding tax one-off credits of £0.5 million credit).

Share-based payment charge

The share-based payment charge of £5.0 million has increased by £0.9 million during the year, reflecting additional awards issued, including the first award under the Group's Sharesave Scheme, which is open to all employees and encourages employee share ownership.

One-off items

During the year ended 31 March 2017 the Group continued to restructure the physical distribution business through the closure of a number of distribution warehouses, primarily in Port Washington and Brampton, as well as terminating distribution agreements with partners in the UK and the Benelux. Costs incurred in implementing this change included £10.1 million relating to the ramp-down of these facilities and £3.5 million of costs for onerous rental leases on various properties. As a result, the Group reassessed the carrying value of certain balance sheet items, particularly physical inventory and tangible fixed assets. This review involved, amongst other items, reassessing the titles where the profile of the revenues was judged no longer appropriate given the strategic change. As a result of this review, £5.9 million of inventory and £0.9 million of property, plant and equipment was written off. Other costs of £1.6 million include settlement costs with local physical distribution partners.

There were additional costs driven by the continuing industry shift from physical to digital content, which resulted in the closure of major customer HMV Canada in early 2017. Due to the resulting reduction in shelf-space the Group reduced its sales projections for the physical distribution unit and recorded a one-off charge of £1.2 million to write down certain physical inventory titles. In addition, a £1.0 million one-off bad debt expense was recorded.

In January 2017, the Group announced that it would be integrating the Paperny Entertainment and Force Four Entertainment businesses in Vancouver into one Canadian unscripted business and this amalgamation was completed on 1 April 2017. Costs of £2.6 million were incurred to facilitate the amalgamation of these two businesses, including staff and other transition-related payments. Other restructuring costs during the year totalled £1.4 million.

The initiatives implemented during the year highlighted above, largely in relation to the restructuring of the Group's physical distribution business, resulted in one-off charges totalling £28.2 million and are expected to deliver annual cost savings of greater than £10 million from FY18.

As part of the previously announced wider reshaping of the Film Division, the Group has re-negotiated one of its larger film distribution arrangements. The previous arrangement has been terminated and replaced with a new distribution arrangement and, associated with the termination, the Company has made a one-time payment of £20.1 million (US$25 million). Management expects underlying profitability and cash flow to improve for films delivered under the new distribution arrangement. Further, an impairment charge of £2.2 million was recognised relating to the write-off of unamortised signing-on fees relating to the existing agreements, previously capitalised within investment in content, and £0.5 million relating to the release of other related balance sheet items. In total, one-off charges of £22.8 million were incurred in relation to the re-negotiation of these arrangements and associated impacts.

Acquisition gains of £6.4 million include a £2.3 million credit related to the acquisition accounting for the purchase of the remaining 50% stake in Secret Location and a further credit of £4.1 million resulted from the re-assessment of contingent consideration in relation to prior year acquisitions.

Other corporate project costs of £1.7 million relate to a one-off foreign exchange charge relating to the alignment of the TV business with the Group hedging process.

£0.8 million other one-off costs relate to costs associated with aborted corporate projects during the year.

Net finance costs

Reported net finance costs decreased by £3.0 million to £24.1 million due to one-off net finance credits. The one-off net finance credits of £1.3 million comprise credits of £3.8 million credit relating to the release of interest previously charged on a tax provision which has been reversed during the year and a £1.2 million fair-value gain on hedge contracts which reverses in April 2017. The credits were partially offset by the charges of £2.9 million unwind of discounting on liabilities relating to put options issued by the Group over the non-controlling interest of subsidiary companies and £0.8 million of costs due to an increase on interest on tax provisions for the Group. Adjusted finance charges at £25.4 million were £4.8 million higher in the current year, reflecting higher average debt levels year-on-year and higher interest rates following the Group's re-financing in December 2015. The weighted average interest rate for the Group's financing was 6.9% compared to 5.6% in the prior year.

Tax

On a reported basis the Group's tax charge of £12.3 million (2016: £7.7 million), which includes the impact of one-off items, represents an effective rate of 32.5% compared to 17.3% in the prior year. On an adjusted basis, the effective rate is lower than prior year at 20.7% (2016: 22.6%), mainly due to a change in the mix of profits. The FY18 effective tax rate on an adjusted basis is expected to be approximately 22%.

Cash flow & net debt

The table below reconciles cash flows associated with the adjusted net debt of the Group, which excludes cash flows associated with production activities which are reconciled in the production financing section below.

	2017					2016				
£m (unless specified)	Television	Family	Film	Centre	Total	Television	Family	Film	Centre	Total
Underlying EBITDA	**56.2**	**55.6**	**52.1**	**(10.9)**	**153.0**	32.0	43.6	51.8	(6.2)	121.2
Amortisation of acquired content rights	36.4	0.5	131.4	–	168.3	27.0	0.1	119.9	–	147.0
Purchase of acquired content rights	(37.3)	(0.9)	(143.2)	–	(181.4)	(21.5)	(1.6)	(98.3)	–	(121.4)
Amortisation of investment in productions	30.9	1.3	0.6	–	32.8	–	1.1	(4.4)	–	(3.3)
Purchase of productions, net of grants	(31.2)	(2.8)	(0.2)	–	(34.2)	(7.7)	(2.7)	1.2	–	(9.2)
Working capital	(7.6)	(3.3)	(48.1)	–	(59.0)	(15.6)	(13.3)	(25.3)	–	(54.2)
Joint venture movements	0.6	–	–	–	0.6	(4.5)	–	–	–	(4.5)
Adjusted cash flow	**48.0**	**50.4**	**(7.4)**	**(10.9)**	**80.1**	9.7	27.2	44.9	(6.2)	75.6
Cash conversion (%)	**85%**	**91%**	**(14%)**	**–**	**52%**	30%	62%	87%	–	62%
Capital expenditure					(3.2)					(7.7)
Tax paid					(16.2)					(14.4)
Net interest paid					(24.2)					(10.2)
Free cash flow					**36.5**					43.3
One-off items (inc. financing)					(17.6)					(20.7)
Acquisitions, net of net debt acquired (inc. intangibles)					(9.6)					(177.0)
Net proceeds of share issue					–					194.5
Dividends paid					(8.3)					(4.0)
Foreign exchange					(7.6)					8.0
Movement					(6.6)					44.1
Net debt at the beginning of the year					**(180.8)**					(224.9)
Net debt at the end of the year					**(187.4)**					(180.8)

"The FY17 net leverage reduced to 1.2x underlying EBITDA and is expected to maintain a similar level for FY18, with a leverage target of below 1.0x by FY20."

Adjusted cash flow

Adjusted cash flow at £80.1 million is higher than prior year by £4.5 million with improved cash flows in Television and Family partly offset by decline in Film and Centre. The underlying EBITDA to adjusted cash flow conversion was 52% (2016: 62%).

Television

Television adjusted cash inflow improved in the year to £48.0 million (2016: £9.7 million), representing an underlying EBITDA to adjusted cash flow conversion of 85% (2016: 30%) driven by the increase in underlying EBITDA. Working capital movements were broadly flat, driven by significant outflow in movements in debtors from higher revenue mostly offset by intercompany trade payables relating to productions from The Mark Gordon Company (which are offset within the Television working capital movement under production financing) and inflows from payables from higher royalty accruals.

Family

Family adjusted cash inflow increased 85% to £50.4 million (2016: £27.2 million), representing an underlying EBITDA to adjusted cash flow conversion of 91% (2016: 62%). This was driven by growth in underlying EBITDA and lower working capital outflows. The lower cash conversion seen in FY16 reflected a working capital outflow relating to the lower royalty payable accrual as a result of the acquisition of Astley Baker Davies Limited, which was not typical of the ongoing cash conversion expectations.

Film

Film adjusted cash outflow of (£7.4 million) delivered an underlying EBITDA to adjusted cash conversion of (14%) (2016: 87%), significantly lower than prior year due to higher investment in content spend and a higher working capital outflow.

The increased investment in acquired content spend was driven by the strong content slate of title releases during FY17 which has resulted in higher theatrical revenues in the year and underpins the future value of the content library.

The working capital outflow in the year of £48.1 million was primarily due to a decrease in payables. This was driven by the timing of trade payments and higher royalty payments.

Free cash flow

Positive free cash flow for the Group of £36.5 million was £6.8 million lower than previous year due to higher interest payments on the Group's senior secured notes.

Net debt

As at 31 March 2017 overall net debt at £187.4 million was £6.6 million higher than prior year as the positive free cash flow was more than offset by one-off items, acquisition spend, dividends paid and foreign exchange movements. The net leverage reduced from 1.4x Group underlying EBITDA in FY16 to 1.2x and is expected to maintain at a similar level for FY18, with a leverage target of below 1.0x by FY20.

Production financing

Overall production financing increased by £34.3 million year-on-year to £152.3 million, reflecting the adjusted cash outflow and movement in foreign exchange. The adjusted cash outflow was driven by high production spend, particularly in MGC.

	2017				2016			
£m	Television	Family	Film	Total	Television	Family	Film	Total
Underlying EBITDA	6.6	–	0.6	7.2	7.2	(0.3)	1.0	7.9
Amortisation of investment in productions	138.6	0.9	41.1	180.6	79.1	0.4	34.4	113.9
Purchase of productions, net of grants	(191.7)	(1.4)	0.8	(192.3)	(73.3)	(1.5)	(13.1)	(87.9)
Working capital	4.4	0.5	(11.4)	(6.5)	(11.4)	0.5	3.5	(7.4)
Joint venture movements	0.1	–	–	0.1	–	–	(0.5)	(0.5)
Adjusted cash flow	(42.0)	–	31.1	(10.9)	1.6	(0.9)	25.3	26.0
Capital expenditure				(0.3)				(0.9)
Tax paid				(2.2)				(3.3)
Net interest paid				(0.1)				(0.1)
Free cash flow				(13.5)				21.7
One-off items (inc. financing)				(0.9)				(0.6)
Acquisitions, net of production financing acquired				(0.7)				(49.0)
Foreign exchange				(19.2)				(0.8)
Movement				(34.3)				(28.7)
Net production financing at the beginning of the year				(118.0)				(89.3)
Net production financing at the end of the year				(152.3)				**(118.0)**

The production cash flows relate to production financing which is used to fund the Group's television, family and film productions. The financing is arranged on an individual production basis by special purpose production subsidiaries which are excluded from the security of the Group's corporate facility. It is short-term financing whilst the production is being made and is paid back once the production is delivered and the sales receipts and tax credits are received. The Company deems this type of financing to be short term in nature and is excluded from adjusted net debt. The Company therefore shows the cash flows associated with these activities separately. The Company also believes that higher production net debt demonstrates an increase in the success of the Television, Family and Film production businesses, which helps drive revenues for the Group and therefore increases the generation of EBITDA and cash for the Group, which in turn reduces the Group's net debt leverage.

Financial position and going concern basis

The Group's net assets increased by £98.8 million to £757.0 million at 31 March 2017 (31 March 2016: £658.2 million).

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

Joe Sparacio
Chief Financial Officer

Managing our risks effectively

The Group has a well-established risk management process for identifying, assessing, evaluating and mitigating significant risks. The structure and process are summarised as follows:

The Board
- Leadership of risk management
- Ownership and monitoring
- Sets strategic objectives and risk appetite

Audit Committee
- Delegated responsibility from the Board to oversee risk management and internal controls
- Reviews effectiveness of the Group's internal controls and risk management process

Executive Committee
- Ownership and management of key risks
- Assesses materiality of risks in context of the whole Group

Risk Management Committee
- Co-ordination and review of key risks
- Monitors mitigation and controls

Group functions/subsidiary companies
- Identification, assessment and management of mitigation
- Use risk as an explicit part of decision making and management of external relationships

Risk & Assurance function
- Facilitation and challenge
- Monitors and validates action taken by management
- Independently reviews the effectiveness of the Group's internal controls and risk management process

Risk management approach

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

To ensure that our risk process drives continuous improvement across the business, the Risk Management Committee monitors the ongoing status and progress of key action plans against each risk on a quarterly basis. Risk remains a key consideration in all strategic decision making by the Board, incorporating a discussion of risk appetite.

Each principal risk is assigned to an appropriate member of the Risk Management Committee, who is accountable to the Risk Management Committee for that risk. The principal risks are managed at either an operational level, Group level, or a combination of both.

Risk appetite

Risk appetite is an expression of the types and amount of risk that the Group is willing to take or accept to achieve its objectives. It supports consistent, risk-informed decision making across the Group with the aim of ensuring that all significant risks are identified, assessed and managed to within acceptable levels.

The Group can use one or more actions to reduce the likelihood or impact of known risks to levels that it is comfortable with:

- choose to take or to tolerate risk;
- treat risk with controls and mitigating actions;
- transfer risk to third parties; or
- terminate risk by ceasing particular activities or actions.

Risk categorisation

The Group categorises risks as Strategic, Operational or Financial. Reputational impact is considered for all risks rather than noting a separate reputational category.

Our principal risks and uncertainties

Principal risks and the mitigating activities in place to address them are listed below. The principal risks were continuously reviewed during the year as part of the Group's risk management process.

Risk	Why	How
Strategic		
Strategy formulation & execution Creating and executing the best strategy for the Group	The Group faces changing markets and consumer practices and needs to be agile in responding to them and to have the right capabilities to achieve its strategic objectives. It needs to be able to execute entry into new and changing markets or consumer channels and be able to grow the business through corporate acquisitions and execution of strategic initiatives. Failure to do so could have an impact on the Group's financial results.	The Group ensures that its strategy is regularly updated to reflect the constantly changing and developing entertainment industry. It also continuously considers its capability to deliver its strategic objectives in terms of people, technology, knowledge and resources. It continues to invest in new business development and to identify and convert targets for acquisition. It has developed reporting of key performance indicators to track strategic targets and initiatives.
Operational		
Recruitment & retention of employees Find the best people for the business to deliver its strategy	The performance of the Group is dependent upon its ability to attract, recruit and retain quality employees in a highly competitive labour market. There are many contributory factors that affect the Group's ability to retain key employees; some of which are in its control and some which are not (economic climate, sector growth and skill demand). The impact of failing to retain key employees can be high due to loss of key knowledge and relationships, lost productivity, hiring and training costs, and ultimately could result in lower profitability.	The Group has created a competitive remuneration and retention package including bonus and long-term incentive plans to incentivise loyalty and performance from its existing highly-skilled and experienced people. A Group-wide employee Sharesave Scheme aligns employees with the measure of shareholder success and is a popular benefit for employees. Succession planning and organisational development, including leadership development, help to ensure that employee capabilities are improved, as well as broader overall employee engagement initiatives including communication, eOne Values and corporate social responsibility initiatives. Whilst competition for the right people is always challenging, the Group's increasing profile in the industry is helping to attract and retain the best people. See page 39 for more information on how we manage our people.
Source & select the right content at the right price Building a valuable content portfolio	There is a risk of significant impact on the margins of the business if the Group is unable to successfully source and select the best content or fails to effectively monetise it. Given the changing consumer appetite for shows and formats, it is important that the Group continues to develop its content sourcing and selection capabilities to ensure that the Group's content portfolio remains diversified and valuable. The Group continues to engage with the creative community at all levels to help ensure continuing access to content. Different strategies are pursued including first look, output and production/co-production deals.	The selection of content is based upon the robust use of data and financial analysis to help drive the most optimal allocation of capital to maximise the financial return from the Group's content portfolio. Corporate acquisitions of content-producing companies provide additional direct access to content, together with the ramping-up of in-house production capabilities.
Protection of intellectual property (IP) rights Protecting content and brands	There is a risk that the Group's ability to exploit its content and brands is not optimised due to ineffective IP protection or piracy. Effective IP protection will ensure that the Group maximises the opportunity to create value.	The Group proactively protects its rights, in particular its digital rights, through monitoring of the internet and selected websites, implementing its brand protection strategy and regularly monitoring its portfolio of trademark registrations. It uses tier-one service providers for digital asset management and utilises expert legal support services where required.

Risk	Why	How

Operational continued

Risk	Why	How
Regulatory compliance Operating within the law and seeking to optimise efficiency	The Group operates in a highly regulated environment; changes in this environment can impact the Group and its partners. The Group has to comply with statutory and other regulations that fall into the following main areas: criminal/legal, financial (including taxation), employee (including health and safety), data protection and listing regulations. Data protection is considered separately below.	The Group carefully monitors the regulatory environment within which it operates and ensures that its strategies remain appropriate through its corporate planning processes. A dedicated Tax department ensures that the Group's tax compliance position is up-to-date across the Group. From an operating perspective, the Group's international footprint ensures that its regulatory risk is spread across a number of different jurisdictions. The Group operates under a Code of Business Conduct and policies that are applicable to all employees, including a formal Anti-bribery and Corruption Policy and a Whistleblower Policy. On an annual basis the Group's senior management formally acknowledge their own compliance with the Group's key policies, and that their team members have received and understood these policies.
Information security/data protection Protecting eOne and stakeholders' data	**Information security** There is a risk of significant impact on performance of the Group including reputational factors through not having robust information security controls, which could result in unauthorised disclosure, modification or deletion of data. **Data protection** There is a risk that the Group does not process personally identifiable information (PII) in compliance with local laws or make employees aware of their obligations when processing PII on behalf of the Group. Data breaches, including losses, could result in significant fines and reputational impact depending upon the seriousness of the breach.	The Group monitors key cyber security risks and is constantly evolving its security measures and internal policies and guidance. Network and infrastructure penetration testing is performed, security patches are updated regularly and an external information security monitoring service has been retained. Legal and technical advice is taken on the security of any websites and data marketing requests. An incident response plan is in place to react to any information security incidents. Sensitive and confidential data is restricted to specific user groups and policies are in place and made available to employees as required. Data protection and retention policies are reviewed regularly and enhanced as required, including response plans.
Business continuity planning (BCP) Maintaining operations in the event of an incident or crisis	There is a risk of significant impact on the financial performance of the business through not having robust BCP and IT disaster recovery plans, processes and testing. This could also arise from a third party service provider contract not providing adequate cover should their service be interrupted.	BCPs have been implemented across the Group on a location-by-location basis, supported by the creation of local crisis management teams and a widespread IT disaster recovery programme which targets the recovery of major systems. Recovery of all major systems was tested during the year. Incident response plans have been rolled out to all locations and form the initial response mechanism of the BCP.

Financial

Risk	Why	How
Financial risk Seeking and maintaining financing to support the delivery of the Group's strategic objectives	There is a risk of significant impact on the financial performance of the business or its ability to trade if an adequate funding facility is not maintained to allow the Group to operate. Further, failure to adequately control financing or foreign exchange costs could have a material impact on the Group.	The Group has an established financial management system to ensure that it is able to maintain an appropriate level of liquidity and financial capacity and to manage the level of assessed risk associated with financial instruments. The Group's Treasury department is principally responsible for managing the financial risks to which the Group is exposed. The management system also includes policies and delegation of authority controls to reasonably protect against the risk of financial fraud in the Group.

Viability statement

1) Assessment of prospects

Context for the assessment of prospects

Entertainment One is a leading global entertainment business, operating through three business segments – Television, Family and Film.

The Group's business model and strategy underpin eOne's growth trajectory, supported by the Group's business plans. The Group's strategy has been consistently in place for a number of years – and the strategy and its execution continue to be subject to ongoing monitoring and development through the Group's long-term planning process, as described below.

The Board continues to take a conservative approach to the execution of the Group's strategy and, from a risk perspective, a system of internal controls and an escalating system of approvals is in place. The Board receives regular updates on the Group's financial performance via monthly management accounts and formally approves the outputs of a robust budgeting and forecasting process.

The Group's model to source, select and sell high quality content continues to be at the centre of its strategy and it operates a portfolio approach at all levels of the business to manage its risk profile. The Group's balance of activities across Television, Family and Film provide stability to the Group's financial performance, protecting against cyclical performance in any one segment. Within each Division, the Group also operates a portfolio model – in Television the Group sells to over 150 countries and has a balance of scripted and non-scripted output and new and long-standing productions; within Family, the Group has almost 1,100 licensing and merchandising contracts in place across different properties in multiple territories; and in Film, the Group has multiple theatrical releases a year across its different territories to minimise the risk of any one particular film, and derives a significant proportion of its in-year revenues from library titles.

The Group has very good visibility of its short-term revenues, with a significant proportion of television productions committed or greenlit before the start of any financial year and a large proportion of the film slate committed up to 12 months in advance. Conversely, the Group is able to manage its discretionary spend on a very short time horizon, which allows good control over short-term profitability. From a cash perspective, the Group makes cash outlays for its content acquisitions typically on delivery and its television productions are generally only greenlit on the basis that ~85% of the production budget is underwritten, which drives a low cash risk profile.

Corporately, eOne's capital structure aligns with delivering the Group's strategy, with significant long-term, non-amortising, fixed-rate debt provided via senior secured notes and short-term working capital needs being funded via a flexible revolving credit facility.

Consumer demand continues to grow in the markets in which the Group operates and eOne anticipates that audiences will increasingly focus on the quality of the content that they consume, gravitating towards premium television series, film and speciality genres. This market dynamic plays to Entertainment One's strengths and supports the Group's strategy, which targets doubling the size of the business by 2020.

The assessment process and key assumptions

The Group's prospects are assessed primarily through its annual strategic planning process. This process culminates in the development of the Group's three-year business plan, led by the CEO, CFO and Executive Committee. The plan, comprising a detailed budget and two plan years, is presented to, and approved/adopted by, the Board on an annual basis prior to the start of each new financial year.

The planning process requires each operating unit to submit detailed bottom-up business plans, which are consolidated into Divisional business plans for Television, Family and Film, including market, regulatory and competitive context, as well as an assessment of industry developments.

The Group Finance team consolidates the Divisional plans at a Group level, including a determination of the appropriate levels of contingency and consideration of the financing, treasury and risk management aspects of the overall business plan, as well as other corporate development activity, where appropriate. The Board participates fully in the annual strategic planning process through a full-day strategy review session at which members of the Executive Committee present detailed plans for each area of the business.

The Board's role is to challenge the assumptions made by executive management, consider whether the plan continues to take appropriate account of the external environment including macroeconomic, regulatory, social and technological changes, and to confirm that the plan continues to meet the risk profile agreed by the Board.

The output of the annual strategic planning process is a set of detailed plans and objectives for each Division, an analysis of the risks and opportunities that are perceived as relevant to the plans and a detailed financial forecast for each Business Unit, Division and the Group as a whole. The latest updates to the Group's business plan were finalised following this year's strategic planning process. This review considered the Group's current position and the development of the business as a whole over the next three years to 31 March 2020.

The first year of the strategic plan forms the Group's operating budget for the year ended 31 March 2018, which is subject to a re-forecast process in November 2017 and February 2018. The second and third years of the plan, to 31 March 2020, are also built on a bottom-up basis, but necessarily have a greater reliance upon assumptions than the first year of the plan.

Assumptions in the financial forecasts supporting the Group's growth strategy, reflect:

- Stability in the Film Division, supported by significant cost savings driven by the restructuring programme launched by the Group
- Strong growth in the Television and Family Divisions over the plan period
- Continued investment in content and productions to support the growth plans

Having completed a re-financing in December 2015, which delivered significant long-term, non-amortising, fixed-rate debt via £285 million senior secured notes (due 2022) and short-term working capital needs being funded via a new, more flexible £116 million super senior revolving credit facility (maturing in 2020), it has been assumed that, based on the Group's current plans, no further re-financing will need to be considered over the assessment period.

From a macro-economic perspective, the Group's business plan assumes a low-growth economic environment in the territories in which it operates, and in the global economy more generally. The Group expects a continued decline in physical distribution volumes and revenues as the media industry continues to migrate to digital home entertainment.

The Group's business plan has been developed in the context of the Group's principal risks and uncertainties that are set out in the table on pages 34 and 35. The purpose of the table of principal risks and uncertainties is primarily to summarise those risks and uncertainties which could prevent the Group from delivering on its strategy.

A number of the risks and uncertainties are qualitative in nature and their impact cannot be easily quantified, but they have been considered as part of the development of the Group's business plan. Of the risks and uncertainties noted in the Annual Report, the directors have categorised the following risks and uncertainties as "qualitative risks": recruitment & retention of employees; regulatory compliance; information security/data protection; and business continuity planning. Whilst these risks cannot be easily quantified through financial modelling, they are monitored as part of the Group's risk management process and each is mitigated through the risk management plan that the Group operates, as summarised on page 33.

The following risks and uncertainties have been categorised as "quantitative risks": strategy formulation & execution; source & select the right content at the right price; protection of intellectual property rights; and financial risk. These risks can be understood in a quantitative way and have been included in the detailed assessment of the Group's viability, through financial modelling and sensitivity analysis, as noted below.

2) Assessment of viability

The Group has selected the three-year period to 31 March 2020 as its assessment period for its viability statement on the basis that this period reflects the Group's regular business planning cycle for which detailed plans have been adopted by the Board and because, given the Group's financing extends until December 2020, it is not appropriate to select a shorter period.

Although the Group's three-year plan to 31 March 2020 reflects the directors' best estimate of the future prospects of the business, they have also tested the potential impact on the Group of a number of scenarios over and above those included in the plan, by quantifying their financial impact and overlaying this on the detailed financial forecasts in the plan.

These scenarios, which are based on the "quantitative risks" set out above, are representative of a "reasonable worst case" derived from lower than expected operational performance of the business and forecast movements in foreign exchange rates. The reasonable worst case is then tested against the Group's financial covenants and facility headroom to ensure that sufficient headroom still exists to allow the Group to continue in operation and to continue to meet its liabilities as they fall due.

The reasonable worst case scenario tested for the Group's assessment of viability included:

- Quarterly revenue decreases varying by segment in FY18 (varying from 1.5% to 20.0%, as visibility of performance diminishes with time) and the resulting impact on EBITDA
- Annual revenue decreases varying by segment of up to 25.0% for FY19 and up to 30% in FY20, with decreases driven by both timing of releases/deliveries and permanent under-performance, sensitivities overlayed on operating expenses, and the resulting impact on EBITDA
- Additional working capital outflows of up to £20m each year over the plan period
- Foreign exchange sensitivity based on forecast rates

The results of this stress testing showed that under the reasonable worst case, a good level of headroom continued to be available against the Group's financial covenants and facility limits, which would allow the Group to continue to operate in a normal way.

The Group has experience in reacting effectively to and managing challenges to performance to ensure that the Group's banking covenants are maintained. Management has historically demonstrated its ability to manage costs to increase EBITDA and improve cash in the short-term and long-term, which would further mitigate the risk of a "reasonable worst case" scenario taking place in reality.

This flexibility arises due to the Group's business model, where the most material cash outflows comprise payment of minimum guarantees/royalties to producers and advertising spend, the timing and quantum of which management are able to influence in a substantive way. Moreover, the Group has robust financial controls which continuously monitor cash requirements and the availability of funds on short, medium and long-term time horizons which enable the Group to identify any issues and plan actions to address these on a proactive basis.

Additionally, the Group considered a scenario that would represent a serious threat to its liquidity, a "forced breach" scenario, where assumptions were imposed that would result in the Group breaching its financial covenants/facility limits. Based on the changes to operating assumptions required to reach this forced breach outcome, and the ability of management to put in place mitigating actions, this scenario is considered extremely unlikely to occur.

3) Viability statement

Based on their assessment of prospects and viability above, the directors confirm that they have a reasonable expectation that the Group will be able to continue in operation and meet its liabilities as they fall due over the three-year period ending 31 March 2020.

Maintaining close relationships with our stakeholders

The Group's corporate responsibility framework sets global standards and supports a significant number of local initiatives in the communities in which eOne operates.

The Group recognises that the performance of its business is reliant on close relationships with a range of stakeholders, including customers, suppliers, investors, employees, the wider community and the environment. The following is a summary of the many corporate responsibility activities in which we are involved.

The Group operates a Code of Business Conduct which sets out standards of conduct and business ethics which the Group requires its employees to comply with, and which includes provisions covering the Group's Anti-bribery and Corruption Policy and its Whistleblowing Policy.

Our values

The Group's operations continue to be guided by the shared values that it formalised in 2014, to highlight the Group's distinctiveness and help to tell the eOne story. The values communicate what is important to our business and what makes us stand out in the industry. They influence our day-to-day interactions, how we treat each other and our partners, and help us in our decision-making processes. Our values support the recruitment and retention of our teams, shape our organisational culture and contribute to our overall success.

We connect

- By treating all of our colleagues and partners with fairness, honesty and respect
- By creating an environment where all can flourish and succeed to their true potential
- By supporting our industry and our local communities

We create

- By bringing great ideas and stories to life
- By working with people of different viewpoints, talents, experiences and backgrounds
- By respecting local culture and knowledge

We deliver

- By setting and achieving ambitious goals
- By meeting our commitments
- By taking responsibility for our actions
- By recognising the contribution of every team member

People

The Group recognises that the skills, motivation and energy of our people are key drivers for success. The Group's structure ensures that our teams are aware of our goals and are clear on how their roles help the Group succeed. Entertainment One is fundamentally a people business and the ability to attract, recruit and retain the best people is key to our success.

We seek to ensure we have appropriate processes to assess, manage and develop our people's leadership skills, talents and experiences throughout the organisation.

Driven both by leadership and employee-led committees, the Group has numerous initiatives to promote employee engagement, including:

- regular Town Hall videoconferences to employees from our CEO and senior leaders of each Division
- local regional meetings held at least bi-annually
- regular local social events to coincide with major holidays
- our internal intranet site and Yammer, our Group-wide corporate social media platform
- regular local office newsletters as well as a monthly global staff newsletter, eOne Connect
- health and well-being initiatives organised in our office locations, including on-site fitness classes, green living and wellness workshops and complimentary healthy snacks
- various athletic teams and events, including kickball, hockey and basketball teams
- team building events
- frequent film screenings, premieres, concerts; and access to content libraries

Through our annual succession review and internal leadership framework we also aim to nurture talent and provide our people with a framework to advance their careers and provide eOne with its future leaders.

The Group continues to offer an all-employee Sharesave Scheme. Almost 350 employees decided to participate in the 2016 Sharesave Scheme giving individual team members a direct alignment with the Company's shareholders in driving performance of the Group. The Group intends to send annual invitations to all employees going forward, to ensure that team members are able to continue to take advantage of the benefits of the Sharesave Scheme and the Group can continue to benefit from the increased engagement of its workforce.

We are committed to equality and diversity in our workforce and in addition to employing people with a wide mix of ethnic and cultural backgrounds, we also have a balance between genders. Gender mix across the business is as follows:

	Percentage of female employees	Percentage of male employees
Senior management	49%	51%
Rest of workforce	62%	38%
Total workforce	60%	40%

Greenhouse gas (GHG) emissions

The Group collated data across all of its businesses with respect to their annual electricity and gas consumption. We have used the ISO 14064-1:2006 methodology to collate the data used in our GHG emissions report. The data collated was in kWh and was converted into tCO_2e using guidelines from the UK Government's GHG Conversion Factors for Carbon Reporting, including the use of factor information from the UK Department of the Environment. 2016 figures have been recalculated using consistent measures to show a like-for-like comparison.

We deemed that collation of data from all eOne offices and warehouses was appropriate, and therefore no materiality level was applied.

		Quantity	
GHG Emissions by Scope	Unit	**2017**	2016
Scope 2	Tonnes CO_2e	**1,837**	1,908
Scope 2 intensity	Tonnes CO_2e/ £m revenue	**1.70**	2.38

eOne is committed to reducing its impact on the environment and ensures that new office spaces have environmentally-friendly lighting and recycling points for the use of employees. The Company's new-build offices in Toronto and Los Angeles have been designed to include energy-saving technology, including daylight harvesting, smart lighting, solar shades and water capture and filtration systems. The Toronto office is seeking a LEED (Leadership in Energy and Environmental Design) gold status from the Canadian Green Building Council.

In November 2015, eOne's UK office carried out an Energy Savings Opportunity Scheme (ESOS) audit as required under the UK's enactment of Article 8 of the European Union Energy Efficiency Directive. Lessons learned from the UK audit will enable the Group to benchmark other global locations and implement energy efficiency best practices elsewhere in the world.

Charity and community

The Group and its employees sponsored or supported many charitable initiatives involving both professional and non-profit organisations in all of our territories during the year.

From across the Group, a C$20,000 donation was made to WE Charity (formerly known as Free the Children) on behalf of all eOne employees. With the donation, the organisation will be able to add a third classroom to the Ngulot Mountain View Boys High School in Nairobi, Kenya. This was in addition to over C$100,000 additional monies raised by local eOne teams for a variety of charitable organisations around the world.

The Group teamed up with a number of charities in Canada.

We continue to be proud of the success of the Entertainment One Golf FORE Charity Tournament which has been held in Canada since 2007. The tournament is an annual event sponsored by our vendors and is attended by our major customers and partners. The event has now surpassed the C$1 million mark for total donations for the SickKidsFoundation, including raising C$230,000 in the current year.

In Brampton...

- C$11,500 was raised for the Heart and Stroke Foundation through a number of staff-run initiatives, including a bottle drive, a cooking competition, a raffle and online donations.
- Through a number of efforts including a car wash, hockey pool, bake sale, contests and raffles, the Brampton team raised C$8,200 for the MS Society of Canada, to benefit research and support initiatives for people with multiple sclerosis.
- Through a bake sale, carnival, raffles and a 'Clean Shave contest', the team raised C$7,000 for the Princess Margaret Cancer Foundation for cancer research.
- In addition, the Brampton team continued their support of local organisation Knights Table Food Bank by donating 1,600 lbs of food, toiletries, toys and gifts.

In Toronto...

- A team of eOne runners again participated in the Sporting Life 10k race to raise money for local charity Camp Oochigeas, which supports children and families affected by cancer. The team raised more than C$10,000 in donations.
- The Toronto eOne Green team raised C$1,500 for the World Wildlife Fund while participating in the CN Tower Climb for Nature. The funds raised go towards WWF-Canada's conservation work across Canada and the globe, with a significant impact on wildlife and wild places.
- In addition, the Toronto team continued their support of Ronald McDonald House Charities by volunteering time and donating 150 care bags filled with toiletries and much-needed supplies for families in need.

In Montreal...

- Raised C$15,000 for Fondation Maman Dion, which aims to give every child in Quebec the chance to succeed in school, by providing support, school materials, clothing and other much-needed items to children in need.
- Raised C$2,000 for Fondation Tel-jeunes (which provides counsel and support to youth) through support of the organisation's Lobster Lunch and Bal tel-jeunes gala events.
- The team also participated in a number of events and initiatives to support the local film and TV industry, including sponsoring events for FCTMN (Femmes du cinema, de la television et de la video de Montreal, which supports women working in the film and TV industries), and Quebec-Cinema (which supports and promotes Quebecois cinema, artists and film professionals).

In Vancouver...

- The team collected C$4,000 worth in furniture donations for the Richmond School District.
- The team provided C$2,500 in gift donations to the North Shore Family Services Christmas Bureau for families in need.

In New York...

- The team raised US$1,200 for the Pancreatic Cancer Association and another US$1,200 for the American Heart Association.
- Additionally, the team donated US$10,000 to New York's Music Performance Trust Fund, which aims to enrich lives of the general public by making live music more accessible.

In Los Angeles...

- The team volunteered time, effort, and funds for Dress for Success, which provides support, resources and empowerment to women in need. eOne employees collected gently used professional clothing for donation to the organisation.
- The Los Angeles teams, including The Mark Gordon Company, Renegade 83 and Sierra Pictures, also supported local organisation A Place Called Home by adopting 12 families and three college students during the Christmas holidays. The organisation provides support, education and mentorship to children in South Central Los Angeles.

In the UK...

- eOne's UK teams continued to focus efforts on supporting two main charities, The Cardinal Hume Centre and Fitzrovia Youth in Action (FYA), raising a total of £10,000 for both organisations through participation in such events as the Three Peaks Challenge. A further £3,000 was donated to a number of other charitable events in which eOne employees participated, including the London Marathon.
- Located on Warren Street near eOne's London office, FYA's goal is to empower Camden's young people to create positive change in their lives – the charity provides support for disadvantaged young children, engaging them in activities to promote a healthier lifestyle, aid them in their studies and increase their employability as well as enhancing community cohesion. The Cardinal Hume Centre works with homeless young people and families in need, focusing on employment, housing, education and skills, and legal status.
- In the UK, *Peppa Pig* continues its long-term partnership with the charity Tommy's, which funds research into pregnancy problems and provides information to parents. Tommy's has raised over £3 million through *Peppa Pig* branded activity, working with nationwide partners including Water Babies and Baby Ballet. *Peppa Pig* has also partnered with Save the Children UK, helping them raise £300,000 as an ambassador of their sponsored event 'Den Day' and launching the co-branded sponsored event '*Peppa Pig's* Muddy Puddle Walk'. There has also been a new *Peppa Pig* partnership with the non-profit organisation BookTrust on a national campaign to encourage reading in the bedtime routine. Internationally, *Peppa Pig* now has several charity partnerships including Cancer Council in Australia and the environmental NGO WWF in Spain; we are also starting to expand the partnership with Save the Children in Europe, Latin America and Asia. In the US, *Peppa Pig* is the official charity partner of the Muddy Puddles Project, a non-profit organisation which funds childhood cancer research. In China, *Peppa Pig* has joined forces with non-profit organisation JUCCCE to form a

partnership to promote pre-school healthy eating initiative 'Food Heroes', China's first food education programme to combine both nutrition and sustainability. *Ben & Holly's Little Kingdom* has a new partnership in the UK with Global's Make Some Noise and the Turtletots swimming franchise, launching with a co-branded Splashathon event in October 2017. The Company has provided donations of merchandise to many charities over the year, including Cardinal Hume, Children with Cancer, Their Future Today, In Kind Direct and Save the Children.

– *PJ Masks* is currently working on its first charity partnership in the UK with Youth Sport Trust, whose core mission is ensuring that every child has the best sporting start in life, by helping them develop their agility, balance and coordination – the foundations for physical health and well-being, and a happy and active life. Through a branded initiative entitled Power of 3, to reflect the trio of *PJ Masks* heroes and their superpowers of agility, strength and flight, the partnership aims to encourage young people to be more active and take part in regular physical activity and school sport through co-branded, action-packed resources for both teachers and parents.

In Spain...

– We continue to collaborate with Association ATZ, a Group that works in the social block of flats of Pinar de Chamartín and benefits children and youth in need. The Madrid office made a number of merchandise donations throughout the year to help support the organisation in its efforts to provide free education, employment guidance and summer camps.

In the Benelux...

– The team continued to support Stichting BIO Kinderrevalidatie, a rehabilitation centre for children with complex disabilities through donations of much-needed items, including DVD films.
– The team also supported the Sophia Children's Hospital in Rotterdam as well as Stichting Welzijn Gehandicapten Nederland, a Netherlands foundation for the disabled.

In Australia...

– Staff members again participated in the City to Surf fun run event, which raises funds for over 900 charities around Australia. eOne's team raised A$3,250 by putting a call out to suppliers, vendors and industry contacts.
– Our employee charity committee continues to support the Fact Tree Youth Service by volunteering their time, donating gifts during the holidays, and raising A$1,200 through a number of events throughout the year.
– The team also donated A$7,200 to Giant Steps, a school that specialises in educating kids with autism.

Environment and well-being

Our activities are mainly office-based but also include warehousing and television/film production operations. We do not physically manufacture DVDs, CDs or merchandise but use third party suppliers. As such, our main environmental impacts come from the running of our businesses around the world, through the consumption of gas and electricity, transport activities and commuting, as well as office-based waste including paper and printer toners.

We take our responsibilities seriously and work hard to minimise our impact on the environment. In all of our locations we have a recycling, conservation and usage policy. We monitor our supplier relationships and, wherever possible, make use of suppliers with consistent environmental aims.

The Group does not cause significant pollution and the Board is committed to further improving the way in which its activities affect the environment by:

– minimising the extent of the impact of operations within the Company's areas of influence
– conserving energy through reducing consumption and increasing efficiencies
– minimising emissions that may cause environmental impacts
– promoting efficient purchasing and encouraging materials to be recycled where appropriate

In Canada, the Toronto eOne Active Committee hosts monthly health and wellness workshops, while the eOne Green Committee hosts regular green living workshops and initiatives for staff. In 2016, the team was proud to eliminate paper cups in the Toronto headquarters by encouraging staff to bring their own reusable mugs.

The Brampton office's HIP Committee leads a number of green initiatives including community clean-ups, and aims to reduce the office's waste diversion rate through the set-up of battery recycling centres, plastic bag recycling bins and organic waste bins. In Los Angeles, new employees are given S'well water bottles to help reduce the amount of bottled water used in the office; and monthly emails are sent out to update staff on paper and water bottle usage, and provide environmentally-friendly tips.

Health and safety

The Group has implemented a health and safety policy across all of its operations, which meets at least the minimum legal requirements of the countries in which it operates and emphasises the principles of good safety management. The Group is committed to providing a safe working environment and to caring for the health and safety of its employees, visitors and contractors.

Regular health and safety reviews are carried out on the offices and warehouses of the Group. Each location has a nominated individual responsible for health and safety and for ensuring a safe environment for our employees.

We recognise that health and safety is an integral part of our operations. Our services do not pose great risk to either our employees or our customers. However, we work to maintain a safe environment at all times.

Corporate governance

Entertainment One is focused on operating at high standards of corporate governance at a Group level and in all of its global businesses. Specifically, eOne ensures that it complies with the requirements of the UK Corporate Governance Code with respect to the Board's leadership of the Company and its effectiveness as a body – further details of how we achieve this goal are set out below.

Allan Leighton,
Non-executive Chairman

Dear shareholders,

The reports on the following pages explain our governance arrangements in detail and describe how we have applied the principles of corporate governance contained in the UK Corporate Governance Code.

Our Audit Committee continues to have a very full programme of meetings, with its four regular meetings in the year supplemented this year with six additional meetings mainly focused on the tender process for the Company's external audit. The Group continues to have a formal risk review process in place: the Executive Committee manages the risk process, reviews detailed risks and reports upwards to the Audit Committee and the Board on a quarterly basis. In response to new regulatory requirements, the Company also constituted a new Disclosure Committee during the year.

The performance of the Group is dependent on its ability to attract, recruit and retain quality people in a highly competitive labour market and succession planning is an important contributor to the long-term success of the business. Our Nomination Committee carefully reviews succession plans for the executive directors and senior management and our Remuneration Committee ensures that our remuneration policy supports the succession planning process. The Nomination Committee has also been active in the year in recruiting new non-executive directors – Mitzi Reaugh joined the Board in November 2016 and a search is currently underway for the selection of additional non-executive directors to join the Board.

The Board recognises the importance of interaction with operational management and access to senior management is achieved through regular business review presentations provided to the Board and a full-day planning meeting with executive management to review the Group's strategy, budgets and three-year plans. In addition, the Audit Committee has received presentations from the Company's Chief Information Officer to ensure that the Committee is briefed on the Company's technology infrastructure and cyber-security measures.

The Internal Audit team continued with its formal internal audit programme across all of the Group's main Business Units, building on the "baseline" reviews of the general control environment, as well as focusing on any specific risk areas highlighted by management. The Group continues to manage its risk environment through the framework it adopted on its step-up to a premium listing on the London Stock Exchange.

Allan Leighton
Non-executive Chairman
22 May 2017

Corporate governance compliance statement

The Group fully supports the principles of corporate governance contained in the UK Corporate Governance Code issued by the Financial Reporting Council in 2014 (the Code).

At 31 March 2017, the Group complies with the principles set out in the Code, other than the following matters:

– the Code recommends that directors should have notice periods of one year or less; Darren Throop has an effective notice period in excess of one year (see further explanations in the Directors' Remuneration Report on page 67); and
– Mark Opzoomer, the Senior Independent Director, had not attended meetings with a range of major shareholders; Mr Opzoomer was appointed as Senior Independent Director during the financial year and intends to complete a programme of meetings with major shareholders; Mr Opzoomer is based in London, whereas his predecessor was based in Toronto which made such meetings impractical.

An overview of the Group's corporate governance responsibilities is given below:

Board

Membership:

– Chairman
– Four non-executive directors
– Two executive directors

Key responsibilities:

– Determining strategy
– Setting controls and Company values
– Managing risk
– Monitoring performance
– Approving Board reserved matters

Audit Committee

Membership:

– Three independent non-executive directors

Key responsibilities:

– The integrity of financial reporting
– External auditor relationship
– Oversight of Internal Audit
– Internal controls and risk management

For more information on the Audit Committee, please see page 51.

Disclosure Committee

Membership:

– Three independent non-executive directors

Key responsibilities:

– Ensuring the Company meets its disclosure obligations, specifically in relation to inside information

Nomination Committee

Membership:

– Two independent non-executive directors
– One non-independent non-executive director

Key responsibilities:

– Composition, size and structure of the Board
– Succession planning process for executive directors and senior management

For more information on the Nomination Committee, please see page 57.

Remuneration Committee

Membership:

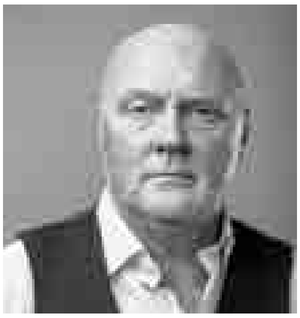
– Three independent non-executive directors

Key responsibilities:

– Policy for remuneration of executive directors
– Implementation of remuneration policy, including agreeing executive director targets
– Alignment of remuneration policy with succession planning process

For more information on the Remuneration Committee, please see page 60.

Board of Directors



Allan Leighton
Non-executive Chairman

Darren Throop
Chief Executive Officer

Margaret O'Brien
Executive director

	Allan Leighton	Darren Throop	Margaret O'Brien
Background and experience	Formerly CEO of ASDA plc and Chairman of the Royal Mail. Formerly a non-executive director of British Sky Broadcasting plc.	Over 20 years of executive management in the entertainment industry. Formerly the owner of Urban Sound Exchange between 1991 and 1999 before it was acquired by the Group. Joined eOne in 1999.	Over 15 years of executive management in the entertainment industry. Joined eOne in 2008 on the acquisition of Barna-Alper Productions. EVP Corporate Development, Formerly President Canada Television and COO eOne Television.
Date of appointment	Appointed non-executive Chairman in March 2014.	Appointed Chief Executive Officer in July 2003.	Appointed as an executive director in May 2017.
External appointments	Chairman of The Co-operative Group, Wagamama Ltd, Matalan Retail Ltd and The Canal River Trust. Deputy chairman Pandora A/S. Patron of Breast Cancer Care.	Non-executive director of IMAX Corporation.	None.
Committee membership	Member of Nomination Committee.	None.	None.

Mark Opzoomer
Senior Independent Director

Formerly CEO of Rambler Media Ltd, regional vice-president of Yahoo! Europe, deputy CEO of Hodder Headline, commercial director of Sega Europe Ltd and Virgin Communications Ltd.

Formerly non-executive director of Web Reservations International Ltd, Newbay Software Ltd, Autonomy plc and Miva Inc.

Appointed non-executive director in March 2007.

Partner Bond Capital Partners.

Non-executive chairman of Somo Global Ltd and non-executive director of RhythmOne plc and Benross Golf Limited.

Chairman of Audit Committee, Chairman of Disclosure Committee, Chairman of Remuneration Committee.

Scott Lawrence
Non-executive director

Managing Director and Head of Fundamental Equities at the Canada Pension Plan Investment Board.

Certified member of the Canadian Institute of Corporate Directors.

Appointed non-executive director in January 2016.

Board member of TORC Oil & Gas Ltd.

Member of Nomination Committee.

Mitzi Reaugh
Non-executive director

Experienced digital media executive with previous roles at NBC Universal, Hulu, Miramax, The Chernin Group, and McKinsey & Company.

Appointed non-executive director in November 2016.

Director of Harmonic Inc and the Global Head of Strategy and Content Licensing for Jaunt VR.

Member of Audit Committee, Member of Disclosure Committee, Member of Remuneration Committee.

Linda Robinson
Non-executive director

A retired partner at Osler, Hoskin & Harcourt LLP.

Advisory experience in broadcasting, publishing and entertainment industries.

Formerly a director of a number of public and private companies.

Appointed non-executive director in March 2014.

Director and chair of Infrastructure Ontario.

Director and corporate secretary of Women Lawyers Joining Hands.

Chair of Nomination Committee, Member of Audit Committee, Member of Disclosure Committee, Member of Remuneration Committee.

Corporate governance report

Board overview

The aim of the Board is to promote the long-term success of the Group. On behalf of shareholders, it is responsible for creating a framework of strategy and controls within which eOne operates and for the Group's proper management. The Board takes account of the impact of its decisions not only on its shareholders but also on a wider group of stakeholders including employees, the communities in which it operates and its financing partners.

The Board is responsible for overseeing the implementation of the strategy by the management team, setting the Group's overall risk framework and monitoring the Group's financial and operational performance.

A number of matters are specifically reserved for the Board's approval. For example, the approval of annual budgets and forecasts, the approval of interim and annual results, setting and monitoring strategy, considering major acquisitions and approving investments in content and capital expenditure in excess of pre-agreed value thresholds. Other matters are delegated to the Audit, Disclosure, Remuneration and Nomination Committees. There are terms of reference for each of these Committees specifying their responsibilities, which are available on the Group's website.

The Board operates both formally, through Board and Committee meetings, and informally, through regular contact between directors and senior executives.

The directors can obtain independent professional advice at the Company's expense in the performance of their duties as directors.

Board membership

As at the date of this report, the Board comprised a non-executive chairman, four other non-executive directors and two executive directors.

The Company's Articles of Amendment set specific requirements with respect to the Company's directors, as follows:

– at least two-thirds of the directors must be Canadian;
– a majority of the directors must be resident Canadians; and
– a majority of the directors must be independent.

Following the death of Ron Atkey, a resident Canadian director of the Company since 2010, Margaret O'Brien was appointed as an executive director to ensure that the Board continued to comply with these requirements.

Information about the directors, including their background and experience, is given on pages 44 and 45.

The Chairman

The role of the Chairman is to provide leadership to the Board and to ensure that the Board and its Committees operate effectively. He sets the agenda for Board meetings and chairs the meetings to facilitate open and constructive debate.

The Chairman is Allan Leighton.

The Chief Executive Officer

The Chief Executive Officer is responsible for the day-to-day management of the business and for the development of strategy for approval by the Board.

There is a clear division of responsibility between the Chairman and the Chief Executive Officer which is formally documented and agreed by the Board.

The Chief Executive Officer is Darren Throop.

Senior Independent Director

The role of the Senior Independent Director is to act as a sounding board to the Chairman and to provide an additional point of contact for shareholders. He acts as an intermediary for other directors and is responsible for coordinating the process for the evaluation of the performance of the Chairman.

The Senior Independent Director is Mark Opzoomer.

Non-executive directors

The non-executive directors bring a wide range of experience and expertise to the Group's activities and provide a strong balance to the executive directors. Their role is to provide an independent element to the Board and to constructively challenge management.

Independence of non-executive directors

As at 31 March 2017, the Board has reviewed the independence of the non-executive directors and concluded that four non-executive directors including the Company's Chairman are independent. The independent directors are: Allan Leighton, Mark Opzoomer, Mitzi Reaugh and Linda Robinson.

Scott Lawrence, who was appointed to the Board in January 2016, is not considered to be independent due to his relationship with Canada Pension Plan Investment Board, a significant shareholder of the Company, as further outlined in Note 33 to the consolidated financial statements.

The review took into account the results of the Board's annual performance evaluation, together with the factors listed in the Code. As at March 2017, Mark Opzoomer had served on the Board for ten years, the date of his first appointment having been March 2007, notwithstanding that the date of his first election was not until September 2008.

As noted in the 2016 Annual Report, Mark Opzoomer will continue to serve on the Board until at least September 2017 to provide continuity on the Audit Committee, and has agreed to serve for a longer period, if required, to ensure a sufficient period of continuity. The Board continues to determine Mark Opzoomer as independent given his wide range of interests outside Entertainment One, because he has demonstrated consistent independence in character and has demonstrated ongoing independence in the judgements that he has made in discussions and decisions made in respect of the Group.

As noted in the Nomination Committee Report on page 57, the Company appointed a new non-executive director, Mitzi Reaugh, during the year and is currently undertaking a search process to identify a number of additional non-executive directors, who are expected to be formally elected at the Company's next Annual General Meeting, expected to take place on 27 September 2017.

Time commitment

The Chairman is expected to spend approximately one day per week and other non-executive directors are expected to spend approximately one day per month on Group business. This includes attendance at Board and Committee meetings, preparation for meetings and the provision of advice and assistance to the Group outside of Board and Committee meetings.

Board meetings

There are regular, scheduled Board and Committee meetings throughout the year and additional ad hoc meetings are held as necessary. During the current financial year, there were 11 Board meetings.

There are annual work plans which list the recurring items to be dealt with at each scheduled Board and Committee meeting, as well as specific items which are addressed at different points during the year.

Board papers

The Board is supplied with detailed Board papers, in a timely manner, in a form and quality appropriate to enable it to discharge its duties. These include routine reports on the performance of the business and on any matters for Board approval. Standard formats have been developed for the reports to make it easy to track progress against targets and identify key facts. In addition to written reports, presentations are also given to the Board reviewing the performance and outlook of the Group's Television, Family and Film Divisions.

A detailed agenda is prepared for each meeting to make sure there is sufficient time allocated to deal with all issues.

Conflicts of interest

The Group has adopted and followed a procedure under which directors must declare actual or potential conflicts of interest as they arise. The Board reviews potential conflict of interest situations arising from other posts held by directors on an annual basis.

No actual conflicts of interest arising in respect of any specific arrangement or transaction have been declared to the Board during the financial year.

Board performance evaluation

During the year, a self-evaluation of the Board, its Committees and its individual directors has been carried out, an equivalent evaluation having been externally facilitated in 2016.

An evaluation questionnaire was sent to all directors covering the key attributes of an effective Board, the role of the Chairman, the role of the Senior Independent Director and the role of executive and non-executive directors to enable them to provide specific feedback. These questionnaires were collated into reports covering the evaluation of the Board, which were used as input to a performance discussion at the Board meeting in May 2017.

Separate questionnaires were developed for each Committee and these were completed by Committee members and collated as input to an annual performance discussion at the relevant Committee meeting. In addition, specific feedback was sought on the performance of the Audit Committee from the Group's Chief Executive Officer, Chief Financial Officer and the Company's external auditor.

The Chairman and the Senior Independent Director meet to evaluate the performance of individual directors and this evaluation enables the Group to confirm on an annual basis that the individual directors continue to perform their roles effectively and that non-executive directors continue to demonstrate ongoing time commitment to their roles. The evaluation also informs the Group's determination of the independence of individual directors, as noted in this report.

The Senior Independent Director leads a discussion amongst the non-executive directors, on an annual basis, to consider the performance of the Company's Chairman.

Board Committees

The Board Committees comprise the Audit Committee, the Disclosure Committee, the Remuneration Committee and the Nomination Committee, each of which operates within defined terms of reference which are displayed on the Group's website.

The Board Committees were refreshed in September 2016, following the Company's Annual General Meeting when Bob Allan (former Chairman of the Audit Committee and former member of the Remuneration Committee), Clare Copeland (former Chairman of the Remuneration Committee and former member of the Nomination Committee) and Garth Girvan (former member of the Remuneration Committee) stepped down from the Board.

As at 31 March 2017, the Audit Committee comprised Mark Opzoomer (Chairman) with Ronald Atkey and Linda Robinson as the other independent non-executive members. Mark Opzoomer has recent and relevant financial experience. Following the death of Ronald Atkey in May 2017, the Board appointed Mitzi Reaugh to the Committee.

As at 31 March 2017, the Disclosure Committee comprised Mark Opzoomer (Chairman) with Ronald Atkey and Linda Robinson as the other independent non-executive members. Following the death of Ronald Atkey in May 2017, the Board appointed Mitzi Reaugh to the Committee.

As at 31 March 2017, the Remuneration Committee comprised Ronald Atkey (Chairman) with Mark Opzoomer and Mitzi Reaugh as the other independent non-executive members. Prior to the appointment of Mitzi Reaugh to the Board, Allan Leighton served as the third member of the Committee. Following the death of Ronald Atkey in May 2017, the Board appointed Linda Robinson to the Committee and Mark Opzoomer was appointed as the Chairman of the Committee.

As at 31 March 2017, the Nomination Committee comprised Ronald Atkey (Chairman) with Allan Leighton as the other independent non-executive member and Scott Lawrence as a non-independent non-executive member. Following the death of Ronald Atkey in May 2017, the Board appointed Linda Robinson as the Chair of the Committee.

Further details of the operation of these Board Committees are given on page 43.

Board and Committee meeting attendance

The table below sets out the attendance at Board and Committee meetings during the year, by presence or by telephone, of individual directors.

Where, exceptionally, a director is unable to attend a Board or Committee meeting, papers are provided to that director and a separate briefing is arranged to enable the director to provide comments and feedback to the Chairman or Committee Chairman before the meeting in question takes place.

	Board	Audit Committee	Remuneration Committee	Nomination Committee	Disclosure Committee
Total held in year	**11**	**10**	**6**	**3**	**2**
Allan Leighton[1]	11	–	1	3	–
Darren Throop	11	–	–	–	–
Giles Willits[2]	7	–	–	–	–
Clare Copeland[3]	4	–	3	2	–
Bob Allan[3]	3	3	2	–	–
Ronald Atkey[4]	11	6	3	3	2
Mitzi Reaugh[5]	4	–	2	–	–
Garth Girvan[3]	4	–	3	–	–
Scott Lawrence[6]	11	–	–	1	–
Mark Opzoomer[7]	11	10	3	–	2
Linda Robinson[8]	11	10	–	–	2
Margaret O'Brien[9]	–	–	–	–	–

Notes:

1. Attended all Remuneration committee meetings entitled to attend during the year.
2. Resigned on 21 November 2016.
3. Stepped down from the Board and did not stand for re-election at the 2016 Annual General Meeting.
4. The Company was notified of the death of Ron Atkey on 12 May 2017.
5. Appointed on 22 November 2016. Attended all Board meetings entitled to attend during the year. Appointed to the Remuneration Committee on 22 November 2016. Appointed to the Audit/Disclosure Committees effective 15 May 2017. Attended all Committee meetings entitled to attend during the year.
6. Appointed to the Nomination Committee on 1 October 2016. Attended all Committee meeting entitled to attend during the year.
7. Appointed to the Remuneration Committee on 1 October 2016. Attended all Committee meeting entitled to attend during the year.
8. Appointed to the Remuneration/Nomination Committees effective 15 May 2017. Attended all Committee meetings entitled to attend during the year.
9. Appointed on 18 May 2017. Attended all Board meetings entitled to attend during the year.

Dialogue with shareholders

The Group maintains a regular dialogue with analysts and institutional shareholders to discuss its performance and future prospects and holds regular meetings with them. In the current financial year, the executive directors undertook an extended round of meetings with investors both in the UK and abroad – these took place at the time of the Group's full year and interim results, and as part of specific investor programmes in Europe and North America.

In order to assist non-executive directors to develop an understanding of the views of major shareholders, the Board is presented with a shareholder report covering key shareholder issues, share price performance, the composition of the shareholder register and analyst expectations at each regular Board meeting.

The Company responds formally to all queries and requests for information from existing and prospective shareholders. In addition, the Company seeks to regularly update shareholders through stock exchange announcements and wider press releases on its activities. It publishes regular trading updates as well as a full Annual Report and Accounts.

Clare Copeland, the Senior Independent Director until 30 September 2016, did not attend meetings with any major shareholders as suggested by Code provision E.1.1. The Board considered that Mr Copeland has a good understanding of the issues and concerns of major shareholders, through regular updates provided to the Board, and that his attendance at such meetings was impractical to facilitate because of geographical constraints. Mr Opzoomer was appointed as Senior Independent Director following the Company's Annual General Meeting and, being based in London, intends to complete a programme of meetings with major shareholders.

The Annual General Meeting provides an opportunity for shareholders to address questions to the Chairman or the Board directly. All the directors attend the meeting and are available to answer questions. Time is set aside after the formal business of the AGM for shareholders to talk informally with the directors.

Shareholders can access further information on the Group via the Company's website at www.entertainmentone.com.

Annual General Meeting

The 2016 Annual General Meeting was held on 30 September 2016 at the Company's offices in Toronto, Canada.

All resolutions were passed, with votes in favour of all resolutions being in excess of 85% of votes cast, except the resolutions in relation to the authority to allot shares (passed with votes in favour of 84% and 81%, respectively) and the resolution to update the Company's Remuneration Policy (passed with votes in favour of 84%).

All directors were re-elected to the Board with more than 88% of the votes cast in favour of each individual director.

The Company plans to hold its 2017 Annual General Meeting on 27 September 2017 in Toronto.

Risk management and internal controls

The directors are responsible for the Group's system of internal control and for reviewing its effectiveness, whilst the role of management is to implement Board policies on risk management and control. It should be recognised that the Group's system of internal control is designed to manage, rather than eliminate, the risk of failure to achieve the Group's business objectives and can only provide reasonable, and not absolute, assurance against material misstatement or loss.

The Group operates a series of controls to meet its needs. These controls include, but are not limited to, a clearly defined organisational structure, written policies, minimum financial controls and Group authority limits, a comprehensive annual strategic planning and budgeting process and detailed monthly reporting. The Group's internal controls fall into four key areas: financial controls, operational controls, compliance and risk management.

Financial controls

Financial reporting

All operating units complete business plans and budgets for the year. The annual budget is approved by the Board as part of its normal responsibilities and the Board concurrently adopts the Group's long range business plan. In addition, the budget figures are regularly re-forecast to facilitate the Board's understanding of the Group's overall position throughout the year and this re-forecasting is reported to the Board.

Each month, operating units produce written reports in a defined format on their performance against these plans and provide updated business forecasts. The reports and forecasts are reviewed by the executive directors. Reports from operating units are consolidated into monthly management accounts and presented to the Board on a regular basis, with significant issues discussed by the Board, as appropriate.

Accounting policies and procedures

The Group has written accounting policies and procedures, which are applicable to all of the Group's operations. Local management is required to provide written confirmation of compliance with the policies and procedures as part of the half year and full year results process.

There is a formal review process overseen by the Audit Committee, which seeks to verify that policies and procedures have been correctly applied and to confirm that there is an effective process of management and control within the business. Compliance with internal controls is monitored on a regular basis through the Group's internal audit programme.

Information technology security

The Group relies on financial and management information processed by, and stored on, computer systems. Controls and procedures have been established to endeavour to protect the security and integrity of data held on the systems, with disaster recovery arrangements in the event of failure of major systems. Tests are conducted on an annual basis to assess the security of the systems. This year there has been a continued focus on information and network security and the Audit Committee has been presented to by the Company's Chief Information Officer on this issue.

Treasury

The treasury function operates under guidelines and policies approved by the Board and regular reports are made to the Board on treasury activities.

Investments

The Group has defined procedures for the review and control of acquisitions, investments in content and capital expenditure. Expenditure requires different levels of approval according to the level of spend. Significant expenditure requires full Board approval and all approval requests are presented in a defined format to ensure that full justification is provided, including projected financial returns on the investment.

Operational controls

All Group businesses are required to operate in accordance with detailed standards and procedures which cover all material aspects of their operations. Compliance with these standards is subject to assessment by internal and external review.

As part of the Group's half year and full year reporting processes, local management confirms by way of a Corporate Governance Statement of Compliance and a Letter of Representation that its operating units have complied with Group control requirements, and an additional Divisional-level sign-off has been introduced in the year to reflect the increasing oversight role taken by senior management in the Television and Film Divisions.

There have been no significant control failures during the year.

Compliance

There is a Group Code of Business Conduct, which sets out standards of conduct and business ethics which the Group requires its employees to comply with. All members of senior management sign-off on the Code of Business Conduct on an annual basis, including confirmation that members of their teams understand the Code. A separate Anti-bribery and Corruption Policy and a Whistleblowing Policy are in place across the Group and are included in the annual senior management sign-off process. All Group policies are available to employees via the Group's intranet.

There is a schedule of delegated authority designed to ensure that all material transactions are considered at the appropriate level within the Group and are subject to review by the Group Finance team.

When acquisitions are made, the Group's controls and accounting policies are implemented during the first full year of ownership.

Risk management

The Executive Committee continues to meet on a monthly basis and focuses on risk management every quarter. The Audit Committee receives a risk management update at each of its standing meetings and reports to the Board on a quarterly basis.

The Executive Committee is chaired by Darren Throop, the Chief Executive Officer, and, from a risk perspective, the role of the Committee is to:

- promote effective identification and management of risk throughout the Group;
- maintain a risk register identifying significant risks, risk control measures and responsibility for control measures;
- review and confirm that all significant risks have been identified and suitable control measures adopted;
- monitor implementation of risk control measures for all significant risks; and
- ensure all operating units operate an effective risk management process.

In addition, the Audit Committee receives reports from management and the external auditor concerning the system of internal control and any material control weaknesses. Any significant risk issues are referred to the Board for consideration.

The Group's Internal Audit function is led by the Group's Director of Risk and Assurance and reports to the Chairman of the Audit Committee. The Internal Audit team continued with its formal internal audit programme across all of the Group's main Business Units, building on the "baseline" reviews of the general control environment, as well as focusing on any specific risk areas highlighted by management.

Board review process

The Board conducts a review of the effectiveness of the Group's system of internal controls, covering all material controls, including financial, operational and compliance controls, and risk management systems as part of its half year and full year financial reporting process.

The Board's assessment of the Group's risk framework is supported by the quarterly updates it receives at Board meetings and the existence of a rolling internal audit programme that places a focus on internal controls.

As a premium-listed Company, the Group's approach to its control environment is codified in its Financial Position and Prospects Procedures. These procedures are maintained on an ongoing basis and are formally reviewed and re-adopted by the Board on an annual basis.

The independence and objectivity of the external auditor is considered on a regular basis, with particular regard to non-audit fees, and confirmed formally at each regularly scheduled Audit Committee meeting. The split between audit and non-audit fees for the year under review appears in Note 3 to the consolidated financial statements – no significant non-audit services have been provided by the Group's external auditor during the year.

The external auditor has processes in place to ensure independence is maintained, including safeguards to ensure that where it provides non-audit services its independence is not threatened. In this context, the Audit Committee considers that it is appropriate for the external auditor to provide other accounting and transactional services to the Group, including those in connection with supporting and reporting on financial representations in public documentation and due diligence on acquisitions, where these are permitted by the relevant independence guidelines.

Internal control and compliance statement

The directors acknowledge their overall responsibility for the system of internal control and for reviewing its effectiveness. They have established a system that is designed to provide reasonable but not absolute assurance against material misstatement or loss and to manage rather than eliminate the risk of failure to achieve business objectives.

There is a continuing process for identifying, evaluating and managing the key risks faced by the Group that has been in place for the year under review and up to the date of approval of the Annual Report and Accounts.

The process is regularly reviewed by the Board and is in accordance with the recommendations of Internal Control: Guidance to Directors (formerly known as the Turnbull Guidance). Steps continue to be taken to embed internal control further into the operations of the business and to deal with any issues that come to the Board's attention.

The directors have reviewed the effectiveness of the system of internal control and are satisfied that the Group's internal controls are operating effectively.

Audit Committee

Annual statement of the Chair of the Audit Committee

The Committee had a full programme of meetings during the financial year. Four standing meetings dealt with the approval of the Group's 2016 financial results, matters arising from the Group's 2016 external audit, approval of the Group's 2017 half year results and the planning of the external audit for the 2017 financial year.

Six additional meetings took place during the financial year, which were principally focused on the tender process for the external audit for the 2018 financial year. Furthermore, during the financial year the Committee agreed that it would meet annually, immediately after the end of the financial year in April, to discuss any matters expected to form areas of judgement in the Group's financial statements.

The Group's Internal Audit function is led by the Group's Director of Risk and Assurance and reports to the Chairman of the Audit Committee. The Internal Audit team continued with its formal internal audit programme across all of the Group's main Business Units, building on the "baseline" reviews of the general control environment, as well as focusing on any specific risk areas highlighted by management. The Group's risk management process continues to be developed in operating units and specific attention has been directed at further embedding business continuity planning across the Group and data protection and security.

The Executive Committee continues to meet on a monthly basis and focuses on risk management every quarter. The Audit Committee receives a risk management update at each of their standing meetings and reports to the Board on a quarterly basis.

During the year, presentations were made to the Committee by the Company's Chief Information Officer to ensure that the Committee was briefed on the Company's technology infrastructure and cyber-security measures.

The Committee expects to be able to make a recommendation to the Board regarding the appointment of external auditors for the financial year ended 31 March 2018 at the Board meeting scheduled in June 2017, having completed a full audit tender process.

Mark Opzoomer
Audit Committee Chairman
22 May 2017

Committee membership

As at 31 March 2017, the Audit Committee comprised Mark Opzoomer (Chairman) with Ron Atkey and Linda Robinson as the other independent non-executive members. Mark Opzoomer has recent and relevant financial experience. Following the death of Ron Atkey in May 2017, the Board appointed Mitzi Reaugh to the Committee.

The Chairman (Allan Leighton), the CEO (Darren Throop) and the CFO (Joe Sparacio) are invited to attend Audit Committee meetings, but do not participate in decisions. Additionally, the Group's Director of Risk and Assurance attends Audit Committee meetings.

James Bates, the Deloitte partner responsible for the eOne audit, attends all standing Audit Committee meetings to present reports and answer questions from Committee members. Senior Deloitte employees who have had day-to-day involvement in the conduct of the audit also attend.

Audit planning

The Committee oversees the plans for the Group's external audit to ensure it is comprehensive, risk-based and cost-effective.

As in previous years, Deloitte drafted an initial external audit plan in conjunction with executive management and presented it for review by the Committee at its February meeting. The plan set out the proposed scope of its work and the approach to be taken. It also proposed the materiality levels to be used, based on forecast profit before tax, adding back non-recurring one-off items.

In order to focus the audit work on the right areas, the auditor identified particular risk areas based on its knowledge of the business and operating environment, discussions with management and the half year review. Agreement was reached on the audit approach for different areas of the business, based on their scale and complexity. This has resulted in an audit approach which has provided for a full scope audit for the Group's most significant business units, a risk-focused procedure scope approach on certain business units and analytical review procedures on the remaining business units.

The timeliness of the Committee meeting where year end audit planning is discussed allows an in-depth discussion on the planning process and ensures that feedback can be reflected in the year end audit approach.

There are no significant changes in audit approach in the current year.

Review of consolidated financial statements and audit findings

The Committee reviewed the full and half year consolidated financial statements and the report of the auditor on these statements.

The Committee considered the following significant accounting areas of judgement as part of its review:

Areas of judgement	Assessment
Investment in acquired content rights	The Group considered the impact of IAS 38 on its amortisation methodology for its investment in acquired content rights, based on the consumption of such rights. After careful consideration of the alternative methods that could be applied, the Group continues to consider the best mechanism for estimating this consumption is based on the revenue generated from the individual film or television title across the various exploitation windows, as it considers the revenue and consumption of the economic benefit to be highly correlated. Furthermore, this methodology is consistent with many of the Group's main competitors under which the carrying value of investment in acquired content rights, and associated charges to the consolidated income statement, are directly linked to management estimates of future revenues. The Group believes that the utilisation of a methodology that is consistent with its peer group provides greater transparency to investors and users of eOne's accounts. The Committee is satisfied that processes exist to ensure that the carrying value of investment in acquired content rights is assessed on a regular basis and that operating management has sufficient expertise to assess the recoverability of investments, based on its local market knowledge. The Group continues to develop its review processes in this area to ensure that they are robust and reflect best practice across the business. In addition, this is an area of focus for the audit and Deloitte carries out detailed testing, which continues to be centralised to provide further consistency of approach. Deloitte reports on this issue to the Audit Committee and reports explicitly on the matter in its audit opinion in the consolidated financial statements.
Investment in productions	The Group considered the impact of IAS 38 on its amortisation methodology for its investment in productions, based on the consumption of such rights. After careful consideration of the alternative methods that could be applied, the Group continues to consider the best mechanism for estimating this consumption is based on the revenue generated from the individual film or television title across the various exploitation windows, as it considers the revenue and consumption of the economic benefit to be highly correlated. Furthermore, this methodology is consistent with many of the Group's main competitors under which the carrying value of investment in productions, and associated charges to the consolidated income statement, are directly linked to management estimates of future revenues. The Group believes that the utilisation of a methodology that is consistent with its peer group provides greater transparency to investors and users of eOne's accounts. The Committee is satisfied that processes exist to ensure that the carrying value of investment in productions is assessed on a regular basis and that operating management has sufficient expertise to assess the recoverability of investments, based on its local market knowledge. The Group continues to develop its review processes in this area to ensure that they are robust and reflect best practice across the business. In addition, this is an area of focus for the audit and Deloitte carries out detailed testing, which has been centralised to provide further consistency of approach. Deloitte reports on this issue to the Audit Committee and reports explicitly on the matter in its audit opinion in the consolidated financial statements.
Impairment of goodwill and acquired intangible assets	The Group holds significant intangible assets including acquired intangible assets and goodwill from past acquisitions. In accordance with IFRS, management conducts an annual impairment review of intangible assets with indefinite useful economic lives to ensure that the value-in-use of the cash generating units supports the carrying value in the financial statements. The Committee is satisfied that the assumptions made by management are reasonable, and that appropriate sensitivities are applied, to ensure that the annual impairment testing process is robust. In addition, Deloitte reviews and challenges the assumptions made by management to confirm that they are reasonable in comparison to industry peers and analyst assumptions, and that they reflect current market conditions. Deloitte reports on this issue to the Audit Committee and reports explicitly on the matter in its audit opinion in the consolidated financial statements.

Areas of judgement	Assessment
Presentation of one-off items	The Group records exceptional income and expenditure in respect of one-off items and transactions that fall outside the normal course of business to assist users of the accounts in understanding underlying business performance. The Committee is satisfied that management has made appropriate judgements in determining one-off items, that policies have been applied consistently and that disclosures are appropriately made in the Annual Report and Accounts. In addition, Deloitte reports on this matter to the Audit Committee.
Tax	The assessment of the recoverability of tax losses and the recognition of deferred tax assets in respect of such losses requires judgement, based on the tax profile of the Group and its ability to access historic losses and recognising the specific circumstances of the Group. These factors and other judgements have an impact on the effective rate of tax shown in the consolidated income statement. The Committee is satisfied that management has made appropriate judgements in determining deferred tax assets and the effective rate of tax and that disclosures are appropriately made in the Annual Report and Accounts.
Revenue recognition and management override of controls	Revenue recognition and management override of controls are items which Deloitte is required to report on explicitly. The Committee is satisfied that accounting policies which set out revenue recognition policy are in place and communicated to operating units and that a robust system of internal controls exists in the Group. The Group's internal controls are tested as part of the half and full year reporting process and are scrutinised as part of the internal audit programme. In addition, Deloitte carries out direct testing and analytical procedures on journal data and reports explicitly on these matters in its audit opinion in the consolidated financial statements.
Provisions and liabilities	The Group holds a number of provisions and liabilities in relation to potential future obligations. These include provisions in relation to acquisitions (including open tax items), and other ordinary course provisions including providing for under-performing film titles (onerous contract provisions) and potential tax exposures (uncertain tax provisions). The calculation of provisions is inherently judgemental, but the Committee is satisfied that management has sufficiently robust processes in place to be able to support the basis for these provisions. In addition, Deloitte performs review procedures and challenges management assumptions as part of its audit work.

Committee review of Annual Report

The Committee has reviewed the Annual Report and Accounts to ensure that it is fair, balanced and understandable and provides the information necessary for shareholders to assess the Group's performance, business model and strategy. The Committee considers whether the Annual Report and Accounts contains sufficient information to enable shareholders to make this assessment. It also considers whether the information is presented in a comprehensible and balanced manner and that sufficient prominence is given to critical matters.

Assessment of external auditor

The Committee is required to assess the qualifications, expertise, resources and independence of the external auditor and the objectivity and effectiveness of the audit process. This assessment was carried out during the year on the basis of the Committee's own appraisal of the performance of the auditor and the views of the senior management team, as well as consideration of materials provided by the auditor. The criteria used for this assessment remained unchanged from last year and were as follows:

- effectiveness of audit objectives and planning
- leadership and co-ordination demonstrated by the audit team
- qualifications and expertise of the audit team
- quality assurance processes
- independence processes and policies
- value provided against fees incurred
- responsiveness of the audit team

Based on the assessment carried out, the Committee was able to confirm to the Board that the external auditor was operating effectively.

Independence of external auditor

The Committee monitors arrangements to ensure that the partner in charge of the audit is changed every five years and that the relationship between the auditor and management does not affect the external auditor's independence.

The Committee is responsible for monitoring the independence of the Group's external auditor on an ongoing basis and ensuring that appropriate controls are in place.

A defined policy exists for the engagement of the Group's external auditor for non-audit work, which is reviewed and approved by the Committee on an annual basis. The Committee approves the engagement of the Group's external auditor for non-audit work in line with this policy.

During the year Deloitte has provided very limited non-audit services for which no material fees were accrued.

Fees paid to Deloitte for non-audit services were as follows:

	2017 £m	2016 £m
Services relating to corporate finance transactions	**£0.0m**	£0.5m
Tax compliance and advisory services	**£0.0m**	£0.0m
Total	**£0.0m**	£0.5m

None of this work was carried out on a contingent fee basis.

The Committee considered the nature of the potential threat to independence posed by the provision of non-audit services and the safeguards applied. It concluded that the non-audit work undertaken by the external auditor did not impair independence.

Going forward, the Committee has updated its policy on the provision of non-audit services to reflect the latest independence guidelines.

Internal audit

The Internal Audit team continued with its formal internal audit programme across all of the Group's main Business Units, building on the "baseline" reviews of the general control environment, as well as focusing on any specific risk areas highlighted by management.

During the year, reviews were carried out covering activities in the following Group operating units:

- Non-Scripted Television
- Family Product Liability & Compliance
- MGC Audit for *Designated Survivor*
- Renegade 83 Audit
- Television Production review for *Mary Kills People*

Additionally, central reviews covered the following areas:

- Foreign Corrupt Practices Act compliance
- Group intercompany accounting
- Intellectual Property Protection Review
- Group Cash Flow Forecasting
- Change Management Review
- Information Security maturity assessment
- HR recruitment and selection

The Group's risk management process continues to be developed in operating units and specific attention has been directed at the further roll-out of business continuity planning at the Group's office locations.

The Director of Risk and Assurance, who heads the Internal Audit function, has a direct reporting line to the Chairman of the Committee and attends Audit Committee meetings.

Risk management review

The Audit Committee receives reports from management and the external auditor concerning the system of internal control and any material control weaknesses.

A Risk Management Committee chaired by the Chief Executive Officer operated throughout the year monitoring the Group's risks and risk-mitigating activities. Reports from the Risk Management Committee are presented to the Audit Committee and Board on a quarterly basis.

As part of the remit of the Committee in overseeing risk, regular updates are provided by management in relation to litigation and insurance coverage to ensure that the Group is appropriately monitoring and managing such risks.

Whistleblowing Policy

The Committee is responsible for monitoring the Group Whistleblowing Policy. Any concerns raised are reported to the Audit Committee. No whistleblowing events have taken place.

Meetings

The Committee met ten times during the year. Committee member attendance at Committee meetings is shown on page 48.

Representatives of the external auditor, including the partner responsible for the eOne audit, also attended each regular Audit Committee meeting. The executive directors are invited to attend the meetings, but at each meeting the Committee also arranged to speak with the external auditor without the executive directors being present.

The following table lists the agenda items which have been dealt with by the Committee over the course of the financial year.

Date of meeting	Agenda

May 2016	– Year end governance matters, including:
	  – Review of auditor independence and fees
	  – Evaluation of effectiveness of the Audit Committee
	  – Audit Committee Terms of Reference
	– Standing updates: litigation, insurance and whistleblower updates
	– Risk and assurance update, including:
	  – Internal audit update
	  – Quarterly risk review
	  – Review of effectiveness of internal controls
	– Accounting update, including review of going concern basis of accounting
	– Update from external auditor
	– Review of draft results announcement
	– Review of effectiveness of external auditor
	– Audit tender process update
	– Auditor's private meeting with non-executive directors

June 2016	– Review of framework for transactions to be reviewed by the Audit Committee – Review of board approval limits for recommendation to the Board
July 2016	– Review of framework for transactions to be reviewed by the Audit Committee – Review of board approval limits for recommendation to the Board

September 2016	– Standing updates: litigation, insurance and whistleblower updates
	– Risk and assurance update, including:
	  – Internal audit update
	  – Quarterly risk review
	– Update from external auditor – matters arising from 2016 audit
	– Audit tender process update
	– Auditor's private meeting with non-executive directors

Date of meeting	Agenda
October 2016	– Audit tender process update

November 2016 (two meetings)	– Half year governance matters
	– Standing updates: litigation, insurance and whistleblower updates
	– Risk and assurance update including:
	  – Internal audit update
	  – Quarterly risk review
	– Accounting update, including review of going concern basis of accounting
	– Update from external auditor
	– Review of draft interim announcement
	– Audit tender process update
	– Auditor's private meeting with non-executive directors

February 2017 (two meetings)	– Standing updates: litigation, insurance and whistleblower updates
	– Risk and assurance update, including:
	  – Internal audit programme
	  – Quarterly risk review
	– Audit tender process update
	– Technology infrastructure and cyber-security measures briefing
	– Update from external auditor, covering year end audit planning
	– Auditor's private meeting with non-executive directors

March 2017	– Discussion of Annual Report presentation matters

External auditor tenure

Deloitte has been the Company's auditor since 2007 and James Bates has been the Deloitte partner since 2013 and the current period would be the last period that he would be permitted to lead under the five-year rotation policy followed by Deloitte and the Company.

The Committee considers that the auditor's knowledge of the Group's business and systems gained through experience has significantly contributed to the rigour and effectiveness of the audit process.

Notwithstanding Deloitte's effectiveness, in line with the FRC Audit Committees Guidance regarding the frequency of audit tenders, eOne is in the process of carrying out a tender process for the Group's external audit. The Committee expects to make a recommendation to the Board in June 2017 regarding the appointment of external auditors for the financial year ended 31 March 2018, with such appointment being put to shareholder approval at the Company's AGM in September 2017.

Terms of reference and evaluation

The Committee keeps its terms of reference under review and makes recommendations for changes to the Board. The full terms of reference are available on the Company's website.

A self-evaluation of the Committee's performance during the financial year took place as set out on page 47, which included feedback from the Group's external auditor.

Nomination Committee

Annual statement of the Chair of the Nomination Committee

The performance of the Group is dependent on its ability to attract, recruit and retain quality people in a highly competitive labour market. Succession planning is an important contributor to the long-term success of the business.

The Nomination Committee carefully reviews succession plans for the executive directors and senior management, as well as evaluating the size, structure, composition and diversity of the Board and its Committees.

In its 2016 Annual Report, the Company confirmed that three of the Company's existing non-executive directors would step down from the Board immediately prior to its 2016 Annual General Meeting in September 2016. The Nomination Committee's focus for the year has been in identifying successors for the three retiring non-executive directors.

In early 2016, the Committee appointed Spencer Stuart, an international executive search firm, to support a search process to identify two additional non-executive directors to serve on the Board.

In conducting the search process, the Nomination Committee ensured that the search focused on directors who met both the requirements of the Company's Articles of Amendment and who brought the right balance of skills and experience to the Board, as well as having consideration for increasing the gender diversity of the Board.

The Committee was pleased to recommend the appointment of Mitzi Reaugh to the Board in November 2016 at the time of the resignation of Giles Willits, the Company's former Chief Financial Officer. Ms Reaugh is an experienced digital media executive having held previous roles at NBC Universal, Hulu, Miramax, The Chernin Group, and McKinsey & Company.

Mark Opzoomer will continue to serve on the Board until at least September 2017 to provide continuity on the Audit Committee, whilst the search is continued for a new Audit Committee Chairman, and has agreed to serve for a longer period, if required, to ensure a sufficient period of continuity.

I have assumed the position of Chair of the Nomination Committee as a result of the very sad death of Ron Atkey, a director of the Company since 2010, and look forward to continuing to build on the work that Ron started in refreshing and reinvigorating eOne's Board.

Whilst we continue the search for a number of additional non-executive directors, Margaret O'Brien has agreed to join the Company's Board – Margaret has been with eOne since 2008 and is responsible for all of the Company's corporate development and mergers and acquisitions activities.

The Committee and Board recognise the importance of diversity in enabling Board effectiveness and improving the quality of decision making, and are committed to increasing the diversity of the Board. The Group supports the principles of the Davies Report ('Women on Boards') and the Parker Review ('Ethnic Diversity on UK Boards'), as well as the requirements of the UK Corporate Governance Code in this respect, and one of my first tasks as Committee Chair will be to agree on our diversity objectives and monitoring systems for the Company in this respect.

Linda Robinson
Nomination Committee Chair
22 May 2017

Committee membership

As at 31 March 2017, the Nomination Committee comprised Ronald Atkey (Chairman) with Allan Leighton as the other independent non-executive member and Scott Lawrence as a non-independent non-executive member. Following the death of Ron Atkey in May 2017, the Board appointed Linda Robinson as the Chair of the Committee.

The CEO (Darren Throop), the CFO (Joe Sparacio) and the Group's HR Director (Sandy Scholes) are invited to attend Nomination Committee meetings, but do not participate in decisions.

Board composition

The Committee keeps the membership of the Board under review to ensure that it has the required combination of skills, knowledge and experience. The Board fully appreciates the benefits of diversity and is committed to equal opportunities for all.

Following the confirmation that three of the Company's non-executive directors would step down from the Board before the Company's 2016 Annual General Meeting, in September 2016, the Committee carried out a formal review of the Board's composition, size and structure. This review included assessing the skills, knowledge and experience of individual directors as well as diversity, including gender, and the particular requirements of the Board as set out in the Company's Articles of Amendment, and enabled the Committee to focus its search for new non-executive directors to serve on the Board.

Having established the balance of skills, knowledge and experience that was required to ensure that the Board's size, structure, composition and diversity remained appropriate for the specific circumstances of the Group, the Committee led an extensive search for appropriate director candidates, supported by Spencer Stuart, an international executive search firm. Spencer Stuart has no other connection with the Company.

As a result of this search process, the Committee was able to recommend the appointment of Mitzi Reaugh to the Board.

Prior to his death, Ron Atkey was leading the search for a number of additional independent non-executive directors to join the Company's Board. The Committee will continue that search process, to be led by Linda Robinson and supported by Spencer Stuart.

The Committee has recommended that Mark Opzoomer continues to serve on the Board until at least September 2017 to provide continuity on the Audit Committee and he has agreed to serve for a longer period, if required, to ensure a sufficient period of continuity.

Board and Committee evaluation

During the year, a self-evaluation of the Board, its Committees and its individual directors has been carried out, further details of which are set out on page 47.

A report covering the Board and Committee evaluation was used as input to a performance discussion at the Board meeting in May 2017.

Meetings

The Committee met three times during the year. Committee member attendance at Committee meetings is shown on page 48.

The following table lists the agenda items which have been dealt with by the Committee during the year.

Date of meeting	Agenda
July 2016	– Review of Board and Committee composition/succession planning
September 2016	– Review of Board and Committee composition/succession planning
March 2017	– Non-executive director search process – Review of Board and Committee composition – Update on search process for Chief Financial Officer

Terms of reference and evaluation

The Committee keeps its terms of reference under review and makes recommendations for changes to the Board. The full terms of reference are available on the Company's website. A self-evaluation of the Committee's performance was carried out during the financial year as set out on page 47.

Succession planning

Beneath the Board level, there were no significant changes to the Group's succession plan. The Group's executive structure is now fully in place, with a strong team leading the Television, Family and Film Divisions and leading the Group's corporate development activity.

The full executive team in each Division has now been populated to position the business to deliver its growth strategy and provides significant bench-strength for the executive directors and strong succession candidates beneath the Divisional leaders.

Sandy Scholes joined eOne in April 2016 as new global Human Resources Director and she will focus on eOne's global HR processes, including succession planning to support the Committee's work.

Board

Chairman:
- Allan Leighton

Non-executive directors:
- Scott Lawrence
- Mark Opzoomer
- Linda Robinson
- Mitzi Reaugh (from 22 November 2016)

Executive directors:
- Darren Throop
- Margaret O'Brien (from 18 May 2017)

Audit Committee

Chairman:
- Mark Opzoomer (from 1 October 2016, previously a member of the Committee)

Non-executive directors:
- Linda Robinson
- Mitzi Reaugh (from 15 May 2017)

Disclosure Committee

(formed on 17 November 2016)

Chairman:
- Mark Opzoomer

Non-executive directors:
- Linda Robinson
- Mitzi Reaugh (from 15 May 2017)

Nomination Committee

Chair:
- Linda Robinson (from 15 May 2017)

Non-executive directors:
- Allan Leighton
- Scott Lawrence

Remuneration Committee

Chairman:
- Mark Opzoomer (from 1 October 2016, previously a member of the Committee)

Non-executive directors:
- Mitzi Reaugh (from 22 November 2016)
- Linda Robinson (from 15 May 2017)

Annual statement of the Chair of the Remuneration Committee

On behalf of the Board, I am pleased to present the Directors' Remuneration Report for 2017, which sets out the remuneration policy for the directors of eOne and the amounts earned in respect of the year ended 31 March 2017. This report has been prepared by the Remuneration Committee and approved by the Board.

The Report has been prepared in accordance with the Large and Medium-Sized Companies and Groups (Accounts and Reports) (Amendment) Regulations 2013, the 2014 UK Corporate Governance Code (the Code) and the Financial Conduct Authority Listing Rules. To reflect the requirements of the remuneration reporting regulations, this report is presented in two sections: the Directors' Remuneration Policy and the Annual Report on Remuneration.

The Directors' Remuneration Policy sets out eOne's forward-looking remuneration policy which will be submitted for approval by a binding vote of shareholders at the 2017 Annual General Meeting in September 2017, and will remain in force for the three years ending 31 March 2020 unless amended. The Annual Report on Remuneration provides details of the amounts earned in respect of the year ended 31 March 2017 and how the Directors' Remuneration Policy has been operated for the year commencing 1 April 2016. This is subject to an advisory vote at the 2017 Annual General Meeting.

Entertainment One operates in a highly competitive environment for talent as well as operating on a multi-territory basis. The Company has offices in Los Angeles, the centre of the entertainment world, and around the world, as far as Sydney. Building a remuneration strategy that is fit-for-purpose on a global basis and able to address the highly competitive market for talent, particularly in Hollywood, is challenging. The Committee has relied upon counsel from its professional advisers to address this challenge.

In proposing changes to the Directors' Remuneration Policy, the Committee has endeavoured to design a Policy that meets the unique needs of the Company, being a UK listed company with a strong North American/entertainment bias. Recognising the sensitivity of remuneration issues in the UK environment, the Company has consulted with major shareholders on proposed updates to the Directors' Remuneration Policy to ensure there is a wide understanding of the importance of the changes to the Policy in retaining key individuals that are critical in delivering the Company's growth strategy.

I have assumed the Chairmanship of the Remuneration Committee as a result of the very sad death of Ron Atkey, a director of the Company since 2010, and look forward to continuing to build on the work that Ron started in ensuring that eOne has a remuneration framework that facilitates the Company's continued growth and financial success.

Mark Opzoomer
Remuneration Committee Chairman
22 May 2017

Major decisions taken during the year

The key work of the Committee during the year was to propose changes to the remuneration for the Company's Chief Executive Officer, Darren Throop – Darren is critical, both in terms of his leadership and his ability to drive the Company to deliver its growth strategy. The Committee approved a new five-year term to the CEO's employment contract, but sensitive to UK norms has ensured that any severance provisions are capped at a two-year maximum, which is in line with North American practice and in line with the previous employment agreement being replaced, as previously disclosed in the Company's Annual Reports.

During the year, supported by benchmarking from its remuneration advisers, the Committee initiated a review of executive director remuneration in order to attract and retain key talent, including the Group's Chief Executive Officer, in a highly competitive market. As a result of this review, it was proposed that a number of changes were incorporated into the CEO's remuneration package. Accordingly, a number of updates to the Directors' Remuneration Policy have been proposed. As a result, certain elements of the package will be subject to the new Policy being approved at the Company's AGM in September 2017 including amendments to the annual bonus and annual share award provisions. In addition, a share award was agreed contingent on the CEO's contract renewal and this will be put to shareholders for approval under a standalone resolution at the AGM.

The Company's Long Term Incentive Plan (LTIP), which was approved by shareholders in June 2013, remains in place and awards have continued to be made to the executive directors and members of senior management during the current financial year. The Company proposes to seek shareholder approval for certain amendments to the LTIP to provide increased flexibility for the Remuneration Committee as it addresses the remuneration challenges presented by its North American operating environment. Further details of the LTIP are set out on pages 63 and 65.

The CEO's annual bonus scheme continues to be measured based on the achievement of Group adjusted profit before tax, but the maximum opportunity has been increased to 150% of base salary which is only achieved when 110% of the budgeted target is met.

The Company continues to operate an all-employee Sharesave Scheme, approved by shareholders at the 2015 Annual General Meeting. Almost 350 employees participated in the 2016 Scheme, giving individual team members a direct alignment with the Company's shareholders in driving performance of the Group. The Company expects a continued interest from employees in the 2017 Scheme.

Incentive out-turns in the current year

As described in the Strategic Report, the Group has enjoyed a year of solid financial performance which has translated into the Group making an adjusted profit before tax of £129.9 million (an increase of 25% on the prior year) which has resulted in an annual bonus of 39.6% of base salary being earned by the CEO. Further details of this award are set out on page 74.

We remain committed to taking a responsible approach in respect of executive pay. The Remuneration Committee will continue to actively engage with and seek to incorporate the views of the Company's shareholders in any major changes to the Directors' Remuneration Policy.

Directors' Remuneration Policy

This section of the Remuneration Report sets out the Directors' Remuneration Policy which will be submitted to shareholders for approval by a binding vote at the 2017 Annual General Meeting and will apply for the three financial years ending 31 March 2020.

The Directors' Remuneration Policy was previously approved by a binding shareholder vote at the 2014 Annual General Meeting and applied for the three financial years ending 31 March 2017, as amended by shareholder approvals given at the 2015 Annual General Meeting and 2016 Annual General Meeting, respectively.

Elements of the new Directors' Remuneration Policy will have effect retrospectively, where appropriate, subject to approval by a binding shareholder vote at the 2017 Annual General Meeting.

1. Remuneration policy table

(i) Executive directors

The table below provides an overview of each element of the approved remuneration for the Chief Executive Officer (CEO) and the Chief Financial Officer (CFO). To the extent that additional executive directors are employed in the future by the Company, this policy will apply on a consistent basis.

Component	Descriptor and link to Group strategy and objectives	Operation	Maximum opportunity	Framework used to assess performance
Base salary	Core element of fixed remuneration that provides the basis to recruit and retain talent necessary to deliver the business strategy. Reflects individual experience, skill and scope of responsibility. Takes into account wider contribution to the Group. The Group competes for talent in North American and global markets and base salary levels are considered by the Remuneration Committee to ensure that the Group remains competitive.	Usually reviewed annually (but may be reviewed more frequently) with any changes generally effective from the start of each financial year. The review process considers a range of factors including, but not limited to: – role, experience and performance; – changes in remuneration for other executives and for the broader workforce; – increases in size and complexity of the Group; and – market and competitive factors, including external benchmark data against companies of similar size and complexity.	Consistent with the existing policy, no maximum base salary increase has been set under the proposed Remuneration Policy. To the extent base salary increases are awarded, these are considered on a case-by-case basis and will generally be based on the factors set out.	N/A
Annual bonus	To motivate and reward superior performance measured against annual financial targets of the Group.	Usually a cash payment. Awards approved by the Remuneration Committee after the year end, based on performance against annual targets set at the start of the financial year. Subject to a clawback provision which extends for a period of 12 months following payment of the bonus.	Up to 150% of base salary at maximum in normal circumstances, with target and threshold payout levels at 75% and 30% of maximum respectively. Up to 200% of base salary at maximum in exceptional circumstances subject to approval by the Remuneration Committee and where the rationale for such an award is clearly articulated.	The Remuneration Committee will determine annual bonus performance measures, weighting, leverage and targets based on the specific business circumstances that are extant at the time of a bonus award being agreed for an executive director. A minimum of 50% of the total award will be based on key financial measures and will generally be referenced to the annual budget approved by the Board. Performance measures may include (but are not limited to): – Group adjusted profit before tax – Group underlying EBITDA Further details of the measures and weightings used this year are set out in the Annual Report on Remuneration.

Component	Descriptor and link to Group strategy and objectives	Operation	Maximum opportunity	Framework used to assess performance
Long Term Incentive Plan ("LTIP")	To reinforce the alignment of the interests of executives and shareholders. To motivate long-term shareholder value creation and the delivery of exceptional share price growth. To help the Group retain its key executive director talent.	LTIP awards are made annually to the executive directors. It is usually an award of shares granted as nil-cost options (but may be settled in another form, e.g. cash) and are generally subject to performance conditions to be met over a three-year performance period. As needed, the Remuneration Committee may make one-off awards of shares under the LTIP (or outside the LTIP) for retention/incentive purposes (including but not limited to the renewal of an executive director's service contract). Such awards would be subject to shareholder approval where appropriate. The LTIP is subject to clawback and malus provisions which extend for a period of 12 months following the vesting of the LTIP.	Maximum potential annual grant of 200% of base salary in a financial year. In exceptional circumstances, the Remuneration Committee may exercise discretion and grant awards of up to 300%. Rationale and circumstances surrounding such special awards shall be clearly explained by the Remuneration Committee upon grant.	LTIP awards will normally vest, subject to continued employment with a Group company and any applicable performance and other conditions, on the later of the third anniversary of the date of award and the date on which the Remuneration Committee determines that the performance and other conditions have been satisfied (in whole or in part). The Remuneration Committee will determine annual LTIP performance measures, weighting, leverage and targets based on the specific business circumstances that are extant at the time of a LTIP award being agreed for an executive director and may include (but are not limited to) the following measures: – Adjusted fully diluted EPS growth – Total shareholder return (TSR) – Average ROCE – Share price performance – Group underlying EBITDA The Committee retains the discretion to adopt other performance measures based on the specific circumstances at the time of the grant. When more than one performance measure is used, performance and payout are determined independently for each measure. For threshold performance, 30% of the award will vest. For target performance, 75% of the award will vest, and for maximum or above performance, 100% of the award will vest. Vesting will operate on a straight-line basis between threshold, target and maximum. The Committee retains the right to discretionarily adjust final payout, in exceptional circumstances, based on an assessment of overall circumstances critical to business performance but otherwise not captured in the performance measure selected at grant. Any adjustment applied will be clearly explained by the Committee at vesting.
Pension contributions	Part of a competitive package to help the Group retain its key executive talent. Provide a market competitive level of retirement benefit.	The Company may make payments into a pension scheme for the benefit of the executive director (by reference to pensionable pay) and/or pay a salary supplement in lieu of a pension contribution. Where agreed pension contributions for an individual exceed relevant limits for a tax free pension accrual, executive directors have the option to receive excess contributions as a salary supplement (which may be subject to tax and national insurance or equivalent contributions). Bonus and other benefits received by executive directors are excluded from pensionable pay.	Overall maximum contribution will be determined by the Remuneration Committee by reference to the markets in which an executive director is appointed and would be aligned with the relevant regulatory limits and/or prevailing market practice.	N/A

Component	Descriptor and link to Group strategy and objectives	Operation	Maximum opportunity	Framework used to assess performance
Benefits	Part of a competitive package to help the Group retain its key executive talent.	Base salary is supplemented with a range of benefits based on the role and individual circumstances. These benefits include, but are not limited to, car allowance, payments in lieu of pension, life and disability assurance and healthcare arrangements. Other benefits may be provided based on individual circumstances, such as, but not limited to, housing or relocation allowances, travel allowances or other expatriate benefits. Benefits are reviewed by the Remuneration Committee in the context of market practice from time to time. Executive directors are also eligible to participate in all employee share plans (e.g. Sharesave) operated by the company on the same basis as the other employees.	While the Remuneration Committee has not set a formal maximum on the level of benefits executive directors may receive, the value of benefits is set to a level which the Committee considers to be appropriately positioned, taking into account relevant market levels based on the nature and location of the role and individual circumstances. Participation in all employee share plans is subject to statutory limits.	N/A
Shareholding policy	Share ownership is a key cornerstone of the Group's reward policy and is designed to help maintain commitment over the long term, and to ensure that the interests of the executive are aligned with those of shareholders.	Executives are expected to build and maintain a significant shareholding in eOne shares, with expected holdings valued at: – CEO: 3 times base salary – CFO: 2 times base salary New directors are expected to reach such targets over a period of five years.	N/A	N/A

(ii) Non-executive Chairman and non-executive directors

The table below sets out the approved Remuneration Policy for the non-executive Chairman and non-executive directors.

Element	Approach of the Company
Non-executive Chairman fees	The remuneration of the Chairman is set by the executive directors. Fees are set at a level which reflects the skills, knowledge and experience of the individual, whilst taking into account appropriate market data. The fee is set as a fixed annual fee (with additional fees payable for membership of a committee or other additional responsibilities where appropriate) and may be paid wholly or partly in cash or Company shares. Fees are ratified by the Board.
Non-executive director fees	The executive directors are responsible for deciding non-executive directors' fees. Fees are set taking into account several factors including the size and complexity of the business, fees paid to non-executive directors of UK-listed companies of a similar size and complexity and the expected time commitment and contribution for the role. Fees are structured as a basic fee with additional fees payable for chairmanship or membership of a committee or other additional responsibilities where appropriate. The fee is set as a fixed annual fee and may be paid wholly or partly in cash or Company shares. Fees are ratified by the Board.

In setting the Remuneration Policy, the Group reserves the right to make any remuneration payments and payments for loss of office (including exercising any discretions available to it in connection with such payments) notwithstanding that they are not in line with the policy set out above where the terms of the payment were agreed (i) before the policy came into effect or (ii) at a time when the relevant individual was not a director of the Group and, in the opinion of the Group, the payment was not in consideration for the individual becoming a director of the Group. For these purposes "payments" includes the Group satisfying awards of variable remuneration and, in relation to an award over shares, the terms of the payment are agreed at the time the award is granted.

The Group may make minor amendments to the policy set out above (for regulatory, exchange control, tax or administrative purposes or to take account of a change in legislation) without obtaining shareholder approval for that amendment.

In exceptional circumstances, the Group may make share awards to non-executive directors to facilitate the recruitment or retention of individuals that are judged to be important in delivering the Group's strategic goals, the awards being subject to shareholder approval where appropriate.

2. Explanation of chosen performance measures and how targets are set

Annual bonus

The annual bonus is assessed against the Group's adjusted profit before tax or Group underlying EBITDA targets determined by the Remuneration Committee, based on the annual financial plan approved by the Board. This motivates and rewards performance with increasing profit before tax and Group underlying EBITDA achievement, and is linked to delivery of our strategic goals which are aligned closely to those of shareholders.

LTIP

Performance conditions	Reason for selecting measure
Adjusted fully diluted EPS growth	Adjusted fully diluted EPS growth is considered to be an appropriate long-term measure as it reflects the recognised measure of shareholder earnings. Typical adjustments to reported EPS would be the add-back of amortisation of acquired intangibles, and would be consistent with the treatment adopted by the Company since listing in 2007, and in line with the approach taken by equity analysts and other relevant comparator groups.
TSR growth	TSR growth (share price growth plus dividends) is a commonly used metric for measuring the relative performance of companies. This approach will directly link the reward of executives to that of the absolute return for the shareholder, including the setting of a minimum threshold, and allows the Company to be viewed on a relative basis by comparing the performance of the Company to an appropriate comparator index (for example the FTSE 250).
Average ROCE	Average ROCE growth provides a measure that ensures the executives are seeking to deliver improved returns from the investment decisions being made each year. It therefore complements the adjusted fully diluted EPS measure (which is income statement focused) as it ensures that the executives are also managing the efficiency of the assets on the balance sheet which are used to generate the earnings of the Company. ROCE is a commonly used metric to measure return on investment and can be easily derived from the audited consolidated financial statements each year.
Share price performance	Awards made under a share price performance condition will be made when the Remuneration Committee deems that such a measure best aligns the interests of the award holder to those of shareholders.
Group underlying EBITDA	Group underlying EBITDA is the key profitability measure in the consolidated income statement that the Group targets as a performance measure and is disclosed in the audited consolidated financial statements each year. It is the measure that is utilised most widely to measure the performance of members of senior management.

The Remuneration Committee carefully considers the target ranges to be attached to bonus and long-term incentive awards, taking into account a number of factors which could include future growth expectations, the market environment and the requirement to set stretching but achievable targets.

The Committee retains the ability to adjust or set different performance measures if events occur (such as a change in strategy, a material acquisition and/or a divestment of a Group business or a change in prevailing market conditions) which cause the Committee to determine that the measures are no longer appropriate and that an adjustment is required so that they achieve their original purpose.

Awards under the LTIP may be adjusted in the event of a variation of capital in accordance with the scheme rules.

3. Pay policy for other employees

The Remuneration Policy for senior management is similar to the policy for the executive directors in that salary and benefit packages are linked to performance. Key management participates in the Group's LTIP with performance measures focused on Group profitability targets and share price growth to ensure alignment of individual performance with Group performance and shareholder metrics. The key principles of the remuneration philosophy are applied consistently across the Group below this level, taking account of seniority and local market practice. The Remuneration Policy for all employees is designed to provide a level of remuneration which enables eOne to attract and retain talented individuals who have the necessary skills and experience to support the continued development of the Group.

4. Remuneration policy for new appointments

In the case of recruiting/appointing a new executive director, the Remuneration Committee will typically align the remuneration package with the above Remuneration Policy (and will therefore generally consider base salary, pension, benefits, annual bonus and LTIP awards). However, the Remuneration Committee retains the discretion to make payments or awards which are outside the Policy to facilitate the recruitment of candidates of the appropriate calibre required to implement the Group's strategy, subject to the principles and limits set out below. The individual would be expected to move, over time, onto a remuneration package that is consistent with the Policy set out in the table above.

In determining appropriate remuneration, the Remuneration Committee will take into consideration all relevant factors (including the quantum and nature of remuneration) to ensure that arrangements are in the best interests of both eOne and its shareholders. This may, for example, include (but is not limited to) the following circumstances:

- an interim appointment is made to fill an executive director role on a short-term basis;
- exceptional circumstances require that the non-executive Chairman or a non-executive director takes on an executive function on a short-term basis;
- an executive director is recruited at a time in the year when it would be inappropriate to provide a bonus or long-term incentive award for that year as there would not be sufficient time to assess performance (subject to the limit on variable remuneration set out below, the quantum in respect of the months employed during the year may be transferred to the subsequent year so that reward is provided on a fair and appropriate basis);
- the executive director received benefits at his/her previous employer which the Committee considers it appropriate to offer; and
- buy-out of previous employer benefits.

The Committee may also alter the performance measures, performance period and vesting period of the annual bonus or LTIP (subject to the rules of the scheme) if the Committee determines that the circumstances of the recruitment merit such alteration in these situations. If such circumstances were to arise, the rationale would be clearly explained.

The Remuneration Committee may make an award in respect of recruitment to buy out remuneration arrangements forfeited on leaving a previous employer. In doing so the Remuneration Committee will take account of relevant factors regarding the forfeited arrangements which may include any performance conditions attached to awards forfeited (and the likelihood of meeting those conditions), the time over which they would have vested and the form of the awards (e.g. cash or shares). The Committee will generally seek to structure buy-out awards on a comparable basis to remuneration arrangements forfeited. These payments or awards are excluded from the maximum level of variable remuneration referred to below; however, the Remuneration Committee's intention is that the value awarded would be no higher than the expected value of the forfeited arrangements. Where considered appropriate, buy-out awards will be subject to forfeiture or clawback on early departure.

Where necessary, the Company will pay appropriate benefits in line with those provided to other executive directors. Relocation costs and expatriate benefits may be paid on a case-by-case basis. The Remuneration Committee will seek to ensure that no more is paid than is reasonable and required.

The maximum level of variable remuneration (excluding buy-out awards) which may be awarded to a new executive director is 400% of base salary, comprising:

- Annual bonus 200% (in exceptional circumstances only, a typical award would be up to 150%); and
- LTIP award 200% (in exceptional circumstances only, a typical award would be up to 150%).

Subject to this overall maximum variable remuneration, incentive awards may be granted within the first 12 months of appointment above the normal maximum annual award opportunities. The Remuneration Committee will ensure that such awards are linked to the achievement of appropriate and challenging performance measures and will be forfeited if performance or continued employment conditions are not met.

Any share awards referred to in this section will be granted as far as possible under the Company's existing share plans. If necessary, and subject to the limits referred to above, in order to facilitate the awards mentioned above, the Committee may rely on exemption 9.4.2 of the Listing Rules which allows for the grant of awards to facilitate the recruitment of a director, in certain circumstances.

Where a vacant position is filled internally, any ongoing remuneration obligations or outstanding variable pay elements shall be allowed to continue according to the original terms.

Contractual rights in the event of the termination of a new appointment will be determined based on market practice in the location where the new appointment is expected to be based and will not exceed an effective notice period of more than 12 months except in exceptional circumstances and where a clear rationale is provided by the Remuneration Committee.

Fees payable to a newly-appointed non-executive Chairman or non-executive director will be in line with the fee policy in place at the time of appointment, subject to any deviation in policy permitted under Listing Rule 9.4.2.

5. Service contracts

Director	Effective term	Notice period
Darren Throop	24 months	No notice by the Company, 6 months by the executive director
Margaret O'Brien	18 months	No notice by the Company, 4 months by the executive director
Giles Willits	12 months	12 months by the Company, 6 months by the executive director

Darren Throop

As noted above, an update has been proposed for the CEO's remuneration and the Company has entered into a new service contract with Darren Throop. Details of specific contractual terms are set out below.

Annual salary amounts expected to be paid under the new service contract, which are in line with the Company's existing Directors' Remuneration Policy, are as follows:

- FY18 – US$1,150,000
- FY19 – US$1,225,000
- Beyond FY19, expected increase of 7% per annum
- Maximum annual bonus entitlement under the new service contract is 150% of salary.

Share award contingent on contract renewal amounting to options over 3,000,000, vesting after three years. Maximum annual LTIP entitlement under the new service contract is 200% of salary.

If dismissed without cause he is entitled to a lump sum equal to 24 months' compensation (comprising base salary, bonus, pension and benefits). Benefits provided in connection with termination of employment may also include, but are not limited to, outplacement and legal fees.

This is in line with market practice in North America. The Remuneration Committee has carefully considered this aspect of the contract and concluded it is necessary for eOne to remain competitive in the North American market, a key consideration for the Group, particularly as this is where the CEO is based. In addition, the Company has sought the views of key shareholders on the principles of its Remuneration Policy and believes that the policy is in the best interests of shareholders, generally.

Margaret O'Brien

If dismissed without cause she is entitled to a lump sum equal to 18 months' compensation (comprising base salary, bonus, pension and benefits) during the term of the agreement or 12 months' compensation at the end of the term of the agreement.

Giles Willits

Giles Willits resigned as a director of the Company on 21 November 2016 and served the notice period under his service contract.

The non-executive directors, including the Chairman, serve under letters of appointment which are subject to the Articles of the Company.

Non-executive directors' service under letters of appointment

	Most recent letter of appointment effective	Notice from the Company	Notice from director
Allan Leighton	1 October 2016	6 months	6 months
Ronald Atkey[1]	1 October 2016	6 months	6 months
Scott Lawrence	1 October 2016	6 months	No notice
Mark Opzoomer	1 October 2016	6 months	6 months
Mitzi Reaugh	22 November 2016	6 months	6 months
Linda Robinson	1 October 2016	6 months	6 months

1. The Company was informed of Ronald Atkey's death on 15 May 2017.

As required, service contracts for all directors are on display prior to and during the Company's Annual General Meeting.

6. Payments for loss of office

Obligation	Policy
Base salary, pension and benefits	Refer to section 5 (Service contracts) above for further details.
Annual bonus	The Remuneration Committee has the discretion to determine appropriate bonus amounts taking into consideration the circumstances in which an executive director leaves. Typically for "good leavers", bonus amounts (as estimated by the Remuneration Committee) will be pro-rated for time in service to termination and will be, subject to performance, paid at the usual time. "Good leavers" typically include leavers due to death, illness, injury, disability, redundancy, retirement with the consent of the Group or any other reason as determined by the Remuneration Committee. "Bad leavers" will not receive any annual bonus payments. The bonus will be subject to a clawback provision which extends for a period of 12 months following payment of the bonus. This will entitle the Company, on the recommendation of the Board, to clawback up to 100% of the bonus payment where there is evidence of personal misconduct on behalf of the executive director which results in a misstatement of the Group's financial results which subsequently materially reduces the Company's share price or results in significant reputational damage to the Group.
LTIP	Options awarded under the LTIP will normally lapse immediately upon an executive director ceasing to be employed by or to hold office with a Group company. However, if an executive director is deemed by the Remuneration Committee to be a "good leaver" and has completed at least 12 months' service from the date of grant, the LTIP award will vest on the date when it would have vested if he had not so ceased to be an employee or director of a Group company, subject to: (i) the satisfaction of any applicable performance conditions measured over the original performance period, (ii) the satisfaction of any other relevant conditions, (iii) the operation of any malus or clawback provisions; and (iv) pro-rating to reflect the reduced period of time between grant and the executive director's cessation of employment as a proportion of the normal vesting period. "Good leavers" typically include leavers due to death, illness, injury, disability, redundancy, retirement with the consent of the Group or any other reason as determined by the Remuneration Committee. If an executive director ceases to be an employee or director of a Group company for a "good leaver" reason having completed at least 12 months' service from the date of grant, the Remuneration Committee may decide that his LTIP award will vest early when he leaves, subject to an assessment of performance against the relevant conditions for that shortened period. To the extent that LTIP awards vest in accordance with the above provisions, they may be exercised for a period of six months following vesting and will otherwise lapse at the end of that period. To the extent that a participant who leaves for a "good leaver" reason held vested options, they may be exercised for a period of six months following the date of cessation and will otherwise lapse at the end of that period. LTIP awards will be subject to the operation of malus or clawback provisions. The Remuneration Committee will have the ability to clawback up to 50% of vested LTIP awards within 12 months of the vesting date where there is evidence of personal misconduct on behalf of the executive director which results in a misstatement of the Group's financial results which subsequently materially reduces the Company's share price or results in significant reputational damage to the Group. The malus/clawback may be satisfied by way of the vesting of any existing share options/awards, or the number of shares under any vested but unexercised option. In addition, the employee (or former employee) may be required to make a cash payment to the Company. Should an event as set out above occur during the vesting period of an LTIP award, the Remuneration Committee shall have the discretion to reduce the proportion of the award that vests by up to 100% regardless of the extent to which the performance conditions attaching to the award are met.

It is the Company's policy to set notice periods for executive and non-executive directors to be in line with the recommendations of the UK Corporate Governance Code. In exceptional circumstances, where notice periods of more than a year are required, these are considered by the Board on a case-by-case basis.

Under the terms of their engagement, the notice period to be given by the non-executive directors to the Company is not more than six months and the Company is obliged to give notice of not more than six months, as set out above.

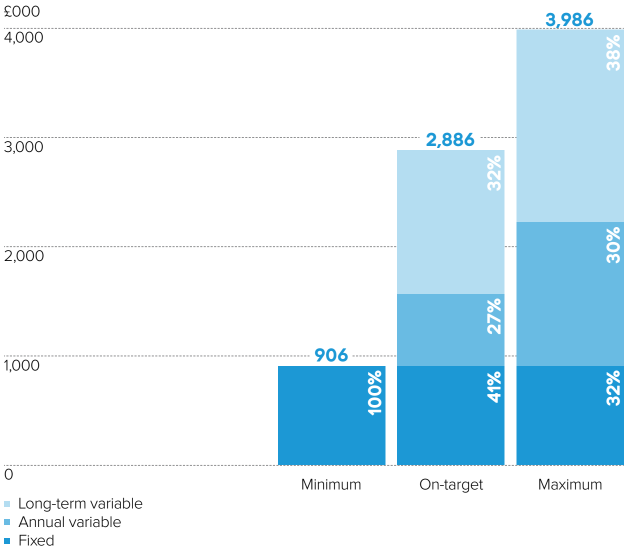
Discretion is retained to terminate with or without due notice or paying any payment in lieu of notice dependent on what is considered to be in the best interests of the Company in the particular circumstances. The Committee reserves the right to make additional exit payments where such payments are made in good faith in discharge of an existing legal obligation (or by way of damages for breach of such an obligation) or by way of settlement or compromise of any claim arising in connection with the termination of a director's office or employment.

7. Illustration of application of the remuneration policy

The graph below seeks to demonstrate how pay varies with performance for the executive directors based on the current implementation of our stated Remuneration Policy.

Element	Description
Fixed	Total amount of base salary, pension and benefits.
Annual variable	Remuneration where performance measures or targets relate to one financial year (i.e. annual bonus payments). Maximum annual bonus opportunity is 150% of base salary for executive directors.
Long-term variable	Remuneration where performance measures or targets relate to more than one financial year (i.e. LTIP payments). LTIP opportunity is up to 200% of base salary for executive directors (excluding signing awards).

Chief Executive Officer



Assumptions used in determining the level of pay-out under the given scenarios are as follows:

Scenario	Description
Minimum performance	Fixed elements of remuneration only – comprising base salary, benefits and pension.
On-target performance	Total fixed pay as above, plus: – Assumes 50% of maximum pay-out under the annual bonus scheme for the CEO (i.e. 75% of base salary) based on the Group achieving budgeted adjusted profit before tax – Assumes 75% of maximum pay-out under the LTIP
Maximum performance	Total fixed pay as above, plus: – Assumes 100% of maximum pay-out under the annual bonus scheme for the CEO (i.e. 150% of base salary) based on the Group achieving 110% or more of budgeted adjusted profit before tax – Assumes 100% of maximum pay-out under the LTIP based on the Group achieving the maximum performance for each performance condition.

As required by the regulations, the scenarios do not include any share price growth assumptions or take into account any dividends that may be paid.

Base salary is the latest known salary (i.e. the salary effective from 1 April 2017) and the value for pension and benefits has been assumed to be equivalent to that included in the single total figure of remuneration on page 71.

8. Wider workforce remuneration

When determining the remuneration arrangements for executive directors, the Remuneration Committee takes into consideration, as a matter of course, the pay and conditions of employees throughout the Group. In particular, the Remuneration Committee is kept informed of:

- salary increase for the general employee population;
- overall spend on annual bonus; and
- participation levels in the annual bonus and share plans.

Although no consultation with employees takes place in relation to determining the Remuneration Policy for executive directors, the Group has various ways of engaging employees collectively, as teams and one-to-one.

9. Consideration of shareholder views

The Company engages in regular dialogue with key shareholders to discuss and seek feedback on its Remuneration Policy and governance matters and, in particular, the Company discusses any significant changes to policy or measures used to assess performance.

During the year, key shareholders were consulted in relation to proposed updates to the executive director Remuneration Policy. The Company will continue to actively engage with and seek to incorporate the views of its shareholders in any major changes to executive director Remuneration Policy.

Annual Report on Remuneration

This section of the Remuneration Report contains details of how the Company's Remuneration Policy for directors was implemented during the year ended 31 March 2017.

1. Remuneration philosophy

The Company's proposed Remuneration Policy is designed to provide the executive directors a level of remuneration which enables eOne to attract and retain talented individuals who have the necessary skills and experience to support the continued development of the Company and motivate them to deliver the Company's strategy. The Policy intends to incentivise management to provide long-term value growth for the Company's shareholders whilst taking account of internal and external risks.

The remuneration package has been designed based on the following key principles:

Principle	Explanation
Reward package to attract and retain the best talent	To ensure that the Company is in a position to attract and retain the best executive directors the total remuneration package will target to pay at an upper quartile level, based on meeting relevant performance criteria.
Relevant comparator group	The principal external comparator group (which is used for reference purposes only) comprises North American sector-specific companies, given the competitive environment for talent in the entertainment sector. Reference is also is made to the constituents of the FTSE 250 Index (as the Company is a constituent member of the Index), UK sector-specific companies and other Canadian listed companies (against which the Company competes to attract and retain executive talent).
Reward assessed on a total compensation basis	The remuneration package provided to the executive directors is reviewed annually on a total compensation basis (i.e. single elements of the package are not reviewed in isolation). Packages are reviewed in the context of individual and Group performance, internal relativities, criticality of the individual to the business, experience, and the scarcity or otherwise of executives with the relevant skill set.
Pay for performance	The Remuneration Committee consistently aims to set stretching targets, and ensure that maximum or near maximum pay-outs are only delivered for achievement against these.
Incentive target measures linked to business strategy	When designing the incentive packages for executives the Board has considered performance measures and targets that support delivery of the Group's strategic objectives.
Alignment to shareholder interests	The package is designed to align the interests of the executives with those of shareholders, with an appropriate proportion of total remuneration dependent upon sustained long-term performance. Share ownership is a key cornerstone of the Group's reward policy and is designed to help maintain commitment over the long-term, and to ensure that the interests of the executive are aligned with those of shareholders.

2. Single total figure of remuneration

The information in this section has been audited.

Executive directors

The tables below set out the single total figure of remuneration and breakdown for each executive director earned in the years ended 31 March 2017 and 2016. Figures provided have been calculated in accordance with the remuneration disclosure regulations (The Large and Medium-sized Companies and Groups (Accounts and Reports) (Amendment) Regulations 2013).

Year ended 31 March 2017

	Salary £000	Taxable benefits £000	Annual bonus £000	Long-term incentives £000	Pensions £000	Total £000
Darren Throop[1,2]	823	3	326	507	21	1,680
Giles Willits[3,4]	274	35	–	268	26	603
Margaret O'Brien[5]	–	–	–	–	–	–

1. Canadian director remuneration has been translated at the US$:£ rate of 1.3066.
2. Darren Throop received and retained total annual compensation of US$181,390 in relation to his service as a non-executive director of IMAX Corporation, which is not included in the table above.
3. Giles Willits resigned as a director on 21 November 2016 and remained an employee during his six month notice period. Salary/pension/taxable benefit payments made from 22 November 2016 to 20 May 2017 are included in the amounts shown under payments to past directors, below. As his termination was by way of resignation, the Company was not required to make any termination payment and no bonus was paid for the financial year.
4. Taxable benefits for Giles Willits include £22,282 of payment in lieu of pension.
5. Appointed on 18 May 2017.

Year ended 31 March 2016

	Salary £000	Taxable benefits £000	Annual bonus £000	Long-term incentives £000	Pensions £000	Total £000
Darren Throop[1,2]	500	2	202	–	14	718
Giles Willits[3]	414	53	167	–	40	674

1. Canadian director remuneration has been translated at the C$:£ rate of 1.9773.
2. Darren Throop received and retained total annual compensation of US$141,653 in relation to his service as a non-executive director of IMAX Corporation, which is not included in the table above.
3. Taxable benefits for Giles Willits include £32,449 of payment in lieu of pension.

Taxable benefits in the years ended 31 March 2017 and 2016 consist of costs relating to the provision of a motor vehicle, private medical insurance, health insurance, dental insurance, income protection insurance and payments in lieu of pension contributions.

Non-executive directors

The tables below set out the single total figure of remuneration and breakdown for each non-executive director earned in the years ended 31 March 2017 and 2016.

Year ended 31 March 2017

Non-executive	**Fees £000**	**Taxable benefits £000**	**Total £000**
Allan Leighton[1]	**211**	**–**	**211**
Clare Copeland[2,3]	**33**	**–**	**33**
Bob Allan[2,3]	**31**	**–**	**31**
Ronald Atkey[2,5]	**69**	**–**	**69**
Garth Girvan[2,3]	**27**	**–**	**27**
Scott Lawrence[2,4]	**–**	**–**	**–**
Mark Opzoomer	**74**	**–**	**74**
Linda Robinson[2]	**60**	**–**	**60**
Mitzi Reaugh[6]	**26**	**–**	**26**

1. At the 2014 Annual General and Special Meeting, shareholders approved the adoption of the Chairman's Award under terms set out in the 2014 Notice of Annual General and Special Meeting of Shareholders and Management Proxy Circular. At the date of the 2017 Annual Report, the Chairman's Award had not been made.
2. Canadian director remuneration has been translated at the C$:£ rate of 1.714.
3. Stepped down from the Board on 30 September 2016 and did not stand for re-election at the Company's AGM.
4. Scott Lawrence is an employee of Canada Pension Plan Investment Board ("CPPIB"). The Company pays no fee to Scott Lawrence in connection with his appointment. The Company pays CPPIB an annual fee equivalent to the annual fee paid by the Company to its other non-executive directors in consideration for CPPIB allowing Scott Lawrence to allocate time to his role as a non-executive director of the Company. The fee payable to CPPIB in respect of Scott Lawrence's services for the year ended 31 March 2017 was C$91,700.
5. The Company was informed of Ron Atkey's death on 15 May 2017.
6. Appointed on 21 November 2016.

Year ended 31 March 2016

Non-executive	Fees £000	Taxable benefits £000	Total £000
Allan Leighton	200	–	200
Clare Copeland[1]	57	–	57
Bob Allan[1]	53	–	53
Ronald Atkey[1]	46	–	46
James Corsellis[2]	13	–	13
Garth Girvan[1]	46	–	46
Scott Lawrence[3]	–	–	–
Mark Opzoomer	50	–	50
Linda Robinson[1]	46	–	46

1. Canadian director remuneration has been translated at the C$:£ rate of 1.9773.
2. Resigned on 15 July 2015.
3. Scott Lawrence is an employee of Canada Pension Plan Investment Board ("CPPIB"). The Company pays no fee to Scott Lawrence in connection with his appointment. The Company pays CPPIB an annual fee equivalent to the annual fee paid by the Company to its other non-executive directors in consideration for CPPIB allowing Scott Lawrence to allocate time to his role as a non-executive director of the Company. The fee payable to CPPIB in respect of Scott Lawrence's services for the year ended 31 March 2016 was C$22,500.

3. Additional details on variable pay in single figure table

The information in this section has been audited.

The Remuneration Policy is designed to provide a level of remuneration which enables eOne to attract and retain talented individuals who have the necessary skills and experience to support the continued development of the Group and motivate them to deliver the Group's strategy.

The Policy intends to incentivise management to provide long-term value growth for our shareholders whilst taking account of internal and external risks. The operation of an annual bonus plan with targets reflecting core financial measures linked to the Group's growth strategy together with the LTIP (which provides for awards of nil cost shares to be earned over a three-year period, based on meeting stretching targets linked to financial metrics and the creation of shareholder value) help to achieve this.

The main components of the Remuneration Policy, and how they are linked to and support the Group's business strategy, are summarised in each of the following sections.

Salary and fees

The table below sets out the base salaries of the executive directors from 1 April 2016 together with the increase from the prior year.

	Base salary from 1 April 2016 (per annum)	Increase (per annum)
Darren Throop[1]	US$1,075,000	Increase of US$320,000 from US$755,000
Giles Willits	£426,000	Increase of £12,000 from £414,000

1. Darren Throop's 2015 salary has been translated at the US$:C$ rate of 0.7637.

Increases to the executive directors' base salaries were approved by the Remuneration Committee in line with the Directors' Remuneration Policy.

Non-executive directors' fees are as follows:

	Fee from 1 April 2016 (per annum)	Increase (per annum)
Allan Leighton	£200,000	–
Clare Copeland[1]	C$112,500	–
Bob Allan[2]	C$105,000	–
Ronald Atkey	C$90,000	–
Garth Girvan	C$90,000	–
Scott Lawrence[3]	–	N/A
Mark Opzoomer	£50,000	–
Linda Robinson	C$90,000	–

1. For being the Senior Independent Director, Clare Copeland was paid C$15,000 per annum. As Chairman of the Remuneration Committee, he was paid C$7,500 per annum.
2. For being the Chairman of the Audit Committee, Bob Allan was paid C$15,000 per annum.
3. Scott Lawrence is an employee of Canada Pension Plan Investment Board ("CPPIB"). The Company pays no fee to Scott Lawrence in connection with his appointment. The Company pays CPPIB an annual fee equivalent to the annual fee paid by the Company to its other non-executive directors in consideration for CPPIB allowing Scott Lawrence to allocate time to his role as a non-executive director of the Company. The fee payable to CPPIB in respect of Scott Lawrence's services for the year ended 31 March 2017 was C$91,700.

	Fee from 1 October 2016 (per annum)	Increase (per annum)
Allan Leighton[1]	£210,000	£10,000
Ronald Atkey[1,2]	C$105,000	C$15,000
Scott Lawrence[1,3]	–	N/A
Mark Opzoomer[1,4]	£72,000	£22,000
Linda Robinson[1]	C$90,000	–
Mitzi Reaugh[1,5]	£52,000	N/A

1. Meeting fee of £1,000/C$1,700 per Committee meeting paid for role as Committee member on Audit Committee/Disclosure Committee/Remuneration Committee/Nomination Committee, as applicable.
2. For being the Chairman of the Remuneration Committee, Ron Atkey was paid C$15,000 per annum. The Company was informed of Ron Atkey's death on 15 May 2017.
3. Scott Lawrence is an employee of Canada Pension Plan Investment Board ("CPPIB"). The Company pays no fee to Scott Lawrence in connection with his appointment. The Company pays CPPIB an annual fee equivalent to the annual fee paid by the Company to its other non-executive directors in consideration for CPPIB allowing Scott Lawrence to allocate time to his role as a non-executive director of the Company. The fee payable to CPPIB in respect of Scott Lawrence's services for the year ended 31 March 2017 was C$91,700.
4. For being the Senior Independent Director, Mark Opzoomer is paid £10,000 per annum. As Chairman of the Audit Committee, he is paid £10,000 per annum.
5. Appointed on 22 November 2016.

Canadian dollar amounts in the above table have been translated into pounds sterling amounts in the single total figure of remuneration table on page 72.

Annual bonus plan awards

In respect of the current year, the CEO's performance was carefully reviewed by the Remuneration Committee. The performance against the annual bonus plan measures in relation to the CEO is set out below.

	Weighting	Threshold performance required (90% of target)	Maximum performance required (110% of target)	Annual bonus value for threshold and maximum performance (% of salary)	Actual performance	Annual bonus value achieved Darren Throop[1]
Group profit (adjusted profit before tax)	100%	£126.6m	£154.8m	30% – 150%	All executive directors £129.9m	39.6%
Total £000						£326

1. Translated at the US$:£ rate of 1.3066.

On-target performance would earn the executive 75% of the maximum bonus award. If actual performance is less than 110% but greater than 90% of the target then the bonus is calculated on a straight-line basis between the on-target payout and the thresholds.

The bonus is subject to a clawback provision which extends for a period of 12 months following payment of the bonus. No part of these bonuses was deferred.

4. Long-term incentives awarded/vesting during the financial year

The information in this section has been audited.

No LTIP awards were made to the executive directors during the year.

The table below sets out the details of the LTIP awards vested in the year ended 31 March 2017:

EPS (Vesting of 33% of the award)

		Threshold		Maximum				
	No. of shares granted	Annualised EPS growth	Vesting of this portion	Annualised EPS growth	Vesting of this portion	Actual	Vesting of this portion	No. of shares vested
Darren Throop	149,090	10.0%	30.0%	15.0%	100.0%	14.6%	94.4%	140,740
Giles Willits	78,841	10.0%	30.0%	15.0%	100.0%	14.6%	94.4%	74,425

TSR (Vesting of 34% of the award)

		Threshold		Maximum				
	No. of shares granted		Vesting of this portion		Vesting of this portion	Actual	Vesting of this portion	No. of shares vested
Darren Throop	153,608	Median	30.0%	Upper quartile	100.0%	(4.8)%	0.0%	–
Giles Willits	81,230	Median	30.0%	Upper quartile	100.0%	(4.8)%	0.0%	–

ROCE (Vesting of 33% of the award)

		Threshold		Maximum				
	No. of shares granted	Average ROCE %	Vesting of this portion	Annualised EPS growth	Vesting of this portion	Actual	Vesting of this portion	No. of shares vested
Darren Throop	149,090	10.7%	30.0%	12.2%	100.0%	14.3%	100%	149,090
Giles Willits	78,841	10.7%	30.0%	12.2%	100.0%	14.3%	100%	78,841

(i) Adjusted fully diluted EPS growth

Adjusted fully diluted EPS is calculated before one-off operating and finance items, share-based payments and amortisation of acquired assets (net of any related tax effects) and is as disclosed in the relevant Annual Report and Accounts. The measure is calculated after adjusting the weighted average number of shares in issue for a year to assume conversion of all potentially dilutive shares.

Vesting of 33% of the LTIP award for each executive director will be determined by an assessment of the annualised adjusted fully diluted EPS growth from 1 April 2013 to 31 March 2016 as set out above.

Awards vest on a straight-line basis for performance between threshold and maximum performance. No vesting of this portion occurs if performance is below threshold.

(ii) TSR growth

The comparator group comprises those companies constituting the FTSE 250 Index on 1 April 2013 (excluding investment trusts).

For these purposes, a company with a more negative TSR will rank lower than a company with a less negative TSR. If any member of the comparator group ceases to exist, its shares cease to be listed on a recognised stock exchange, or otherwise is so changed as to make it, in the opinion of the Board, unsuitable as a member of the comparator group, the Board will exclude that company unless it decides to (a) in the event of a takeover of that company, replace that company with the acquiring company; (b) include a substitute for that company; (c) track the future performance of that company by reference to an index; or (d) treat the company in any other way it decides is appropriate.

Awards vest on a straight-line basis for performance between median and upper quartile performance from 1 April 2013 to 31 March 2016 as set out above. No vesting of this portion occurs if either (i) performance is below median or (ii) the Company's TSR is less than 5%.

(iii) Average ROCE

ROCE is calculated by dividing adjusted net operating profit (adjusted NOP) by net operating assets, where adjusted NOP is calculated before one-off operating and finance items, share-based payments and amortisation of acquired assets (net of any related tax effects) and is stated before adjusted finance costs (after tax). Adjusted NOP can be derived from the audited consolidated financial statements.

Net operating assets means, for any financial year, the average of opening and closing total assets as shown in the audited consolidated financial statements less current liabilities (excluding current debt balances). The calculation will also take into account any of the adjustments which the Committee determines are required to ensure it is consistent with the calculation of adjusted NOP.

Vesting of 33% of the LTIP award will be determined by an assessment of the average ROCE over the three consecutive years ending 31 March 2016 as set out above.

Awards vest on a straight-line basis for performance between threshold and maximum performance. No vesting of this portion occurs if performance is below threshold.

5. Pension entitlements

The information in this section has been audited.

The Group does not operate any defined benefit retirement plans. In the year ended 31 March 2017, Darren Throop received pension contributions up to the maximum permitted by the RRSP in Canada (C$25,370 for the current financial year). Giles Willits received pension contributions and supplements up to a maximum of 17.5% of base salary to the date of his termination of employment.

The Remuneration Committee has the authority to change the above levels of pension contributions (percentage and absolute amount) if it deems it appropriate.

6. Payments to past directors

The information in this section has been audited.

Payments of £0.5 million were made to past directors during the year.

7. Payments for loss of office

The information in this section has been audited.

There were no payments for loss of office during the year.

8. Statement of directors' shareholding

The information in this section has been audited.

	Shares (without performance measures)		Unvested share options[1] (with performance measures)	
Executive director	**31 March 2017**	31 March 2016	**31 March 2017**	31 March 2016
Darren Throop	**10,024,008**	10,024,008	**448,047**	899,834
Giles Willits	**–**	3,466,885	**–**	525,450

1. LTIP awards made prior to the Company's rights issue have been adjusted in line with the LTIP rules, to reflect the dilutive effect of the rights issue, and as noted in the Company's Prospectus dated 30 September 2015.

To further promote alignment with the interests of our shareholders, executive directors are expected to build up and maintain significant holdings of eOne shares as follows:

- CEO: 3 times base salary
- Other executive directors: 2 times base salary

The table below summarises the executive directors' interests in shares and the extent to which the shareholding expectation applicable to executive directors has been achieved as at 31 March 2017.

Executive director	Value of shares to be held[1] £000	Beneficial interests in shares[2]	Value of beneficial interests in shares[3] £000	Shareholding expectation met?
Darren Throop	2,468	10,024,008	24,518	Yes

1. This has been calculated based on the salaries of the executives as at 1 April 2016. For Darren Throop, his US dollar salary has been translated at the 31 March 2017 US$:£ rate of 1.3066.
2. Beneficial interests include shares held directly or indirectly by connected persons.
3. Based on the closing share price at 31 March 2017 of £2.446.

At 31 March 2017, the shareholding expectation has been achieved for each executive director.

There is no shareholding expectation for non-executive directors. Mark Opzoomer had a beneficial interest in 20,000 shares at 31 March 2017. No other non-executive director had any beneficial interests in shares at 31 March 2017.

9. Performance and pay

The Board may permit executive directors to serve in a non-executive capacity on the boards of other companies where this is beneficial to the individual, in terms of development, and the Company, and where there is no conflict of interest created.

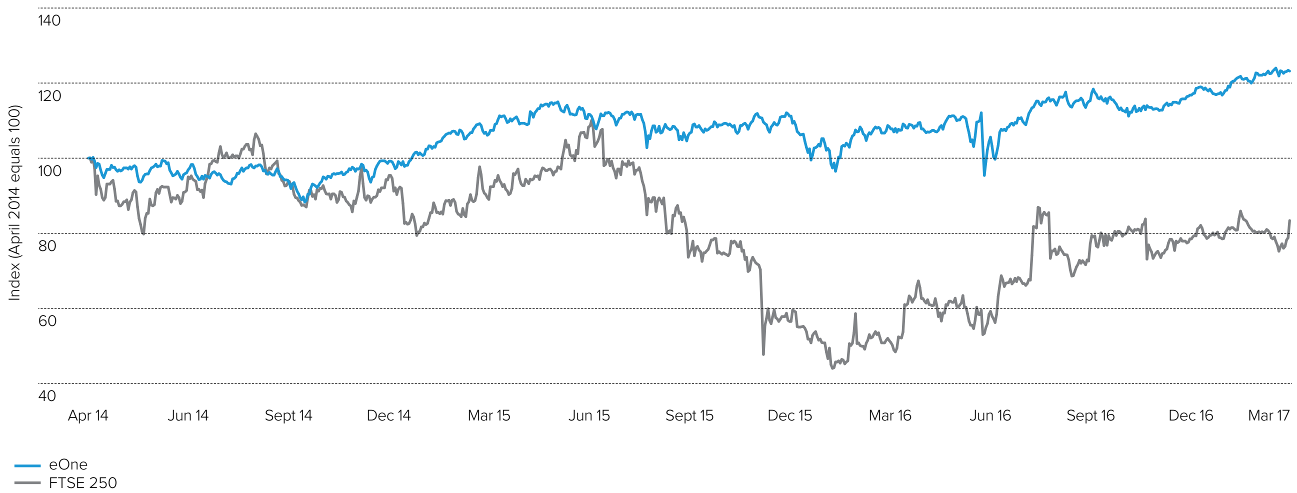
During the year, Darren Throop served as a non-executive director for IMAX Corporation.

Mr Throop received and retained total annual compensation of US$181,390 in relation to his service as a non-executive director of IMAX Corporation.

10. Performance and pay

The following graph shows the Company's performance, measured by TSR, compared with the performance of the FTSE 250 Index also measured by TSR, since 2 April 2013. The FTSE 250 Index is a useful comparator from 2 April 2013 as that is the start of the three-year performance period of the first LTIP and the Company became a constituent member of the FTSE UK Index Series on 23 September 2013.

Total shareholder return



Source: Thomson Reuters Datastream

The table below shows the single figure of total remuneration and the levels of pay-out under the annual bonus plan for the CEO over the past five years. As the LTIP has not completed its vesting period, no vesting percentage can be provided. Additionally, the MPS arrangements were such that there was no theoretical maximum vesting percentage. Instead, the historical vesting percentage of the now closed Executive Share Plan (ESP) has been provided.

	2012	2013	2014	2015	2016	**2017**
CEO single figure of total remuneration (£000)	899	909	10,269	976	718	**1,680**
Annual bonus pay-out % against maximum (%)	100.0%	100.0%	84.4%	82.8%	40.4%	**39.6%**
ESP vesting rates against maximum opportunity (%)	n/a	n/a	n/a	n/a	n/a	**n/a**

11. Percentage increase in the CEO's remuneration

The table below compares the percentage increase in the Chief Executive Officer's pay (salary, taxable benefits and annual bonus) with the average for the employees of the Group taken as a whole (excluding amounts for the Chief Executive Officer).

		2017 £000	2016 £000	% change
Chief Executive Officer	Salary	**823.0**	500.0	+65%
	Taxable benefits	**3.0**	2.0	+50%
	Annual bonus	**326.0**	201.0	+61%
Employees of the Group taken as a whole	Salary	**52.7**	40.6	+30%
	Taxable benefits	**0.8**	0.7	+14%
	Annual bonus	**4.3**	3.2	+34%

It should be noted that the percentage changes shown above are predominantly driven by the year-on-year differences in local currency exchange rates used to translate salaries to pounds sterling, given the international locations of the Group's employees.

12. Relative importance of spend on pay

The table below sets out the relative importance of spend on pay in the years ended 31 March 2017 and 2016.

	Dividend	Remuneration paid to or receivable by all employees of the Group	Total investment in content
Year ended 31 March 2017	**1.3 pence per share**	**£96.2m**	**£407.9m**
Year ended 31 March 2016	1.2 pence per share	£86.5m	£218.5m
Percentage change	+8%	+11%	+87%

Total investment in content represents the total cash outflow relating to investment in acquired content rights (2017: £181.4m; 2016: £121.4m) and investment in productions, net of grants received (2017: £226.5m; 2016: £97.1m), as set out in the consolidated cash flow statement on page 91. This metric has been included in the table above due to its size and strategic importance to the Group.

13. Shareholder context

The table below shows the advisory vote on the 2016 Remuneration Policy and Remuneration Report at the AGM on 30 September 2016:

	Votes for	%	Votes against	%	Votes withheld
2016 Remuneration Policy	289,338,294	83.86	55,696,303	16.14	4,690
2016 Remuneration Report	304,072,173	88.60	39,117,262	11.14	1,849,852

13. Implementation

The Company will seek approval from shareholders for the updated Directors' Remuneration Policy at the Annual General Meeting to be held in September 2017. Elements of the CEO's new remuneration package that fall outside the current approved Directors' Remuneration Policy will be made contingent on receiving such approval.

Remuneration Committee

Remuneration Committee terms of reference and evaluation

The Remuneration Committee is responsible for overseeing the policy regarding executive remuneration and approving the remuneration packages for the Group's executive directors and senior managers over agreed thresholds, and its terms of reference includes:

- the framework or broad policy regarding executive remuneration and individual remuneration and incentive packages;
- participation in any discretionary employee share schemes operated by the Group;
- targets for any performance-related payments;
- participation in any discretionary incentive schemes and bonus arrangements operated by the Group;
- the policy for and scope of any pension arrangements;
- the policy for and scope of any termination payments and the severance terms; and
- the provision of benefits.

The Remuneration Committee is responsible for recommending and monitoring the level and structure of senior management remuneration and also determines the issue and terms of all share schemes operated by the Group for the benefit of certain Group employees. In addition, the Remuneration Committee will review a succession plan prepared by the Group that sets out details in relation to succession planning for executive directors and senior management in order to consider an appropriate remuneration framework to fit with the succession plan.

The executive directors determine the remuneration of the non-executive directors with the support of external professional advice, if required, and ratification by the Board. No director participates in any discussion regarding his or her own remuneration.

The Committee keeps its terms of reference under review and makes recommendations for changes to the Board. The full terms of reference are available on the Company's website. A self-evaluation of the Committee's performance during the financial year was undertaken as set out on page 47.

Committee membership

As at 31 March 2017, the Remuneration Committee comprised Ron Atkey (Chairman) with Mark Opzoomer and Mitzi Reaugh as the other independent non-executive members. Prior to the appointment of Mitzi Reaugh to the Board, Allan Leighton served as the third member of the Committee. Following the death of Ron Atkey in May 2017, the Board appointed Linda Robinson to the Committee and Mark Opzoomer was appointed as the Chairman of the Committee.

The Chairman (Allan Leighton), the CEO (Darren Throop), the CFO (Joe Sparacio) and the Group's HR Director (Sandy Scholes) are invited to attend Remuneration Committee meetings but do not participate in decisions. These attendees were present when the Remuneration Committee considered matters relating to the executive directors' remuneration for the year ended 31 March 2017.

Meetings

The Committee met six times during the year. Committee member attendance at Committee meetings is shown on page 48.

The Committee's activities for the year ended 31 March 2017 have included:

May 2016	– Approval of executive director bonuses for the year ended 31 March 2016 – Approval of proposed changes to executive director remuneration, including remuneration objectives, principles, policy recommendations and the LTIP – Approval of executive director bonus targets for the year ended 31 March 2017 – Succession planning – Terms of reference and Committee self-evaluation
July 2016	– Senior management approvals, including share option awards under the LTIP – Share schemes including the all employee Sharesave Scheme
September 2016	– Senior management approvals, including share option awards under the LTIP – Share schemes including the all employee Sharesave Scheme
November 2016	– Senior management approvals, including share option awards under the LTIP – Remuneration for Interim CFO
January 2017	– Senior management approvals, including share option awards under the LTIP – Remuneration for CEO – Share schemes including the all employee Sharesave Scheme
February 2017	– Senior management approvals, including share option awards under the LTIP – Appointment of advisers to the Committee

The Remuneration Committee adopts the principles of good governance as set out in the UK Corporate Governance Code and complies with the Listing Rules of the Financial Conduct Authority and Schedule 8 of The Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008 (as amended in 2013).

Advisers to the Remuneration Committee

During 2016, advice on the competitiveness and appropriateness of compensation programmes for the Company's Chief Executive Officer, top executive officers and Board members was provided by Mercer (Canada) Limited. The Company has no other connection with Mercer (Canada) Limited and the Committee is therefore satisfied that the advice received is independent.

During the year, advice on the competitiveness and appropriateness of compensation programmes for the Company's Chief Executive Officer and updates to the Company's Directors' Remuneration Policy was provided by Willis Towers Watson (Towers Watson Canada Inc.). The Company has no other connection with Towers Watson Canada Inc. and the Committee is therefore satisfied that the advice received is independent.

Directors' Report: additional information

The directors present their report and audited consolidated financial statements for the year ended 31 March 2017.

Principal activities

Entertainment One Ltd. is a leading independent entertainment group focused on the acquisition, production and distribution of television, family, film and music content rights across all media throughout the world.

Strategic Report

The Strategic Report on pages 2 to 41 sets out a comprehensive review of the development and performance of the business for the year ended 31 March 2017.

Results and dividends

During the year the Group made a profit after tax of £24.9 million (2016: £40.2 million). The Company did not pay an interim dividend during the year ended 31 March 2017; however, the directors have declared the payment of a final dividend in respect of 2017 of 1.3 pence per share (2016: 1.2 pence per share).

Risk management and internal controls

Disclosures can be found in Note 26 to the consolidated financial statements and in the Corporate governance section on pages 49 and 50.

Capital structure

The Company has one class of shares. These common shares carry the right to one vote at general meetings of the Company. They have no par value and the authorised number of common shares is unlimited. There are no specific restrictions on the size of a holding nor on the transfer of shares, which are both governed by the general provisions of the Articles of the Company and prevailing legislation. Further information regarding the capital structure, together with details of new share issues during the year, are shown in Note 30 to the consolidated financial statements.

Directors

Details for all present directors are listed, together with their biographical details, on pages 44 to 45. The Company has agreed to indemnify the directors as permitted by law against liabilities they may incur in the execution of their duties as directors of the Company. The Company may, by ordinary resolution, appoint or remove a director to the Board. The responsibilities of the directors are detailed in the Corporate governance section on pages 42 to 50.

Directors' interests

The beneficial interests of the directors and their families in the shares of the Company are shown below. Options granted under the Company's employee share plans are shown in the Remuneration Report on pages 74 to 75.

	Number of common shares at 31 March 2017
Darren Throop	10,024,008
Mark Opzoomer	20,000

Substantial shareholdings

At 30 April 2017 the Company was aware of the following holdings representing 3% or more in its issued common shares:

30 April 2017	Number of common shares held	Percentage of voting rights and issued shares
Canada Pension Plan Investment Board	84,597,069	19.7
Capital Research and Management	47,974,028	11.2
Standard Life Investments Ltd	34,021,627	7.9
M&G Investment Management Ltd	27,001,864	6.3
Blackrock Inc	14,782,971	3.4
Norges Bank Investment Management	12,908,048	3.0

Corporate responsibility

The Group has an open, honest and responsible approach towards its stakeholders which include employees, suppliers, customers, investors and the wider community. Ethical and responsible practices and a commitment to minimise our impact on the environment are key motivators behind the Group's corporate responsibility framework. Further details of the Group's approach to such matters are set out in the Corporate responsibility section on pages 38 to 41.

Disabled employees

Applications for employment by disabled persons are always fully considered, bearing in mind the aptitudes of the applicant concerned. In the event of employees becoming disabled, every effort is made to ensure that their employment with the Group continues and that appropriate training is arranged. It is the policy of the Group that the training, career development and promotion of disabled persons should, as far as possible, be identical to that of other employees.

Going concern

The directors continue to adopt the going concern basis in preparing the Annual Report and Accounts. Further details are set out in Note 1 to the consolidated financial statements.

Auditor

The Company is currently undertaking an audit tender process, expected to be concluded in June 2017. A resolution to appoint the Company's external auditors for the year ended 31 March 2018 will be included in the Company's AGM Circular.

Disclosure of information to auditor

The following applies to each of those persons who were directors at the time this report was approved:

– so far as the director is aware, there is no relevant audit information of which the Company's auditor is unaware; and

– he/she has taken all the steps that he/she ought to have taken as a director in order to make himself/herself aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

Annual General Meeting

The Annual General Meeting of the Company will be held on 27 September 2017.

By order of the Board

Darren Throop
Director
22 May 2017

Statement of Directors' Responsibilities

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

The directors are required to prepare the consolidated financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union and Article 4 of the IAS Regulation. The directors must not approve the accounts unless they are satisfied that they give a true and fair view of the state of affairs of the Group and of the profit or loss of the Group for that period. In preparing these consolidated financial statements, International Accounting Standard 1 requires that directors:

- properly select and apply accounting policies;
- present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;
- provide additional disclosures when compliance with the specific requirements in IFRSs are insufficient to enable users to understand the impact of particular transactions, other events and conditions on the entity's financial position and financial performance; and
- make an assessment of the Group's ability to continue as a going concern.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Group's transactions and disclose with reasonable accuracy at any time the financial position of the Group. They are also responsible for safeguarding the assets of the Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The directors are responsible for the maintenance and integrity of the corporate and financial information included on the Company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial information differs from legislation in other jurisdictions.

Responsibility statement

We confirm that to the best of our knowledge:

- the consolidated financial statements, prepared in accordance with IFRSs as adopted by the European Union, give a true and fair view of the assets, liabilities, financial position and profit of the Group as a whole;
- the Business and Finance reviews include a fair review of the development and performance of the business and the position of the Group, together with a description of the principal risks and uncertainties that they face; and
- the Annual Report and Accounts and the consolidated financial statements, taken as a whole, are fair, balanced and understandable and provide the information necessary for shareholders to assess the Group's performance, business model and strategy.

By order of the Board

Darren Throop
Director
22 May 2017

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To the Members of Entertainment One Ltd.

Opinion on the consolidated financial statements of Entertainment One Ltd.

In our opinion the consolidated financial statements:

– give a true and fair view of the state of the Group's affairs as at 31 March 2017 and of its profit for the year then ended; and
– have been properly prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union.

The consolidated financial statements that we have audited comprise, the consolidated income statement, the consolidated statement of comprehensive income, the consolidated balance sheet, the consolidated statement of changes in equity, the consolidated cash flow statement and the related notes 1 to 34.

The financial reporting framework that has been applied in their preparation is applicable law and IFRSs as adopted by the European Union.

Summary of audit approach

Key risks	The key risks that we identified in the current year were: – Accounting for investment in acquired content rights and productions; – Carrying value of goodwill and other intangible assets; and – Revenue recognition.
Materiality	The materiality that we used in the current year was £3.9m which was determined on the basis of 5% of forecast profit before tax adding back non-recurring one-off items.
Scoping	We completed full scope audits of the significant UK, US and Canadian Business Units. In addition, we performed specified audit procedures over certain Business Units in other locations. Together with Group functions these Business Units represent the principal operations and account for approximately 75% of the Group's revenue and 91% of the Group's Underlying EBITDA.
Significant changes in our approach	Last year our report included a risk which is not included in our report this year: acquisition accounting. During the FY16 audit, the accounting for acquisitions was a key area of focus due to the number of businesses acquired including The Mark Gordon Company, Astley Baker Davies Limited, Sierra Pictures and Renegade 83. There were no similar significant acquisitions in the current year. As a result of the Group's acquisition activity in the prior period, our FY17 scope was revisited to include a full year of trading for The Mark Gordon Company and Sierra Pictures, both based in Los Angeles.

Going concern and the directors' assessment of the principal risks that would threaten the solvency or liquidity of the Group

We have reviewed the directors' statement regarding the appropriateness of the going concern basis of accounting and the directors' statement on the longer-term viability of the Group.

We are required to state whether we have anything material to add or draw attention to in relation to:

– the directors' have confirmed that they have carried out a robust assessment of the principal risks facing the Company, including those that would threaten its business model, future performance, solvency or liquidity;
– the disclosures that describe those risks and explain how they are being managed or mitigated;
– the directors' statement in Note 1 to the financial statements about whether they considered it appropriate to adopt the going concern basis of accounting in preparing them and their identification of any material uncertainties to the Company's ability to continue to do so over a period of at least 12 months from the date of approval of the financial statements; and
– the directors' explanation as to how they have assessed the prospects of the Company, over what period they have done so and why they consider that period to be appropriate, and their statement as to whether they have a reasonable expectation that the Company will be able to continue in operation and meet its liabilities as they fall due over the period of their assessment, including any related disclosures drawing attention to any necessary qualifications or assumptions.

We confirm that we have nothing material to add or draw attention to in respect of these matters.

We agreed with the directors' adoption of the going concern basis of accounting and we did not identify any such material uncertainties. However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the Company's ability to continue as a going concern.

Independence

We are required to comply with the Financial Reporting Council's Ethical Standards for Auditors and confirm that we are independent of the Company and we have fulfilled our other ethical responsibilities in accordance with those standards.

We confirm that we are independent of the Company and we have fulfilled our other ethical responsibilities in accordance with those standards. We also confirm we have not provided any of the prohibited non-audit services referred to in those standards.

Our assessment of risks of material misstatement

The assessed risks of material misstatement described below are those that had the greatest effect on our audit strategy, the allocation of resources in the audit and directing the efforts of the engagement team.

Risk	How the scope of our audit responded to the risk	Key observations
Accounting for investment in acquired content rights and investment in productions As set out in Notes 14 and 17 and discussed in the Audit Committee report, the Group has £160.8m (2016: £127.2m) of investment in productions and £269.8m (2016: £241.3m) of investment in acquired content on the consolidated balance sheet at 31 March 2017. Accounting for the amortisation of these assets requires significant judgement as it is directly affected by management's best estimate of future revenues, and consumption through different exploitation windows (e.g. theatrical release, home entertainment, TV and digital). There is a risk that inappropriate assumptions are made in respect of the forecast future revenues which could result in the recognition of expenses not appropriately matching the flow of economic benefits from the underlying assets.	Our audit approach included an assessment of the design and implementation of key controls related to the process for estimating and maintaining future revenue forecasts and the mechanical calculation of the amortisation and royalty charges. We have assessed management's process for estimating future revenues, specifically by: – reviewing the expectations for a selection of titles (including titles yet to be released), and assessing management's forecasts by looking at performance in each of release windows theatrical box office, home entertainment, SVOD and TV (based on current sales data, past performance of similar titles and other specific market information and contractual arrangements); – performing analytics over the acquired content and production models to identify titles and shows which show characteristics of higher risk; and – assessing whether the carrying value of the balances are considered recoverable by analysing the assets on a portfolio basis (Film – by release year, TV – by show type) and comparing the carrying value as at 31 March 2017 against current year revenue and an appropriately adjusted remaining forecast of future revenues to determine if any indicators of impairment exist.	We are satisfied with management's process and methodology for assessing the future forecast revenues underpinning the investments in acquired content and productions at the balance sheet date.
Revenue recognition As described in Note 2 and discussed in the Audit Committee report, the Group derives its revenues from the licensing, marketing, distribution and trading of feature films, television, video programming and music rights, television and film production and family licensing and merchandising sales. The risk of material misstatement due to cut-off errors will manifest itself in different ways in each Division, depending on the nature of trade and the respective revenue recognition policies (e.g. early recognition of licence fees for titles where the licence period has not commenced).	We assessed the design and implementation of controls over the key revenue streams in each financially significant business unit. Our audit procedures included: – assessing the Group's revenue recognition policy and confirming the consistent application of the policy across the Group; – completing detailed substantive procedures with regards to the significant revenue streams by agreeing to third party confirmation, royalty statements, gross box office revenues and other supporting information; – reviewing significant licensing and merchandising contracts to corroborate licence period commencement and delivery dates to ensure revenue was recognised in the correct period; and – performing detailed testing on the returns provision calculations, and assessing whether the methodology applied is appropriate for each Business Unit based on the historical level of returns.	Based on our procedures performed, we are satisfied that revenue has been recognised appropriately.

Risk	How the scope of our audit responded to the risk	Key observations
Carrying value of goodwill and other intangible assets As set out in Notes 12 and 13 and discussed in the Audit Committee report, the Group carries £406.9m (2016: £360.3m) of goodwill and a further £302.9m (2016: £314.8m) of other intangible assets on the consolidated balance sheet at 31 March 2017. Management prepare a detailed assessment of the carrying value of goodwill and other intangible assets by cash generating unit ("CGU") using a number of judgemental assumptions (as described in Note 12 to the financial statements) including in the 2018 Board-approved budget and plans adopted for 2019/20, discount rates and long-term growth rates. There is a risk that the application of inappropriate assumptions supports assets that should otherwise be impaired.	We assessed the design and implementation of controls over goodwill and other intangible assets recognition and impairment. We considered whether management's impairment review methodology is compliant with IAS 36 Impairment of Assets. We critically challenged management's assumptions used in the impairment model for goodwill and other intangible assets. Our audit work on the assumptions used in the impairment model focused on: – considering the appropriateness of the CGUs identified by management and the allocation of assets to these; – testing the integrity of management's model; – engaging our valuation specialists to independently establish an appropriate discount rate; – agreeing the underlying cash flow projections for each CGU to the Board-approved/adopted budget and plans; – comparing short-term cash flow projections against recent performance and historical forecasting accuracy; – considering post year end trading performance; – assessing the long-term growth rates used against independent market data; and – performing sensitivity analysis to assess breakeven points and impact of reduced short-term cash flow forecasts.	We are satisfied that the carrying value of goodwill and acquired intangible assets is supportable and no impairment at the year end is required.

These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Our application of materiality

We define materiality as the magnitude of misstatement in the financial statements that makes it probable that the economic decisions of a reasonably knowledgeable person would be changed or influenced. We use materiality both in planning the scope of our audit work and in evaluating the results of our work.

Based on our professional judgement, we determined materiality for the financial statements as a whole as follows:

Materiality	£3.9m (2016: £3.6m)
Basis for determining materiality	We determined materiality based on 5% of forecast profit before tax (2016: 5%) after adding back one-off items as disclosed in Notes 6 and 7.
Rationale for the benchmark applied	Profit before tax adding back operating and net financing one-off items has been used as it is a primary measure of performance used by the Group. We have used this adjusted profit measure as it excludes volatility of one-off items in our determination, to aid consistency and comparability of our materiality base each year.

We agreed with the Audit Committee that we would report to the Committee all audit differences in excess of £192,500 (2016: £72,000), as well as differences below that threshold that, in our view, warranted reporting on qualitative grounds. We also report to the Audit Committee on disclosure matters that we identified when assessing the overall presentation of the financial statements.

An overview of the scope of our audit

Our Group audit was scoped by obtaining an understanding of the Group and its environment, including Group-wide controls, and assessing the risks of material misstatement at the Group level.

As a result of the Group's acquisition activity in the prior period, we revised our scope in the current year. We focused our Group audit scope primarily on the UK, US and Canadian Business Units. Six (2016: six) Business Units were subject to a full scope audit in 2017, consistent with 2016, with two (2016: nil) Business Units being subject to further specific procedures on material balances. The remaining Business Units were subject to analytical review procedures performed by the Group audit team.

The six full scope Divisions represent the principal Business Units and account for 62% (2016: 70%) of the Group's revenue and 82% (2016: 87%) of the Group's Underlying EBITDA. After including those Business Units subject to specific procedures our audit scope increased to 75% of the Group's revenue. They were also selected to provide an appropriate basis for undertaking audit work to address the risks of material misstatement identified above. Our audit work at the different locations was executed at levels of materiality applicable to each individual entity which were lower than Group materiality and ranged from £1.9m to £2.1m (2016: £1.8m to £2.2m).

At the parent entity level we also tested the consolidation process and carried out analytical procedures to confirm our conclusion that there were no significant risks of material misstatement of the aggregated financial information of the remaining components not subject to audit or audit of specified account balances.

The Group audit team continued to follow a programme of planned visits that has been designed so that the Senior Statutory Auditor or a senior member of the Group audit team visits each of the locations where the Group audit scope was focused at least once every year. During the year we visited locations in Toronto, London and Los Angeles (2016: Toronto and London). In addition, for each component in scope, we reviewed and challenged the key issues and audit findings, attended the component close meetings and reviewed formal reporting and selected work papers from the component auditors.

Matters on which we are required to report by exception

Corporate Governance Statement

Under the Listing Rules we are also required to review part of the Corporate Governance Statement relating to the Company's compliance with certain provisions of the UK Corporate Governance Code.

We have nothing to report arising from our review.

Our duty to read other information in the Annual Report

Under International Standards on Auditing (UK and Ireland), we are required to report to you if, in our opinion, information in the annual report is:

– materially inconsistent with the information in the audited financial statements; or
– apparently materially incorrect based on, or materially inconsistent with, our knowledge of the Company acquired in the course of performing our audit; or
– otherwise misleading.

In particular, we are required to consider whether we have identified any inconsistencies between our knowledge acquired during the audit and the directors' statement that they consider the annual report is fair, balanced and understandable and whether the annual report appropriately discloses those matters that we communicated to the Audit Committee which we consider should have been disclosed.

We confirm that we have not identified any such inconsistencies or misleading statements.

Respective responsibilities of directors and auditor

As explained more fully in the Directors' Responsibilities Statement, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). We also comply with International Standard on Quality Control 1 (UK and Ireland). Our audit methodology and tools aim to ensure that our quality control procedures are effective, understood and applied. Our quality controls and systems include our dedicated professional standards review team and independent partner reviews.

This report is made solely to the Company's members, as a body. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the annual report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Deloitte LLP

Chartered Accountants and Statutory Auditor

London
22 May 2017

Consolidated Income Statement

for the year ended 31 March 2017

	Note	Year ended 31 March 2017 £m	Year ended 31 March 2016 £m
Revenue	2	1,082.7	802.7
Cost of sales		(795.4)	(569.6)
Gross profit		287.3	233.1
Administrative expenses		(225.3)	(161.5)
Share of results of joint ventures	28	(0.7)	3.4
Operating profit	3	61.3	75.0
Finance income	7	5.0	0.4
Finance costs	7	(29.1)	(27.5)
Profit before tax		37.2	47.9
Income tax charge	8	(12.3)	(7.7)
Profit for the year		24.9	40.2
Attributable to:			
Owners of the Company		13.0	36.5
Non-controlling interests		11.9	3.7
Operating profit analysed as:			
Underlying EBITDA	2	160.2	129.1
Amortisation of acquired intangibles	13	(41.9)	(27.4)
Depreciation and amortisation of software	13,15	(4.9)	(4.4)
Share-based payment charge	31	(5.0)	(4.1)
Tax, finance costs and depreciation related to joint ventures	28	–	(1.6)
One-off items	6	(47.1)	(16.6)
Operating profit		61.3	75.0
Earnings per share (pence)			
Basic	11	3.1	9.8
Diluted	11	3.0	9.6
Adjusted earnings per share (pence)			
Basic	11	20.3	19.7
Diluted	11	20.0	19.4

All activities relate to continuing operations.

Consolidated Statement of Comprehensive Income

for the year ended 31 March 2017

	Year ended 31 March 2017 £m	Year ended 31 March 2016 £m
Profit for the year	24.9	40.2
Items that may be reclassified subsequently to profit or loss:		
Exchange differences on foreign operations	75.6	25.8
Fair value movements on cash flow hedges	8.5	2.4
Reclassification adjustments for movements on cash flow hedges	(9.3)	(6.0)
Tax related to components of other comprehensive income	(1.7)	0.6
Total other comprehensive income for the year	73.1	22.8
Total comprehensive income for the year	98.0	63.0
Attributable to:		
Owners of the Company	78.5	59.3
Non-controlling interests	19.5	3.7

Consolidated Balance Sheet

At 31 March 2017

	Note	31 March 2017 £m	Restated 31 March 2016 £m
ASSETS			
Non-current assets			
Goodwill	12	406.9	360.3
Other intangible assets	13	302.9	314.8
Interests in joint ventures	28	1.1	3.2
Investment in productions	14	160.8	127.2
Property, plant and equipment	15	11.9	12.0
Trade and other receivables	18	60.9	48.1
Deferred tax assets	9	28.2	19.2
Total non-current assets		972.7	884.8
Current assets			
Inventories	16	48.6	51.1
Investment in acquired content rights	17	269.8	241.3
Trade and other receivables	18	464.4	341.2
Cash and cash equivalents	19	133.4	108.3
Current tax assets		1.5	1.6
Financial instruments	24	10.6	8.6
Total current assets		928.3	752.1
Total assets		1,901.0	1,636.9
LIABILITIES			
Non-current liabilities			
Interest-bearing loans and borrowings	22	276.6	275.5
Production financing	23	91.2	33.6
Other payables	20	41.7	51.1
Provisions	21	1.5	0.3
Deferred tax liabilities	9	53.1	53.1
Total non-current liabilities		464.1	413.6
Current liabilities			
Interest-bearing loans and borrowings	22	0.5	–
Production financing	23	104.8	98.0
Trade and other payables	20	507.8	435.5
Provisions	21	30.6	3.7
Current tax liabilities		32.8	24.8
Financial instruments	24	3.4	3.1
Total current liabilities		679.9	565.1
Total liabilities		1,144.0	978.7
Net assets		757.0	658.2
EQUITY			
Stated capital	30	505.3	500.0
Own shares	30	(1.5)	(3.6)
Other reserves	30	(22.7)	(20.2)
Currency translation reserve		79.8	11.8
Retained earnings		109.9	100.3
Equity attributable to owners of the Company		670.8	588.3
Non-controlling interests		86.2	69.9
Total equity		757.0	658.2
Total liabilities and equity		1,901.0	1,636.9

These consolidated financial statements were approved by the Board of Directors on 22 May 2017.

Darren Throop
Director

Consolidated Statement of Changes In Equity

for the year ended 31 March 2017

	Stated capital £m	Own shares £m	Other reserves: Cash flow hedge reserve £m	Other reserves: Put options over non-controlling interests of subsidiaries £m	Other reserves: Restructuring reserve £m	Currency translation reserve £m	Retained earnings £m	Equity attributable to the owners of the Company £m	Non-controlling interests £m	Total equity £m
At 1 April 2015	305.5	(3.6)	4.4	–	9.3	(14.0)	63.0	364.6	0.2	364.8
Profit for the year	–	–	–	–	–	–	36.5	36.5	3.7	40.2
Other comprehensive (loss)/income	–	–	(3.0)	–	–	25.8	–	22.8	–	22.8
Total comprehensive (loss)/ income for the year	–	–	(3.0)	–	–	25.8	36.5	59.3	3.7	63.0
Issue of common shares net of transaction costs	194.5	–	–	–	–	–	–	194.5	–	194.5
Credits in respect of share-based payments	–	–	–	–	–	–	4.0	4.0	–	4.0
Acquisition of subsidiaries (restated)	–	–	–	(30.9)	–	–	–	(30.9)	66.8	35.9
Dividends paid	–	–	–	–	–	–	(3.2)	(3.2)	(0.8)	(4.0)
At 31 March 2016 (restated)	500.0	(3.6)	1.4	(30.9)	9.3	11.8	100.3	588.3	69.9	658.2
Profit for the year	**–**	**–**	**–**	**–**	**–**	**–**	**13.0**	**13.0**	**11.9**	**24.9**
Other comprehensive (loss)/income	**–**	**–**	**(2.5)**	**–**	**–**	**68.0**	**–**	**65.5**	**7.6**	**73.1**
Total comprehensive (loss)/ income for the year	**–**	**–**	**(2.5)**	**–**	**–**	**68.0**	**13.0**	**78.5**	**19.5**	**98.0**
Credits in respect of share-based payments	**–**	**–**	**–**	**–**	**–**	**–**	**4.9**	**4.9**	**–**	**4.9**
Deferred tax movement arising on share options	**–**	**–**	**–**	**–**	**–**	**–**	**0.1**	**0.1**	**–**	**0.1**
Exercise of share options	**1.2**	**–**	**–**	**–**	**–**	**–**	**(1.2)**	**–**	**–**	**–**
Distribution of shares to beneficiaries of the Employee Benefit Trust	**–**	**2.1**	**–**	**–**	**–**	**–**	**(2.1)**	**–**	**–**	**–**
Acquisition of subsidiaries	**4.1**	**–**	**–**	**–**	**–**	**–**	**–**	**4.1**	**–**	**4.1**
Dividends paid	**–**	**–**	**–**	**–**	**–**	**–**	**(5.1)**	**(5.1)**	**(3.2)**	**(8.3)**
At 31 March 2017	**505.3**	**(1.5)**	**(1.1)**	**(30.9)**	**9.3**	**79.8**	**109.9**	**670.8**	**86.2**	**757.0**

Consolidated Cash Flow Statement

for the year ended 31 March 2017

	Note	Year ended 31 March 2017 £m	Restated Year ended 31 March 2016 £m
Operating activities			
Operating profit		61.3	75.0
Adjustments for:			
Depreciation of property, plant and equipment	15	2.4	2.1
Disposal of property, plant and equipment		0.8	–
Amortisation of software	13	2.5	2.3
Amortisation of acquired intangibles	13	41.9	27.4
Amortisation of investment in productions	14	213.4	110.6
Investment in productions, net of grants received		(226.5)	(97.1)
Amortisation of investment in acquired content rights	17	168.3	147.0
Investment in acquired content rights		(181.4)	(121.4)
Impairment of investment in acquired content rights	17	2.2	3.4
Foreign exchange movements		–	(4.0)
Fair value gain on acquisition of subsidiary		(2.3)	–
Share of results of joint ventures	28	0.7	(3.4)
Share-based payment charge	31	5.0	4.1
Operating cash flows before changes in working capital and provisions		88.3	146.0
Decrease in inventories	16	8.4	1.5
Increase in trade and other receivables	18	(102.1)	(33.2)
Increase/(decrease) in trade and other payables	20	30.5	(27.5)
Increase in provisions	21	27.3	0.2
Cash generated from operations		52.4	87.0
Income tax paid		(18.4)	(17.7)
Net cash from operating activities		34.0	69.3
Investing activities			
Acquisition of subsidiaries and joint ventures, net of cash acquired	25, 28	(6.8)	(155.3)
Purchase of financial instruments	24	(0.7)	–
Purchase of acquired intangibles		(0.3)	(17.9)
Purchase of property, plant and equipment	15	(1.5)	(7.5)
Dividends received from interests in joint ventures	28	–	0.2
Purchase of software	13	(2.0)	(1.3)
Net cash used in investing activities		(11.3)	(181.8)
Financing activities			
Net proceeds on issue of shares	30	–	194.5
Dividends paid to shareholders and to non-controlling interests of subsidiaries	10, 29	(8.3)	(4.0)
Drawdown of interest-bearing loans and borrowings	22	209.8	361.9
Repayment of interest-bearing loans and borrowings	22	(211.7)	(344.5)
Drawdown of production financing	23	224.9	101.4
Repayment of production financing	23	(179.2)	(140.4)
Interest paid		(24.3)	(10.3)
Fees paid in relation to the Group's senior bank facility	22	(0.6)	(9.9)
Other financing costs		(0.1)	(0.2)
Net cash from financing activities		10.5	148.5
Net increase in cash and cash equivalents		33.2	36.0
Cash and cash equivalents at beginning of the year	19	108.3	71.3
Effect of foreign exchange rate changes on cash held		(8.1)	1.0
Cash and cash equivalents at end of the year	19	133.4	108.3

Notes to the Consolidated Financial Statements

for the year ended 31 March 2017

1. Nature of operations and basis of preparation

Entertainment One is a leading independent entertainment group focused on the acquisition, production and distribution of television, family, film and music content rights across all media throughout the world. Entertainment One Ltd. (the Company) is the Group's ultimate parent company and is incorporated and domiciled in Canada. The registered office of the Company is 134 Peter Street, Suite 700, Toronto, Ontario, Canada, M5V 2H2.

Entertainment One Ltd. presents its consolidated financial statements in pounds sterling. These consolidated financial statements were approved for issue by the directors on 22 May 2017.

Statement of compliance

These consolidated financial statements have been prepared under the historical cost convention, except for the revaluation of financial instruments that have been measured at fair value at the end of the reporting period as explained in the accounting policies, and in accordance with applicable International Financial Reporting Standards as adopted by the EU and IFRIC interpretations (IFRS). The Group's consolidated financial statements comply with Article 4 of the EU IAS Regulation.

Going concern

The Group's activities, together with the factors likely to affect its future development, are set out in the Business and Finance reviews on pages 12 to 32.

In addition to its senior secured notes (due 2022) the Group meets its day-to-day working capital requirements and funds its investment in content through its cash in hand and through a revolving credit facility which matures in December 2020 and is secured on certain assets held by the Group. Under the terms of this facility the Group is able to draw down in the local currencies of its operating businesses. The amounts drawn down by currency at 31 March 2017 are shown in Note 22. The facility is subject to a series of covenants including interest cover charge, gross debt against underlying EBITDA and capital expenditure.

The Group has a track record of cash generation and is in full compliance with its bank facility and bond covenant requirements. At 31 March 2017, the Group had £89.7m of cash and cash equivalents not held repayable only to production financing (refer to Note 19), £187.4m of net debt and undrawn-down amounts under the revolving credit facility of £116.6m (refer to Note 22).

The Group is exposed to uncertainties arising from the economic climate and uncertainties 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 these reasons the directors continue to adopt the going concern basis of accounting in preparing the consolidated financial statements.

Basis of consolidation

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries (the Group). Subsidiaries are entities that are directly or indirectly controlled by the Group. Control of the Group's subsidiaries is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee.

The financial statements of the subsidiaries are generally prepared for the same reporting periods as the parent company, using consistent accounting policies. Subsidiaries are fully consolidated from the date of acquisition and continue to be consolidated until the date of disposal or at the point in the future when the Group ceases to have control of the entity. All intra-group balances, transactions, income and expenses, and unrealised profits and losses resulting from intra-group transactions that are recognised in assets, are eliminated in full.

A joint venture is a type of joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint venture. Joint control is the contractually agreed sharing of control of the arrangement, which exists only when decisions about the relevant activities require unanimous consent of the parties sharing control. The Group accounts for its interests in joint ventures using the equity method. Under the equity method the investment in the entity is stated as one line item at cost plus the investor's share of retained post-acquisition profits and other changes in net assets.

An associate is an entity, other than a subsidiary or joint venture, over which the Group has significant influence. Significant influence is the power to participate in, but not control or jointly control, the financial and operating decisions of an entity. These investments are accounted for using the equity method.

Investments where the Group does not have significant influence are deemed 'available for sale' and held on the balance sheet as an available-for-sale financial asset and are held at fair value.

Foreign currencies

Within individual companies

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

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

Retranslation within the consolidated financial statements

For the purpose of presenting consolidated financial statements, the assets and liabilities of the Group's foreign operations are translated at exchange rates prevailing on the balance sheet date. Income and expense items are translated at the exchange rate ruling at the date of each transaction during the period. Foreign exchange differences arising, if any, are recognised in other comprehensive income as a separate component of equity and transferred to the Group's translation reserve. Such translation differences are subsequently recognised as income or expenses in the period in which the operation is disposed of.

New Standards and amendments, revisions and improvements to Standards adopted during the year

During the year ended 31 March 2017, the following were adopted by the Group:

New, amended, revised and improved Standards	Effective date
Amendments to IFRS 11 *Joint arrangements* – accounting for acquisitions of interests in joint operations	1 January 2016
Amendments to IAS 16 *Property, plant and equipment* and IAS 38 *Intangible assets* – clarification of acceptable methods of depreciation and amortisation	1 January 2016
Amendments to IAS 27 *Separate financial statements* – equity method in separate financial statements	1 January 2016
Amendments to IAS 1 *Presentation of financial statements* – disclosure initiatives	1 January 2016
Annual improvements 2012-2014 cycle:	
Amendments to IFRS 5 *Non-current assets held for sale and discontinued operations* – changes in method of disposals	1 January 2016
Amendments to IFRS 7 *Financial instruments* – servicing contracts	1 January 2016
Amendments to IFRS 7 *Financial instruments* – applicability of the offsetting disclosures to condensed interim financial statements	1 January 2016
Amendments to IAS 19 *Employee benefits* – discount rate: regional market issue	1 January 2016
Amendments to IAS 34 *Interim financial reporting* – disclosure of information 'elsewhere in the interim financial statements'	1 January 2016

The adoption of these new, amended and revised Standards had no material impact on the Group's financial position, performance or its disclosures.

Among the new Standards and IFRIC interpretations issued by the IASB and the IFRS Interpretations Committee is an amendment to IAS 38, related to clarification of acceptable methods of depreciation and amortisation. The application had no significant impact for the Group. In respect of the Group's production and content rights activities, the directors consider that using the amortisation method based on revenues generated by these activities, according to the estimated revenue method described in Note 14 and 17, is appropriate because revenue and the consumption of the economic benefits embodied in the intangible assets are highly correlated and the directors do not consider there to be any methodology that is more appropriate.

New, amended and revised Standards issued but not adopted during the year

At the date of authorisation of these consolidated financial statements, the following Standards, which have not been applied in these consolidated financial statements, are in issue but not yet effective for periods beginning 1 April 2016:

New, amended and revised Standards	Effective date Periods beginning on or after
Amendments to IAS 12 *Recognition of deferred tax assets for unrealised losses*	1 January 2017*
Amendments to IAS 7 *Disclosure initiative*	1 January 2017*
IFRS 9 *Financial instruments*	1 January 2018*
IFRS 15 *Revenue from contracts with customers*	1 January 2018
IFRS 16 *Leases*	1 January 2019*

* These pronouncements have been implemented by the International Accounting Standards Board (IASB) effective from the dates noted, but have not yet been endorsed for use in the European Union (EU).

1. Nature of operations and basis of preparation continued

The Group is currently assessing the new, amended and revised Standards and currently plans to adopt the new Standards on the required effective dates as prescribed by the EU.

The Group expects an impact from IFRS 15 *Revenue from contracts with customers* on the results of the Family division. The Group currently recognises contractual minimum guarantees from licensing arrangements when the licence terms have commenced and collection of the fee is reasonably assured. IFRS 15 requires the Group to assess whether the licences are either a promise to provide a right to the entity's intellectual property at a point in time, or a promise to provide access to the intellectual property as it exists at any point during the licence. The Group expects the recognition of the minimum guarantees to change and be spread over the consumption of the intellectual property. The Group is still assessing the extent and quantum of the impact of the adoption of this standard to the Group.

The Group is in the process of assessing the impact of IFRS 15 on the production and exploitation of film and television rights.

The Group expects an impact from IFRS 16 *Leases* on the results of the Group. The Group currently recognises an operating lease when substantially all the risks and rewards incidental to ownership remain with the lessor. The lease payments are recognised as an expense in the income statement over the lease term on a straight-line basis. IFRS 16 establishes principles for the recognition, measurement, presentation and disclosure of leases. Upon lease commencement a lessee recognises a right-of-use asset and a lease liability. The right-of-use asset is initially measured at the amount of the lease liability plus any initial direct costs incurred by the lessee, with adjustments for lease incentives, payments at or prior to commencement and restoration obligations. The Group is still assessing the extent and quantum of the impact of the adoption of this standard to the Group.

Restatement of comparatives

Accounting for put options

The potential cash payments related to put options issued by the Group over the non-controlling interest of subsidiary companies are accounted for as financial liabilities. The amount that may become payable under the option on exercise is initially recognised on acquisition at present value within other payables with a corresponding charge directly to equity. The Group restated the consolidated financial statements for the year ended 31 March 2016, to reflect the corresponding charge in equity attributable to owners of the Company to better reflect the risk of ownership of the non-controlling interests.

Accounting for acquisitions

The opening balance sheets included within the consolidated financial statements as at 31 March 2016 for the acquisitions of Sierra Pictures, LLC and Renegade Entertainment, LLC were based upon provisional information and management's best estimate based upon facts and circumstances then available. The balance sheet as at 31 March 2016 has been restated to reflect adjustments to provisional amounts to reflect new information obtained about facts and circumstances that were in existence at the acquisition date. Refer to Note 25 for further information.

Presentation of cash flow statement

IAS 7 *Statement of Cash Flows* requires that cash flows from operating activities are primarily derived from the principal revenue-producing activities of the business. The Group's revenue is derived from the licensing, marketing and distribution and trading of feature films, television, video programming and music rights. The Group has reclassified the discretionary spend incurred in the acquisition and creation of underlying intellectual property rights, being the investment in productions and investment in acquired content rights, as operating cash flow.

The impact on the consolidated financial statements as at 31 March 2016 is shown below:

£m	Previously reported	Restatement to put options accounting	Acquisition accounting restatement	Classification of investment spend	Restated
Group's consolidated balance sheet					
Net assets	660.4	–	(2.2)	–	658.2
Other reserves	10.7	(30.9)	–	–	(20.2)
Equity attributable to owners of the Company	619.2	(30.9)	–	–	588.3
Non-controlling interests	41.2	30.9	(2.2)	–	69.9
Total equity	660.4	–	(2.2)	–	658.2
Group's consolidated cash flow statement					
Net cash from operating activities	287.8	–	–	(218.5)	69.3
Net cash used in investing activities	(400.3)	–	–	218.5	(181.8)
Net cash from financing activities	148.5	–	–	–	148.5
Net increase in cash and cash equivalents	36.0	–	–	–	36.0

Significant accounting judgements and key sources of estimation uncertainty

The preparation of consolidated financial statements under IFRS requires the Group to make estimates and assumptions that affect the amounts reported for assets and liabilities at the balance sheet date and amounts reported for revenues and expenses during the year. The nature of estimation means that actual outcomes could differ from those estimates.

Estimates and judgements are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects that period only, or in the period of the revision and future periods if the revision affects both current and future periods.

The estimates and assumptions which have a significant risk of causing a material adjustment to the carrying amount of assets and liabilities are set out below.

Key sources of estimation uncertainty

– Taxation – further details are contained in Notes 8 and 9.

– Impairment of goodwill – further details are contained in Note 12.

– Acquired intangibles – further details are contained in Note 13.

– Investment in productions and investment in acquired content rights – further details of investment in productions and investment in acquired content rights are contained in Notes 14 and 17, respectively.

– Share-based payments – further details are contained in Note 31.

Significant accounting judgements

– Control of joint ventures and subsidiaries – further details are contained in Note 29.

2. Operating analysis

Accounting policies

Revenue represents the fair value of consideration receivable for goods and services provided in the normal course of business, net of discounts and excluding value added tax (or equivalent). Revenue is derived from the licensing, marketing and distribution and trading of feature films, television, video programming and music rights. Revenue is also derived from television and film production and family licensing and merchandising sales. The following summarises the Group's main revenue recognition policies:

Revenue from the exploitation of television, film and music rights is recognised based upon the completion of contractual obligations relevant to each agreement. Revenue is recognised where there is reasonable contractual certainty that the revenue is receivable and will be received.

Theatrical

– Revenue from the theatrical release of films is recognised when the production is exhibited.

Production

– Revenue from the sale of own or co-produced film or television productions is recognised when the production is available for delivery and there is reasonable contractual certainty that the revenue is receivable and will be received.

Home entertainment

– Revenue from the sale of home entertainment and audio inventory is recognised at the point at which goods are despatched. A provision is made for returns based on historical trends.

Licensing and merchandising

– Revenue from licensing and merchandising sales represents the contracted value of licence fees which is recognised when the licence terms have commenced and collection of the fee is reasonably assured.

Broadcast and digital

– Revenue from digital sales is recognised on transmission or during the period of transmission of the sponsored programme or digital channel.

– Revenue from television or digital licensing represents the contracted value of licence fees which is recognised when the licence term has commenced, the production is available for delivery, substantially all technical requirements have been met and collection of the fee is reasonably assured.

2. Operating analysis continued

Operating segments

For internal reporting and management purposes, the Group is organised into three main reportable segments based on the types of products and services from which each segment derives its revenue – Television, Family and Film. The Group's operating segments are identified on the basis of internal reports that are regularly reviewed by the chief operating decision maker in order to allocate resources to the segment and to assess its performance. The Chief Executive Officer has been identified as the chief operating decision maker.

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

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

Inter-segment sales are charged at prevailing market prices.

Segment information for the year ended 31 March 2017 is presented below:

	Note	Television £m	Family £m	Film £m	Eliminations £m	Consolidated £m
Segment revenues						
External sales		411.3	86.3	585.1	–	1,082.7
Inter-segment sales		41.4	2.3	9.1	(52.8)	–
Total segment revenues		452.7	88.6	594.2	(52.8)	1,082.7
Segment results						
Segment underlying EBITDA		62.8	55.6	52.7	–	171.1
Group costs						(10.9)
Underlying EBITDA						160.2
Amortisation of acquired intangibles	13					(41.9)
Depreciation and amortisation of software	13, 15					(4.9)
Share-based payment charge	31					(5.0)
Tax, finance costs and depreciation related to joint ventures	28					–
One-off items	6					(47.1)
Operating profit						61.3
Finance income	7					5.0
Finance costs	7					(29.1)
Profit before tax						37.2
Income tax charge	8					(12.3)
Profit for the year						24.9
Segment assets						
Total segment assets		788.7	260.3	835.2	–	1,884.2
Unallocated corporate assets						16.8
Total assets						1,901.0

	Note	Television £m	Family £m	Film £m	Eliminations £m	Consolidated £m
Other segment information						
Amortisation of acquired intangibles	13	(14.5)	(12.0)	(15.4)	–	(41.9)
Depreciation and amortisation of software	13, 15	(0.6)	(0.1)	(4.2)	–	(4.9)
Tax, finance costs and depreciation related to joint ventures	28	–	–	–	–	–
One-off items	6	(0.9)	(0.4)	(45.8)	–	(47.1)

Segment information for the year ended 31 March 2016 is presented below:

	Note	Television £m	Family £m	Film £m	Eliminations £m	Consolidated £m
Segment revenues						
External sales		201.3	61.4	540.0	–	802.7
Inter-segment sales		43.4	5.2	13.4	(62.0)	–
Total segment revenues		244.7	66.6	553.4	(62.0)	802.7
Segment results						
Segment underlying EBITDA		39.2	43.3	52.8	–	135.3
Group costs						(6.2)
Underlying EBITDA						129.1
Amortisation of acquired intangibles	13					(27.4)
Depreciation and amortisation of software	13, 15					(4.4)
Share-based payment charge	31					(4.1)
Tax, finance costs and depreciation related to joint ventures	28					(1.6)
One-off items	6					(16.6)
Operating profit						75.0
Finance income	7					0.4
Finance costs	7					(27.5)
Profit before tax						47.9
Income tax charge	8					(7.7)
Profit for the year						40.2
Segment assets						
Total segment assets (restated)		503.7	256.6	866.8	–	1,627.1
Unallocated corporate assets						9.8
Total assets (restated)						1,636.9

	Note	Television £m	Family £m	Film £m	Eliminations £m	Consolidated £m
Other segment information						
Amortisation of acquired intangibles	13	(7.7)	(5.7)	(14.0)	–	(27.4)
Depreciation and amortisation of software	13, 15	(0.5)	(0.1)	(3.8)	–	(4.4)
Tax, finance costs and depreciation related to joint ventures	28	(1.5)	–	(0.1)	–	(1.6)
One-off items	6	(3.2)	(1.4)	(12.0)	–	(16.6)

Geographical information

The Group's operations are located in Canada, the UK, the US, Australia, the Benelux and Spain. Television Division operations are located in Canada, the UK and the US. Family Division operations are located in the UK. Film Division operations are located in Canada, the UK, the US, Australia, the Benelux and Spain.

The following table provides an analysis of the Group's revenue based on the location of the customer and the carrying amount of segment non-current assets by the geographical area in which the assets are located for the years ended 31 March 2017 and 2016.

	External revenues 2017 £m	**Non-current assets 2017 £m**	External revenues 2016 £m	Restated Non-current assets 2016 £m
Canada	**197.9**	**292.8**	191.4	253.4
UK	**153.0**	**289.8**	167.8	286.1
US	**387.0**	**319.3**	235.0	283.9
Rest of Europe	**193.4**	**31.3**	125.5	29.5
Rest of the World	**151.4**	**10.2**	83.0	9.5
Total	**1,082.7**	**943.4**	802.7	862.4

Non-current assets by location exclude amounts relating to interests in joint ventures and deferred tax assets.

3. Operating profit

Operating profit for the year is stated after charging:

	Note	Year ended 31 March 2017 £m	Year ended 31 March 2016 £m
Amortisation of investment in productions	14	**213.4**	110.6
Amortisation of investment in acquired content rights	17	**168.3**	147.0
Amortisation of acquired intangibles	13	**41.9**	27.4
Amortisation of software	13	**2.5**	2.3
Depreciation of property, plant and equipment	15	**2.4**	2.1
Impairment of investment in acquired content rights	17	**2.2**	3.4
Staff costs	5	**96.2**	86.5
Net foreign exchange losses		**0.4**	2.8
Operating lease rentals		**10.8**	9.7

The total remuneration during the year of the Group's auditor was as follows:

	Year ended 31 March 2017 £m	Year ended 31 March 2016 £m
Audit fees		
– Fees payable for the audit of the Group's annual accounts	**0.4**	0.4
– Fees payable for the audit of the Group's subsidiaries	**0.4**	0.3
Other services		
– Services relating to corporate finance transactions	**–**	0.5
Total	**0.8**	1.2

4. Key management compensation and directors' emoluments

Key management compensation

The directors are of the opinion that the key management of the Group in the years ended 31 March 2017 and 2016 comprised the two executive directors. These persons had authority and responsibility for planning, directing and controlling the activities of the Group, directly or indirectly.

The aggregate amounts of key management compensation are set out below:

	Year ended 31 March 2017 £m	Year ended 31 March 2016 £m
Short-term employee benefits	**1.6**	1.5
Share-based payment benefits	**0.5**	0.7
Total	**2.1**	2.2

Short-term employee benefits comprise salary, taxable benefits, annual bonus and pensions and include employer social security contributions of £0.1m (2016: £0.1m).

On 21 November 2016 one former executive director resigned from office. Payments made to this executive director after the 21 November 2016 total £0.2m. The above table includes all payments made to this director during the year. The share-based payment options in respect to this director which were outstanding at 21 November 2016 were forfeited and as a result the share-based payment charge previously recognised of £0.3m was reversed during the year and not included within the above table.

Directors' emoluments

Full details of directors' emoluments can be found in the Remuneration Report on pages 60 to 77.

5. Staff costs

Accounting policy

Payments to defined contribution retirement benefit plans are charged as an expense as they fall due. Any contributions unpaid at the reporting date are included as a liability within the consolidated balance sheet.

Refer to Note 31 for the accounting policy for share-based payments.

Analysis of results for the year

The average numbers of employees, including directors, are presented below:

	Year ended 31 March 2017 Number	Year ended 31 March 2016 Number
Average number of employees		
Canada	778	920
US	304	269
UK	220	205
Australia	46	46
Rest of the World	76	89
Total	1,424	1,529

The table below sets out the Group's staff costs (including directors' remuneration):

	Year ended 31 March 2017 £m	Year ended 31 March 2016 £m
Wages and salaries	83.6	74.9
Share-based payment charge	5.0	4.1
Social security costs	5.9	5.9
Pension costs	1.7	1.6
Total staff costs	96.2	86.5

Included within total staff costs is £7.5m (2016: £7.0m) of staff-related payments in respect to the restructuring costs as described in further detail in Note 6.

6. One-off items

Accounting policy

One-off items are items of income and expenditure that are non-recurring and, in the judgement of the directors, should be disclosed separately on the basis that they are material, either by their nature or their size, in order to provide a better understanding of the Group's underlying financial performance and enable comparison of underlying financial performance between years.

The one-off items recorded in the consolidated income statement include items such as significant restructuring, the costs incurred in entering into business combinations, and the impact of the sale, disposal or impairment of an investment in a business or an asset.

Analysis of results for the year

Items of income or expense that are considered by management for designation as one-off are as follows:

	Year ended 31 March 2017 £m	Year ended 31 March 2016 £m
Restructuring costs		
Strategy-related	28.2	12.4
Other	22.8	–
Total restructuring costs	51.0	12.4
Other items		
Acquisition (gains)/costs	(6.4)	4.2
Other items	2.5	–
Total other items	(3.9)	4.2
Total one-off costs	47.1	16.6

6. One-off items continued

Strategy-related restructuring costs

During the year ended 31 March 2017 the Group continued to restructure the physical distribution business through the closure of a number of distribution warehouses, primarily in Port Washington and Brampton, as well as terminating distribution agreements with partners in the UK and the Benelux. Costs incurred in implementing this change included £10.1m relating to the ramp-down of these facilities and £3.5m of costs for onerous rental leases on various properties. As a result, the Group reassessed the carrying value of certain balance sheet items, particularly physical inventory and tangible fixed assets. This review involved, amongst other items, reassessing the titles where the profile of the revenues was judged no longer appropriate given the strategic change. As a result of this review, £5.9m of inventory and £0.9m of property, plant and equipment was written off. Other costs of £1.6m include settlement costs with local physical distribution partners.

There were additional costs driven by the continuing industry shift from physical to digital content, which resulted in the closure of a major customer HMV Canada in early 2017. Due to the resulting reduction in shelf-space the Group reduced its sales projections for the physical distribution unit and recorded a one-off charge of £1.2m to write down certain physical inventory titles. In addition, a £1.0m one-off bad debt expense was recorded.

In January 2017, the Group announced that it would be integrating the Paperny Entertainment and Force Four Entertainment businesses in Vancouver into one Canadian unscripted business and this amalgamation was completed on 1 April 2017. Costs of £2.6m were incurred to facilitate the amalgamation of these two businesses, including staff and other transition-related payments. Other restructuring costs during the year totalled £1.4m.

The initiatives implemented during the year highlighted above, largely in relation to the restructuring of the Group's physical distribution business, resulted in one-off charges totalling £28.2m and are expected to deliver annual cost savings of greater than £10m from FY18.

Other restructuring costs

As part of the previously announced wider reshaping of the Film Division, the Group has re-negotiated one of its larger film distribution arrangements. The previous arrangement has been terminated and replaced with a new distribution arrangement and, associated with the termination, the Company has made a one-time payment of £20.1m (US$25m). Management expects underlying profitability and cash flow to improve for films delivered under the new distribution arrangement. Further, an impairment charge of £2.2m was recognised relating to the write-off of unamortised signing-on fees relating to the existing agreements, previously capitalised within investment in content, and £0.5m relating to the release of other related balance sheet items. In total, one-off charges of £22.8m were incurred in relation to the re-negotiation of these arrangements and associated impacts.

Acquisition gains

Acquisition gains of £6.4m include a £2.3m credit related to the acquisition accounting for the purchase of the remaining 50% stake in Secret Location and a further credit of £4.0m resulted from the re-assessment of contingent consideration in relation to prior year acquisitions.

Other items

Other corporate project costs of £1.7m relate to a one-off foreign exchange charge relating to the alignment of the TV business with the Group hedging process.

£0.8m other one-off costs relate to costs associated with aborted corporate projects during the year.

Prior year one-off costs

During the year ended 31 March 2016 the Group continued to develop and progress its growth strategy, which was refreshed in November 2014. The one-off costs incurred in the year included costs associated with reorganising the physical distribution business by partnering with Fox and Sony in our territories to optimise our scale/profitability. Costs incurred in implementing this change in approach included the closure of facilities in North America and costs of moving physical stock from those facilities of £2.1m, staff redundancies of £7.0m and a write-off of the carrying value of investment in acquired content rights and other assets of £2.9m throughout the Group's Home Entertainment business, specifically relating to the closure of the Group's UK-based international home video business, and other costs of £0.4m.

Acquisition costs of £7.0m were incurred during the year ended 31 March 2016 relating to the Group's acquisition and investment activities, relating to The Mark Gordon Company (fully consolidated from 19 May 2015), Astley Baker Davies Limited (22 October 2015), Dualtone Music Group (11 January 2016), Last Gang Entertainment (7 March 2016) and Renegade 83 (24 March 2016) as well as the investment in Sierra Pictures (22 December 2015).

A credit of £2.8m related to the release of excess accruals in relation to the Alliance transaction was recognised during the year ended 31 March 2016.

7. Finance income and finance costs

Accounting policies

Interest costs

Borrowing costs, including finance costs, are recognised in the consolidated income statement in the period in which they are incurred. Borrowing costs are accounted for using the effective interest rate method.

Deferred finance charges

All costs incurred by the Group that are directly attributable to the issue of debt are initially capitalised and deducted from the amount of gross borrowings. Such costs are then amortised through the consolidated income statement over the term of the instrument using the effective interest rate method. Should there be a material change to the terms of the underlying instrument, any remaining unamortised deferred finance charges are immediately written off to the consolidated income statement as a one-off finance item. Any new costs incurred as a result of the change to the terms of the underlying instrument are capitalised and then amortised over the term of the new instrument, again using the effective interest rate method.

One-off finance items

One-off financing items are items of income and expenditure that do not relate to underlying activities of the Group, that in the judgement of the directors should be disclosed separately on the basis that they are material, either by their nature or their size, in order to provide a better understanding of the Group's underlying financing costs and enable comparison of underlying financial performance between years. The items include interest on one-off tax items, the unwind of discounting on financial assets and liabilities, and charges in relation to refinancing activities.

Analysis of results for the year

Finance income and finance costs comprise:

	Note	Year ended 31 March 2017 £m	Year ended 31 March 2016 £m
Finance income			
Other finance income		3.8	0.4
Gains on fair value of derivative instruments		1.2	–
Total finance income		5.0	0.4
Finance costs			
Interest costs		(22.8)	(16.4)
Amortisation of deferred finance charges	22	(1.7)	(2.2)
Other accrued interest charges		(0.8)	(1.1)
Write-off of deferred finance charges		–	(5.3)
Losses on fair value of derivative instruments		–	(0.5)
Unwind of discounting of financial instruments		(2.9)	–
Net foreign exchange losses on financing activities		(0.9)	(2.0)
Total finance costs		(29.1)	(27.5)
Net finance costs		(24.1)	(27.1)
Comprised of:			
Adjusted net finance costs		(25.4)	(20.6)
One-off net finance gains/(costs)	11	1.3	(6.5)

The one-off net finance credits of £1.3m comprise credits of £3.8m relating to the release of interest previously charged on a tax provision which has been reversed during the year and a £1.2m fair-value gain on hedge contracts which reverses in April 2017. The credits were partially offset by charges of £2.9m unwind of discounting on liabilities relating to put options issued by the Group over the non-controlling interest of subsidiary companies and £0.8m of costs due to an increase on interest on tax provisions for the Group.

The one-off net finance costs of £6.5m charged in the year ended 31 March 2016 comprise a charge of £5.3m in respect of deferred finance charges written off on the re-financing of the Group's bank facility during the year, a £0.5m fair value loss on derivative financial instruments broken on the refinancing, £1.1m of non-cash accrued interest charges on certain liabilities and £0.4m of interest receivable of certain tax refunds.

8. Tax

Accounting policy

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

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

Deferred tax is the tax expected to be payable or recoverable in the future arising from temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax bases used in the computation of taxable profit. It is accounted for using the balance sheet liability method.

Provisions for open tax issues are based on management's interpretation of tax law as supported, where appropriate, by the Group's external advisers, and reflect the single best estimate of likely outcome for each liability.

The level of current and deferred tax recognised in the consolidated financial statements is dependent on subjective judgements as to the interpretation of complex international tax regulations and, in some cases, the outcome of decisions by tax authorities in various jurisdictions around the world, together with the ability of the Group to utilise tax attributes within the limits imposed by the relevant tax legislation.

Key source of estimation uncertainty

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

Analysis of charge for the year

	Note	Year ended 31 March 2017 £m	Year ended 31 March 2016 £m
Current tax (charge)/credit:			
– in respect of current year		(26.1)	(21.9)
– in respect of prior years		1.5	2.0
Total current tax charge		(24.6)	(19.9)
Deferred tax credit/(charge):			
– in respect of current year		14.2	9.3
– in respect of prior years		(1.9)	2.9
Total deferred tax credit	9	12.3	12.2
Income tax charge		(12.3)	(7.7)
Of which:			
Adjusted tax charge on adjusted profit before tax		(27.1)	(22.4)
One-off net tax credit		14.8	14.7

The one-off tax credit comprises tax credits of £6.7m (2016: £2.5m) in relation to the one-off items described in Note 6, £1.1m relating to changes in corporation tax rates on calculation of deferred tax assets, tax credits of £7.1m (2016: £5.0m) on amortisation of acquired intangibles described in Note 13, a tax credit of £0.2m (2016: £nil) on share-based payments as described in Note 31, a tax charge of £0.4m (2016: credit £4.9m) relating to prior year current tax and deferred tax adjustments, and a tax credit of £0.1m (2016: £1.7m) on other non-recurring tax items. The one-off tax credit in the year ended 31 March 2016 also includes a tax credit of £0.6m on one-off net finance items as described in Note 7.

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

	Year ended 31 March 2017		Year ended 31 March 2016	
	£m	%	£m	%
Profit before tax (including joint ventures)	**37.2**		47.9	
Deduct share of results of joint ventures	**0.7**		(3.4)	
Profit before tax (excluding joint ventures)	**37.9**		44.5	
Taxes at applicable domestic rates	**(11.1)**	**(29.3)**	(9.7)	(21.8)
Effect of income that is exempt from tax	**6.7**	**17.7**	3.1	7.0
Effect of expenses that are not deductible in determining taxable profit	**(1.7)**	**(4.5)**	(5.2)	(11.7)
Effect of deferred tax recognition of losses/temporary differences	**–**	**–**	3.3	7.4
Effect of losses/temporary differences not recognised in deferred tax	**(7.8)**	**(20.6)**	(4.3)	(9.7)
Effect of non-controlling interests	**0.9**	**2.4**	0.2	0.5
Effect of tax rate changes	**1.1**	**2.9**	–	–
Prior year items	**(0.4)**	**(1.1)**	4.9	11.0
Income tax charge and effective tax rate for the year	**(12.3)**	**(32.5)**	(7.7)	(17.3)

Income tax is calculated at the rates prevailing in the respective jurisdictions. The standard tax rates in each jurisdiction are 26.5% in Canada (2016: 26.5%), 36.0% - 40.8% in the US (2016: 36.0% - 40.8%), 20.0% in the UK (2016: 20.0%), 25.0% in the Netherlands (2016: 25.0%), 30.0% in Australia (2016: 30.0%) and 25.0% in Spain (2016: 27.3%).

Prior year items include the correction of £1.5m relating to current tax credits and £1.9m in relation to deferred tax charges.

Analysis of tax on items taken directly to equity

	Note	Year ended 31 March 2017 £m	Year ended 31 March 2016 £m
Deferred tax (charge)/credit on cash flow hedges		**(1.7)**	0.6
Deferred tax credit on share options		**0.1**	–
Total (charge)/credit taken directly to equity	9	**(1.6)**	0.6

9. Deferred tax assets and liabilities

Accounting policy

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

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

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

Deferred tax assets and liabilities are measured on an undiscounted basis at the tax rates that are expected to apply in the period when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the balance sheet date. Deferred tax is charged or credited in the consolidated income statement, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity.

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

In the UK and the US, the Group is entitled to a tax deduction for amounts treated as compensation on exercise of certain employee share options or vesting of share awards under each jurisdiction's tax rules. The deferred tax asset arising is calculated by comparing the estimated amount of tax deduction to be obtained in the future (based on the Company's share price at the balance sheet date) with the cumulative amount of the share-based payment charge recorded in the consolidated income statement. If the amount of estimated future tax deduction exceeds the cumulative amount of the compensation expense at the statutory rate, the excess is recorded directly in equity, against retained earnings.

9. Deferred tax assets and liabilities continued

Significant judgements

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

Utilisation of deferred tax assets is dependent on the future profitability of the Group. The Group has recognised net deferred tax assets relating to tax losses and other short-term temporary differences carried forward as the Group considers that, on the basis of the most recent forecasts, there will be sufficient taxable profits in the future against which these items will be offset.

Analysis of amounts recognised by the Group

The following are the major deferred tax assets and liabilities recognised by the Group and movements thereon during the year:

	Note	Accelerated tax depreciation £m	Other intangible assets £m	Unused tax losses £m	Financing items £m	Other £m	Total £m
At 1 April 2015		0.1	(17.9)	22.0	(1.3)	2.8	5.7
Acquisition of subsidiaries		–	(50.9)	–	–	–	(50.9)
(Charge)/credit to income statement		(0.1)	7.9	4.4	0.2	(0.2)	12.2
Credit to equity	8	–	–	–	0.6	–	0.6
Exchange differences		–	(1.9)	0.7	–	(0.3)	(1.5)
At 31 March 2016		–	(62.8)	27.1	(0.5)	2.3	(33.9)
Acquisition of subsidiaries	25	**–**	**(0.9)**	**0.3**	**(0.1)**	**–**	**(0.7)**
Credit/(charge) to income statement		**–**	**7.3**	**6.9**	**(0.1)**	**(1.8)**	**12.3**
(Charge)/credit to equity	8	**–**	**–**	**–**	**(1.7)**	**0.1**	**(1.6)**
Exchange differences		**–**	**(7.5)**	**3.7**	**3.2**	**(0.4)**	**(1.0)**
At 31 March 2017		**–**	**(63.9)**	**38.0**	**0.8**	**0.2**	**(24.9)**

The category "Other" includes temporary differences on share options, accrued liabilities, certain asset valuation provisions, foreign exchange, investment in productions and investment in acquired content rights.

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

	Year ended 31 March 2017 £m	Year ended 31 March 2016 £m
Deferred tax assets	**28.2**	19.2
Deferred tax liabilities	**(53.1)**	(53.1)
Total	**(24.9)**	(33.9)

At the balance sheet date, the Group has unrecognised unused tax losses of £138.2m (2016: £88.7m), of which the majority are expected to expire in the years ending 2027 to 2035.

The Group has unrecognised deferred tax assets of £11.4m (2016: £7.7m) in connection with the put and call options that were granted over the remaining 35% non-controlling interests in Renegade 83 and of the remaining 49% non-controlling interests in Sierra Pictures (see Note 25 for further details). At the balance sheet date, the aggregate amount of temporary differences associated with undistributed earnings of subsidiaries for which deferred tax liabilities have not been recognised was £19.0m (2016: £11.6m).

During the year ended 31 March 2017, the corporate income tax rate in the UK reduced to 17% with effect from 1 April 2020. During the year ended 31 March 2016, corporate income tax rates in the UK were reduced from 20% to 19% with effect from 1 April 2017 and 18% with effect from 1 April 2020. These rates are reflected in the deferred tax calculations as appropriate.

10. Dividends

Accounting policy

Distributions to equity holders are not recognised in the consolidated income statement under IFRS, but are disclosed as a component of the movement in total equity. A liability is recorded for a dividend when the dividend is declared by the Company's directors.

Amounts recognised by the Group

On 22 May 2017 the directors declared a final dividend in respect of the financial year ended 31 March 2017 of 1.3 pence (2016: 1.2 pence) per share which will absorb an estimated £5.6m of total equity (2016: £5.1m). It will be paid on or around 8 September 2017 to shareholders who are on the register of members on 7 July 2017 (the record date).

This dividend is expected to qualify as an eligible dividend for Canadian tax purposes.

The dividend will be paid net of withholding tax based on the residency of the individual shareholder.

11. Earnings per share

Basic earnings per share is calculated by dividing earnings for the year attributable to the owners of the Company by the weighted average number of shares in issue during the year, excluding own shares held by the Employee Benefit Trust (EBT) which are treated as cancelled.

Adjusted basic earnings per share is calculated by dividing adjusted earnings for the year attributable to the owners of the Company by the weighted average number of shares in issue during the year, excluding own shares held by the EBT which are treated as cancelled. Adjusted earnings are the profit for the year attributable to the owners of the Company adjusted to exclude one-off operating and finance items, share-based payment charge, 'tax, finance costs and depreciation' related to joint ventures and amortisation of acquired intangibles (net of any related tax effects).

Fully diluted earnings per share and adjusted fully diluted earnings per share are calculated after adjusting the weighted average number of shares in issue during the year to assume conversion of all potentially dilutive shares. There have been no transactions involving common shares or potential common shares between the reporting date and the date of authorisation of these consolidated financial statements.

	Year ended 31 March 2017 Pence	Year ended 31 March 2016 Pence
Basic earnings per share	3.1	9.8
Diluted earnings per share	3.0	9.6
Adjusted basic earnings per share	20.3	19.7
Adjusted diluted earnings per share	20.0	19.4

The weighted average number of shares used in the earnings per share calculations are set out below:

	Year ended 31 March 2017 Million	Year ended 31 March 2016 Million
Weighted average number of shares for basic earnings per share and adjusted basic earnings per share	425.7	373.5
Effect of dilution:		
Employee share awards	5.9	4.1
Contingent consideration with option to settle in cash or shares	1.1	2.2
Weighted average number of shares for diluted earnings per share and adjusted diluted earnings per share	**432.7**	**379.8**

The Group holds an option to settle the contingent consideration payable in relation to the acquisitions of Renegade 83 and Last Gang Entertainment in shares or in cash. Refer to Note 25 for details.

As noted above, shares held by the EBT, classified as own shares, are excluded from earnings per share and adjusted earnings per share.

Adjusted earnings per share

The directors believe that the presentation of adjusted earnings per share, being the fully diluted earnings per share adjusted for one-off operating and finance items, share-based payment charge, 'tax, finance costs and depreciation' related to joint ventures and amortisation of acquired intangibles (net of any related tax effects), helps to explain the underlying performance of the Group. A reconciliation of the earnings used in the fully diluted earnings per share calculation to earnings used in the adjusted earnings per share calculation is set out below:

		Year ended 31 March 2017		Year ended 31 March 2016	
	Note	£m	Pence per share	£m	Pence per share
Profit for the year attributable to the owners of the Company		13.0	3.0	36.5	9.6
Add back one-off items	6	47.1	10.9	16.6	4.4
Add back amortisation of acquired intangibles	13	41.9	9.7	27.4	7.2
Add back share-based payment charge	31	5.0	1.1	4.1	1.1
Add back one-off net finance (gains)/costs	7	(1.3)	(0.3)	6.5	1.7
Deduct one-off tax, finance costs and depreciation related to joint ventures	28	–	–	(0.5)	(0.1)
Deduct net tax effect of above and other one-off tax items	8	(14.8)	(3.4)	(14.7)	(3.9)
Deduct non-controlling interests' share of above items		(4.4)	(1.0)	(2.4)	(0.6)
Adjusted earnings attributable to the owners of the Company		**86.5**	**20.0**	**73.5**	**19.4**

11. Earnings per share continued

Profit before tax is reconciled to adjusted profit before tax and adjusted earnings as follows:

	Note	Year ended 31 March 2017 £m	Year ended 31 March 2016 £m
Profit before tax		**37.2**	47.9
Add back one-off items	6	**47.1**	16.6
Add back amortisation of acquired intangibles	13	**41.9**	27.4
Add back share-based payment charge	31	**5.0**	4.1
Add back tax, finance costs and depreciation related to joint ventures	28	**–**	1.6
Add back one-off net finance (gains)/costs	7	**(1.3)**	6.5
Adjusted profit before tax		**129.9**	104.1
Adjusted tax charge	8	**(27.1)**	(22.4)
Adjusted tax charge relating to joint ventures		**–**	(2.1)
Deduct profit attributable to non-controlling interests		**(11.9)**	(3.7)
Deduct non-controlling interests' share of adjusting items above		**(4.4)**	(2.4)
Adjusted earnings attributable to the owners of the Company		**86.5**	73.5

12. Goodwill

Accounting policy

Goodwill arising on a business combination is recognised as an asset and initially measured at cost, being the excess of the aggregate of the consideration transferred and the amount recognised for non-controlling interests over the fair value of net identifiable assets acquired (including other intangible assets) and liabilities assumed. Transaction costs directly attributable to the acquisition form part of the acquisition cost for business combinations prior to 1 January 2010, but from that date such costs are written off to the consolidated income statement and do not form part of goodwill. Following initial recognition, goodwill is measured at cost less any accumulated impairment losses.

Goodwill is allocated to cash generating units (CGUs) which are tested for impairment annually or more frequently if there are indications that goodwill might be impaired. The CGUs identified are the smallest identifiable group of assets that generate cash flows that are largely independent of the cash flows from other groups of assets. Gains or losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

Significant judgements

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

Analysis of amounts recognised by the Group

	Note	Total £m
Cost and carrying amount		
At 1 April 2015		209.8
Acquisition of subsidiaries (restated)		144.2
Exchange differences		6.3
At 31 March 2016 (restated)		360.3
Acquisition of subsidiaries	25	**5.8**
Exchange differences		**40.8**
At 31 March 2017		**406.9**

Goodwill arising on a business combination is allocated to the cash generating units (CGUs) that are expected to benefit from that business combination. As explained below, the Group's CGUs are Television, The Mark Gordon Company (MGC), Family and Film.

Impairment of non-financial assets, including goodwill

The carrying amounts of the Group's non-financial assets are tested annually for impairment (as required by IFRS, in the case of goodwill) or when circumstances indicate that the carrying amounts may be impaired. If any such indication exists, or when annual impairment testing for an asset is required, the Group makes an estimate of the asset's recoverable amount. The recoverable amount is the higher of an asset's or CGU's fair value less costs to sell and its value-in-use and is determined for an individual asset, unless the asset does not generate cash flows that are largely independent of those from other assets or groups of assets. Where the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered to be impaired and is written down to its recoverable amount. In assessing value-in-use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or CGU. In determining fair value less costs to sell, an appropriate valuation model is used. These calculations are corroborated by valuation multiples or other available fair value indicators.

The Group tests goodwill annually for impairment, or more frequently if there are indications that goodwill might be impaired. An impairment loss is recognised if the carrying value of a CGU exceeds its recoverable amount.

The recoverable amount of a CGU is determined from value-in-use calculations based on the net present value of discounted cash flows. In assessing value-in-use, the estimated future cash flows are derived from the most recent financial budgets and plans and an assumed growth rate. A terminal value is calculated by discounting using an appropriate weighted discount rate. Any impairment losses are recognised in the consolidated income statement as an expense.

The Group has four CGUs being the smallest identifiable group of assets that generate cash flows that are largely independent of the cash flows from other groups of assets. The directors consider the CGUs to be Television, Family, Film and MGC.

Key assumptions used in value-in-use calculations

Key assumptions used in the value-in-use calculations for each CGU are set out below:

	31 March 2017			31 March 2016		
CGU	Pre-tax discount rate %	Terminal growth rate %	Period of specific cash flows	Pre-tax discount rate %	Terminal growth rate %	Period of specific cash flows
Television	8.9	3.0	3 years	10.0	3.0	3 years
The Mark Gordon Company	10.7	3.0	3 years	11.7	3.0	3 years
Family	9.7	3.0	3 years	9.5	3.0	3 years
Film	8.1	2.1	3 years	8.8	2.8	3 years

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

Operating profits – Operating profits are based on budgeted/planned growth in revenue resulting from new investment in acquired content rights, investment in productions and growth in the relevant markets.

Discount rates – The post-tax discount rate is based on the Group weighted average cost of capital of 7.9% (2016: 8.2%). The discount rate is adjusted where specific country and operational risks are sufficiently significant to have a material impact on the outcome of the impairment test. A pre-tax discount rate is applied to calculate the net present value of the CGUs as shown in the table above.

Terminal growth rate estimates – The terminal growth rates for Television, MGC, Family and Film of 3.0%, 3.0%, 3.0% and 2.1%, respectively (2016: Television, MGC, Family and Film of 3.0%, 3.0%, 3.0% and 2.8%, respectively), are used beyond the end of year three and do not exceed the long-term projected growth rates for the relevant market.

Period of specific cash flows – Specific cash flows reflect the period of detailed forecasts prepared as part of the Group's annual planning cycle. The period of specific cash flows has been aligned with the Group's annual strategic planning process, which underpins the conclusions made within the viability statement. Further details of the Group's viability statement can be found on pages 36 to 37.

The carrying value of goodwill, translated at year end exchange rates, is allocated as follows:

CGU	Year ended 31 March 2017 £m	Restated Year ended 31 March 2016 £m
Television	64.3	50.7
The Mark Gordon Company	78.3	67.3
Family	57.3	57.3
Film	207.0	185.0
Total	406.9	360.3

12. Goodwill continued

Sensitivity to change in assumptions

Television – The Television calculations show that there is significant headroom when compared to carrying values at 31 March 2017 and 31 March 2016. An 85.3% (7.6 percentage point) increase in the pre-tax discount rate would reduce the recoverable amount to the carrying amount. Consequently, the directors believe that no reasonable change in the above key assumptions would cause the carrying value of this CGU to exceed its recoverable amount.

The Mark Gordon Company – The MGC calculations show that there is significant headroom when compared to carrying values at 31 March 2017 and 31 March 2016. A 137% (14.8 percentage point) increase in the pre-tax discount rate would reduce the recoverable amount to the carrying amount. Consequently, the directors believe that no reasonable change in the above key assumptions would cause the carrying value of this CGU to exceed its recoverable amount.

Family – The Family calculations show that there is significant headroom when compared to carrying values at 31 March 2017 and 31 March 2016. A 250% (24.0 percentage point) increase in the pre-tax discount rate would reduce the recoverable amount to the carrying amount. Consequently, the directors believe that no reasonable change in the above key assumptions would cause the carrying value of this CGU to exceed its recoverable amount.

Film – The Film calculations show that there is significant headroom when compared to carrying values at 31 March 2017 and 31 March 2016. A 42% (3.4 percentage point) increase in the pre-tax discount rate would reduce the recoverable amount to the carrying amount. Consequently, the directors believe that no reasonable change in the above key assumptions would cause the carrying value of this CGU to exceed its recoverable amount.

13. Other intangible assets

Accounting policy

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

Other intangible assets mainly comprise amounts arising on consolidation of acquired subsidiaries such as exclusive content agreements and libraries, trade names and brands, exclusive distribution agreements, customer relationships and non-compete agreements. Other intangible assets also include amounts relating to costs of software.

Other intangible assets are generally amortised over the following periods:

Exclusive content agreements and libraries	3-14 years
Trade names and brands	1-15 years
Exclusive distribution agreements	9 years
Customer relationships	9-10 years
Non-compete agreements	2-5 years
Software	3 years

Significant judgements

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

Analysis of amounts recognised by the Group

	Note	Acquired intangibles: Exclusive content agreements and libraries £m	Acquired intangibles: Trade names and brands £m	Acquired intangibles: Exclusive distribution agreements £m	Acquired intangibles: Customer relationships £m	Acquired intangibles: Non-compete agreements £m	Software £m	Total £m
Cost								
At 1 April 2015		102.3	36.5	24.8	44.7	16.7	9.6	234.6
Acquisition of subsidiaries (restated)		71.2	161.8	–	–	–	–	233.0
Additions		16.8	–	–	–	–	1.5	18.3
Disposals		–	–	–	–	–	(0.1)	(0.1)
Exchange differences		7.1	0.7	0.4	0.4	0.2	0.1	8.9
At 31 March 2016 (restated)		197.4	199.0	25.2	45.1	16.9	11.1	494.7
Acquisition of subsidiaries	25	**11.3**	**–**	**–**	**–**	**–**	**–**	**11.3**
Additions		**–**	**–**	**–**	**–**	**–**	**2.0**	**2.0**
Disposals		**(2.9)**	**–**	**–**	**–**	**–**	**(0.2)**	**(3.1)**
Exchange differences		**25.2**	**3.8**	**3.8**	**5.9**	**1.6**	**1.4**	**41.7**
At 31 March 2017		**231.0**	**202.8**	**29.0**	**51.0**	**18.5**	**14.3**	**546.6**
Amortisation								
At 1 April 2015		(50.6)	(28.1)	(23.8)	(24.4)	(14.2)	(5.9)	(147.0)
Amortisation charge for the year	3	(14.7)	(6.1)	(0.3)	(4.6)	(1.7)	(2.3)	(29.7)
Disposals		–	–	–	–	–	0.1	0.1
Exchange differences		(1.5)	(0.6)	(0.4)	(0.4)	(0.2)	(0.2)	(3.3)
At 31 March 2016		(66.8)	(34.8)	(24.5)	(29.4)	(16.1)	(8.3)	(179.9)
Amortisation charge for the year	3	**(23.1)**	**(12.4)**	**(0.3)**	**(5.3)**	**(0.8)**	**(2.5)**	**(44.4)**
Disposals		**0.6**	**–**	**–**	**–**	**–**	**0.2**	**0.8**
Exchange differences		**(6.9)**	**(2.9)**	**(3.8)**	**(4.0)**	**(1.6)**	**(1.0)**	**(20.2)**
At 31 March 2017		**(96.2)**	**(50.1)**	**(28.6)**	**(38.7)**	**(18.5)**	**(11.6)**	**(243.7)**
Carrying amount								
At 31 March 2016 (restated)		130.6	164.2	0.7	15.7	0.8	2.8	314.8
At 31 March 2017		**134.8**	**152.7**	**0.4**	**12.3**	**–**	**2.7**	**302.9**

The amortisation charge for the year ended 31 March 2017 comprises £41.9m (2016: £27.4m) in respect of acquired intangibles.

As part of the acquisition of Sierra Pictures on 22 December 2015 an intangible asset was acquired representing the share of jointly held assets in Sierra Affinity. As part of the acquisition of Sierra Affinity on 30 September 2016 this asset was treated as if it were disposed of and re-acquired as part of the net assets of Sierra Affinity. Refer to Note 25 for further details.

Included within trade names and brands is a carrying value of £146.3m relating to the value placed on the 50% of the *Peppa Pig* brand acquired as part of the acquisition of Astley Baker Davies Limited in October 2015, which is being amortised on a straight-line basis over a useful life of 15 years.

Included within exclusive content agreements and libraries is a carrying value of £49.2m relating to the value placed on the current libraries acquired as part of the acquisition of the stake in The Mark Gordon Company in May 2015, which is being amortised over a useful life of 10 years.

14. Investment in productions

Accounting policy

Investment in productions that are in development and for which the realisation of expenditure can be reasonably determined are capitalised as productions in progress within investment in productions. On delivery of a production, the cost of investment is reclassified as productions delivered. Also included within investment in productions are films and television programmes acquired on acquisition of subsidiaries.

Production financing interest directly attributable to the acquisition or production of a qualifying asset (such as investment in productions) forms part of the cost of that asset and is capitalised.

Amortisation of investment in productions, net of government grants, is charged to cost of sales using a model that reflects the consumption of the asset as it is released through different exploitation windows (e.g. theatrical release, home entertainment, and broadcast licences) and the expected revenue earned in each of those stages of release over a period not exceeding 10 years from the date of its initial release, unless it arises from revaluation on acquisition of subsidiaries in which case it is charged to administrative expenses. Amounts capitalised are reviewed at least quarterly and any portion of the unamortised amount that appears not to be recoverable from future net revenues is written off to cost of sales during the period the loss becomes evident.

A government grant is recognised and credited as part of investment in productions when there is reasonable assurance that any conditions attached to the grant will be satisfied and the grants will be received and the programme has been delivered. Government grants are recognised at fair value.

Key source of estimation uncertainty

The Group capitalises investment in productions and then amortises these balances on a revenue forecast basis, recording the amortisation charge in cost of sales. Amounts capitalised are reviewed at least quarterly and any amounts that appear to be irrecoverable from future net revenues are written off to cost of sales during the period the loss becomes evident. The estimate of future net revenues is determined based on the pattern of historical revenue streams and the remaining life of each contract.

Amounts recognised by the Group

	Note	Year ended 31 March 2017 £m	Restated Year ended 31 March 2016 £m
Cost			
Balance at 1 April		**542.8**	386.1
Acquisition of subsidiaries (restated)	25	**0.6**	52.8
Additions		**230.0**	99.1
Exchange differences		**72.9**	4.8
Balance at 31 March (restated)		**846.3**	542.8
Amortisation			
Balance at 1 April		**(415.6)**	(300.6)
Amortisation charge for the year	3	**(213.4)**	(110.6)
Exchange differences		**(56.5)**	(4.4)
Balance at 31 March		**(685.5)**	(415.6)
Carrying amount		**160.8**	127.2

Borrowing costs of £6.6m (2016: £4.1m) related to Television and Film production financing have been included in the additions during the year.

Included within the carrying amount as at 31 March 2017 is £73.4m (2016: £75.5m) of productions in progress, which includes additions from the acquisition of subsidiaries of £0.6m (2016: £57.7m).

15. Property, plant and equipment

Accounting policy

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

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

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

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on derecognition of the asset (determined as the difference between the sales proceeds and the carrying amount of the asset) is recorded in the consolidated income statement in the period of derecognition.

Analysis of amounts recognised by the Group

	Note	Leasehold improvements £m	Fixtures, fittings and equipment £m	Total £m
Cost				
At 1 April 2015		4.6	12.4	17.0
Acquisition of subsidiaries		–	0.2	0.2
Additions		6.4	1.1	7.5
Disposals		–	(0.1)	(0.1)
Exchange differences		0.4	0.2	0.6
At 31 March 2016		11.4	13.8	25.2
Acquisition of subsidiaries	25	**–**	**0.2**	**0.2**
Additions		**0.7**	**0.9**	**1.6**
Disposals		**(1.2)**	**(7.1)**	**(8.3)**
Exchange differences		**1.3**	**2.0**	**3.3**
At 31 March 2017		**12.2**	**9.8**	**22.0**
Depreciation				
At 1 April 2015		(1.7)	(9.2)	(10.9)
Depreciation charge for the year	3	(0.9)	(1.2)	(2.1)
Disposals		–	0.1	0.1
Exchange differences		(0.1)	(0.2)	(0.3)
At 31 March 2016		(2.7)	(10.5)	(13.2)
Depreciation charge for the year	3	**(1.3)**	**(1.1)**	**(2.4)**
Disposals		**1.2**	**6.4**	**7.6**
Exchange differences		**(0.4)**	**(1.7)**	**(2.1)**
At 31 March 2017		**(3.2)**	**(6.9)**	**(10.1)**
Carrying amount				
At 31 March 2016		8.7	3.3	12.0
At 31 March 2017		**9.0**	**2.9**	**11.9**

16. Inventories

Accounting policy

Inventories are stated at the lower of cost, including direct expenditure and other appropriate attributable costs incurred in bringing inventories to their present location and condition, and net realisable value. The cost of inventories is calculated using the weighted average method. Net realisable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and the estimated costs necessary to make the sale.

Analysis of amounts recognised by the Group

Inventories at 31 March 2017 comprise finished goods of £48.6m (2016: £51.1m).

17. Investment in acquired content rights

Accounting policy

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

Investments in acquired content rights are recorded in the consolidated balance sheet if such amounts are considered recoverable against future revenues. These amounts are amortised to cost of sales using a model that reflects the consumption of the asset as it is released through different exploitation windows (e.g. theatrical release, home entertainment, and broadcast licences) and the expected revenue earned in each of those stages of release over a period not exceeding 10 years from the date of its initial release, unless it arises from revaluation on acquisition of subsidiaries in which case it is charged to administrative expenses. Acquired libraries are amortised over a period not exceeding 20 years. Amounts capitalised are reviewed at least quarterly and any portion of the unamortised amount that appears not to be recoverable from future net revenues is written off to cost of sales during the period the loss becomes evident.

Balances are included within current assets as they are expected to be realised within the normal operating cycle of the Television, Family and Film businesses. The normal operating cycle of these businesses can be greater than 12 months. In general 65%-75% of film and television programme content is amortised within 12 months of theatrical release/delivery.

Key source of estimation uncertainty

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

Amounts recognised by the Group

	Note	Year ended 31 March 2017 £m	Year ended 31 March 2016 £m
Balance at 1 April		241.3	221.1
Acquisition of subsidiaries		–	0.1
Additions		177.2	164.2
Amortisation charge for the year	3	(168.3)	(147.0)
Impairment charge for the year	3	(2.2)	(3.4)
Exchange differences		21.8	6.3
Balance at 31 March		**269.8**	241.3

The impairment charge recognised during the year ended 31 March 2017 of £2.2m relates to the write-off of unamortised signing-on fees relating to certain distribution agreements which were renegotiated during the year, which had previously been capitalised within investment in content.

The impairment charge recognised during the prior year ended 31 March 2016 of £3.4m was in respect of a write-off of the carrying value of investment in acquired content rights on the closure of the Group's Home Entertainment business, specifically relating to the closure of the Group's UK-based international home video business.

18. Trade and other receivables

Accounting policy

Trade receivables are generally not interest-bearing and are stated at their fair value as reduced by appropriate allowances for estimated irrecoverable amounts.

Amounts are recognised as non-current when the balance is recoverable in a period of greater than 12 months from the reporting date.

Provisions for doubtful debts are based on estimated irrecoverable amounts, determined by reference to past default experience and an assessment of the current economic environment.

Analysis of amounts recognised by the Group

Current	Note	31 March 2017 £m	Restated 31 March 2016 £m
Trade receivables		146.4	136.8
Less: provision for doubtful debts		(1.9)	(2.3)
Net trade receivables	26	144.5	134.5
Prepayments		16.6	21.3
Accrued income	26	198.5	95.3
Amounts owed from joint ventures		0.2	0.7
Tax credits receivable		67.9	65.3
Other receivables		36.7	24.1
Total		**464.4**	341.2

Non-current	Note	31 March 2017 £m	Restated 31 March 2016 £m
Trade receivables		14.2	10.9
Less: provision for doubtful debts		(0.4)	–
Net trade receivables	26	13.8	10.9
Accrued income	26	46.0	35.7
Other receivables		1.1	1.5
Total		**60.9**	48.1

Trade receivables are generally non-interest bearing. The average credit period taken on sales, excluding the effect of acquisitions, is 60 days (2016: 70 days).

Tax credits receivable relate to government assistance in the form of Canadian and US tax credits. During the year £49.7m (2016: £34.4m) in government assistance was received.

As at 31 March 2017 and 2016 current trade receivables are aged as follows:

	31 March 2017 £m	Restated 31 March 2016 £m
Neither impaired nor past due	119.4	110.8
Less than 60 days	11.2	10.7
Between 60 and 90 days	6.2	3.9
More than 90 days	7.7	9.1
Total	**144.5**	134.5

Trade receivables that are past due and not impaired do not have a significant impact on the credit quality of the counterparty. All these amounts are still considered recoverable. The Group does not hold any collateral over these balances.

The movements in the provision for doubtful debts in the years ended 31 March 2017 and 2016 were as follows:

	Year ended 31 March 2017 £m	Year ended 31 March 2016 £m
Balance at 1 April	(2.3)	(2.6)
Provision recognised in the year	(1.7)	(1.0)
Provision reversed in the year	0.8	0.7
Utilisation of provision	1.2	0.7
Exchange differences	(0.3)	(0.1)
Balance at 31 March	**(2.3)**	(2.3)

In determining the recoverability of a trade receivable the Group considers any change to the credit quality of the trade receivable from the date credit was initially granted up to the reporting date.

18. Trade and other receivables continued

Management has credit policies in place and the exposure to credit risk is monitored by individual operating divisions on an ongoing basis. The Group has no significant concentration of credit risk, with exposure spread over a large number of counterparties and customers. Refer to Note 26 for further details.

The table below sets out the ageing of the Group's impaired receivables:

	31 March 2017 £m	31 March 2016 £m
Less than 60 days	–	(0.3)
Between 60 and 90 days	(0.1)	–
More than 90 days	(2.2)	(2.0)
Total	(2.3)	(2.3)

Trade and other receivables are held in the following currencies at 31 March 2017 and 2016. Amounts held in currencies other than pounds sterling have been converted at their respective exchange rates ruling at the balance sheet date.

	Pounds sterling £m	Euros £m	Canadian dollars £m	US dollars £m	Other £m	Total £m
Current	59.0	38.0	137.9	214.2	15.3	464.4
Non-current	6.5	2.8	7.3	44.0	0.3	60.9
At 31 March 2017	65.5	40.8	145.2	258.2	15.6	525.3
Current (restated)	54.2	35.9	122.1	115.5	13.5	341.2
Non-current	9.3	4.2	7.0	27.2	0.4	48.1
At 31 March 2016 (restated)	63.5	40.1	129.1	142.7	13.9	389.3

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

19. Cash and cash equivalents

Accounting policy

Cash and cash equivalents in the consolidated balance sheet comprise cash at bank and in hand. For the purpose of the consolidated cash flow statement, cash and cash equivalents consist of cash and cash equivalents as defined above, net of outstanding bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities on the consolidated balance sheet.

Analysis of amounts recognised by the Group

Production financing facilities are secured by the assets and future revenue of the individual television, family and film production subsidiaries and are non-recourse to other Group companies or assets. Cash held only for production financing relates to monies received for the secured revenues and can only be used for repayment of the specific production financing facility.

Cash and cash equivalents are held in the following currencies at 31 March 2017 and 2016. Amounts held in currencies other than pounds sterling have been converted at their respective exchange rates ruling at the balance sheet date.

	Note	31 March 2017 £m	31 March 2016 £m
Cash and cash equivalents:			
Pounds sterling		13.0	42.8
Euros		9.8	2.7
Canadian dollars		20.0	34.4
US dollars		88.1	25.8
Australian dollars		2.4	2.5
Other		0.1	0.1
Cash and cash equivalents per the consolidated balance sheet	26	133.4	108.3
Held repayable only for production financing		43.7	13.6
Other		89.7	94.7
Cash and cash equivalents		133.4	108.3

The Group had no cash equivalents at either 31 March 2017 or 2016.

20. Trade and other payables

Accounting policy

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

The potential cash payments related to put options issued by the Group over the non-controlling interest of subsidiary companies are accounted for as financial liabilities. The amount that may become payable under the option on exercise is initially recognised on acquisition at present value with a corresponding charge directly to equity. Such options are subsequently measured at amortised cost, using the effective interest rate method, in order to accrete the liability up to the amount payable under the option at the date at which it first becomes exercisable; the charge arising is recorded as a financing cost. In the event that the option expires unexercised, the liability is derecognised with a corresponding adjustment to equity.

Amounts are recognised as non-current when the balance is payable in a period of greater than 12 months from the reporting date.

Analysis of amounts recognised by the Group

Current	Note	31 March 2017 £m	Restated 31 March 2016 £m
Trade payables	26	120.3	117.6
Accruals		325.8	261.1
Deferred income		43.7	39.6
Payable to joint ventures		–	0.1
Contingent consideration payable	26	4.0	3.4
Other payables	26	14.0	13.7
Total		507.8	435.5

Non-current	Note	31 March 2017 £m	Restated 31 March 2016 £m
Deferred income		0.7	0.7
Contingent consideration payable	26	2.0	9.9
Put liabilities on partly owned subsidiaries	26	39.0	30.9
Other payables	26	–	9.6
Total		41.7	51.1

Trade and other payables principally comprise amounts outstanding for trade purchases and ongoing costs. For most suppliers no interest is charged, but for overdue balances interest may be charged at various interest rates.

The movements in contingent consideration payable during the year ended 31 March 2017 were as follows:

	Renegade £m	Sierra Affinity £m	Dualtone £m	Last Gang £m	Force Four £m	Alliance £m	Total £m
At 1 April 2016	7.4	0.2	0.6	1.0	0.7	3.4	13.3
Utilised during the year	–	–	–	–	(0.6)	(3.4)	(4.0)
Reversed during the year	(4.5)	–	–	–	–	–	(4.5)
Exchange differences	1.1	–	0.1	0.1	(0.1)	–	1.2
At 31 March 2017	4.0	0.2	0.7	1.1	–	–	6.0
Expected payment period	2018	2018-19	2019	2019	N/a	N/a	
Total maximum consideration	N/a	4.0	0.8	1.2	N/a	N/a	
Shown in the consolidated balance sheet as:							
Current	4.0	–	–	–	–	–	4.0
Non-current	–	0.2	0.7	1.1	–	–	2.0

The maximum contractual consideration payable is calculated undiscounted and using the foreign exchange rates prevailing as at 31 March 2017. The consideration payable for Renegade is based upon adjusted EBITDA performance to 31 December 2016. Amounts in the range of £3.4m - £4.0m will be payable relating to the acquisition of Renegade due, subject to audit, during the year ended 31 March 2018. The contingent consideration can be settled, at the option of the Group, in cash or in a combination of 60% of such amount in cash and 40% in shares of Entertainment One Ltd.

20. Trade and other payables continued

The movements in put liabilities on partly owned subsidiaries payable during the year ended 31 March 2017 were as follows:

	Total £m
Put liabilities on partly owned subsidiaries at 1 April 2016	30.9
Unwind of discounting	**2.9**
Exchange differences	**5.2**
Put liabilities on partly owned subsidiaries at 31 March 2017	**39.0**

Trade and other payables are held in the following currencies. Amounts held in currencies other than pounds sterling have been converted at their respective exchange rates ruling at the balance sheet date.

	Pounds sterling £m	Euros £m	Canadian dollars £m	US dollars £m	Other £m	Total £m
Current	**81.3**	**18.9**	**109.2**	**291.7**	**6.7**	**507.8**
Non-current	**–**	**–**	**1.6**	**40.0**	**0.1**	**41.7**
At 31 March 2017	**81.3**	**18.9**	**110.8**	**331.7**	**6.8**	**549.5**
Current (restated)	72.0	24.5	165.2	165.2	8.6	435.5
Non-current	–	–	1.8	49.1	0.2	51.1
At 31 March 2016 (restated)	72.0	24.5	167.0	214.3	8.8	486.6

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

21. Provisions

Accounting policy

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, where the obligation can be estimated reliably, and where it is probable that an outflow of economic benefits will be required to settle that obligation. Provisions are measured at the directors' best estimate of the expenditure required to settle the obligation at the balance sheet date, and are discounted to present value where the effect is material. Where discounting is used, the increase in the provision due to unwinding the discount is recognised as a finance expense.

Key source of estimate uncertainty

The Group recognises a provision for an onerous film and television contract when the unavoidable costs of meeting the obligations under the contract exceed the expected benefits to be received under it. The estimate of the amount of the provision requires management to make judgements and assumptions on future cash inflows and outflows and also an assessment of the least cost of exiting the contract. To the extent that events, revenues or costs differ in the future, the carrying amount of provisions may change.

Amounts recognised by the Group

	Onerous contracts £m	Restructuring and redundancy £m	Total £m
At 31 March 2015	2.7	0.4	3.1
Acquisitions of subsidiaries	–	0.7	0.7
Provisions recognised in the year	2.3	3.3	5.6
Utilisation of provisions	(3.4)	(2.1)	(5.5)
Exchange differences	(0.1)	0.2	0.1
At 31 March 2016	1.5	2.5	4.0
Provisions recognised in the year	**1.5**	**33.3**	**34.8**
Provision reversed in the year	**(0.6)**	**–**	**(0.6)**
Utilisation of provisions	**(0.7)**	**(5.7)**	**(6.4)**
Exchange differences	**–**	**0.3**	**0.3**
At 31 March 2017	**1.7**	**30.4**	**32.1**
Shown in the consolidated balance sheet as:			
Non-current	**0.6**	**0.9**	**1.5**
Current	**1.1**	**29.5**	**30.6**

Onerous contracts

Onerous contracts represent provisions in respect of:

- Provisions for onerous leasehold property leases which comprise onerous commitments on leasehold properties that were expected to be utilised over the remaining contract period. These provisions are expected to be utilised within three years from the balance sheet date.
- Provisions for onerous contracts in respect of loss-making film titles are recognised when the unavoidable costs of meeting the obligations under the contract exceed the economic benefits expected to be received under it and the general recognition criteria of IAS 37 *Provisions, contingent liabilities and contingent assets* are met.
- Provisions for onerous contracts in respect of loss-making film titles represent future cash flows relating to film titles which are forecast to make a loss over their remaining lifetime at the balance sheet date. As required by IFRS, before a provision for an onerous film title is recognised, the Group first fully writes down any related assets (generally these are investment in acquired content rights balances). These provisions are expected to be utilised within two years (2016: three years) from the balance sheet date.

Restructuring and redundancy

Restructuring and redundancy provisions represent future cash flows related to the cost of redundancy plans, outplacement, supplementary unemployment benefits and senior staff benefits. Such provisions are only recognised when restructuring or redundancy programmes are formally adopted and announced publicly and the general recognition criteria of IAS 37 *Provisions, contingent liabilities and contingent assets* are met. These provisions are expected to be utilised within two years (2016: one year) from the balance sheet date.

22. Interest-bearing loans and borrowings

Accounting policy

All interest-bearing loans and borrowings are initially recognised at the fair value of the consideration received less directly attributable transaction costs. Gains and losses are recognised in the consolidated income statement when the liabilities are derecognised, as well as through the amortisation process.

Amounts recognised by the Group

The combination of the Group's non-amortising, fixed-rate debt financing and revolving credit facility provides the Group with a long-term capital structure appropriate for its strategic ambitions. In addition, the re-financing permits greater flexibility by relieving constraints and costs the Group historically incurred when undertaking acquisitions and other corporate activity, and allows the Group to react swiftly to commercial opportunities, whilst also removing other restrictions typical of bank loan-based financing structures.

	31 March 2017 £m	31 March 2016 £m
Senior secured notes	285.0	285.0
Deferred finance charges	(8.4)	(9.5)
Other	0.5	–
Total	277.1	275.5
Shown in the consolidated balance sheet as:		
Non-current	276.6	275.5
Current	0.5	–

The weighted average interest rates on all bank borrowings are not materially different from their nominal interest rates. The weighted average interest rate on all interest-bearing loans and borrowings is 6.6% (2016: 5.6%).

Bank borrowings

The Group holds a super senior revolving credit facility (RCF) which matures in December 2020. Any amounts still outstanding at such date must be repaid in full provided that some or all of the lenders under the RCF may elect to extend their commitments subject to terms and conditions to be agreed among the relevant parties.

The RCF is subject to a number of financial covenants including interest cover charge, gross debt against underlying EBITDA and capital expenditure.

At 31 March 2017, the Group had available £116.6m of undrawn committed bank borrowings under the RCF (2016: £106.1m), consisting of funds available in Canadian dollars, euros, pounds sterling and US dollars.

Senior secured notes

The Group has issued £285.0m senior secured notes (Notes) bearing interest at a rate of 6.875% per annum which mature in December 2022.

The Notes are subject to a number of financial covenants including interest cover charge and gross debt against underlying EBITDA.

The Notes are subject to mandatory repayments as follows:

Period	31 March 2017 £m	31 March 2016 £m
Greater than five years	285.0	285.0
Total	**285.0**	285.0

The fair value of the Notes as at 31 March 2017 is £312.4m (2016: £285.0m).

The Notes are secured against the assets of various Group subsidiaries which make up the 'Restricted Group'. Unaudited financial data of the Restricted Group as at 31 March 2017 can be found in the appendix to the consolidated financial statements.

Deferred finance charges

During the prior year ended 31 March 2016 the Group paid £9.9m in respect of fees incurred for the issuance of the Group's Notes and re-financing of the debt facility. The fees were capitalised to the consolidated balance sheet and are amortised on a straight-line basis to the date of expiry. During the year ended 31 March 2017 a further £0.6m of fees were capitalised relating to the financing in the prior year.

Foreign currencies

The carrying amounts of the Group's gross borrowings at 31 March 2017 and 2016 are denominated in the following currencies. Amounts held in currencies other than pounds sterling are converted at their respective exchange rates ruling at the balance sheet date.

	Pounds sterling £m	Canadian dollars £m	Total £m
Senior secured notes	285.0	–	285.0
Other	–	0.5	0.5
At 31 March 2017	**285.0**	**0.5**	**285.5**
Senior secured notes	285.0	–	285.0
At 31 March 2016	285.0	–	285.0

23. Production financing

Accounting policy

Production financing relates to short-term financing for the Group's television, family and film productions. Production financing interest directly attributable to the acquisition or production of a qualifying asset forms part of the cost of that asset and is capitalised.

Amounts recognised by the Group

Production financing is used to fund the Group's television, family and film productions. The financing is arranged on an individual production basis by special purpose production subsidiaries which are excluded from the security of the Group's corporate facility. The production financing facilities are secured by the assets and future revenue of the individual television, family and film production subsidiaries and are non-recourse to other Group companies or assets.

It is short-term financing, typically having a maturity of less than two years, whilst the production is being made and is paid back once the production is delivered and the government subsidies, tax credits, broadcaster pre-sales, international sales and/or home entertainment sales are received. The Company deems this type of financing to be working capital in nature, as it is timing-based and is excluded from net debt. The Company therefore shows the cash flows associated with these activities separately. In connection with the production of a film or television programme, the Group typically records initial cash outflows due to its investment in the production and concurrently record initial positive cash inflow from the production financing it normally obtains.

The Company also believes that higher production financing demonstrates an increase in the success of the Television, Family and Film production businesses, which helps drive revenues for the Group and therefore increases the generation of underlying EBITDA and cash for the Group, which in turn reduces the Group's net debt leverage.

	31 March 2017 £m	31 March 2016 £m
Production financing	190.8	130.6
Other loans	5.2	1.0
Total	**196.0**	131.6
Shown in the consolidated balance sheet as:		
Non-current	91.2	33.6
Current	104.8	98.0

Interest is charged at bank prime rate plus a margin. The weighted average interest rate on all production financing is 3.0% (2016: 3.7%).

The Group has Canadian dollar and US dollar production credit facilities with various banks. Amounts held in currencies other than pounds sterling have been converted at their respective exchange rates ruling at the balance sheet date. The carrying amounts of the Group's production financing are denominated in the following currencies:

	Canadian dollars £m	US dollars £m	Total £m
At 31 March 2017	**66.9**	**129.1**	**196.0**
At 31 March 2016	50.9	80.7	131.6

24. Financial instruments

Accounting policy

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

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

Derivative financial instruments are classified as held-for-trading and recognised in the consolidated balance sheet at fair value. Derivatives designated as hedging instruments are classified on inception as cash flow hedges, net investment hedges or fair value hedges. Changes in the fair value of derivatives designated as cash flow hedges are recognised in equity to the extent that they are deemed effective. Ineffective portions are immediately recognised in the consolidated income statement. When the hedged item affects profit or loss then the amounts deferred in equity are recycled to the consolidated income statement.

Fair value hedges record the change in the fair value in the consolidated income statement, along with the changes in the fair value of the hedged asset or liability. Changes in the fair value of any derivative instruments that do not qualify for hedge accounting are immediately recognised in the consolidated income statement.

Analysis of amounts recognised by the Group

	31 March 2017 £m	31 March 2016 £m
Financial assets		
Derivative financial instruments – foreign exchange forward contracts	9.9	6.3
Available-for-sale financial assets	0.7	2.3
Total	**10.6**	8.6
Financial liabilities		
Derivative financial instruments – foreign exchange forward contracts	(3.4)	(3.1)
Total	**(3.4)**	(3.1)
Net derivative financial instruments	**7.2**	5.5

Foreign exchange forward contracts

The Group uses forward currency contracts to hedge transactional exposures. The majority of these contracts are denominated in the subsidiaries' functional currency and primarily cover minimum guaranteed advances (MG) payments in the US, Canada, the UK, Australia, the Benelux and Spain and hedging of other significant financial assets and liabilities.

At 31 March 2017, the total notional principal amount of outstanding currency contracts was US$220.7m, €51.9m, C$49.2m, A$50.4m, £27.6m and R$1.8m (2016: US$306.9m, €53.1m, C$17.3m, A$32.5m, £1.8m and R$3.4m). The forward currency contracts are all expected to be settled within two years.

The £2.5m loss (2016: £3.0m loss) recognised in other comprehensive income during the period all relates to the effective portion of the revaluation gain or loss associated with these contracts. During the year ended 31 March 2017 there was a gain of £1.0m (2016: £0.6m gain) recycled to the consolidated income statement and a £10.3m loss (2016: £5.4m gain) transferred to the carrying value of hedged assets held on the consolidated balance sheet.

25. Business combinations

Accounting policy

Business combinations are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition-date fair values of assets transferred by the Group, liabilities incurred by the Group to the former owners of the acquiree and the equity interest issued by the Group in exchange for control of the acquiree. Acquisition-related costs are written off in the consolidated income statement as incurred.

Goodwill arising on a business combination is recognised as an asset and initially measured at cost, being the excess of the aggregate of the consideration transferred and the amount recognised for non-controlling interests over the fair value of net identifiable assets acquired (including other intangible assets) and liabilities assumed. If this consideration is lower than the fair value of the net assets of the subsidiary or business acquired, any negative goodwill is recognised immediately in the consolidated income statement.

Any contingent consideration to be transferred by the acquirer is recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration which is deemed to be an asset or liability are recognised either in the consolidated income statement or as a change to the consolidated income statement.

Contingent payments made to selling shareholders, to the extent they are linked to continuing service conditions, are treated as remuneration and expensed within the consolidated income statement. The Group considers such payments to be capital in nature and they are recognised as an adjustment to the Group's underlying EBITDA.

When a business combination is achieved in stages, the Group's previously-held interests in the acquired entity is remeasured to its acquisition date fair value and the resulting gain or loss, if any, is recognised in the consolidated income statement. Amounts arising from interests in the acquiree prior to the acquisition date that have previously been recognised in other comprehensive income are reclassified to the consolidated income statement, where such treatment would be appropriate if that interest were disposed of.

Year ended 31 March 2017

The following table summarises the fair values, as at the acquisition date, of the assets acquired, the liabilities assumed and the total consideration transferred as part of the acquisitions made during the year ended 31 March 2017. Information provided below is calculated based on current information available.

	Note	Sierra Affinity £m	Secret Location £m	Total £m
Acquired intangibles	13	7.7	3.6	11.3
Investment in productions	14	–	0.6	0.6
Property, plant and equipment	15	–	0.2	0.2
Trade and other receivables [1]		16.2	3.2	19.4
Cash and cash equivalents		0.3	–	0.3
Interest-bearing loans and borrowings		–	(2.5)	(2.5)
Trade and other payables		(18.5)	(2.0)	(20.5)
Deferred tax liabilities	9	–	(0.7)	(0.7)
Total net assets acquired		5.7	2.4	8.1
Satisfied by:				
Cash		2.8	–	2.8
Shares in Entertainment One Ltd.		–	4.1	4.1
Contingent consideration		0.5	–	0.5
Assets forgiven		0.1	–	0.1
Total consideration transferred		3.4	4.1	7.5
Add: Fair value of previously held equity interest		2.3	4.1	6.4
Less: Fair value of identifiable net assets of the acquiree		(5.7)	(2.4)	(8.1)
Goodwill	12	–	5.8	5.8

1. The trade and other receivables shown are considered to be at their fair value. No amounts recorded are expected to be uncollectable.

Secret Location

On 28 May 2014, the Group acquired 50% of the share capital of Secret Location, a Canadian digital agency, for cash consideration of C$4.5m. As part of the purchase agreement, put and call options were agreed between the parties after a lock-up period to 2017. On 15 August 2016 the Group entered into an agreement with the other shareholders to waive the lock-up period to enable eOne to exercise its call option. The remaining 50% share capital was purchased for consideration of C$6.9m.

By virtue of the acquisition, the Group has increased its interest in the company from 50% to 100%. The Group previously accounted for the investment in Secret Location as a joint venture under IFRS 11. Following completion Secret Location has become a subsidiary of the Company and its financial statements have been fully consolidated into the Group's consolidated financial statements.

Secret Location contributed £2.3m to the Group's revenue and £0.5m loss to the Group's profit before tax for the period from the date of acquisition on 15 August 2016 to 31 March 2017.

Key terms

The Group purchased the remaining 50% share in Secret Location for consideration of C$6.9m (equivalent of £4.1m), funded through the issue of 1,728,794 common shares in Entertainment One Ltd. settled as at 15 August 2016.

Provisional acquisition accounting

Prior to control being obtained, the investment in the equity interest of Secret Location was accounted for in accordance with IAS 28 *Investments in Associates and Joint Ventures*. eOne held an equity interest previously in Secret Location which qualified as a joint venture under IFRS 11. As part of accounting for the business combination the equity interest is treated as if it were disposed of and re-acquired at fair value on the acquisition date. Accordingly, the 50% equity interest held in Secret Location at book value of £1.8m was re-measured to its acquisition-date fair value of £4.1m, resulting in a £2.3m gain recognised in the consolidated income statement (see Note 6).

Acquired intangibles of £3.6m have been identified which represent the value of technologies in development. The resulting goodwill of £5.8m represents the value placed on the opportunity to grow the content and formats produced by the company. None of the goodwill is expected to be deductible for income tax purposes.

The acquired Secret Location business has been integrated into the Television CGU.

Sierra Affinity

On 22 December 2015 the Group acquired 51% of the share capital of Sierra Pictures, LLC (Sierra Pictures), a leading independent film production and international sales company which aims to consistently deliver high-quality, commercially viable feature films for a global audience. Sierra capitalises on the ever-evolving global film marketplace representing sales of third party films and commercial films designed to appeal to both the North American market as well as top markets internationally.

Sierra Pictures held a 33% interest in Sierra/Affinity, LLC (Sierra Affinity), with the remaining 67% held between two other parties. Sierra Affinity is an LA sales company who acts as the exclusive provider of international sales and other services for motion pictures produced or financed by any of the members of the LLC.

On 30 September 2016, Sierra Pictures purchased the remaining 67% equity interest in Sierra Affinity for total consideration of £3.4m.

Sierra Affinity contributed £47.9m to the Group's revenue and £1.5m to the Group's profit before tax for the period from the date of acquisition on 30 September 2016 to 31 March 2017.

Key terms

Sierra Pictures purchased the remaining 67% share in Sierra Affinity for total consideration of £3.4m consisting of cash consideration of US$3.6m (equivalent of £2.8m), which was settled in full during October/November 2016, contingent consideration of £0.5m representing amounts payable dependent on future sales fees generated by the company on specific titles and £0.1m of assets forgiven relating to trade receivables due to Sierra Pictures from Sierra Affinity which were forgiven as part of the transaction.

Provisional acquisition accounting

Prior to control being obtained, the investment in the equity interest of Sierra Affinity was accounted for as a joint operation under IFRS 11. As part of accounting for the business combination the equity interest is treated as if it were disposed of and re-acquired at fair value on the acquisition date. Accordingly, it is re-measured to its acquisition-date fair value, which is considered to be equal to its carrying amount, and as such no gain or loss was recognised.

Acquired intangibles of £7.8m have been identified which represent the value of the acquired exclusive content agreements.

The acquired Sierra Affinity business has been integrated into the Film CGU.

Other disclosures in respect of business combinations

If the acquisitions of Secret Location and Sierra Affinity had all been completed on 1 April 2016, Group revenue for the year ended 31 March 2017 would have been £1,094.9m and Group adjusted EBITDA would have been £158.7m.

25. Business combinations continued

Year ended 31 March 2016

The opening balance sheets included within the consolidated financial statements as at 31 March 2016 for the acquisitions of Sierra Pictures, LLC and Renegade Entertainment, LLC were based upon provisional information and management's best estimate based upon facts and circumstances then available. The balance sheet as at 31 March 2016 has been restated to reflect adjustments to provisional amounts to reflect new information obtained about facts and circumstances that were in existence at the acquisition date.

The following table summarises the changes made to the fair values of acquired assets and liabilities. Information provided below is calculated based on current information available:

	Previously reported as at 31 March 2016 £m	Restatement to put options accounting £m	Sierra Pictures £m	Renegade £m	Last Gang £m	Restated as at 31 March 2016 £m
Goodwill	353.9	–	(2.5)	8.4	0.5	360.3
Acquired intangibles	320.5	–	7.2	(12.9)	–	314.8
Investment in productions	133.8	–	(2.1)	(4.5)	–	127.2
Trade and other receivables	341.1	–	(0.5)	0.6	–	341.2
Trade and other payables	(439.1)	–	0.2	3.9	(0.5)	(435.5)
Net assets	660.4	–	2.3	(4.5)	–	658.2
Non-controlling interests	41.2	30.9	2.3	(4.5)	–	69.9

Sierra Pictures, LLC

Update to provisional acquisition accounting

Sierra Pictures' opening balance sheet included within the consolidated financial statements as at 31 March 2016 was based upon provisional information and management's best estimate based upon facts and circumstances available at that date. The balance sheet as at 31 March 2016 has been restated to reflect adjustments to provisional amounts based on new information obtained about facts and circumstances that were in existence at the acquisition date.

Acquired intangibles have increased by £7.2m and goodwill has decreased by £2.5m from the provisional amounts disclosed within the consolidated financial statements as at 31 March 2016 (restated balances of £15.3m and £3.0m respectively) based upon the final purchase price allocation valuation exercise.

The final acquired intangibles of £15.3m represent two identified intangibles: £12.8m representing acquired content, and £2.5m representing Sierra Pictures' share of jointly held assets through its 33% interest in Sierra/Affinity, LLC. The resultant goodwill represents the value placed on the opportunity to grow the content and formats produced by the company. All the goodwill is expected to be tax deductible for income tax purposes.

Investment in productions has decreased by £2.1m from the provisional amounts disclosed within the consolidated financial statements as at 31 March 2016 (restated balance of £42.8m) to reflect the fair value of capitalised film investment in productions.

Renegade Entertainment, LLC

On 24 March 2016 the Group acquired a 65% controlling stake in Renegade Entertainment, LLC (Renegade 83), a television production company. Based in Los Angeles, Renegade 83 is a fast-growing and successful non-scripted television production company delivering multiple hit shows including *Naked and Afraid*, *Naked and Afraid XL*, *Fit to Fat*, *The 4400*, *The Kennedy Detail* and *Blind Date*.

Update to provisional acquisition accounting

Renegade 83's opening balance sheet included within the consolidated financial statements as at 31 March 2016 was based upon provisional information and management's best estimate based upon facts and circumstances available at that date. The balance sheet as at 31 March 2016 has been restated to reflect adjustments to provisional amounts to reflect new information obtained about facts and circumstances that were in existence at the acquisition date.

Acquired intangibles have decreased by £12.9m and goodwill has increased by £8.4m from the provisional amounts disclosed within the consolidated financial statements as at 31 March 2016 (restated balances of £2.7m and £21.0m respectively) based upon the final purchase price allocation valuation exercise.

The final acquired intangibles of £2.7m represent the value of television show concepts and back end royalties following the end of a series production. The resultant goodwill represents the value placed on the opportunity to grow the content and formats produced by the company. All the goodwill is expected to be tax deductible for income tax purposes.

Investment in productions have decreased by £4.5m, trade and other receivables have increased by £0.6m and trade and other payables have decreased by £3.9m from the provisional amounts disclosed within the consolidated financial statements as at 31 March 2016 (restated balances of £9.8m, £1.4m and £12.4m, respectively). These balance sheet movements represent the alignment of Renegade 83's financial statements to the Group's accounting policies.

At 31 March 2016 a liability of £7.4m was recorded in the consolidated balance sheet representing the contingent consideration expected to be transferred in the future. At 31 March 2017 this liability, which had increased due to changes in foreign exchange rates, was re-assessed and reduced to £4.0m, resulting in a £4.1m credit to the consolidated profit and loss account.

26. Financial risk management

The Group's overall risk management programme seeks to minimise potential adverse effects on its financial performance and focuses on mitigation of the unpredictability of financial markets as they affect the Group.

The Group's activities expose it to certain financial risks including interest rate risk, foreign currency risk, credit risk and liquidity risk. These risks are managed by the Chief Financial Officer under policies approved by the Board, which are summarised below.

Interest rate risk management

When the Group is exposed to fluctuating interest rates the Group considers whether to fix portions of debt using interest rate swaps, in order to optimise net finance costs and reduce excessive volatility in reported earnings. Requirements for interest rate hedging activities are monitored on a regular basis.

Interest rate sensitivity

The Group holds £285.0m in aggregate principal amount of 6.875% senior secured notes (Notes), due December 2022, and a super senior revolving credit facility (RCF), which matures in December 2020. The net proceeds from the Notes were primarily used to repay the Company's previous credit facilities in full, and pay fees and expenses related to the Notes and the RCF.

At year end the Group held no floating rate loans and borrowings.

Foreign currency risk management

The Group is exposed to exchange rate fluctuations because it undertakes transactions denominated in foreign currency and it is exposed to foreign currency translation risk through its investment in overseas subsidiaries.

The Group manages transactions with foreign exchange exposures by undertaking foreign currency hedging using forward foreign exchange contracts for significant transactions (principally minimum guaranteed advanced payments). The implementation of these forward contracts is based on highly probable forecast transactions and qualifies for cash flow hedge accounting. The Group further manages its exposure to fair value movements on foreign currency assets and liabilities through using forward foreign exchange contracts for significant exposures.

The majority of the Group's operations are domestic within their country of operation. The Group seeks to create a natural hedge of this exposure through its policy of aligning approximately the currency composition of its net borrowings with its forecast operating cash flows.

Foreign exchange rate sensitivity

The following table illustrates the Group's sensitivity to foreign exchange rates on its derivative financial instruments. Sensitivity is calculated on financial instruments at 31 March 2017 denominated in non-functional currencies for all operating units within the Group. The sensitivity analysis includes only outstanding foreign currency denominated monetary items including external loans. The percentage movement applied to each currency is based on management's measurement of foreign exchange rate risk.

Percentage movement	31 March 2017 Impact on consolidated income statement +/- £m	31 March 2016 Impact on consolidated income statement +/- £m
10% appreciation of the US dollar	8.8	0.8
10% appreciation of the Canadian dollar	(0.6)	(0.9)
10% appreciation of the euro	0.9	1.2
10% appreciation of the Australian dollar	0.3	0.9

26. Financial risk management continued

Credit risk management

Credit risk arises from cash and cash equivalents, deposits with banks and financial institutions, as well as credit exposures to customers, including outstanding receivables and committed transactions. The Group manages credit risk on cash and deposits by entering into financial instruments only with highly credit-rated, authorised counterparties which are reviewed and approved regularly by management. Counterparties' positions are monitored on a regular basis to ensure that they are within the approved limits and there are no significant concentrations of credit risk. Trade receivables consist of a large number of customers spread across diverse geographical areas. Ongoing credit evaluation is performed on the financial condition of counterparties.

As at 31 March 2017 the Group had two (2016: three) customers that owed the Group more than 5% of the Group's total amounts receivable which accounted for approximately 35% (2016: 30%) of the total amounts receivable.

The Group considers its maximum exposure to credit risk as follows:

	Note	31 March 2017 £m	Restated 31 March 2016 £m
Cash and cash equivalents	19	**133.4**	108.3
Net trade receivables	18	**158.3**	145.4
Accrued income	18	**244.5**	131.0
Total		**536.2**	384.7

Liquidity risk management

The Group maintains an appropriate liquidity risk management position by having sufficient cash and availability of funding through an adequate amount of committed credit facilities. Management continuously monitors rolling forecasts of the Group's liquidity reserve on the basis of expected cash flows in the short, medium and long-term. At 31 March 2017, the undrawn committed borrowings under the RCF are equivalent to £116.6m (2016: £106.1m). The facility was entered into in December 2015 (see Note 22) and matures in 2020.

Analysis of the maturity profile of the Group's financial liabilities including interest payments, which will be settled on a net basis at the balance sheet date, is shown below:

Amount due for settlement at 31 March 2017	Trade and other payables £m	Interest-bearing loans and borrowings [1] £m	Production financing £m	Total £m
Within one year	**138.3**	**20.1**	**104.8**	**263.2**
One to two years	**–**	**19.6**	**91.2**	**110.8**
Two to five years	**2.0**	**58.8**	**–**	**60.8**
After five years	**–**	**304.6**	**–**	**304.6**
Total	**140.3**	**403.1**	**196.0**	**739.4**
Amount due for settlement at 31 March 2016				
Within one year (restated)	134.7	19.6	98.0	252.3
One to two years	19.5	19.6	33.6	72.7
Two to five years	–	58.8	–	58.8
After five years	–	324.2	–	324.2
Total (restated)	154.2	422.2	131.6	708.0

1. Amounts for interest-bearing loans and borrowings include interest payments.

Capital risk management

The Group manages its capital to ensure that entities in the Group will be able to continue as going concerns while maximising the return to shareholders through the optimisation of the debt and equity balance. The Group's overall strategy remains unchanged from the year ended 31 March 2016.

The capital structure of the Group consists of net debt, being the interest bearing loans and borrowings disclosed in Note 22 after deducting cash and bank balances which are not held repayable only for production financing (disclosed in Note 19), and equity of the Group (comprising issued capital, reserves, retained earnings and non-controlling interests as disclosed in Note 30).

The Group's objectives when managing capital are to safeguard its ability to continue as a going concern in order to grow the business, provide returns for shareholders, provide benefits for other stakeholders and optimise the weighted average cost of capital and optimise efficiencies.

The objectives are subject to maintaining sufficient financial flexibility to undertake its investment plans. There are no externally imposed capital requirements. The management of the Group's capital is performed by the Board. In order to maintain or adjust the capital structure, the Group may issue new shares or sell assets to reduce debt.

Financial instruments at fair value

Under IFRS, fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

Level 1	Fair value measurements are derived from unadjusted quoted prices in active markets for identical assets or liabilities.
Level 2	Fair value measurements are derived from inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly (as prices) or indirectly (derived from prices).
Level 3	Fair value measurements are derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data.

At 31 March 2017, the Group had the following derivative financial instrument assets and liabilities grouped into Level 2:

	Note	31 March 2017 £m	31 March 2016 £m
Derivative financial instrument assets	24	**9.9**	6.3
Derivative financial instrument liabilities	24	**(3.4)**	(3.1)
Available-for-sale financial assets	24	**–**	2.3

At 31 March 2017, the Group had the following derivative financial instrument assets and liabilities grouped into Level 3:

	Note	31 March 2017 £m	31 March 2016 £m
Put liabilities on partly-owned subsidiaries	20	**39.0**	30.9
Contingent consideration payable	20	**6.0**	13.3
Available-for-sale financial assets	24	**0.7**	–

Some of the Group's financial assets and financial liabilities are measured at fair value at the end of each reporting period. The following table gives information about how the fair values of these financial assets and financial liabilities are determined.

26. Financial risk management continued

	Valuation technique and key inputs	Significant unobservable inputs	Relationship of unobservable inputs to fair value
Level 2: Derivative financial instruments	Discounted cash flow – future cash flows are estimated based on forward exchange rates (from observable forward exchange rates at the end of the reporting period) and contract forward rates, discounted at a rate that reflects the credit risk of various counterparties.	N/a	N/a
Level 3: Put liabilities on partly-owned subsidiaries	Income approach – in this approach, the discounted cash flow method was used to capture the present value of the expected future economic benefits to be derived from the ownership of these investees. The expected cash flow is based on the Group's Board-approved budget and plans adopted for the three years to 31 March 2020 and a long-term growth rate for subsequent periods.	The value of the put and call options are dependent on future performance of the business. Long-term EBITDA growth rates, taking into account management's experience and knowledge of market conditions of the specific industries.	An EBITDA multiple is derived dependant on the compound annual growth rate during the option period. The higher the EBITDA growth rate, the higher the fair value. If the EBITDA growth was 5% higher or lower while all other variables were held constant, the carrying amount would increase by £3.6m and decrease by £9.2m respectively.
Level 3: Contingent consideration payable	Income approach – in this approach, the discounted cash flow method was used to capture the present value of the expected future economic benefits to be derived from the ownership of these investees. The expected cash flow is based on the Group's Board-approved budget and plans adopted for the applicable period.	The value of the contingent consideration is dependent on future performance of the business. EBITDA for a period of up to two years is used taking into account management's experience and knowledge of market conditions of the specific industries.	The higher the EBITDA growth rate, the higher the value of contingent consideration payable. The consideration payable for Renegade is based upon adjusted EBITDA performance to 31 December 2016. Amounts in the range of £3.4m - £4.0m will be payable, subject to audit. The amounts payable under the other contingent consideration relationships is capped at £6.0m.
Level 3: Available-for-sale financial assets	Income approach – in this approach, the discounted cash flow method was used to capture the present value of the expected future economic benefits to be derived from the ownership of these investees.	Long-term performance of the available-for-sale investments, taking into account management's experience and knowledge of market conditions of the specific industries.	The greater the cash generation of the investment over time, the higher the fair value.

27. Subsidiaries

The Group's principal wholly-owned subsidiary undertakings are as follows:

Name	Country of incorporation	Principal activity
Entertainment One Films Canada Inc.	Canada	Content ownership and distribution
Entertainment One Limited Partnership	Canada	Content ownership and distribution
Entertainment One Television International Ltd.	Canada	Sales and distribution of films and television programmes
Entertainment One Television Productions Ltd.	Canada	Production of television programmes
Videoglobe 1 Inc.	Canada	Content distribution
Entertainment One UK Limited	England and Wales	Content ownership
Alliance Films (UK) Limited	England and Wales	Content ownership
Entertainment One UK Holdings Limited	England and Wales	Holding company
Entertainment One US LP	US	Content ownership and distribution
Entertainment One Television USA Inc.	US	Sales and distribution of films and television programmes

All of the above subsidiary undertakings are 100% owned and are owned through intermediate holding companies. The proportion held is equivalent to the percentage of voting rights held.

All of the above subsidiary undertakings have been consolidated in the consolidated financial statements under the acquisition method of accounting.

28. Interests in joint ventures

Accounting policy

A joint venture is a type of joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint venture. Joint control is the contractually agreed sharing of control of the arrangement, which exists only when decisions about the relevant activities require unanimous consent of the parties sharing control.

The Group's interests in its joint ventures are accounted for using the equity method. The investment is initially recognised at cost and is subsequently adjusted to recognise changes in the Group's share of net assets of the associate or joint venture since the acquisition date. The share of results of its joint ventures are shown within single line items in the consolidated balance sheet and consolidated income statement, respectively.

The financial statements of the Group's joint ventures are generally prepared for the same reporting period as the Group. Where necessary, adjustments are made to bring the accounting policies in line with those of the Group.

Year ended 31 March 2017

Details of the Group's joint ventures at 31 March 2017 are as follows:

Name	Country of incorporation	Proportion held	Principal activity
Suite Distribution Ltd	England and Wales	50%	Production of films
Squid Distribution, LLC	US	50%	Production of films
Automatik Entertainment, LLC	US	40%	Film development
The Girlaxy, LLC	US	50%	Content ownership and distribution
LVK Distribution Limited	England and Wales	50%	Dormant company
Eat St. Digital Inc	Canada	50%	Production of television programmes
Creative England-Entertainment One Global Television Initiative Limited	England and Wales	50%	Development of television shows

Contractual arrangements establish joint control over each joint venture listed above. No single venturer is in a position to control the activity unilaterally.

28. Interests in joint ventures continued

The movements in the carrying amount of interests in joint ventures in the years ended 31 March 2017 and 2016 were as follows:

	31 March 2017		31 March 2016	
	MGC £m	Other £m	MGC £m	Other £m
Carrying amount of interests in joint ventures	–	3.2	87.8	3.2
Transfer from joint venture to fully consolidated subsidiary	–	(1.8)	(89.9)	–
Acquisition related costs	–	–	(1.0)	–
Group's share of results of joint ventures for the year	–	(0.7)	3.1	0.3
Dividends received from joint ventures	–	–	–	(0.2)
Foreign exchange	–	0.4	–	(0.1)
Carrying amount of interests in joint ventures	–	1.1	–	3.2

The transfer from joint venture to fully consolidated subsidiary during the year ended 31 March 2017 relates to the carrying value of equity in Secret Location on acquisition of the remaining 50% of the share capital on 15 August 2016 to fully consolidate Secret Location into the Group's consolidated financial statements. See Note 25 for further details.

The transfer from joint venture to fully consolidated subsidiary during the year ended 31 March 2016 relates to the carrying value of equity in MGC on amendment of the accounting treatment on 19 May 2015 to fully consolidate MGC into the Group's consolidated financial statements.

The Group's share of results of joint ventures for the year of £0.7m loss (2016: £3.4m gain) includes a charge of £nil (2016: £1.6m charge) relating to the Group's share of tax, finance costs and depreciation.

The following presents, on a condensed basis, the effects of including joint ventures in the consolidated financial statements using the equity method. Each joint venture in the other category is considered individually immaterial to the Group's consolidated financial statements.

	Year ended 31 March 2017	Year ended 31 March 2016		
	Other £m	MGC £m	Other £m	Total £m
Revenue	3.2	9.3	5.0	14.3
(Loss)/profit for the year	(1.1)	6.2	0.6	6.8
(Loss)/profit attributable to the Group	(0.7)	3.1	0.3	3.4
Dividends received from interests in joint ventures	–	–	0.2	0.2

As a result of the purchase of the remaining 50% of Secret Location, Secret Location has been fully consolidated into the Group's consolidated financial statements as a subsidiary from 15 August 2016 going forward and as a result Secret Location is not presented in the table below.

	31 March 2017 £m	31 March 2016 £m
Non-current assets	2.4	1.5
Current assets (including £0.3m (2016: £0.2m) of cash and cash equivalents)	2.1	6.9
Non-current liabilities	(0.7)	–
Current liabilities	(1.8)	(5.8)
Net assets of other joint ventures	2.0	2.6

29. Interests in partly-owned subsidiaries

Accounting policy

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries (the Group). Control of the Group's subsidiaries is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee.

The financial statements of the subsidiaries are generally prepared for the same reporting periods as the parent company, using consistent accounting policies. Subsidiaries are fully consolidated from the date of acquisition and continue to be consolidated until the date of disposal or at the point in the future in which the Group ceases to have control of the entity. All intra-group balances, transactions, income and expenses, and unrealised profits and losses resulting from intra-group transactions that are recognised in assets, are eliminated in full.

Significant judgements

In the process of applying the Group's accounting policies, the Group is required to make a judgement as to whether the Group controls each non-wholly owned company. The Group assessed whether or not the Group has control based on whether the Group has the practical ability to direct the relevant activities of the company. In making their judgement, the directors considered the substantive rights held over the direction of the relevant activities. To account for the company as a subsidiary the directors have concluded that the Group has sufficient substantive rights to direct the relevant activities of the company that most affect the company's returns.

Principal subsidiaries with non-controlling interests

The Group's principal subsidiaries that have non-controlling interests are provided below:

Name	Country of incorporation	Proportion held	Principal activity
Astley Baker Davies Limited	England and Wales	70%	Ownership of IP
Renegade Entertainment, LLC	US	65%	Production of television programmes
Insomnia VR Productions Inc	Canada	50%	Ownership of IP
The Mark Gordon Company group companies			
Deluxe Pictures (dba The Mark Gordon Company)	US	51%	Production of films and television programmes
MG's Game Inc	US	51%	Production of films
Molly's Movie Inc	US	51%	Production of films
Warm Cases Financing, LLC	US	51%	Production of films
Designated 1 Financing, LLC	US	51%	Production of television programmes
Sierra Pictures group companies			
Sierra Pictures, LLC	US	51%	Production and international sales of films
999 Holdings, LLC	US	51%	Production of films
999 NY Productions, Corp	US	51%	Production of films
999 Productions, LLC	US	51%	Production of films
Blunderer Holdings, LLC	US	51%	Production of films
Blunderer NY Productions, Corp	US	51%	Production of films
Blunderer Productions, LLC	US	51%	Production of films
Coldest City Productions, LLC	US	51%	Production of films
Coldest City, LLC	US	51%	Production of films
LCOZ Holdings, LLC	US	51%	Production of films
LCOZ NY Productions, Corp	US	51%	Production of films
LCOZ Productions Limited	England and Wales	51%	Production of films
Osprey Distribution, LLC	US	51%	Production of films
PPZ Holdings, LLC	US	51%	Production of films
PPZ NY Productions, Corp	US	51%	Production of films
PPZ Productions Canada Ltd.	Canada	51%	Production of films
PPZ Productions Limited	England and Wales	51%	Production of films
Sierra Pictures Development, LLC	US	51%	Production of films
Sierra/Engine Television, LLC	US	51%	Production of films
Sierra/Affinity, LLC	US	51%	International sales of films

29. Interests in partly-owned subsidiaries continued

Name	Country of incorporation	Proportion held	Principal activity
Television production companies			
Westventures IV Productions Ltd. *	Canada	50%	Production of television programmes
She-Wolf Season 2 Productions Inc *	Canada	51%	Production of television programmes
She-Wolf Season 3 Productions Inc *	Canada	51%	Production of television programmes
JCardinal Productions Inc *	Canada	50%	Production of television programmes
Cardinal Blackfly Productions Inc *	Canada	51%	Production of television programmes
Oasis Shaftesbury Releasing Inc *	Canada	50%	Production of television programmes
Bon Productions (NS) Inc *	Canada	49%	Production of television programmes
Da Vinci Releasing Inc *	Canada	49%	Production of television programmes
Hope Zee One Inc *	Canada	49%	Production of television programmes
Hope Zee Two Inc *	Canada	49%	Production of television programmes
Hope Zee Three Inc *	Canada	51%	Production of television programmes
Hope Zee Four Inc *	Canada	51%	Production of television programmes
HOW S3 Productions Inc *	Canada	49%	Production of television programmes
HOW S4 Productions Inc *	Canada	49%	Production of television programmes
HOW S5 Productions Inc *	Canada	49%	Production of television programmes
Klondike Alberta Productions Inc *	Canada	49%	Production of television programmes
Amaze Film + Televisions Inc *	Canada	33%	Production of television programmes
iThentic Canada Inc *	Canada	33%	Production of television programmes
FD Media 2 Inc *	Canada	50%	Production of television programmes
FD Media Inc *	Canada	50%	Production of television programmes
The Shopping Bags Media Inc *	Canada	50%	Production of television programmes
Seedling Productions 2 Inc *	Canada	49%	Production of television programmes
Union Station Media, LLC *	US	50%	Production of television programmes

* These production companies within the Television Division have been classified as fully consolidated subsidiaries based on an assessment that, under IFRS 10, the Group has power and control over the activities of the companies. Through these companies, the Group produces or co-produces television programmes. These production companies are structured in such a way that the Group retains the risks and rewards of ownership and has the ability to vary the return it receives from the production company. At the end of the co-production, the production company has zero or minimal net income and zero or minimal tax and other obligations. As such the directors do not consider the production companies to have a material effect on the consolidated financial statements. The impact of the non-controlling interests on the consolidated income statement for the year ended 31 March 2017 for these entities is £nil (31 March 2016: £0.2m loss).

The following presents, on a condensed basis, the effects of including other partly-owned subsidiaries in the consolidated financial statements for the years ended 31 March 2017 and 31 March 2016:

Year ended 31 March 2017	Astley Baker Davies Limited £m	The Mark Gordon Company £m	Sierra Pictures £m	Renegade 83 £m
Revenue	18.0	119.9	91.6	28.6
Profit for the year	6.9	14.2	2.8	3.2
Profit attributable to the Group	4.8	7.2	1.4	2.1
Dividends paid to non-controlling interests	2.7	–	0.5	–
Non-current assets	150.2	96.7	22.7	8.4
Current assets	12.3	106.4	34.3	6.2
Non-current liabilities	(25.5)	(84.4)	–	–
Current liabilities	(2.9)	(49.6)	(38.9)	(7.0)
Net assets of partly owned subsidiaries	134.1	69.1	18.1	7.6

Year ended 31 March 2016	Astley Baker Davies Limited £m	The Mark Gordon Company £m	Restated Sierra Pictures £m	Restated Renegade 83 £m
Revenue	12.8	14.6	20.2	–
Profit for the period from acquisition to 31 March 2016	6.5	2.9	1.3	–
Profit attributable to the Group	4.5	1.5	0.7	–
Dividends paid to non-controlling interests	0.8	–	–	–
Non-current assets	157.1	55.3	48.7	12.5
Current assets	10.2	15.7	16.3	3.2
Non-current liabilities	(28.8)	(19.3)	–	–
Current liabilities	(2.2)	(4.3)	(51.3)	(12.4)
Net assets of partly owned subsidiaries	136.3	47.4	13.7	3.3

30. Stated capital, own shares and other reserves

Accounting policy

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Company are recorded at the proceeds received, net of direct issue costs.

Own shares

The Entertainment One Ltd. shares held by the Trustees of the Company's Employee Benefit Trust (EBT) are classified in total equity as own shares and are recognised at cost. Consideration received for the sale of such shares is also recognised in equity, with any difference between the proceeds from sale and the original cost being taken to reserves. No gain or loss is recognised on the purchase, sale, issue or cancellation of equity shares.

Analysis of amounts recognised by the Group

Stated capital

	Year ended 31 March 2017		Year ended 31 March 2016	
	Number of shares '000	Value £m	Number of shares '000	Value £m
Balance at 1 April	**427,343**	**500.0**	295,682	305.5
Shares issued on exercise of share options	**575**	**1.2**	185	–
Shares issued as part-consideration for acquisitions	**1,729**	**4.1**	–	–
Shares issued as part of rights issue	**–**	**–**	131,476	194.5
Balance at 31 March	**429,647**	**505.3**	427,343	500.0

At 31 March 2017 and 31 March 2016 the Company had common shares only.

During the years ended 31 March 2017 and 31 March 2016, the Group issued the following stated capital:

- 574,921 common shares (2016: 185,044) were issued to employees (or former employees) exercising share options granted under the Long Term Incentive Plan (see Note 31). The total consideration received by the Company on the exercise of these options was £nil (2016: less than £0.1m).
- 1,728,794 common shares (equivalent to £4.1m) were issued as at 15 August 2016 as consideration for the purchase of the remaining 50% share in Secret Location. Further details of these acquisitions are set out in Note 25.
- On 20 October 2015, to fund the acquisition (and associated acquisition costs) of Astley Baker Davies Limited, the Group completed a fully underwritten 4 for 9 rights issue of 131,476,173 new common shares at 153.0 pence per new common share. Net of expenses, the total amount raised was £194.5m. The fees in relation to the equity raise of £6.7m have been capitalised to equity.

In total, the net proceeds received by the Company during the year on the issue of new common shares was £nil (2016: £194.5m).

Subsequent to these transactions, and at the date of authorisation of these consolidated financial statements, the Company's stated capital comprised 429,646,877 common shares (2016: 427,343,162).

30. Stated capital, own shares and other reserves continued

Own shares

At 31 March 2017, 1,599,674 common shares (2016: 3,910,328 common shares) were held as own shares by the Employee Benefit Trust (EBT) to satisfy the exercise of future options under the Group's share option schemes (see Note 31 for further details). The book value of own shares at 31 March 2017 was £1.5m (2016: £3.6m).

During the year ended 31 March 2017, 2,310,654 shares (2016: nil) were issued to employees (or former employees) exercising share options granted under the Long Term Incentive Plan (see Note 31). The total consideration received by the Company on the exercise of these options was £nil.

Other reserves

Other reserves comprise the following:

- a cash flow hedging reserve at 31 March 2017 of debit balance £1.1m (2016: credit balance of £1.4m).
- a permanent restructuring reserve of £9.3m at 31 March 2017 and 2016 which arose on completion of the Scheme of Arrangement in 2010 and represents the difference between the net assets and share capital and share premium in the ultimate parent company immediately prior to the Scheme.
- put options over non-controlling interests of subsidiaries reserve which represents the potential cash payments related to put options issued by the Group over the non-controlling interest of subsidiary companies and are accounted for as financial liabilities. The amount that may become payable under the option on exercise is initially recognised on acquisition at present value within other payables with a corresponding charge directly to equity.

31. Share-based payments

Accounting policy

The Group issues equity-settled share-based payments to certain employees. Equity-settled share-based payments are measured at fair value at the date of grant of equity-settled share-based payments. The fair value is expensed on a straight-line basis over the vesting period, based on the Group's estimate of shares that will eventually vest. Fair value is measured by means of a binomial or monte carlo valuation model with the assistance of external advisers. The expected life used in the model has been adjusted, based on management's best estimate, for the effect of non-transferability, exercise restrictions and behavioural considerations.

Key area of estimation uncertainty

The charge for share-based payments is determined based on the fair value of awards at the date of grant by use of models which requires judgements to be made regarding expected volatility, dividend yield, risk free rates of return and expected option lives. The list of inputs used in the binomial model to calculate the fair values is provided below.

Equity-settled share schemes

At 31 March 2017, the Group had four equity-settled share-based payment schemes approved for its employees (including the executive directors). These are the Long Term Incentive Plan (LTIP), the Executive Share Plan (ESP), the Executive Incentive Scheme (EIS) and the Employee Save-As-You-Earn scheme (SAYE).

The ESP is now closed and no further awards will be made from the scheme. The EIS was approved at the Group's AGM on 16 September 2015. No awards have been granted during the year under the EIS.

The total charge in the year relating to the Group's equity-settled schemes was £5.0m (2016: £4.1m), inclusive of a charge of £0.1m (2016: credit of £0.1m) relating to movements in associated social security liabilities.

Long Term Incentive Plan (LTIP)

On 28 June 2013, an LTIP for the benefit of employees (including executive directors) of the Group was approved by the Company's shareholders. A summary of the arrangements is set out below:

Nature	Grant of nil cost options
Performance period	Up to five years
Performance conditions (examples of existing performance conditions shown)	(i) Annualised adjusted fully diluted earnings per share growth over the performance period, average return on capital employed over the performance period and total shareholder return over the performance period; (ii) 50% vesting over the three-year performance period and 50% vesting dependent on performance against annual Group underlying EBITDA targets; (iii) Pre-determined share price growth targets; (iv) Time only.
Maximum term	10 years

During the year, grants were made under the LTIP. The fair value of each grant was measured at the date of grant using either a binomial model or a monte carlo model.

The assumptions used in the model were as follows:

Grant date	Fair value at measurement date (pence)	Number of options granted	Performance period (period ending)	Share price on date of grant (pence)	Exercise price	Expected volatility	Expected life	Dividend yield	Risk free interest rate
24 May 2016	174.6	745,000	May 2019	178.2	Nil	n/a	10 years	0.8%	0.9%
24 May 2016	66.5	750,000	Apr 2020	178.2	Nil	26%	5 years	0.8%	0.9%
15 August 2016	196.0	150,001	May 2019	255.0	Nil	n/a	10 years	0.8%	0.9%
15 August 2016	197.0	120,000	Aug 2021	255.0	Nil	n/a	10 years	0.8%	0.9%
Other ad-hoc grants [1]	196.0	111,000	May 2019	199.9	Nil	n/a	10 years	0.8%	0.9%

1. The options were granted on various days between 4 April 2016 and 14 November 2016. The information presented has been calculated using the weighted average for the individual grants.

The expected volatility is based on the Company's share price from the period since trading first began, adjusted where appropriate for unusual volatility. Actual future dividend yields may be different from the assumptions made in the above valuations. Details of share option movements during the year are as follows:

	2017 Number Million	2017 Weighted average exercise price Pence	2016 Number Million	2016 Weighted average exercise price Pence
Outstanding at 1 April	11.4	–	4.0	–
Exercised	(2.9)	–	–	–
Granted	1.9	–	6.8	–
Granted (rights issue uplift)	–	–	0.8	–
Forfeited	(0.4)	–	(0.2)	–
Lapsed	(1.6)	–	–	–
Outstanding at 31 March	8.4	–	11.4	–
Exercisable	1.5	–	–	–

The weighted average contractual life remaining of the LTIP options in existence at the end of the year was 6.7 years (2016: 7.4 years).

Employee Save-As-You-Earn scheme (SAYE)

On 30 September 2016, an SAYE for the benefit of employees (including executive directors) of the Group was approved by the Company's shareholders. Employees make a monthly contribution, depending on jurisdiction, for up to three years. At the end of the savings period the employee has the opportunity to retain their savings, in cash, or to buy shares in eOne at a price fixed at the date of grant. A summary of the arrangement is set out below:

Nature	Grant of options, with an exercise price of 151.9 pence
Performance period	Up to three years
Performance conditions	100% of the options vest on the completion of three years' service in every territory with the exception of the US which vest on the completion of two years' service.
Maximum term	Three years. The options expire six months after vesting.

During the year, grants were made under the SAYE. The fair value of each grant was measured at the date of grant using either a binomial model or a monte carlo model. The assumptions used in the model were as follows:

Grant date	Fair value at measurement date (pence)	Number of options granted	Performance period (period ending)	Share price on date of grant (pence)	Exercise price	Expected volatility	Expected life	Dividend yield	Risk free interest rate
28 April 2016	54.8	2,068,452	April 2019	193.5	151.9	n/a	3 years	0.8%	0.97%
28 April 2016	50.7	127,562	April 2018	193.5	151.9	n/a	2 years	0.8%	0.97%

The expected volatility is based on the Company's share price from the period since trading first began, adjusted where appropriate for unusual volatility. Actual future dividend yields may be different from the assumptions made in the above valuations.

31. Share-based payments continued

Details of share option movements for the year are as follows:

	2017 Number Million	2017 Weighted average exercise price Pence
Outstanding at 1 April	–	–
Granted	(2.2)	151.9
Exercised	–	–
Forfeited	–	–
Outstanding at 31 March	(2.2)	151.9
Exercisable	–	–

The weighted average contractual life remaining of the SAYE options in existence at the end of the year was 2.1 years.

32. Commitments and contingencies

Accounting policy

The determination of whether an arrangement is, or contains, a lease is based on the substance of the arrangement at inception date, whether fulfilment of the arrangement is dependent on the use of a specific asset or assets or the arrangement conveys a right to use the asset, even if that right is not explicitly specified in an arrangement. Rentals payable under operating leases are charged to the consolidated income statement on a straight-line basis over the lease term.

Operating lease commitments

The Group operates from properties in respect of which commercial operating leases have been entered into.

At the balance sheet date, the Group had outstanding commitments for future minimum lease payments under non-cancellable operating leases, which fall due as follows:

	31 March 2017 £m	31 March 2016 £m
Within one year	9.6	10.2
Later than one year and less than five years	17.9	21.9
After five years	28.9	29.0
Total	56.4	61.1

Future commitments

	31 March 2017 £m	31 March 2016 £m
Investment in acquired content rights contracted for but not provided	190.3	254.2

Contingent liabilities

The Group holds an option to purchase the remaining 49% stake in The Mark Gordon Company after an initial seven-year term, the value of which is to be based upon a commercially negotiated price at the time of purchase. No liability has been recorded within the consolidated financial statements of the Group, as the decision to exercise the option will be determined by the commercial viability at the time and therefore the probability of a payment being made is not known at the balance sheet date.

33. Related party transactions

Transactions between the Company and its subsidiaries, which are related parties, have been eliminated on consolidation and are not disclosed in this Note.

Canada Pension Plan Investment Board (CPPIB) held 84,597,069 common shares in the Company at 31 March 2017 (2016: 84,597,069), amounting to 19.69% (2016: 19.80%) of the issued capital of the Company. CPPIB is deemed to be a related party of Entertainment One Ltd. by virtue of this significant shareholding. The Group pays CPPIB an annual fee equivalent to the annual fee paid by the Group to its other non-executive directors in consideration for CPPIB allowing Scott Lawrence to allocate time to his role as a non-executive director of the Company. The fee payable to CPPIB in respect of Scott Lawrence's services for the year ended 31 March 2017 was C$91,700 (2016: C$22,500).

At 31 March 2017 the amounts outstanding payable to CPPIB was C$7,500 (2016: C$22,500).

With the exception of the items noted above, the nature of related parties disclosed in the consolidated financial statements for the Group as at and for the year ended 31 March 2016 has not changed.

34. Post balance sheet events

On 17 May 2017 the Group entered into an agreement with industry veteran Brad Weston to launch MAKEREADY, a new global content creation company. MAKEREADY will develop and produce original feature films and high-end television programmes for premium cable, OTT and emerging platforms on a worldwide basis.

Under the terms of the agreement, the Group is funding MAKEREADY's launch, including new content that the partnership greenlights. The Group will have distribution of MAKEREADY films in its territories and MAKEREADY television worldwide, providing the Group with a pipeline of premium content created by and starring top tier talent. The agreements with Brad Weston contain certain customary puts and calls and other exit events, including an opportunity for the Group to acquire up to 100% of MAKEREADY, upon certain events, for consideration to be determined in the future.

As part of the previously announced wider reshaping of the Film Division, Entertainment One has re-negotiated one of its larger film distribution arrangements. The previous arrangement has been terminated and replaced with a new distribution arrangement and, associated with the termination, the Company will make a one-time payment of £20.1m (US$25m) which has been included in the Group's consolidated financial statements for the year ended 31 March 2017. Management expects underlying profitability and cash flow to improve for films delivered under the new distribution arrangement.

Appendix to the Annual Report (unaudited)

for the year ended 31 March 2017

Reconciliation of additional performance measures

Underlying EBITDA

The Group presents underlying EBITDA, also referred to as EBITDA, one-off items, adjusted profit before tax and adjusted earnings per share information. These measures are used by the directors for internal performance analysis and incentive compensation arrangements for employees. The terms “underlying”, “one-off items” 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 amortisation of acquired intangibles; depreciation; amortisation of software; share-based payment charge; tax, finance costs and depreciation related to joint ventures; and operating one-off items.

The Group presents revenue and underlying EBITDA on a constant currency basis, which is calculated by retranslating the comparative figures using weighted average exchange rates for the current year.

The Group presents underlying Group revenue and EBITDA growth (excluding acquisitions) on a constant currency basis which is defined as the underlying revenue or EBITDA growth on a constant currency basis, excluding the revenue or EBITDA derived from the acquisitions from the date of acquisition to the year-end date.

Adjusted profit before tax and adjusted earnings

The terms “adjusted profit before tax” and “adjusted earnings per share” refer to the reported measures excluding amortisation of acquired intangibles; share-based payment charge; tax, finance costs and depreciation related to joint ventures; operating one-off items; finance one-off items; and, in the case of adjusted earnings per share, one-off tax items. Refer to Note 11.

Return on capital employed

The Group presents the term “return on capital employed” as the “adjusted net operating profit” as a percentage of “average capital employed”.

Adjusted net operating profit is defined as the adjusted profit for the period, adding back underlying income tax charge relating to joint ventures, interest cost relating to the Group’s bank facilities, net financing foreign exchange gain or loss, amortisation of deferred finance charges and the tax effect of the above finance charges (at the Group’s adjusted effective tax rate).

Average capital employed is defined as the average of the current period and prior period adjusted total assets less adjusted current liabilities. Total assets are adjusted by deducting the cash and cash equivalents relating to the Group’s net debt group. Current liabilities are adjusted by deducting interest bearing loans and borrowings and including non-current production financing.

This measure is used by the directors for internal performance analysis and incentive compensation arrangements for the executive directors.

The Group’s return on capital employed is calculated as follows:

	31 March 2017 £m	31 March 2016 £m
Adjusted net operating profit	122.9	95.5
Average capital employed	992.1	778.4
Return on capital employed (ROCE)	**12.4%**	**12.3%**

The reconciliation of adjusted net operating profit to profit before tax for the year is as follows:

	Note	31 March 2017 £m	31 March 2016 £m
Profit before tax		**37.2**	**47.9**
Add back:			
One-off net finance costs	7	(1.3)	6.5
Amortisation of acquired intangibles	13	41.9	27.4
Share-based payment charge	31	5.0	4.1
Tax, finance costs and depreciation relating to joint ventures	28	–	1.6
One-off items	6	47.1	16.6
Adjusted profit before tax for the year		**129.9**	**104.1**
Adjusted tax	8	(27.1)	(22.4)
Add back underlying income tax charge relating to joint ventures		–	(2.1)
Interest cost on Group bank facilities	7	22.8	16.4
Net financing foreign exchange loss	7	0.9	2.0
Amortisation of deferred finance charges	7	1.7	2.2
Add back total finance charges	7	25.4	20.6
Tax effect of finance charges (at the Group’s adjusted effective tax rate of 20.7% (2016: 22.6%))		(5.3)	(4.7)
Adjusted net operating profit		**122.9**	**95.5**

The reconciliation of average capital employed to the consolidated financial statements is as follows:

	Note	31 March 2017 £m	Restated 31 March 2016 £m	31 March 2015 £m	Average 2016-17 £m	Average 2015-16 £m
Total assets		1,901.0	1,636.9	1,172.7		
Less: cash and cash equivalents	19	(133.4)	(108.3)	(71.3)		
Add: cash held only for production financing	19	43.7	13.6	27.6		
Average total assets		1,811.3	1,542.2	1,129.0	1,676.8	1,335.6
Current liabilities		(679.9)	(565.1)	(488.3)		
Less: current interest-bearing loans and borrowings	22	0.5	–	19.9		
Add: non-current production financing	23	(91.2)	(33.6)	(47.2)		
Average total liabilities		(770.6)	(598.7)	(515.6)	(684.7)	(557.2)
Average capital employed		1,040.7	943.5	613.4	992.1	778.4

Library valuation

Underpinning eOne's focus on growth through content ownership, the Group commissions an annual independent library valuation calculated using a discounted cash flow model (discounted using the Group's published post-tax weighted average cost of capital) for all of eOne's television, family, film and music assets on a rateable basis with eOne's ownership of such assets. The cash flows represent forecast of future amounts which will be received from the exploitation of the assets, net of payments made as royalties or non-controlling interests and an estimate of the overheads required to support such exploitation.

Currency and acquisition related adjustments

The Group presents revenue and underlying EBITDA on a constant currency basis, which is calculated by retranslating the comparative figures using weighted average exchange rates for the current year.

A reconciliation of the revenue growth on a constant currency basis is shown below:

	Year ended 31 March 2017 £m	Year ended 31 March 2016 £m	Change %
Revenue (per IFRS consolidated profit and loss account)	1,082.7	802.7	34.9%
Currency adjustment	–	95.6	
Revenue (constant currency)	1,082.7	898.3	20.5%

A reconciliation of the underlying EBITDA growth on a constant currency basis is shown below:

	Year ended 31 March 2017 £m	Year ended 31 March 2016 £m	Change %
Underlying EBITDA (per IFRS consolidated profit and loss account)	160.2	129.1	24.1%
Currency adjustment	–	10.8	
Underlying EBITDA (constant currency)	160.2	139.9	14.5%

Restricted Group financial data

The Notes are secured against the assets of various Group subsidiaries which make up the 'Restricted Group'. The Restricted Group financial data is as follows:

	As of and for the year ended 31 March 2017 £m	As of and for the year ended 31 March 2016 £m
Underlying EBITDA	126.5	116.7
Cash and cash equivalents	64.9	86.4
Net debt	(211.7)	(189.1)

Cash flow and net debt

The table below reconciles cash flows associated with the net debt of the Group. It excludes cash flows associated with production activities which are reconciled in the cash flow and production financing section below.

	Year ended 31 March 2017 £m	Year ended 31 March 2016 £m
Underlying EBITDA	**153.0**	121.2
Adjustments for:		
Tax, finance costs and depreciation related to joint ventures	–	(1.5)
One-off items	(44.4)	(16.0)
Disposal of property, plant and equipment	0.8	–
Amortisation of investment in productions	32.8	(3.3)
Investment in productions, net of grants received	(34.2)	(9.2)
Amortisation of investment in acquired content rights	168.3	147.0
Investment in acquired content rights	(181.4)	(121.4)
Impairment of investment in acquired content rights	2.2	3.4
Foreign exchange movements	–	(5.2)
Fair value gain on acquisition of subsidiary	(2.3)	–
Share of results of joint ventures	0.6	(3.0)
Operating cash flows before changes in working capital and provisions	**95.4**	112.0
Working capital movements	(31.2)	(50.5)
Income tax paid	(16.2)	(14.4)
Net cash from operating activities	**48.0**	47.1
Cash one-off items	15.9	14.1
Purchase of PP&E and software	(3.2)	(7.7)
Interest paid	(24.2)	(10.2)
Free cash flow	**36.5**	43.3
Cash one-off items	(15.9)	(14.1)
Financing items	(1.7)	(6.6)
Acquisitions, net of debt acquired (including purchase of intangibles)	(9.6)	(177.0)
Net proceeds on issue of shares	–	194.5
Dividends paid	(8.3)	(4.0)
Net decrease in net debt	**1.0**	36.1
Net debt at the beginning of the year	**(180.8)**	(224.9)
Net decrease in net debt	1.0	36.1
Effect of foreign exchange fluctuations on net debt held	(7.6)	8.0
Net debt at the end of the year	**(187.4)**	(180.8)

The table below reconciles the movement in net debt to movement in cash associated with net debt of the Group:

	Year ended 31 March 2017 £m	Year ended 31 March 2016 £m
Net decrease in net debt	**1.0**	36.1
Net (repayment)/drawdown of interest-bearing loans and borrowings	(1.9)	17.4
Fees paid on refinancing of Group's bank facilities	(0.6)	(9.9)
Acquisitions, debt acquired	2.5	–
Amortisation of deferred finance charges	1.7	2.2
Write-off of deferred finance charges and other items	(0.1)	4.2
Net increase in cash and cash equivalents	**2.6**	50.0

Cash flow and production financing

Production financing cash flows relate to financing which is used to fund the Group's television, family and film productions. The financing is arranged on an individual production basis by special purpose production subsidiaries which are excluded from the security of the Group's corporate facility. It is short-term financing whilst the production is being made and is paid back once the production is delivered from the sales receipts and tax credits associated with that production. The Company deems this type of financing to be working capital in nature, as it is timing-based. The Company therefore shows the cash flows associated with these activities separately. The Company also believes that higher production financing demonstrates an increase in the success of the Television, Family and Film production businesses, which helps drive revenues for the Group and therefore increases the generation of EBITDA and cash for the Group, which in turn reduces the Group's net debt leverage.

The table below reconciles cash flows associated with the production financing taken out by the Group.

	Year ended 31 March 2017 £m	Year ended 31 March 2016 £m
Underlying EBITDA	7.2	7.9
Adjustments for:		
Tax, finance costs and depreciation related to joint ventures	–	(0.1)
One-off items	(2.7)	(0.6)
Amortisation of investment in productions	180.6	113.9
Investment in productions, net of grants received	(192.3)	(87.9)
Foreign exchange movements	–	1.2
Share of results of joint ventures	0.1	(0.4)
Operating cash flows before changes in working capital and provisions	(7.1)	34.0
Working capital movements	(4.7)	(8.5)
Income tax paid	(2.2)	(3.3)
Net cash from operating activities	(14.0)	22.2
Cash one-off items	0.9	0.5
Purchase of PP&E and software	(0.3)	(0.9)
Interest paid	(0.1)	(0.1)
Free cash flow	(13.5)	21.7
Cash one-off items	(0.9)	(0.5)
Financing items	–	(0.1)
Acquisitions, net of production financing acquired	(0.7)	(49.0)
Net increase in production financing	(15.1)	(27.9)
Production financing at the beginning of the year	(118.0)	(89.3)
Net increase in production financing	(15.1)	(27.9)
Effect of foreign exchange changes on production financing	(19.2)	(0.8)
Production financing at the end of the year	(152.3)	(118.0)

The table below reconciles the movement in production financing to the movement in cash associated with production financing taken out by the Group:

	Year ended 31 March 2017 £m	Year ended 31 March 2016 £m
Net increase in production financing	(15.1)	(27.9)
Acquisitions, debt acquired	–	52.7
Net drawdown/(repayment) of production financing	45.7	(39.0)
Other items	–	0.2
Net increase/(decrease) in cash and cash equivalents	30.6	(14.0)

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The inks used are vegetable oil based.

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