entertainment One

2018 Annual Report and Accounts

BRINGING THE BEST CONTENT TO THE WORLD

CONNECT CREATE DELIVER

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

We connect, create and deliver content and family brands across all media platforms globally.

Visit our website:
entertainmentone.com

The House with a Clock in Its Walls

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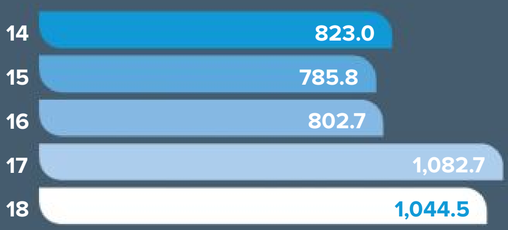
AT A GLANCE

FINANCIAL HIGHLIGHTS

REVENUE

£1,044.5m

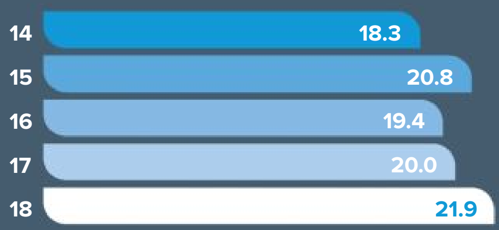
-4% (2017: £1,082.7m)



ADJUSTED FULLY DILUTED EARNINGS PER SHARE

21.9 pence

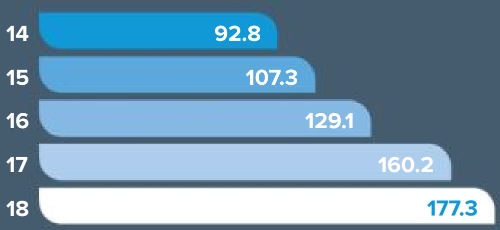
+10% (2017: 20.0 pence)



UNDERLYING EBITDA

£177.3m

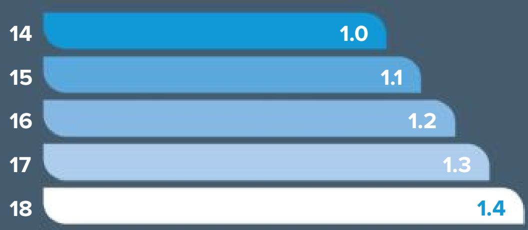
+11% (2017: £160.2m)



DIVIDEND

1.4 pence

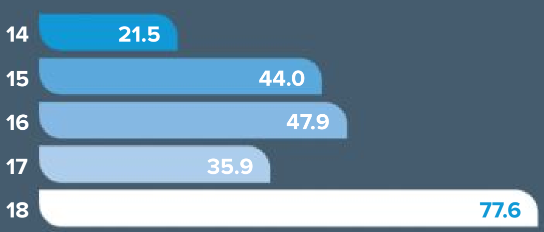
+8% (2017: 1.3 pence)



PROFIT BEFORE TAX

£77.6m

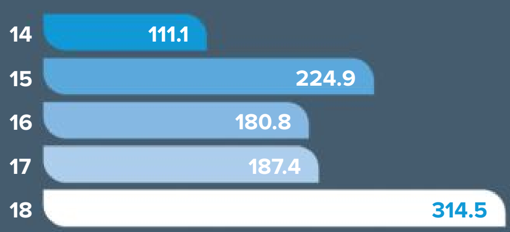
+116% (2017: £35.9m)



ADJUSTED NET DEBT

£314.5m

£127.1m higher (2017: £187.4m)



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 Consolidated Financial Statements on page 149.

Reported 2017 amounts have been restated, refer to Note 1 of the Consolidated Financial Statements for more details.

The Post

2018 STRATEGIC PROGRESS

- Family & Brands generated US$2.4 billion in retail sales in the year, an increase of 60%, driven by the rapid success of *PJ Masks* and the ongoing success of *Peppa Pig*
- Television revenue 19% higher, driven by the strong production slate
- Reshaping of the Film distribution business from physical to digital, which began in FY16, has delivered the expected annualised cost savings of £10 million
- Mark Gordon appointed as President & Chief Content Officer, Film, Television & Digital Division, bringing him and his team in-house to help drive both Film and Television content strategy and enhancing eOne's ability to attract creative talent and partners
- Ongoing integration of Film, Television & Digital, including integration of The Mark Gordon Company (MGC), which is expected to generate £13-15 million of annualised cost savings by FY20
- Independent library valuation of US$1.7 billion at 31 March 2017 (31 March 2016: US$1.5 billion)
- On track to double the size of the business over the five years to FY20, including the impact of IFRS 15

ALIGNING WITH THE BEST IN OUR INDUSTRY

Allan Leighton,
Non-executive Chairman

Content markets continue to evolve, creating new opportunities and breaking down traditional patterns of content creation, distribution and consumption. In parallel, Entertainment One has also evolved, ensuring it is fully aligned with the best creative talent and the most powerful content networks and digital platforms.

AN EVOLVING MARKETPLACE FOR THE BEST CONTENT

After another busy and successful year for Entertainment One we reflect on the continued evolution and change across the creative industries globally. Driven by consumers who now expect to be able to watch what they like, where they like and when they like, content producers are embracing the opportunities to operate across both film and television, bringing with them their relationships with the very best writing, directing and acting talent. As consumers, we have never had so much choice in content or the freedom to determine how and when we consume it. Now, more than ever before, the best quality content is king.

As top creative talent has adapted to this new market dynamic, so too have the buyers of content, removing the division between film and television to adopt a holistic approach to how they acquire and distribute content across their networks or digital platforms. With the distinction between the two traditionally separate industries now removed, buyers are committing increasing amounts of capital to content – a staggering US$95 billion in the US alone in 2018 according to RBC estimates. Netflix, for example, plans to release around 700 original films, television series and specials alone this year.

"Now, more than ever before, the best quality content is king."

In this dynamic market, Entertainment One has also continued to evolve, transforming our operating structure to ensure we remain fully aligned with our production partners and our customers. For FY19, we have brought together our separate Film and Television Divisions into a single entity: the Film, Television & Digital Division. Not only does this optimise our working practices, while maintaining our key relationships, but the move also allows us to improve our efficiency and deliver significant levels of cost savings over the coming years – an estimated £8 million of annualised savings by FY20.

As part of this evolution, we were pleased to complete the acquisition of the remaining stake in The Mark Gordon Company (MGC) in March 2018. As well as being an earnings-accretive transaction (before estimated annualised integration cost savings of US$7-10 million), the deal brought Mark Gordon fully on board as Chief Content Officer of our new Film, Television & Digital Division. He will bring his proven skills, experience and industry contacts to bear on our film and television content slate – an exciting prospect for us all.

OPERATIONAL HIGHLIGHTS

High levels of activity across all the businesses of the Group produced another year of record underlying EBITDA for Entertainment One. The Family & Brands business continues to blaze a trail as our kids' properties break new ground in important new markets in the Far East, such as China and Japan. In particular, Chinese children have embraced *Peppa Pig's* positive family values and engaging stories; the licensing programme has just started in the region and we remain optimistic that it will be a long-term growth driver. We have also introduced *PJ Masks* to subscription video on demand (SVOD) audiences in China, following the brand's successful rollout around the world, and plan to launch a licensing programme later this year.

In Television, the Entertainment One businesses completed another successful year, introducing a number of new series across a range of broadcasters as well as achieving a high number of series recommissions. In total 887 half hours of produced/acquired content were delivered to our partners, a notable achievement in a competitive market. MGC also announced new commissions including *Youth and Consequences*, the first MGC show developed for the YouTube Red SVOD service, and *The Rookie* for ABC. Underlining the trends highlighted above, MGC also released two films during the year – *Molly's Game* (produced in partnership with Entertainment One) and *Murder on the Orient Express*.

With a slate of lower profile releases than the previous year and with continued industry volatility, the Film Division delivered a lower performance than last year. However, management continues to reposition the business away from content acquisition towards production, working more closely with high quality partners such as Steven Spielberg, Brad Weston, Annapurna and, of course, Mark Gordon.

BOARD OF DIRECTORS

In November 2017, Robert McFarlane and Michael Friisdahl joined the Board as additional non-executive directors, increasing the level of representation of independent directors on the Board.

Robert brings a wealth of financial expertise to the Board, both having been Chief Financial Officer of TELUS Corporation, and currently serving as a non-executive director on the board of HSBC Bank Canada and Deputy-Chair of Royal & Sun Alliance Insurance Company of Canada, and is expected to take over the chairmanship of the Audit Committee in September 2018.

Michael is President and Chief Executive Officer of Maple Leaf Sports & Entertainment and has many years of experience in the entertainment and leisure industry, supplementing the Board's knowledge of the live entertainment space.

Following his appointment as Chief Financial Officer in November 2016, Joe Sparacio was also appointed to the Board in November 2017. 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.

I welcome Bob, Michael and Joe to the Board.

OUR PEOPLE

The strong performance of the Group would not have been possible without the dedication and professionalism of our people at all levels within the businesses. In the face of ongoing market evolution and changes in our strategic direction, they have worked tirelessly to deliver the strong results you see detailed in this year's Annual Report. On behalf of the Board and the Group's shareholders I thank them for their focus, commitment and energy.

My final words, as ever, are dedicated to the Group's shareholders, bondholders and banking partners. I thank them for their support throughout the year, particularly in the financing of the recent acquisition of the remaining stake in The Mark Gordon Company not already held by the Group.

In conclusion, I believe that the Group is more strongly aligned than ever with its creative and distribution partners. In spite of the changes sweeping across the creative industries, I am confident that Entertainment One will continue its track record of growth and performance.

Allan Leighton
Non-executive Chairman

STRONG PERFORMANCE IN AN EVOLVING MARKET

Darren Throop,
Chief Executive Officer

It has been a strong year for the Group, as we combined our Film and Television operations into the Film, Television & Digital Division for FY19, completed the acquisition of the remaining stake in The Mark Gordon Company and continued the reshaping of our Film business. All of these initiatives sharpen our operational focus and facilitate success in today's evolving entertainment market.

The Family & Brands business goes from strength to strength, ahead of our expectations. *Peppa Pig* continues to engage and delight children in important markets such as the UK, the US and China, where we have just started to implement our licensing programme. We also started the global rollout of *PJ Masks* to consumer markets, where traction has been both immediate and strong.

In Television, our active pipeline delivered a number of new and recommissioned series across our scripted drama and non-scripted reality slates. The completion of the MGC acquisition and the appointment of Mark Gordon as Chief Content Officer is an exciting milestone as he brings his proven skills, experience and talent relationships to bear on our current development pipeline to drive our creative direction.

The reshaping of the Film businesses is progressing well as we focus increasingly on our production activities with important partners such as Steven Spielberg and Brad Weston. This transition will enable us to improve the return on investment in film content and at the same time reduce risks across the business.

"As ever, content is at the heart of everything we do."

As ever, content is at the heart of everything we do. The value of our content library has grown once again as we add new, high quality shows and brands to our portfolio and our view remains that the best quality content will endure, even in a constantly evolving entertainment market. Entertainment One is at the heart of this market and I remain confident that we will achieve our target of doubling the size of the business in the five years to FY20 and continue to deliver value to our shareholders.

FINANCIAL HIGHLIGHTS

Group reported revenue of £1,044.5 million (2017: £1,082.7 million) was 4% lower year-on-year and was positively impacted by strong growth in Family & Brands (56% higher) and Television (19% higher) offset by decline in Film due to the lower volume of releases in comparison to the prior year and the strength of the slate in FY17. On a constant currency basis (retranslating prior year reported financials at current year foreign exchange rates), Group revenue declined by 2% reflecting the net strengthening of the pound sterling against the Group's other operating currencies.

Group reported underlying EBITDA was 11% higher at £177.3 million (2017: £160.2 million), driven by strong growth in the high margin Family & Brands Division (48% higher) and Television (15% higher) offsetting a decline in Film (33% lower). The Family & Brands Division delivered financial performance ahead of expectations driven by significant growth in *PJ Masks* and the continued strong performance of *Peppa Pig*. Television Division underlying EBITDA was higher across eOne Television (18% higher), The Mark Gordon Company (12% higher) and Music (9% higher). Underlying EBITDA in Film declined by 33%, reflecting the impact of lower revenue. The Film underlying EBITDA benefitted from gross margin improvement of 3.1pts due to lower amortisation and sales mix and cost savings arising from the divisional reshaping. On a constant currency basis, Group underlying EBITDA would have increased by 13%, reflecting the net strengthening of the pound sterling against the Group's other operating currencies.

Net cash from operating activities amounted to £14.9 million in comparison to £34.0 million in the prior year, driven by higher investment in acquired content and productions and timing of tax payments. This was partially offset by lower working capital outflows in comparison to prior year. Investment in productions was higher across all three segments which not only supports our current operations but also contributes to the value of our content library in future years.

Adjusted profit before tax for the year was £144.4 million (2017: £129.9 million), due to the increase in underlying EBITDA, partly offset by increased interest costs. Reported profit before tax for the year was £77.6 million (2017: £35.9 million), impacted by lower one-off charges reflecting lower restructuring costs, partly offset by higher share-based compensation costs.

Adjusted diluted earnings per share were 21.9 pence (2017: 20.0 pence). On a reported basis, diluted earnings per share were 14.4 pence (2017: 2.7 pence) reflecting the higher reported profit before tax.

The Group adopted IFRS 15 *Revenue from Contracts with Customers* on 1 April 2018 on a fully retrospective basis and will present, within the 2019 financial statements, a restatement of the comparative periods. The most significant impact is on the Family & Brands Division where the recognition of minimum guarantees will now be spread over the consumption of the intellectual property as compared to recognition up front which is the current practice. The proforma impact of IFRS 15 to the current year is a reduction in Group revenue and Group underlying EBITDA of £15.5 million and £13.6 million, respectively. The expected impact on Group underlying EBITDA in FY19 is less than £2 million and the Company is still expected to double the size of the business over the five years to FY20 including the impact of IFRS 15.

STRATEGIC PROGRESS

Over the last year, the Group has achieved strong progress against its strategic objectives:

– Continued increase in the independent library valuation (as at 31 March 2017) from US$1.5 billion to US$1.7 billion, supported by the value of *PJ Masks*, which is starting to build as the brand rolls out internationally.
– The ongoing integration of the Film and Television Divisions to form a single, streamlined operating structure – Film, Television & Digital. Overall targeted annual savings from the integration of MGC and the creation of the Film, Television & Digital Division are estimated at £13-15 million by FY20.

INDEPENDENT LIBRARY VALUATION

US$1.7 billion

31 March 2017

US$1.5 billion

31 March 2016

- The acquisition of the remaining stake in The Mark Gordon Company. The transaction is earnings enhancing in the first full year of ownership and importantly brings Mark Gordon fully into the Group's management structure. He has been appointed Chief Content Officer and can now bring his proven skills, experience and talent relationships into the wider eOne Group.
- Ongoing transition of the Film business towards a production model gives the Group greater control of risk, improved access and control over global intellectual property rights and enhanced financial returns.
- Brad Weston is currently in production on the film *A Million Little Pieces* through Makeready, with a development pipeline covering both film and television content. This reflects an ongoing trend in the industry as talented content creators now work across both film and television, eroding the distinction between the two formats.
- *Peppa Pig* continues to delight and entertain children across all of our markets, including the UK and the US, and newly entered markets such as Japan and China, where we have started the licensing programme for the brand. *PJ Masks* continues to rollout globally across consumer markets, creating high levels of demand for consumer products.
- Family & Brands continues to develop new properties. It is currently working on eight projects at varying stages of market readiness, aimed at different segments of the pre-school demographic. This ensures a steady flow of internally created properties with global appeal.

OUTLOOK

The Divisional Operational and Financial Reviews below include further details on the Company's strategy and progress made during the financial year.

Family & Brands is expected to generate strong revenue and underlying EBITDA growth across the portfolio in FY19. *Peppa Pig* and *PJ Masks* will continue to be the main drivers, with close to 2,000 live licensing and merchandising contracts anticipated by the end of the financial year. An additional 117 episodes of *Peppa Pig* are currently in production with the original creators of the show, with delivery beginning in FY19 through to spring 2021.

In October 2017 the business entered into a global partnership with Merlin Entertainments, which has now opened in-park areas in its resort theme parks in Italy and Germany. Merlin expects its first standalone *Peppa Pig* attraction to open in China in 2018, with a second anticipated in 2019.

Underlying EBITDA margins will be somewhat lower in percentage terms as a result of the growth of *PJ Masks* as a proportion of total sales and continued increase in brand management costs which are necessary to facilitate growth and support brand longevity.

From 1 April 2018 the Company is combining the Film and Television Divisions into one reporting segment: Film, Television & Digital. This follows on from the combination of the operations. Therefore the 2019 outlook is provided for the new Division.

Film, Television & Digital is well positioned for growth in FY19 in a landscape where premium original content is in demand more than ever before. The Division will continue to focus on early access to high quality premium content of all types by continuing to build deep partnerships with high quality creators.

In FY19, we anticipate 140 film releases, in total across all territories, of which 80 are expected to be unique titles. Investment in acquired content is expected to be lower at approximately £100 million. Investment in film production is expected to be higher than the current year at around £70 million reflecting the strategic shift towards content production.

The number of acquired/produced half hours of TV programming is expected to be over 1,000 next year, with around 40% of the new financial year's budgeted margins already committed or greenlit. The Company currently has more than 30 scripted series set up with global platforms and broadcasters in the US, Canada and the UK, in various stages of development and a further 10 series expected to go to market in the next few months. Investment in acquired content is expected to be over £45 million and production spend is anticipated to be £309 million.

The integration of the Film, Television & Digital operations is ongoing with a number of opportunities identified to drive business efficiencies and centralisation of internal support functions from the combined operations. In addition, as part of the acquisition of the balance of The Mark Gordon Company completed in March 2018, MGC will be fully integrated into eOne. Overall annual cost savings are expected of approximately £13-15 million by FY20. Approximately half of these savings are expected to be realised in FY19.

Darren Throop
Chief Executive Officer

Strategy

CONNECT

We develop deep and lasting partnerships with the very best creative minds in our industries. We connect with this talent through our scale, track record and relationships with key customers in markets around the world.

CREATE

Our partnerships with leading talent enable us to capture the content they create at an early stage. The creation process is enhanced as we bring our commercial experience to the development and production processes, with our ability to finance a key attraction for the creative community.

DELIVER

eOne uses its global footprint and extensive network of customer contacts across multiple platforms and formats to ensure that content is delivered and monetised as widely as possible. Our contacts touch all parts of the content value chain, from traditional formats like cinemas to the latest digital video platforms in developing markets like China.

CONNECT CREATE DELIVER

Connecting with the best talent in the business to unlock the power and value of creativity.

MAKEREADY®

In 2017, eOne and acclaimed film producer Brad Weston launched Makeready, a new global content creation company focused on original feature films and high-end television for premium cable, OTT and emerging platforms. eOne will manage theatrical distribution of Makeready films across its territorial footprint as well as international distribution of all television content from the company.

ANNAPURNA PICTURES

In 2017, Annapurna Pictures and eOne entered into a multi-year distribution partnership across eOne's five key film territories. Led by Megan Ellison, Annapurna has achieved 32 Academy Award nominations in five years for titles such as *Zero Dark Thirty*, *The Master*, *Foxcatcher, Her* and *American Hustle*. This deal brings high quality film titles from a highly acclaimed producer to eOne.

THE MARK GORDON COMPANY

eOne acquired a 51% stake in the Mark Gordon Company (MGC) in 2015. The deal enabled MGC to transition its model away from being a producer-for-hire for a US network and into one of content rights ownership, partnered by eOne. The successful execution of this transition, transformed MGC's revenues and profits. eOne acquired the remaining 49% of MGC in the 2018 transaction, with Mark Gordon joining the senior management team as President and Chief Content Officer, Film, Television & Digital.

In 2015, eOne acquired a 70% interest in Astley Baker Davies (ABD), the producer of *Peppa Pig*, bringing its ownership in the IP to 85%. The principals of ABD retain the remaining 15% and are producing an additional 117 episodes of the show to be delivered to broadcasters between FY19 and spring 2021.

Amblin Partners is a film, television and digital content company created in 2015 and led by Steven Spielberg. The company's investment partners include Participant Media, Reliance Entertainment, Entertainment One, Alibaba Pictures and Universal Pictures. The deal aligns eOne with one of the most accomplished and prolific producers ever, as well as creating opportunities for working with other leading content companies.

HIGHEST QUALITY CONTENT

Content is at the heart of everything we do at Entertainment One. We are focused on building, managing and monetising a portfolio of the best quality content across a range of formats and genres. Content is sourced from the world's best creative talent, offering them a range of different partnership structures so that they can share the benefits of our global presence to drive present and future value.

In 2016, eOne acquired a 65% interest in the award-winning non-scripted television production company, Renegade 83. The company produces hit shows such as *Naked and Afraid*, *Naked and Afraid XL*, *Blind Date* and *Fit to Fat to Fit*. The relationship allows Renegade 83 access to eOne's deep international relationships and global presence, bringing fresh, bold content from a groundbreaking producer to eOne's content portfolio.

In 2018, eOne acquired a majority stake in UK non-scripted television production company, Whizz Kid Entertainment (Whizz Kid). The company produces *Ex on the Beach*, a format currently being adapted by eOne for MTV in the US in tandem with other Whizz Kid formats. eOne's US formats are being reciprocally developed for the UK market to drive future revenue opportunities.

CONNECT CREATE DELIVER

Our business model is centred on producing, managing and monetising a portfolio of the highest quality content.

The content market today is characterised by consumers who are increasingly demanding freedom of choice. They want to watch what they like, when they like and where they like. With the exception of live sports, consumers now have less affinity to specific channels or networks and are increasingly focused on availability. The platforms that service this marketplace (which form eOne's core customer set) are forging closer relationships with creators who can provide them with the best content. This content is then used both to attract incremental audiences and to retain existing subscribers.

At eOne, we understand that in order to grow and prosper, the business needs to centre itself on building and growing a content portfolio of the very highest quality. We do this over a broad spread of entertainment formats, ranging from family brands, television shows, feature films and music.

Our strategy to achieve this is underpinned by the Connect, Create, Deliver principles and successful execution enables us to forge long-term partnerships with the very best content creators, monetise their content and share in the benefits.

The execution of this strategy focuses on continuing to drive growth in revenue and underlying EBITDA within the Family & Brands and Television activities of the Group. In Film, we are continuing to transition the business away from content acquisition and more towards production activities, which over time will improve the returns on this business and reduce our risks further.

Virtual reality

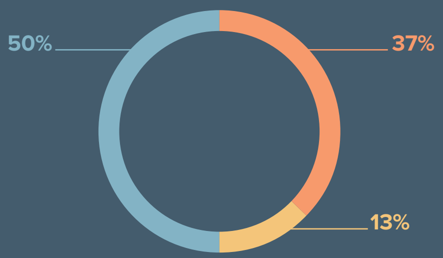

Apps
Licensing
Family & Brands
Global sales
Television
Highest Quality Content
Production
Secret Location
Film
Music
Artist management
Music supervision

CONNECT CREATE DELIVER

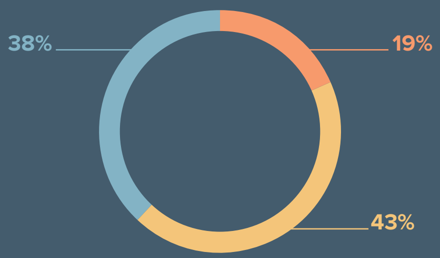
A growing content portfolio of family & brands, television and film assets.

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

Contribution to Group revenue



Contribution to underlying EBITDA



Family & Brands Television Film

FAMILY & BRANDS

TELEVISION

FILM

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

Key properties

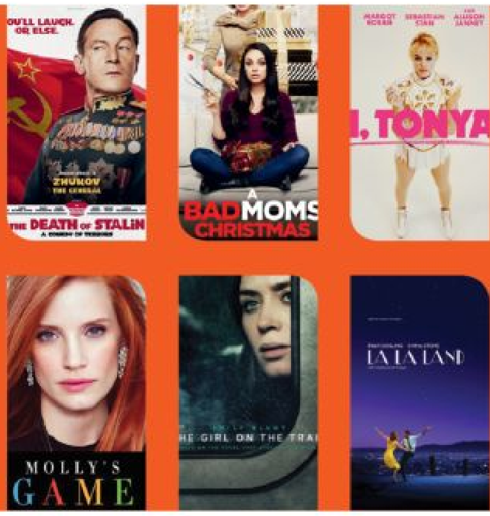
Entertainment One is one of the major independent producers of television content commissioned primarily by the North American broadcast networks. This content is then sold through our in-house global sales team to broadcasters globally and leading digital platforms.

Key titles

Entertainment One is one of the market leaders in Canada, the UK, Spain and Australia, and also has operations in the Benelux and Germany.

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



FAMILY & BRANDS

Olivier Dumont
President, Family & Brands

Family & Brands develops, produces and manages pre-school children's character properties for global licensing and merchandising. Awareness of these brands is built through broadcast of the shows across traditional and, increasingly, digital platforms, with product licensing programmes launched when the brand has reached a high level of engagement with audiences.

Peppa Pig

CONTRIBUTION TO GROUP REVENUE

13%

£138.6m
REVENUE

CONTRIBUTION TO UNDERLYING EBITDA

43%

£82.3m
UNDERLYING EBITDA

RETAIL REVENUE GENERATED

US$2.4bn
(2017: US$1.5 billion)

NUMBER OF FAMILY LICENCES

~1,500
(2017: ~1,100)

Entertainment One is a developer, owner and producer of a growing number of pre-school brands. The best-known property in its portfolio is *Peppa Pig*, which was launched in the UK in May 2004 but has grown to delight and entertain pre-school children worldwide. The brand is well-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 rollout across multiple product categories. In other territories, such as China, the brand has been introduced to audiences but major licensing programmes have only recently commenced.

In addition to managing the growth of *Peppa Pig*, the Family & Brands business has been expanding its portfolio of complementary brands. *PJ Masks*, another brand aimed at pre-school children, was rolled out globally across the Disney Junior network during 2015 and 2016. This has been followed with the first licensing rollouts in territories such as the US, France and the UK, with the global licensing 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 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$167.5 billion in 2016, up from US$163.1 billion in the previous year, indicating growth of 2.7%.

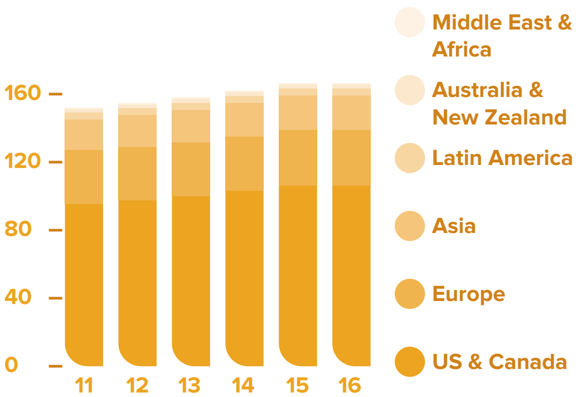
In 2016, global growth was driven primarily by North America, the largest territory. Representing around 63.6% of the global market in 2016, the US and Canada generated revenues of US$106.5 billion, up by 3.2% over the period. Western Europe is the next largest territory, accounting for around 19.3% of global retail sales at US$32.3 billion, showing modest growth of 1.9% over 2015. Notably, Asia remains the biggest opportunity for licensed merchandise, its continued growth driven by Western brands (such as *Peppa Pig*) launching in the territory. Asia as a whole grew licensing retail sales by 2.5% in 2016 to reach a value of US$20.3 billion, with China representing US$6.3 billion of this total.

Focusing on the core pre-school segment, eOne's brands are primarily aimed at the largest product categories – toys, apparel and accessories and publishing. In its analysis of the pre-school market, *The Licensing Letter* estimates that in 2016 global retail sales totalled US$12.8 billion, up from US$12.0 billion in 2015. The revenue split by category shows that toys (which includes plush figures and playsets, key products for the *Peppa Pig* and *PJ Masks* brands) was the largest category.

MARKET DEVELOPMENTS

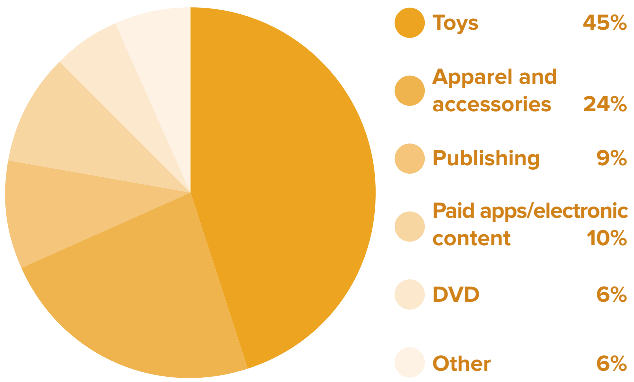
While content viewership continues to move away from the traditional pay and free TV models towards streaming via TV or mobile device, the traditional model remains the best route to market for mass market consumer product driven properties. Television broadcast has been a reliable and successful method to build awareness of eOne's brands, delivering strong engagement across mass market audiences.

GLOBAL RETAIL SALES OF LICENSED MERCHANDISE (US$ BILLION)



Source: The Licensing Letter

GLOBAL RETAIL SALES OF LICENSED MERCHANDISE IN THE PRE-SCHOOL SEGMENT BY PRODUCT CATEGORY, 2016 (TOTAL: US$12.8 BILLION)



Source: The Licensing Letter

This insight is supported by findings in the November 2017 *Children and Parents: Media Use and Attitudes Report*, published by Ofcom for the UK market. Ofcom noted the television set makes up the largest proportion of media time for the 3-7 age group, with parents estimating that in 2017 their children's weekly consumption increased; within this demographic consumption went up from 14 hours and 12 minutes to 15 hours and 6 minutes weekly. As well as using the television, the pre-school audience watched content on other devices, mostly tablets; for the 3-4 age group, 41% of those who participated in the Ofcom survey watched content on a tablet, which was also the device of choice to go online.

The use of YouTube has increased more markedly in the younger age groups than for the older children, with 48% of 3-4 year olds (up 11 percentage points since 2016) and 71% of 5-7 year olds (up 17 percentage points) now regularly using the platform, typically via the YouTube Kids App. Among these age groups, children like to watch cartoons, animations or songs in contrast to the jokes, pranks, challenges and funny videos preferred by older children.

Another important market development has been the evolution of the retail environment over the last year. During this period we have seen the bankruptcy of Toys R Us and the intensifying of the fight for shelf space at the other larger retailers as risk appetite declines. Established premium brands with a track record of retail performance may benefit from this flight to safety, particularly if they are being supported by ongoing broadcast exposure. In parallel, online retail volumes have increased, although discoverability remains a challenge for brands operating in a market which relies on awareness.

As both the consumption and retail environments have evolved, eOne has remained focused on developing and rolling out high quality and engaging pre-school brands. In common with our other content businesses, we believe that ultimately it is the quality of the content that will determine its long-term value, supported by strong relationships with our broadcast, SVOD, licensee and retail partners.

FINANCIAL REVIEW

The Family & Brands business develops, produces and distributes a portfolio of children's television properties on a worldwide basis, its principal brands being *Peppa Pig* and *PJ Masks*, with much of its revenue generated through licensing and merchandising programmes across multiple retail categories.

£m	2018	2017	Change
Revenue	138.6	88.6	56%
Underlying EBITDA	82.3	55.6	48%
Investment in acquired content and productions	9.6	5.1	88%

Revenue for the year was up 56% to £138.6 million (2017: £88.6 million), driven by the continued strong performance of *Peppa Pig* and significant growth from *PJ Masks* which was ahead of management expectations.

Underlying EBITDA increased 48% to £82.3 million (2017: £55.6 million), driven by increased revenue. The underlying EBITDA margin was 3.4pts lower reflecting the changing revenue mix from different properties and increased infrastructure and brand management costs which were necessary to support further growth.

Investment in acquired content and productions of £9.6 million (2017: £5.1 million) was £4.5 million higher than the prior year. Investment spend in the year included season five of *Peppa Pig*, season two of *PJ Masks* and new properties *Cupcake & Dino: General Services* and *Ricky Zoom*.

The Family & Brands business continued to perform strongly with the ongoing success of *Peppa Pig* and rapid growth of *PJ Masks*. The business generated US$2.4 billion of retail sales in the year (2017: US$1.5 billion) largely driven by the successful retail rollout of *PJ Masks* and continued growth of *Peppa Pig*. More than 1,000 new and renewed broadcast and licensing agreements were concluded in the year, an increase of 25% year-on-year. At 31 March 2018, the business had almost 1,500 live licensing and merchandising contracts across its portfolio of brands (2017: almost 1,100).

Peppa Pig has continued to grow with retail sales of US$1.3 billion (2017: US$1.2 billion) and revenue of £84.7 million (2017: £70.0 million), an increase of 21%. Year-on-year growth was driven by continued strong performance across all revenue streams, including continued growth in mature and emerging markets such as the UK and China, respectively. Over 40 million books have been sold in China since *Peppa Pig's* launch in April 2016 demonstrating the strength of the brand in this territory. There are now 43 live licensing agreements in China (2017: 22) across all key licensing categories. Performance has been bolstered by significant broadcast exposure from state owned CCTV and all its major VOD platforms in the region, including Tencent, iQIYI and Youku, with over 60 billion VOD views since launch in October 2015 in China, across all platforms. In addition, *Peppa Pig* was launched on TV Tokyo in Japan in October 2017 and Disney Junior in January 2018. Master licensing partner for the country, Sega Toys, recently hosted an exclusive retail event in spring 2018 which will be followed by a nationwide retail rollout in June 2018. The US continues to be a key market for *Peppa Pig*. New episodes premiered in FY18 and the show transferred to the main Nickelodeon channel where it has been a ratings success, driving strong licensing and merchandising revenues.

Family & Brands

PJ Masks has been a key driver of revenue growth for the business in the year with total retail sales of US$1.0 billion (2017: US$0.3 billion) and revenue increasing 261% from £13.5 million to £48.8 million. Similar to *Peppa Pig*, licensing and merchandising sales continue to be a fundamental growth driver with an overall increase of 285% in the year driven by the successful global rollout of the licensing programme. The US continues to be an important market in this respect, contributing the largest proportion of total licensing and merchandising sales. Building on this momentum, almost 500 new licences and broadcast deals have been signed globally in the year, which is indicative of the rising popularity of the brand across all territories.

PJ Masks is broadcasting in all key territories on the global Disney Junior network, and on key terrestrial broadcasters like France Televisions, RAI in Italy and ABC in Australia. Recently premiering on Tencent, iQIYI and Youku VOD in China, it attracted over 70 million views in the first three days and over 395 million by April 2018. Following the success of the first season of *PJ Masks*, season two commenced airing on Disney Junior US in January 2018 to strong ratings, season three has been greenlit and season four is in development, further supporting growth expectations for FY19 and beyond.

The Division is in production on a number of other properties, including: *Ricky Zoom*, a pre-school 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 broadcast commitments from Teletoon in Canada, Disney Channel in Brazil and worldwide SVOD rights with Netflix. These properties are expected to make their broadcast debuts in FY19.

The second half of the year saw the retail landscape affected by Toys R Us store closures in the US and UK. The Group expects there to be some impact for its brands in the short-term and is monitoring the situation closely with its partners; this impact is not anticipated to be significant. Overall, eOne's brands performed well across the key holiday season with strong sell-through outside of Toys R Us stores.

2019 OUTLOOK FOR FAMILY & BRANDS

Peppa Pig and *PJ Masks* will continue to drive the growth of eOne's Family & Brands Division in FY19. The business is on target to having close to 2,000 live licensing and merchandising contracts by the end of FY19.

Family & Brands continues to focus on building *Peppa Pig* into the most loved pre-school brand in the world. Asia, North America and Germany will be the key territories of growth for the brand. China will drive the growth in Asia building on the growing popularity of the brand thanks to strong VOD exposure in the region with expected growth in licensing and merchandising revenue aided by new toy partnership with Alpha Group and increased publishing formats. There is a growing franchise in Germany where broadcast started on Super RTL in March 2018. Leading toy firm Jazwares is developing an extensive line of figures, playsets and plush toys that will launch from September 2018 ahead of the back to school and Christmas season.

The strong pipeline of content is a fundamental element of securing the evergreen status of the brand. The brand celebrates its 15th anniversary in the UK and Australia in 2019 with an exciting calendar of events anchored by a fresh pipeline of content. An additional 117 episodes of *Peppa Pig* are currently in production with the original creators of the show, with delivery beginning in FY19 through to spring 2021. This new content will introduce new characters, storylines and themes to keep the series relevant to each new generation of pre-school fans.

In October 2017, the business entered into a global partnership with Merlin Entertainments, to develop and operate location-based entertainment attractions based on *Peppa Pig*. Merlin have opened in-park areas in its resort theme parks in Italy and Germany, and expects its first standalone attraction to open in China in 2018, with a second anticipated in 2019.

PJ Masks will see a wider international licensing rollout with the UK and China expected to be the key territories of growth. China will be a new licensing market in FY19 and a full product launch will commence in June 2018 with toy partner Alpha Group following a successful VOD launch. The UK will build upon the very successful toy rollout in FY18. In the US it is expected that licensing revenue will continue to grow following the successful release of season two in January 2018. The second season is set to air in other territories from spring 2018 driving further licensing momentum.

Both *Cupcake and Dino: General Services* and *Ricky Zoom* will make their broadcast debuts in FY19. In addition to this new content, Family & Brands currently has eight other projects in development.

The Division is expected to generate strong revenue and underlying EBITDA growth across the portfolio in FY19. It is also expected that underlying EBITDA margins will be somewhat lower in percentage terms driven by the growth of *PJ Masks* as a proportion of total sales and continued increase in brand management costs which are necessary to support growth and brand longevity.

DELIVERING THE BEST CONTENT

In September 2015, eOne announced the broadcast debut of its latest family brand, *PJ Masks*, in the US market on partner channel Disney Junior. The series was an immediate hit, making the three main characters – Catboy, Gekko and Owlette – instant superstars with the core pre-school audience. This success in the US was followed up with an international rollout, delivering the show to children around the world.

As well as reaching audiences through strong broadcast partners and through the licensed products now available in key territories globally, the *PJ Masks* experience is also being extended into live events, bringing the brand closer to the lives of its young audience.

2014

PJ Masks season one goes into production in early 2014 at 52 x 11 min episodes

2015

Disney Junior started to broadcast the show in the US in September 2015. Ratings performed extremely well

2016

Spring 2016 *PJ Masks* season two greenlit on the back of strong season one ratings and strong licensing interest

Just Play toys launched as a Toys R Us exclusive in October, followed by limited publishing range. Toys sold out in some Toys R Us stores that Christmas

2017

Wider toy launch to other retailers in US in January 2017, alongside other categories like publishing and apparel through the year

PJ Masks was the fastest growing new pre-school toy property in 2017

Round Room (an eOne company) produced a dynamic, fully immersive stage show which was launched in autumn 2017 with a hit 100-plus date tour, including six performances at the theatre at New York's Madison Square Garden

In addition to engaging kids and families, *PJ Masks Live* has been collecting pajamas at each tour venue for Pajama Program, a national US non-profit organisation that supports every child's right to "a good night for a good day" by providing new pajamas and books for at-risk children

2018

New season two episodes launched on Disney Jr US in January 2018

Production begins on season three of *PJ Masks*

The second run of the Round Room tour confirmed for 2018

Strong US performance has driven interest across other significant markets like UK, Europe and Latin America. *PJ Masks* was the top new pre-school toy property in the UK in 2017 – so success in the US helped ignite success further afield

TELEVISION

Mark Gordon
President & Chief Content Officer, Film, Television & Digital

Entertainment One is a major independent producer of television content in the high-end scripted drama and non-scripted reality genres. Its shows are predominantly commissioned by US and Canadian broadcast networks and digital platforms but are sold around the world through the Group's global sales infrastructure.

You Me Her

CONTRIBUTION TO GROUP REVENUE

50%

£539.0m
REVENUE

CONTRIBUTION TO UNDERLYING EBITDA

38%

£72.0m
UNDERLYING EBITDA

INVESTMENT IN ACQUIRED CONTENT AND PRODUCTIONS

£272.6m
(2017: £260.2m)

HALF HOURS PROGRAMMING PRODUCED/ACQUIRED

887
(2017: 1,023)

Television

Entertainment One produces a large number of scripted drama and non-scripted reality shows from its production bases in North America. These shows are commissioned and financed mainly by leading broadcast networks and digital platforms in the US and Canada (supplemented by tax credits where available) 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 Prime Instant Video.

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

MARKET BACKDROP

The global television industry continues to grow steadily year-on-year, with market commentators anticipating this trend to continue over the medium term. According to the PricewaterhouseCoopers *Global Entertainment and Media Outlook: 2017-2021* report, the global total television and video market revenues (made up of TV subscriptions, public licence fees, video on demand (VOD) subscriptions and transaction fees and physical home video) were estimated to be worth US$294.7 billion in 2017. These revenues are expected to grow to US$322.9 billion by 2021, a compound annual growth rate (CAGR) of 3.2%.

However, this picture of steady growth for the industry as a whole masks the continued decline of physical formats, which are forecast to drop at a compound average rate of 8.7% over this period, declining to US$13.9 billion. In contrast, the VOD component (made up of subscription video on demand and advertising video on demand – SVOD and AVOD, respectively) is anticipated to grow at a CAGR of 9.5% during this time to reach US$45.6 billion in 2021.

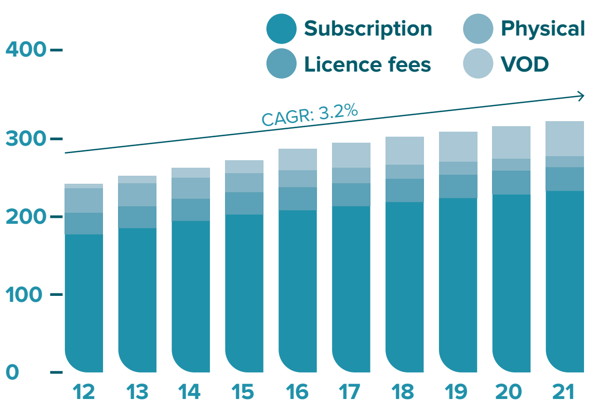
In its March 2018 report on Television Production in the US, IBISWorld suggests that revenues generated by the US television sector grew from US$32.1 billion in 2016 to US$35.4 billion in 2017 and are set to reach US$46.0 billion by 2023. This is an important market for eOne.

Significantly, its two key production sectors – scripted drama and non-scripted reality shows – in aggregate account for around 35% of this market, providing good headroom for further growth.

MARKET DEVELOPMENTS

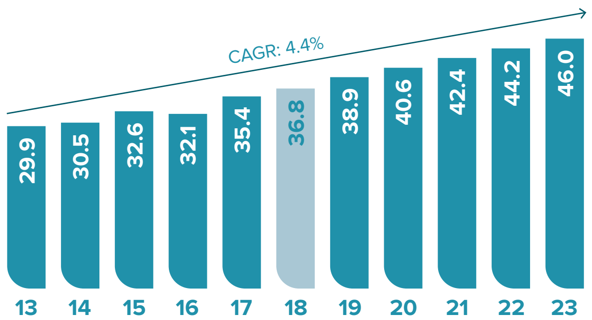
The battle for consumer attention between the digital content platform operators and the traditional broadcast networks continues to be waged in the major television markets around the world. The digital platforms, led by Netflix and Amazon Prime Video, have continued to rollout globally. Their monthly subscription offerings remain attractive to consumers looking to break away from the multi-channel bundles offered by traditional pay-TV operators. Netflix in particular dominates the SVOD market; in its January 2018 earnings release, the company highlighted 117.6 million subscribers globally (around 55 million of which are in the US).

GLOBAL TELEVISION AND VIDEO REVENUES (US$ BILLION)



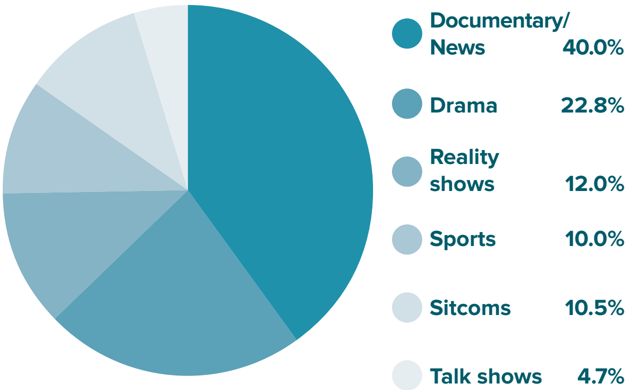
Source: PricewaterhouseCoopers Global Entertainment and Media Outlook: 2017 – 2021

US TELEVISION PRODUCTION REVENUES (US$ BILLION)



Source: www.IBISworld.com

US PRODUCTION MARKET BY GENRE



Source: www.IBISworld.com

This puts it well ahead of Amazon Prime Instant Video, a relatively distant second with 60 million subscribers. In fact, Netflix has comfortably more SVOD subscribers than all of its competitors combined.

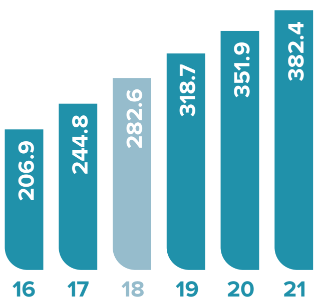
In addition to driving up subscriber numbers, the digital platforms have also been driving up the price of content, as consumers demand higher quality shows. Focusing on 'original' television series, the SVOD operators have been commissioning high profile shows such as *The Crown* (Netflix, US$15 million per episode), *Altered Carbon* (also Netflix, US$10 million per episode) and *Jack Ryan* (Amazon Prime Instant Video, US$8 million per episode). In tandem, the volume of new content being commissioned is also increasing with the number of series being ordered by the digital platforms increasing from four in 2010 to around 177 in 2017. These series are often produced for the platform by independent producers, such as eOne, providing a buoyant and dynamic market for content.

As we have commented on previously, the main weapon in this battle is content, with recent moves across the industry driven by the aim of securing the best content producers for each platform. This was a strategy adopted by the US networks previously, locking in creative talent through overhead deals that enabled them to capture the best content from these producers; now the digital platforms have adopted this strategy. Hulu, Amazon Prime Instant Video, Apple and Netflix have all engaged in content deals or talent tie-ups with key talent across the industry. We too have been locking in talent, through deals including The Mark Gordon Company, Makeready with Brad Weston and Steven Spielberg and the other content companies in Amblin Partners. We anticipate that the increasingly large amounts of capital being committed to content (Netflix alone expects to invest US$12 billion in content in 2018) will benefit the companies in the production sector who have scale, distribution and financing capability and a successful track record of value creation – companies like eOne.

In its recent Digital Media Market Report (April 2018) covering 50 countries around the world, market research company Statistica highlighted continued growth in SVOD subscriber numbers from around 207 million in 2016 to over 380 million by 2021, with the US, China and the UK the top three regions in terms of penetration.

This global growth in SVOD subscriber numbers is anticipated to continue to fuel the demand by broadcasters and digital platforms for the best content from the best content creators. Against the backdrop of this market dynamic, companies that have already locked in talent over the longer term look well positioned. Not only has eOne aligned itself closely with some of the best talent in the market today, it continues to attract others who wish to work in partnership with a company of scale and financial muscle to monetise this content most effectively.

GLOBAL NUMBER OF SVOD SUBSCRIBERS (MILLION)



Source: Statistica Digital Market Media Report

Television

FINANCIAL REVIEW

The Television Division comprises eOne Television, The Mark Gordon Company, the Group's Music operation and Secret Location. The Division's primary focus is on the development, production and acquisition of high quality programming for sale to broadcasters and digital platforms around the world.

£m	2018	2017	Change
Revenue	**539.0**	452.7	19%
Underlying EBITDA	**72.0**	62.8	15%
Investment in acquired content	**31.9**	37.3	(14%)
Investment in productions	**240.7**	222.9	8%

Revenue for the year was 19% higher at £539.0 million (2017: £452.7 million), driven by larger productions and higher international distribution sales across key titles. Television revenue is calculated net of intra-segment eliminations of £66.7 million (2017: £49.5 million) between eOne Television, The Mark Gordon Company and Music. The financial tables below are presented gross of intra-segment eliminations.

Underlying EBITDA increased by 15% to £72.0 million (2017: £62.8 million), driven by higher revenue. Investment in acquired content reduced by 14% and investment in productions increased by 8% driven by higher production volume.

eOne TELEVISION

£m	2018	2017	Change
Revenue	**382.1**	328.2	16%
Underlying EBITDA	**36.4**	30.9	18%
Investment in acquired content	**27.8**	34.1	(18%)
Investment in productions	**159.5**	121.4	31%

Revenue for the year increased 16% to £382.1 million (2017: £328.2 million), driven by larger productions and higher international distribution sales across key titles. Underlying EBITDA was 18% ahead at £36.4 million (2017: £30.9 million), driven by revenue growth with underlying EBITDA margin percentage broadly in line.

Investment in productions grew by 31% in the year due to investment in premium series from eOne productions and was partly offset by lower investment in acquired content. 876 half hours of new programming were produced/acquired in the year compared to 1,023 in the prior year with the decrease due to fewer shows in the Canadian unscripted business and a lower volume of acquired content.

Key scripted deliveries in the year include the highly anticipated *Sharp Objects*, starring Amy Adams and airing on HBO in summer 2018, first season of legal drama *Burden of Truth*, which has been renewed for a second season, first season of *The Detail*, second season of Antoine Fuqua's *Ice*, second season of *Private Eyes* which has also been renewed for a third season, second and third seasons of detective show *Cardinal* and third season of comedy *You Me Her*.

The unscripted US business delivered season three of *Growing Up Hip Hop*, season two of spin-off *Growing Up Hip Hop Atlanta*, *Ex on the Beach* and new production *Siesta Key* where audiences continue to grow since the season premiere on MTV where the show ranks in the top 5 series of 2017/18 season across all demographics. Renegade 83 also delivered new seasons of *Naked and Afraid*, with four different seasons of the franchise providing revenue in the year. In addition, *Aaron Hernandez* was delivered and debuted on Oxygen as the highest-rated true crime programme in the network's history.

Key acquired content driving performance in the year included season three of *Fear the Walking Dead*, season eight of *The Walking Dead*, season two of *Into the Badlands* and the fourth and final seasons of both *Halt & Catch Fire* and *Turn*. International sales for *Designated Survivor* seasons one and two were strong due to a world-wide streaming deal with Netflix outside of North America.

THE MARK GORDON COMPANY (MGC)

£m	2018	2017	Change
Revenue	**174.2**	119.9	45%
Underlying EBITDA	**29.4**	26.2	12%
Investment in productions	**81.2**	101.5	(20%)

Revenue for the year was up 45% to £174.2 million (2017: £119.9 million), driven by an increase in the number of *Designated Survivor* episodes delivered, delivery of new series of *Youth & Consequences* for YouTube Red, and delivery of MGC's first feature film with eOne, *Molly's Game*. Underlying EBITDA increased 12% to £29.4 million (2017: £26.2 million), driven by higher revenue. Underlying EBITDA margin percentage was lower than prior year reflecting a change in revenue mix.

Investment in productions decreased 20% to £81.2 million (2017: £101.5 million) due to phasing of productions, including *Molly's Game* where the majority of spend was incurred in FY17.

The studio continues to benefit from a strong library of television and film titles which have demonstrated enduring popularity and commercial success. The relatively high margins attributable to the library favourably contribute to the bottom line and cash generation. During the year MGC had five series airing on US network and premium cable, all with continued strong viewership including season twelve of *Criminal Minds* (renewed for season thirteen), season two of *Criminal Minds: Beyond Borders*, season five of *Ray Donovan* (renewed for season six), season two of *Quantico* (renewed for season three) and season thirteen and fourteen of *Grey's Anatomy* (renewed for season fifteen) making it the longest running scripted prime-time show currently airing on the ABC network. The year also saw a straight-to-series order by ABC of the *Grey's Anatomy* spinoff, *Station 19*, which premiered in March 2018.

MUSIC

£m	2018	2017	Change
Revenue	**49.4**	54.1	(9%)
Underlying EBITDA	**6.2**	5.7	9%
Investment in acquired content	**4.1**	3.2	28%

Revenue for the year decreased by 9% to £49.4 million (2017: £54.1 million), primarily due to the full year impact of lower physical sales driven by the termination of a number of distributed labels when the business outsourced physical distribution in January 2017 and lower performance of The Lumineers' second album, *Cleopatra*, which was released in the prior year. Underlying EBITDA increased 9% to £6.2 million (2017: £5.7 million) and underlying EBITDA margin increased 2.0pts, due to the continued shift of the business from physical to digital. ADA, a member of Warner Music Group, now handles all physical sales and distribution in the US and Canada which has allowed the business to focus on higher margin digital distribution and artist management.

Key titles during the year included continued strong performance of The Lumineers' highly successful first and second albums, *The Lumineers* and *Cleopatra*, 2Pac's *All Eyez on Me*, Snoop Doggy Dogg's *Doggystyle*, Dr Dre's *The Chronic* and the late Chuck Berry's new album *Chuck* demonstrating the strength of both new and catalogue music within the Music Division. In addition, numerous high profile signings were completed in the year bringing on board new artists including Dionne Warwick, Lil' Kim and Timbaland.

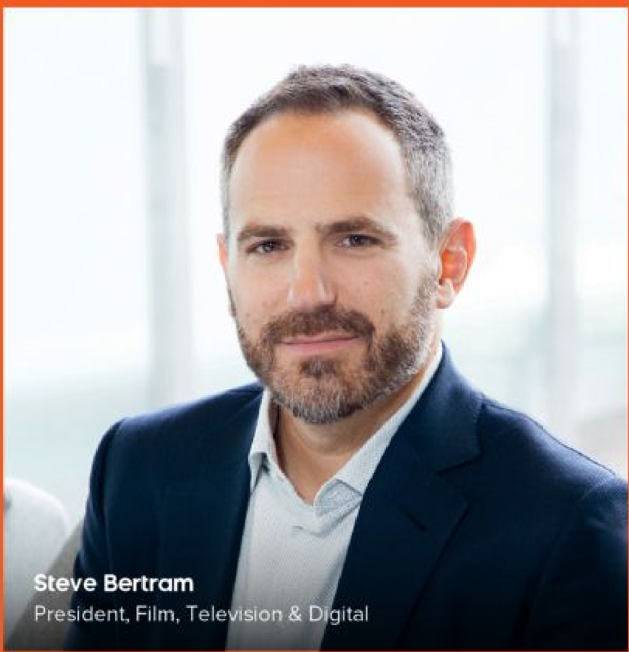
Additional growth has come from the Artist Management and Publishing businesses. In Artist Management, Jax Jones had a third number one song *Breathe* and Kah-Lo had a number one dance record in the UK.

In its Publishing and Music Supervision operations, the business continued to work in partnership with eOne television and film projects, including Makeready's *A Million Little Pieces*, *Ice* (season two), *Let's Get Physical*, as well as supervising the music on the recent *PJ Masks Live!* tour and providing the theme song for the upcoming *Ricky Zoom* series in Family & Brands.

The number of albums released in the year was marginally higher at 84, versus 79 in the prior year, and digital singles released remained steady at 205, compared to 206 in the prior year, demonstrating the robust pipeline of content driving the business forward.

Cardinal

FILM



Entertainment One is one of the largest independent film companies in the world, focused on bringing the best film content to consumers across all content windows in its territories.

Molly's Game

CONTRIBUTION TO GROUP REVENUE

37%

£402.2m

REVENUE

CONTRIBUTION TO UNDERLYING EBITDA

19%

£35.1m

UNDERLYING EBITDA

FILM RELEASES DURING THE YEAR

144

(2017: 172)

INVESTMENT IN ACQUIRED CONTENT AND PRODUCTIONS

£165.8m

(2017: £142.6m)

Film

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. Film has direct distribution capabilities in Canada, the UK, the US, Australia/New Zealand, Spain, the Netherlands, Belgium and Germany.

Historically, eOne has acquired film rights through output deals with independent production studios, via single picture acquisitions and through production relationships with leading creative talent. Looking ahead, we will continue to reposition the Film business with a greater emphasis on production activities, supported by our strong relationships with talented content creators such as Steven Spielberg, Brad Weston and Mark Gordon. This will result in a reduction in the number of releases over time but as we make this transition we anticipate reducing the level of investment in content acquisition, improving the Group's financial profile.

MARKET BACKDROP

After a period of volatility over the last few years, as the major Hollywood film studios have shifted their strategies to focus increasingly on blockbuster franchises, the global film market is becoming less unpredictable in its cycle. Instalments of popular franchises such as *The Avengers*, *Spider-Man*, *Jurassic World* and *Star Wars* are now being released at regular intervals, with sequels to successful films such as *Mission: Impossible*, *Wreck It Ralph*, *The Incredibles* and *Deadpool* all slated for a 2018 release.

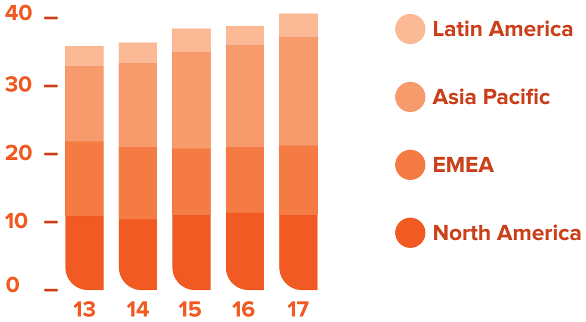
The Motion Picture Association of America (MPAA) in its 2017 THEME Report suggests 5% growth in the global box office revenues in 2017 to $40.6 billion. This growth was primarily as result of a 7% year-on-year increase in the international box office to US$29.5 billion offsetting a 2% decline in the US/Canadian box office to US$11.1 billion, where ticket sales were down 6% on 2016.

The largest international region is Asia Pacific; it is the biggest market globally, having overtaken North America in 2013. Overall the region increased box office revenues by 6%, primarily driven by a strong rebound in growth in China, where the box office was up 21% to US$7.9 billion in value.

In Europe, Middle East and Africa (EMEA) after the 2% fall in box office 2016, there was a return to growth of 4% in 2017 to US$10.1 billion, largely due to the 22% increase in Russia and the 7% increase in Germany.

Although much smaller than either Asia Pacific or EMEA, the Latin America market delivered the strongest growth of any territory, up 22% in 2017 to US$3.4 billion. Strong performers during the year were Brazil (+15%) and Mexico (+7%).

GLOBAL BOX OFFICE BY REGION (US$ BILLION)



Source: PricewaterhouseCoopers Global Entertainment and Media Outlook: 2017 – 2021

MARKET OUTLOOK

The global box office analysis above shows that although the global box office continues to grow (mainly as a result of increased ticket prices), the rate is sluggish with a lacklustre North American performance. Initially the studios focused on franchises, delivering releases with tried-and-tested audience responses. However, as consumer tastes have changed, with audiences preferring to consume content at home or on the move, the North American box office has stagnated. As a result, the major studios have become more active in the international marketplace; special-effects heavy action movies are able to cross cultural boundaries more easily than dramas or comedies.

As well as having to contend with the low-growth North American marketplace, the Hollywood majors must also compete with new entrants in the form of the digital content platforms. In 2015, Amazon launched its own studio to develop and acquire original movies. Netflix is also looking to invest some of its anticipated US$12 billion content budget in 2018 into theatrical releases. No wonder the incumbent studios are acquiring peers to scale up content production or distribution capabilities against this new competition.

Entertainment One has never competed head-to-head with the Hollywood majors in the blockbuster market. Rather, we are active in the independent sector, increasingly producing films with significantly lower budgets than Hollywood studio offerings (typically in the US$40-80 million range) and working closely with our proven creative partners.

FINANCIAL REVIEW

eOne's Global Film Group is one of the world's largest independent film businesses with operations in the US, Canada, the UK, Australia, the Benelux, Germany and Spain. The Division's primary focus is on the development, production and acquisition of high quality film productions for direct distribution in its territories and sales around the world.

£m	2018	2017	Change
Revenue	**402.2**	594.2	(32%)
Theatrical	**57.1**	97.2	(41%)
Home entertainment	**79.2**	149.3	(47%)
Broadcast and digital	**141.4**	189.4	(25%)
Production and international sales	**78.1**	108.0	(28%)
Other	**48.5**	54.5	(11%)
Eliminations	**(2.1)**	(4.2)	50%
Underlying EBITDA	**35.1**	52.7	(33%)
Investment in acquired content	**118.8**	143.2	(17%)
Investment in productions	**47.0**	(0.6)	7,933%

As a result of lower volume in the year, revenue and underlying EBITDA decreased 32% and 33% to £402.2 million (2017: £594.2 million) and £35.1 million (2017: £52.7 million), respectively. Underlying EBITDA benefitted from gross margin improvement of 3.1pts driven by lower amortisation costs and sales mix and significant cost savings resulting from the reorganisation commenced in FY16 and substantially completed in FY17. The Group has achieved the targeted annualised cost savings of approximately £10 million related to the continued reduction of physical distribution infrastructure in this financial year. In addition, cost savings from the integration of the Film and Television Divisions of £1-2 million were realised in FY18 with a full run rate impact expected by FY20 of £13-15 million (including the integration of The Mark Gordon Company).

Investment in acquired content reduced by £24.4 million to £118.8 million (2017: £143.2 million) driven by lower volume and mix of acquired titles. Investment in productions was higher by £47.6 million at £47.0 million (2017: (£0.6) million), a significant increase over the prior year, reflecting the Group's strategic shift towards direct production of content over which it has ownership and control.

THEATRICAL

Overall, theatrical revenue decreased by 41% as a result of lower box office takings (box office of US$207.6 million in FY18 versus US$337.4 million in FY17). The total number of theatrical releases was 144 compared to 172 in the prior year and the number of individual theatrical releases in the year was 85 compared to 102 in the prior year. The decrease in revenue is a result of volume and mix of titles compared to the higher profile releases in the prior year, which included *The BFG*, *The Girl on the Train* and *Arrival*. The lower number of releases and spending on acquired content is consistent with the Group's strategy to shift investment towards content production.

The current year releases include Oscar nominated *Molly's Game*, a Mark Gordon Company production written and directed by Aaron Sorkin; Oscar nominated *The Post* from Amblin Partners, starring Meryl Streep and Tom Hanks and directed by Steven Spielberg; and Oscar nominated *I, Tonya* for which Allison Janney won Best Supporting Actress, which Sierra/Affinity sold internationally. eOne released the first film under its new partnership with Annapurna Pictures, *Detroit,* directed by Academy Award winning director Kathryn Bigelow. Other key releases in the year included *A Dog's Purpose*, *The Death of Stalin*, *Wonder* and *Finding Your Feet*.

HOME ENTERTAINMENT

Revenue decreased by 47% as a result of the lower volume of releases, continued shift from physical to digital formats, and the discontinuation of certain labels in the US and Canada, as planned.

In total, 255 DVD and Blu-ray titles were released during the year (2017: 366), a decrease of 30%, including key titles such as *John Wick: Chapter 2*, *La La Land*, season seven of *The Walking Dead*, *Mom and Dad*, *Ballerina*, *A Dog's Purpose*, *Power Rangers* and *Jungle*.

BROADCAST AND DIGITAL

The Division's combined broadcast and digital revenues were 25% lower on a reported basis and 12% on a like-for-like basis, which excludes the prior year digital revenues generated in the Film Division from the US Distribution business that related to music sales. The like-for-like revenues were lower reflecting the impact of fewer releases and the reduced volume of larger titles to support incremental sales opportunities.

Key broadcast and digital titles included *The Girl on the Train*, *A Dog's Purpose*, *Arrival*, *John Wick: Chapter 2* and *Bon Cop Bad Cop 2*.

The Group entered into a new multi-year exclusive SVOD deal with Amazon in the first half of the year, for the first Pay TV window in the UK. This new deal gives Amazon Prime Instant Video members exclusive access to all new releases in the territory during the window. In addition the Group entered into a new output deal with Amazon in Spain, extended its Pay TV output deal with Bell Media in Canada and executed a SVOD catalogue and second Pay TV deal with Netflix in the UK.

PRODUCTION AND INTERNATIONAL SALES

Revenue for production and international sales decreased by 28% to £78.1 million (2017: £108.0 million) as a result of the timing of the Sierra production slate, which did not include any deliveries in FY18 compared to *Lost City of Z* and *Atomic Blonde* in FY17.

During the year eOne delivered *The Ritual*, which was released theatrically in the UK with the balance of worldwide distribution rights sold to Netflix, and *Just Getting Started*.

Sierra's key sales titles included *I, Tonya*, *24 Hours to Live*, *Molly's Game*, *Mark Felt* and *Anon*.

2019 OUTLOOK FOR FILM, TELEVISION & DIGITAL

From 1 April 2018 the Company is combining the Film and Television Divisions into one reporting segment: Film, Television & Digital. This follows on from the combination of the operations. Therefore the following 2019 outlook is provided for the new Division.

Film, Television & Digital is well positioned for growth in FY19 in a landscape where premium original content is in demand more than ever before. The Division will continue to focus on early access to high quality premium content of all types by continuing to build deep partnerships with high quality creators.

In FY19, we anticipate 140 film releases, in total across all territories, of which 80 are expected to be unique titles. Investment in acquired content is expected to be lower at approximately £100 million. The pipeline for the year is driven by releases from the Division's strategic partners, including Amblin Partners' *The House with a Clock in Its Walls* starring Cate Blanchett and Jack Black; *On the Basis of Sex*, a biopic of US Supreme Court Justice Ruth Bader Ginsburg, starring Felicity Jones and Armie Hammer; *Green Book*, a period drama starring Viggo Mortensen and Mahershala Ali; Annapurna Pictures' *If Beale Street Could Talk* based on the James Baldwin novel and directed by *Moonlight's* Barry Jenkins; and *Backseat*, Adam McKay's project following his success on *The Big Short* about former US Vice President Dick Cheney starring Christian Bale, Amy Adams, Sam Rockwell and Steve Carrell.

Investment in film production is expected to be higher than the current year at around £70 million reflecting the strategic shift towards content development and production. Films in production currently include: *A Million Little Pieces*, the first feature from Brad Weston's Makeready starring Aaron Taylor-Johnson, Charlie Hunnam and Billy-Bob Thornton; *Mary*, a low budget supernatural thriller starring recent Academy Award winner Gary Oldman, where eOne has enjoyed previous success with the *Sinister* and *Insidious* franchises; *Official Secrets*, starring Ralph Fiennes and Keira Knightley and directed by Gavin Hood, who also directed the eOne feature *Eye in the Sky*; Sierra's *Haunt* and Australian co-production *Nekromancer*. Other film titles in various stages of development and production include *The Nutcracker and the Four Realms* (Disney), *The Killer* (Universal), *Scary Stories to Tell in the Dark* (CBS), and *Come From Away*. In addition, the Group expects production to continue to ramp-up as internal as well as partner development projects enter the packaging stage.

The television slate for FY19 will deliver a straight-to-series order from ABC, *The Rookie*, starring and executive produced by the former *Castle* star Nathan Fillion. eOne will handle all international distribution rights outside of the US. The production was featured in The Hollywood Reporter's Hot List for MIPTV demonstrating the expected strong interest from the market. Also delivering are the remaining eight episodes of *Ransom* season two and renewed seasons of *Burden of Truth*, *Private Eyes* and *Mary Kills People*. There are a number of projects currently in development which are expected to be greenlit in the year including productions for sale to over the top platforms.

The US unscripted business will continue to grow with expected deliveries from the *Growing Up Hip Hop* franchise, *Siesta Key* and *The Hollywood Puppet Show* season two. Renegade 83 has a strong pipeline and is expected to deliver season five of the hugely popular *Naked and Afraid, Sugar* for YouTube and *Buried in the Backyard* for Oxygen. A majority stake in Whizz Kid Entertainment, a UK reality business, was acquired in April 2018 to further expand eOne's non-scripted development and production capabilities in new territories. The slate for FY19 also includes *Ex on the Beach* season ten and the *British Academy Film Awards 2019*.

For international distribution, sales of third party titles *Fear the Walking Dead* and *The Walking Dead* are expected to continue at their existing robust levels with new seasons confirmed and although the AMC/Sundance output deal has now ended for new productions, *Into the Badlands* is selling strongly and a fourth season has been confirmed.

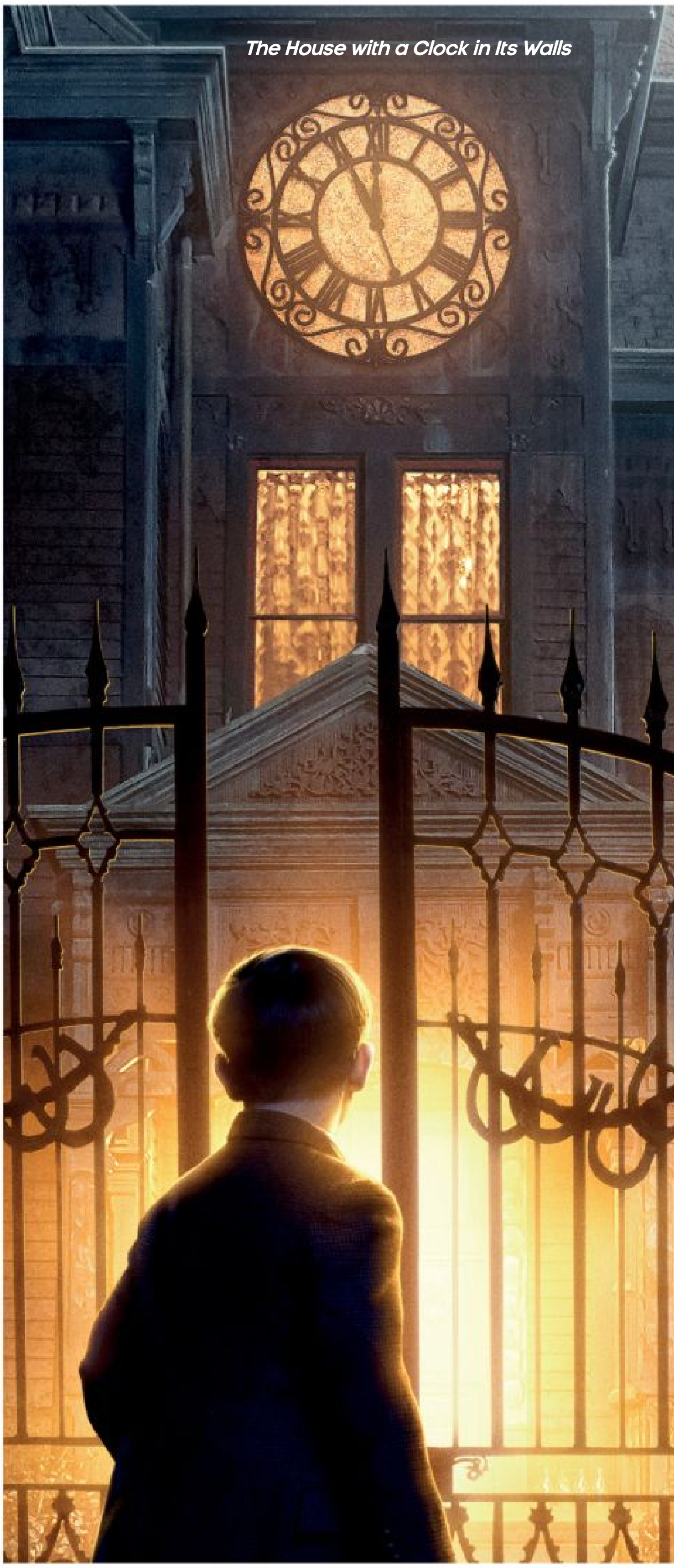
The number of half hours of TV programming acquired/produced next year is expected to be over 1,000, with around 40% of the new financial year's budgeted margins already committed or greenlit. The Division currently has more than 30 scripted series set up with global platforms and broadcasters in the US, Canada and the UK in various stages of development from packaging through pilot and a further ten series expected to go to the market in the next few months. Investment in acquired content is expected to be over £45 million and production spend is expected to be £309 million.

The integration of Film, Television & Digital operations is ongoing with a number of opportunities identified to drive business efficiencies and centralisation of internal support functions from the combined operations. In addition, as part of the acquisition of the balance of The Mark Gordon Company completed in March 2018, MGC will be fully integrated into eOne. Overall annual cost savings are expected of approximately £13-15 million by FY20. Approximately half of these savings are expected to be realised in FY19.

Secret Location, eOne's new and emerging platforms group, is primarily focused on the fast-growing virtual reality and augmented reality business. *VUSR*, Secret Location's patented virtual reality content distribution platform, partners with large media companies including Discovery, The New York Times, AMC and Frontline to deliver their VR/AR content to consumers.

The Music Division expects revenue growth in FY19. The transition to higher margin digital sales will continue to drive profit growth into FY19. Releases scheduled from high profile artists such as Brandy in FY19 will drive growth of both legacy and new content. The Division will continue to develop new initiatives to position eOne as a worldwide music brand. The Music Supervision business will continue to work in close partnership with eOne television and film projects, maximising Group synergies in this area. In January 2018, the Music Division acquired Round Room Entertainment, a leading live entertainment company, which expands eOne's comprehensive offering to artists and brands. The business is focused on live entertainment for family content and special events, which will lead to incremental revenue and underlying EBITDA within the Music Division.

"In FY19, we anticipate 140 film releases, in total across all territories, of which 80 are expected to be unique titles."



The House with a Clock in Its Walls

DELIVERING STRONG FINANCIAL RESULTS

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

HIGHLIGHTS FOR THE YEAR

- Group reported revenue at £1,045 million (2017: £1,083 million), with strong growth in Family & Brands and Television offset by lower performance in Film
- Group reported underlying EBITDA up 11% at £177 million (2017: £160 million), driven by revenue growth in Family & Brands and Television and lower costs in Film
- Group reported profit before tax up 116% at £78 million (2017: £36 million), Group adjusted profit before tax up 11% at £144 million (2017: £130 million)
- Adjusted diluted earnings per share up 10% at 21.9 pence per share (2017: 20.0 pence per share)
- Net debt leverage at 1.8x which is less than 2.0x as previously guided
- Full year dividend of 1.4 pence per share (2017: 1.3 pence per share)

FINANCIAL SUMMARY

Adjusted operating profit increased by 12% to £173.7 million (2017: £155.3 million), reflecting the growth in the Group's underlying EBITDA. Adjusted profit before tax increased by 11% to £144.4 million (2017: £129.9 million), in line with increased adjusted operating profit, partly offset by higher underlying finance costs in the year. Reported operating profit increased by 69% to £114.4 million (2017: £67.6 million), with the Group reporting a profit before tax of £77.6 million, an increase of 116% over the prior year (2017: £35.9 million).

AMORTISATION OF ACQUIRED INTANGIBLES, DEPRECIATION AND AMORTISATION OF SOFTWARE

Amortisation of acquired intangibles, depreciation and amortisation of software has decreased by £3.6 million in the year. The decrease is primarily attributable to assets having been fully amortised in the prior year, resulting in a lower charge in FY18.

SHARE-BASED PAYMENT CHARGE

The share-based payment charge of £12.6 million has increased by £7.6 million during the year, reflecting additional awards issued in the period and also due to the fair value of the FY18 awards increasing as a result of the increase in the Company's share price in the year.

Group	Reported 2018 £m	Reported Restated 2017[2] £m	Adjusted 2018 £m	Adjusted 2017 £m
Revenue	**1,044.5**	1,082.7	**1,044.5**	1,082.7
Underlying EBITDA	**177.3**	160.2	**177.3**	160.2
Amortisation of acquired intangibles	**(39.6)**	(41.9)	**–**	–
Depreciation and amortisation of software	**(3.6)**	(4.9)	**(3.6)**	(4.9)
Share-based payment charge	**(12.6)**	(5.0)	**–**	–
One-off items	**(7.1)**	(40.8)	**–**	–
Operating profit[1]	**114.4**	67.6	**173.7**	155.3
Net finance costs	**(36.8)**	(31.7)	**(29.3)**	(25.4)
Profit before tax	**77.6**	35.9	**144.4**	129.9
Tax	**0.6**	(12.3)	**(27.9)**	(27.1)
Profit for the year	**78.2**	23.6	**116.5**	102.8

1. Adjusted operating profit excludes amortisation of acquired intangibles, share-based payment charge and operating one-off items.
2. Reported 2017 amounts have been restated, refer to Note 1 of the consolidated financial statements for further details.

ONE-OFF ITEMS

One-off items resulted in a net charge of £7.1 million, compared to a net charge of £40.8 million in the prior year. The costs include restructuring costs of £8.0 million (2017: £51.0 million) and other costs of £1.0 million (2017: £2.5 million). These are partially offset by net acquisition related gains of £1.9 million (2017: £12.7 million).

The restructuring costs of £8.0 million consist of:

– £4.4 million of costs associated with the integration of the Television and Film Divisions and includes £3.6 million related to severance and staff costs and £0.8 million related to consultancy fees;

– £2.0 million related to the integration of the non-scripted television companies within the wider Canadian television production Division. The costs primarily include severance, staff costs and onerous leases; and

– £1.6 million of costs associated with completion of the 2017 strategy related restructuring programmes. The costs include additional severance, onerous leases and write-off of inventory.

Acquisition gains of £1.9 million consist of:

– Credit of £3.9 million on re-assessment of the liability on put options in relation to the non-controlling interests over Renegade 83 and Sierra Pictures put options;

– These gains are partially offset by banking and legal costs of £1.6 million associated with the creation and set-up of Makeready in the current year; and

– Charge of £0.6 million on settlement of contingent consideration in relation to Renegade 83 settled in the year, partially offset by escrow of £0.2 million received in relation to the FY16 acquisition of Last Gang Entertainment.

Other costs of £1.0 million in FY18 primarily related to costs associated with aborted corporate projects during the year.

NET FINANCE COSTS

Reported net finance costs increased by £5.1 million to £36.8 million in the year. Excluding one-off net finance costs of £7.5 million, adjusted finance costs of £29.3 million (2017: £25.4 million) were £3.9 million higher in the year, reflecting the higher average debt levels year-on-year. The weighted average interest rate for the Group's senior financing was 6.5% compared to 6.6% in the prior year.

The one-off net finance costs of £7.5 million (2017: £6.3 million) comprise:

- £7.9 million (2017: £6.4 million) net losses on fair value of derivative instruments; which includes:
  - £5.2 million charge (2017: £7.6 million) in respect of losses on five forward currency contracts not in compliance with the Group's hedging policy. See Note 1 of the consolidated financial statements for further details;
  - £1.6 million charge (2017: gain of £1.2 million) in respect of fair-value losses (2017 were fair value gains) on hedge contracts which reverse in future periods; and
  - £1.1 million charge (2017: nil) in respect of fair-value losses on hedge contracts cancelled as a result of the re-negotiation of one of the Group's larger film distribution agreements in 2017;
- £3.0 million charge (2017: £2.9 million) related to unwind of discounting on put options issued by the Group over the non-controlling interest of subsidiary companies; and
- The costs above are partly offset by a credit of £3.4 million (2017: net credit of £3.0 million) relating to the reversal of interest previously charged on tax provisions, which were released during the year.

TAX

On a reported basis, the Group's tax credit of £0.6 million (2017: charge of £12.3 million), which includes the impact of the release of tax provisions and one-off items, represents an effective rate of 0.8% compared to 33.6% in the prior year (excluding impact of JV loss of £0.7 million in FY17). On an adjusted basis, the effective rate is 19.3% compared to 20.9% in the prior year, driven by a different mix of profit by jurisdiction (with different statutory rates of tax). The FY19 effective tax rate on an adjusted basis is expected to be approximately 20%.

CASH FLOW & NET DEBT

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

	2018					2017				
£m (unless specified)	Family & Brands	Television	Film	Centre & Elims	Total	Family & Brands	Television	Film	Centre & Elims	Total
Underlying EBITDA	83.1	48.1	35.1	(12.1)	154.2	55.6	56.2	52.1	(10.9)	153.0
Amortisation of investment in acquired content rights	1.0	32.1	87.5	(6.7)	113.9	0.5	36.4	131.4	–	168.3
Investment in acquired content rights	(4.3)	(31.9)	(118.8)	6.8	(148.2)	(0.9)	(37.3)	(143.2)	–	(181.4)
Amortisation of investment in productions	2.4	71.3	7.2	(8.6)	72.3	1.3	30.9	0.6	–	32.8
Investment in productions, net of grants	(3.2)	(81.6)	(27.4)	0.4	(111.8)	(2.8)	(31.2)	(0.2)	–	(34.2)
Working capital	4.9	0.2	(33.8)	7.3	(21.4)	(3.3)	(7.6)	(48.1)	–	(59.0)
Joint venture movements	–	–	–	–	–	–	0.6	–	–	0.6
Adjusted cash flow	83.9	38.2	(50.2)	(12.9)	59.0	50.4	48.0	(7.4)	(10.9)	80.1
Cash conversion (%)	101%	79%	(143%)		38%	91%	85%	(14%)		52%
Capital expenditure					(3.2)					(3.2)
Tax paid					(31.8)					(16.2)
Net interest paid					(25.5)					(24.2)
Free cash flow					(1.5)					36.5
Cash one-off items					(33.4)					(15.9)
Cash one-off finance items					(14.1)					(1.7)
Transactions with equity holders and acquisitions, net of net debt acquired					(118.5)					(9.6)
Net proceeds of share issue					52.0					–
Dividends paid					(13.0)					(8.3)
Foreign exchange					1.4					(7.6)
Movement					(127.1)					(6.6)
Net debt at the beginning of the year					(187.4)					(180.8)
Net debt at the end of the year					(314.5)					(187.4)

ADJUSTED CASH FLOW

Adjusted cash inflow at £59.0 million was lower than prior year by £21.1 million primarily due to an increase in spend on acquired content and productions of £44.4 million, partly offset by an increase in underlying EBITDA and reduced working capital outflow. The underlying EBITDA to cash flow conversion was 38% (2017: 52%).

FAMILY & BRANDS

Family & Brands adjusted cash inflow increased 66% to £83.9 million (2017: £50.4 million) representing an underlying EBITDA to adjusted cash flow conversion of 101% (2017: 91%), driven by the increase in underlying EBITDA and working capital inflows, partly offset by increased investment in acquired content and productions. Working capital inflows grew year-on-year driven by the increase in creditors as a result of increased royalties and agency commission associated with *Peppa Pig* and *PJ Masks* due to higher revenue in the year, partially offset by the increase in receivables. The investment in acquired content and productions spend related to season five of *Peppa Pig*, season two of *PJ Masks* and new properties *Cupcake & Dino: General Services* and *Ricky Zoom*.

TELEVISION

Television adjusted cash inflow for the year was £38.2 million (2017: £48.0 million), representing an underlying EBITDA to adjusted cash flow conversion of 79% (2017: 85%). The reduction of cash inflow is driven by significantly higher investments in production due to ramp-up in productions, particularly in non-scripted US and The Mark Gordon Company, including productions in progress and development spend. The working capital was broadly flat in the year reflecting inflows from the increase in royalty accruals and increase in intercompany trade payables relating to productions from MGC (which are offset within the Television working capital movement under production financing), offset by an outflow in movements in receivables from higher revenue in the last quarter.

FILM

Film adjusted cash outflow of £50.2 million was higher than prior year (2017: outflow £7.4 million) driven by lower underlying EBITDA, lower amortisation of investment in acquired content rights, higher investment in productions, net of grants, partly offset by lower investment in acquired content and lower working capital outflow.

The reduced investment in acquired content rights was driven by the lower volume and profile of theatrical releases in the year which has led to lower amortisation. The increased investment in productions mainly relates to spend on the Sierra production *How It Ends* which will be delivered to Netflix in FY19. Working capital outflow of £33.8 million was primarily due to a decrease in payables driven by the timing of payments in the distribution territories partly offset by greater collection of receivables.

FREE CASH FLOW

Free cash outflow for the Group of £1.5 million, £38.0 million lower than the previous year primarily due to higher investment in acquired content and productions spend, timing of certain tax payments of approximately £10 million offset by lower working capital outflow and underlying EBITDA growth.

NET DEBT

At 31 March 2018, overall net debt of £314.5 million was £127.1 million higher than the prior year due to the lower free cash flow, higher one-off items, including payment of prior years' restructuring charges, higher one-off finance items and the impact of the MGC transaction.

Refer to the Appendix to the Consolidated Financial Statements for the definition of adjusted cash flow and free cash flow and for a reconciliation to net cash from operating activities.

PRODUCTION FINANCING

Overall production financing decreased by £33.6 million year-on-year to £118.7 million reflecting the timing of certain programming. For example, in MGC within Television there were cash outflows associated with *Conviction* in FY17 and then the loan was repaid in FY18. There was not an equivalent MGC network show in FY18.

£m	2018 Family & Brands	2018 Television	2018 Film	2018 Total	2017 Family & Brands	2017 Television	2017 Film	2017 Total
Underlying EBITDA	**(0.8)**	**23.9**	**–**	**23.1**	–	6.6	0.6	7.2
Amortisation of investment in productions	**0.2**	**153.7**	**4.2**	**158.1**	0.9	138.6	41.1	180.6
Investment in productions, net of grants	**(2.0)**	**(159.2)**	**(19.6)**	**(180.8)**	(1.4)	(191.7)	0.8	(192.3)
Working capital	**0.8**	**7.8**	**16.5**	**25.1**	0.5	4.4	(11.4)	(6.5)
Joint venture movements	**–**	**–**	**–**	**–**	–	0.1	–	0.1
Adjusted cash flow	**(1.8)**	**26.2**	**1.1**	**25.5**	–	(42.0)	31.1	(10.9)
Capital expenditure				**–**				(0.3)
Tax paid				**(0.7)**				(2.2)
Net interest paid				**(0.7)**				(0.1)
Free cash flow				**24.1**				(13.5)
Cash one-off items				**(3.5)**				(0.9)
Acquisitions, net of net debt acquired				**–**				(0.7)
Foreign exchange				**13.0**				(19.2)
Movement				**33.6**				(34.3)
Net production financing at the beginning of the year				**(152.3)**				(118.0)
Net production financing at the end of the year				**(118.7)**				(152.3)

The production cash flows relate to non-recourse production financing which is used to fund the Group's family brands, television 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 it is therefore excluded from net debt.

FINANCIAL POSITION AND GOING CONCERN BASIS

The Group's net assets decreased by £45.3 million to £706.0 million at 31 March 2018 (2017: £751.3 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.

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

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.

LINKAGE WITH THE GROUP'S BUSINESS PLANNING PROCESS

The Group's business plan has been developed in the context of the Group's principal risks and uncertainties, set out in the table below, being 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. 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 noted above.

Other 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. Further details of this process are provided in the Group's Viability Statement, that is set out on pages 42 and 43.

OUR PRINCIPAL RISKS AND UNCERTAINTIES

Principal risks and the mitigating activities in place to address them are listed below. The principal risks were reviewed quarterly during the year as part of the Group's risk management process. There have been no significant changes in the risks monitored during the year and no new risk categories identified.

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 44 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. The Group has recently entered into a number of new arrangements which provide it with greater control over the content development process, including new outputs deals where the Group is able to exert more control over product (e.g. Amblin, Annapurna) and development partnerships with the best creative talent in the industry (e.g. Makeready). The Group continues to look for opportunities to secure its content pipeline.
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. The Group has recently recruited a new General Counsel to oversee and monitor Group-wide legal activities which will facilitate a more consistent approach to IP protection.

Risk	Why	How
OPERATIONAL CONTINUED		
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. During the year, the Group published its tax strategy, in line with the new UK requirement to do so. 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. The Group has recently recruited a new General Counsel to oversee such activities across the Group.
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. The Group has been active during the year to identify and start implementing changes required in respect of the new General Data Protection Regulation regime in the European Union.
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 can recover all major systems; their recovery was tested during the year. Incident response plans have been rolled out to all major locations and form the initial response mechanism of the BCP, with smaller locations utilising simplified BCPs.
FINANCIAL		
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. The Group conducted a broad review of the Treasury processes, systems and controls during the year and implemented enhancements of the control environment in this area.

VIABILITY STATEMENT

1) ASSESSMENT OF PROSPECTS

Context for the assessment of prospects

Entertainment One is a leading global entertainment business. For the financial year commencing 1 April 2018, the Group is now operating through two business segments – the Film, Television & Digital Division and the Family & Brands Division.

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, with changes to the Group's detailed operating model evolving in line with changes to the entertainment market in which it operates. 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 film/television and family properties provides stability to the Group's financial performance, protecting against cyclical performance in any one business area. Within each business area, the Group also benefits from a portfolio model – the Group sells television shows to over 150 countries and has a balance of scripted and non-scripted output and new and long-standing productions; the Group has almost 1,500 licensing and merchandising contracts in place across different family properties in multiple territories; and the Group has multiple theatrical film releases a year across its different territories to minimise the risk of under-performance of any individual film, and derives a significant proportion of its in-year film 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 approximately ~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 for each new financial year.

The planning process is led by the Divisional teams for each area of the business with the outputs comprising Divisional business plans 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, as well as an analysis of the risks and opportunities that are perceived as relevant to the plans. 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 2021.

The first year of the strategic plan forms the Group's operating budget for the year ended 31 March 2019, which is subject to a re-forecast process in November 2018 and February 2019. The second and third years of the plan, to 31 March 2021, 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:

- Revenue and underlying EBITDA growth across all business areas
- Re-focusing from rights acquisition to content creation
- Securing content rights for the global market whilst maintaining greater control over budget and release slate
- Increased integration across the Group, adapting to the evolving entertainment market – including the integration of film/television activities (and the cost savings delivered by this integration) and a combined global salesforce
- Continued investment in content and productions to support the growth plans

The Group completed a re-financing in December 2015, which delivered significant long-term, non-amortising, fixed-rate debt via senior secured notes (due 2022) and with short-term working capital needs being funded via a new, more flexible super senior revolving credit facility. During the current financial year, the Group issued an additional tranche of senior secured notes in support of the acquisition of the balance of the shares in The Mark Gordon Company not already held by the Group, taking the total amount in issue to £355 million. The Group has also increased the capacity of its revolving credit facility to reflect the working capital needs of the growing business. The Group's revolving credit facility currently matures in December 2020, but the Group will consider the re-financing options that exist from December 2018 which is the time of the first call period for its senior secured notes.

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 40 and 41. 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 39.

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 2021 as its assessment period for its viability statement on the basis that this period is consistent with prior years and reflects the Group's regular business planning cycle for which detailed plans have been adopted by the Board.

Although the Group's three-year plan to 31 March 2021 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 FY19 (varying from 1.5% to 10.0%, as visibility of performance diminishes with time) and the resulting impact on underlying EBITDA
– Annual revenue decreases varying by segment of up to 15.0% for FY20 and up to 20.0% in FY21, with decreases driven by both timing of releases/deliveries and permanent under-performance, and the resulting impact on underlying EBITDA
– Additional incremental working capital outflows over the plan period, reaching a level of £40m by FY21
– 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 underlying 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 2021.

MAINTAINING CLOSE RELATIONSHIPS WITH OUR LOCAL COMMUNITIES

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. eOne 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 video-conferences to employees from our CEO and senior leaders of each Division
- regional meetings held at least bi-annually
- regular local social events to coincide with major holidays
- newly launched this year, the eOne Academy leadership development programme, which is available to all people managers across the organisation
- new initiative eOne Rewards, a colleague-driven nomination and recognition programme available to all employees globally
- our 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 softball 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, which gives individual team members a direct alignment with the Company's shareholders in driving performance of the Group. Over 120 employees decided to participate in the 2017 Sharesave Scheme, taking the total number of employees enrolled to over 450, amounting to over a third of eOne's total employees. 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	47%	53%
Rest of workforce	60%	40%
Total workforce	57%	43%

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 tonnes CO_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. 2017 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	**2018**	2017
Scope 2	Tonnes CO_2e	**1,922**	1,837
Scope 2 intensity	Tonnes CO_2e/£m revenue	**1.84**	1.70

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 Group continues to ensure that when it takes on new office space, it implements environmental measures whenever possible and continues to meet local legal requirements including, for example, the UK's enactment of Article 8 of the European Union Energy Efficiency Directive.

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$16,000 donation was made to WE Charity (formerly known as Free the Children) on behalf of all eOne employees. This donation built on last year's contribution to the charity, and will enable the construction of a library for students and the wider community in the Kenyan village of Irkaat. In addition, over C$182,000 of charitable donations were generated by local eOne teams for a variety of charitable organisations around the world.

In North America, the Group teamed up with a number of charities throughout the year.

IN TORONTO...

- The Entertainment One Golf FORE Charity Tournament has been held in Canada since 2007 and has now surpassed the C$1 million mark for total donations for the SickKids Foundation, including raising C$135,000 in the current year.
- 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$12,500 in donations.
- Throughout the year, the Toronto eOne Gives Back community group raised C$5,000 for Ronald McDonald House by hosting a number of events including a BBQ lunch for staff to celebrate Canada's 150th birthday, a monthly bar cart and a staff outing to a Blue Jays baseball game. The team also raised C$500 for Movember Canada. In addition, during the holidays, eOne partnered with local organisation Moorelands, which provides much-needed gifts and necessities to families in need. In Toronto, eOne adopted four families and 17 new mothers, and donated gifts with an estimated value of C$4,600.

IN BRAMPTON...

- The team raised C$5,000 for the Canadian Cancer Society through a number of events, including a bake sale, raffle, pancake breakfast and candy gram initiative.

IN MONTREAL...

- Raised C$2,000 for Quebec Cinema, which supports and promotes Quebecois cinema, artists and film professionals.
- Raised C$1,000 for Centre Philou, a charitable organisation that welcomes physically disabled children for various programmes, including respite, stimulation, and day camps.
- Raised C$1,000 for Fondation Tel-Jeunes, a free and confidential professional counselling service available to young people and parents in Quebec.
- Raised C$500 for Fondation Je Veux Jouer (Let Me Play Syria), an organisation that focuses on the importance of play and peace for Syrian children in refugee camps.
- The team also participated in a number of events and initiatives to support the local film and television industry, including sponsoring events for Fondation de L'Inis (National Institute of Image and Sound) and Kino Montreal's annual Gala event.

IN NEW YORK...

- Throughout the year, the team regularly donated much-needed apparel, home items, crafts, toys and games to local organisations Material for the Arts (New York's premiere reuse center which provides donated supplies to thousands of arts-related organisations and public schools) and The Toy Association's Toy Bank programme for millions of kids in need.
- In November, the team rallied friends, family and colleagues in less than a week to collect an estimated US$3,800 worth of donated items and products to support victims of the devastating hurricane in Puerto Rico.

IN NASHVILLE...

- The team collected almost US$10,000 in ticket sales for a live recording of eOne artist Jonathan McReynolds' album, *Make Room*. The monies raised supported two scholarship winners of McReynolds' faith-based organisation Elihu Nation in Chicago.
- In addition, Nashville staff raised almost US$1,000 to support roughly 480 meals for Second Harvest Food Bank of Middle Tennessee during the holiday season.

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 hosted a clothing drive and 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 a local organisation A Place Called Home by adopting four families during the holiday season. 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 £5,000 for both organisations through participation in such events as games nights, drinks trolleys, and a Christmas auction.
- 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 US and UK, eOne's *Peppa Pig* brand continued its support of the Muddy Puddles Project, a celebration of children and childhood inspired by five-year old *Peppa Pig* fan Ty Campbell, who dreamed of jumping in muddy puddles when his cancer was cured. The project is a vehicle to engage children in philanthropy, encouraging them to have fun while doing good. In the US, the Muddy Puddles Project benefits the Ty Louis Campbell Foundation; while in the UK, the team partnered with local organisation Save the Children.
- *PJ Masks* recently announced their first charity partnership of 2018 in the US, with Candlelighters; whose core mission is to help families fighting pediatric cancer. In keeping with the brand DNA of "kindness" and "teamwork", the US teamed up for the first event with Candlelighters, aptly named "Hero Day." The magical evening was held on 9 April 2018 at the famed Central Park Loeb Boathouse, and featured costume appearances by the SUPER trio *Catboy*, *Owlette*, and *Gekko*, plus additional entertainment and fun-filled activities. The event was covered by major network, CNN; as well as VIP bloggers, websites, and social media promotions. All guests were invited to cheer on the amazing Parade of Heroes, which honours the children currently fighting cancer. Select US licensee partners pitched in to provide prizes for the silent auction, as well as activities throughout the night. All proceeds from the event benefited Candlelighters NYC, a recognised, non-profit organisation dedicated to helping families get through the difficult times when a child is diagnosed with and being treated for cancer.
- 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' in 2016 and partnering on the second annual co-branded event '*Peppa Pig's* Muddy Puddle Walk', raising £230,000 in its first year alone.
- There has also been a *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 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 partnership in the UK with Global's Make Some Noise and the Turtletots swimming franchise, launching an annual co-branded Splashathon event, first launching in October 2017 and raising £54,000 so far.
- 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.

IN SPAIN…

- The Madrid office made a number of computer donations throughout the year to help support two organisations: Asociacion de empleados de Iberia, Padres de Minusválidos, which works with people with functional diversity; and Proyecto Ayuda del Colegio Amoros, which offers educational programmes throughout Spain.

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 and gently used furniture.

IN AUSTRALIA…

- Our employee charity committee continues to support the Fact Tree Youth Service by volunteering their time, donating gifts during the holidays, and raising A$850 through a number of events throughout the year.
- The team also donated much-needed furniture and supplies to a number of organisations, including to Giant Steps (a school that specialises in educating kids with autism) and Starlight Children's Foundation's Movie Trivia Night fundraising event.

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 Toronto the eOne Active Committee hosts regular health and wellness workshops, weekly yoga and running groups, and ad hoc events like an ice skating night for staff. The eOne Green Committee hosts regular green living workshops, presentations and initiatives for staff, including bicycle tune-up clinics, terrarium workshops and a neighbourhood clean-up in honour of Earth Day. The group also manages a community garden on the office's terrace, growing herbs and vegetables for eOne staff.

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. The team also organises health and wellness initiatives, including daily boot camp classes and weekly walk breaks.

In Toronto, Montreal and Brampton, staff participate in a weekly "salad club" lunch potluck.

In Los Angeles, new employees are given S'well water bottles to help reduce the amount of bottled water used in the office; and staff members regularly participate in subsidised yoga and spin classes and a local flag football league.

In the UK, the eOne Active Committee organises a number of activities aimed at employees, including lunchtime yoga classes and a fitness bootcamp in nearby Regent's Park.

In Australia, teams aim to reduce the office's environmental impact through various recycling initiatives, including: collecting soft plastics in office kitchens for drop-off at a local recycling plant; encouraging use of reusable cups through a rebate programme; reusing coffee trays and using notepads made from recycled paper; and mitigating food waste through the use of compost bins. The local eOne Active group initiated weekly yoga classes as well as standing desks upon request, to encourage regular movement and a more comfortable workspace.

Globally, eOne makes branded t-shirts and sportswear available to staff participating in active initiatives.

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 continues to be focused on operating with high standards of corporate governance across the Group. Specifically, eOne ensures that it complies with the requirements of the UK Corporate Governance Code ("the UK Code") with respect to the Board's leadership of the Company and the Board's effectiveness as a body – further details of how we achieve this goal are set out below.

DEAR SHAREHOLDERS,

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

In terms of Board Leadership (Main Principle A of the UK Code), eOne is headed by an increasingly experienced Board, having been supplemented with two new non-executive directors during the year, as well as having confirmed Joe Sparacio as the Company's Chief Financial Officer.

From the perspective of Board Effectiveness (Main Principle B of the UK Code), the appointment of these new non-executive directors to the Board has broadened the skills and experience of the Board, specifically adding further financial expertise, and increased the overall balance of independent directors on the Board. A rigorous self-evaluation of the Board's own performance has taken place during the year and the Company expects to complete an externally facilitated assessment during FY19, in line with the requirements of the UK 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 four additional meetings. Having carried out a formal competitive tender process for the Group's external audit, the Audit Committee recommended the appointment of PricewaterhouseCoopers LLP (PwC) as the Group's external auditor – PwC have subsequently led the review of the half year condensed consolidated financial statements and the audit of the full year consolidated financial statements for FY18.

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. Members of the Audit Committee also meet, as required on an ad hoc basis, as the Company's Disclosure Committee.

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.

We are committed to equality and diversity in our workforce and recognise the benefits to the Company of employing people with a wide mix of ethnic and cultural backgrounds, and a balance between genders. The Company has a written policy that prohibits unequal treatment based on a prohibited ground under applicable human rights legislation, including race, ancestry, place of origin, colour, ethnic origin, citizenship, record of offences, creed, sex, sexual orientation, gender identity, gender expression, age, marital status, family status and disability which applies across the Group. Further details in respect of our diversity policies are provided in the Corporate responsibility, Nomination Committee and Remuneration Committee sections of the Annual Report.

Our Nomination Committee carefully reviews succession plans for the Group and our Remuneration Committee ensures that our Remuneration Policy supports the succession planning process.

The Nomination Committee has been particularly active in the current year in recruiting two new independent non-executive directors, Michael Friisdahl and Robert McFarlane, who joined the Board in November 2017. The Committee continues to consider opportunities to add further independent non-executive directors to the Board, particularly where this might increase the diversity of the Company's directors.

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.

The Audit Committee has continued to receive presentations from various members of operational management. During the year, the Committee received briefings from the Company's Chief Information Officer (focusing on technology infrastructure and cyber-security), the CFO of the Film, Television & Digital Division (focusing on proposed updates to finance systems) and the Chief Corporate Development and Administrative Officer (focusing on acquisition opportunities).

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
21 May 2018

CORPORATE GOVERNANCE COMPLIANCE STATEMENT

The Group fully supports the principles of corporate governance contained in the UK Code issued by the Financial Reporting Council in April 2016.

At 31 March 2018, the Group complied with the principles set out in the Code, other than in the following matter:

– 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 76).

As noted in the FY17 Annual Report, the location of Mr Opzoomer (who is London-based) has facilitated a programme of meetings with a range of major shareholders in his capacity as Senior Independent Director, which is currently in progress.

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

Board

Membership:

– Non-executive Chairman
– Six further 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:

– Four 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 58.

DISCLOSURE COMMITTEE

Membership:

– Four 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 66.

REMUNERATION COMMITTEE

Membership:

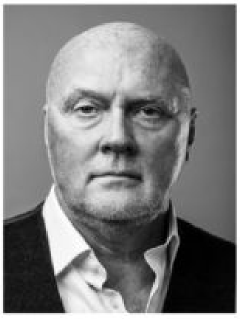
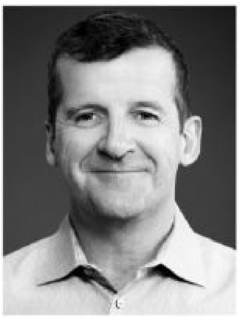
– Four independent non-executive directors

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 69.

Board of Directors

	Allan Leighton Non-executive Chairman	**Darren Throop** Chief Executive Officer	**Joseph Sparacio** Chief Financial Officer	**Mark Opzoomer** Senior Independent Director
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 30 years of executive management in the entertainment and media industry. Formerly the Chief Financial Officer of the IMAX Corporation and iN Demand LLC and, prior to that, held senior financial roles at Loews/Loews Cineplex. Certified Public Accountant with the AICPA designation of a Chartered Global Management Accountant. Joined eOne in November 2016.	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. Member of the Canadian Institute of Chartered Accountants and MBA from IMD, Lausanne, Switzerland.
DATE OF APPOINTMENT	Appointed non-executive Chairman in March 2014.	Appointed Chief Executive Officer in July 2003.	Appointed as an executive director in November 2017.	Appointed non-executive director in March 2007.
EXTERNAL APPOINTMENTS	Chairman of The Co-operative Group, Wagamama Ltd, Element Materials Technology and The Canal River Trust. Deputy Chairman Pandora A/S. Patron of Breast Cancer Care.	Non-executive director of IMAX Corporation.	Non-executive director of Vydia Inc. Non-executive director of Court Appointed Special Advocates for Children of Monmouth County, Inc. (CASA)	Partner Bond Capital Partners. Non-executive chairman of Somo Global Ltd and non-executive director of RhythmOne plc and Benross Golf Limited.
COMMITTEE MEMBERSHIP	Member of Nomination Committee.	None.	None.	Chairman of Audit Committee, Chairman of Disclosure Committee, Chairman of Remuneration Committee.

Michael Friisdahl
Non-executive director

Formerly President and Chief Executive Officer of Air Canada's Leisure Group, CEO of Thomas Cook North America, and President and CEO of The Holiday Network.

Appointed non-executive director in November 2017.

President and Chief Executive Officer of Maple Leaf Sports & Entertainment and serves on the Board of SickKids Foundation.

Member of Remuneration Committee.

Scott Lawrence
Non-executive director

Managing Director, Head of Infrastructure 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.

Robert McFarlane
Non-executive director

Formerly Chief Financial Officer of Clearnet until its acquisition by TELUS, and subsequently Chief Financial Officer of TELUS.

Holds a Commerce degree from the Smith School of Business in Queen's University, an MBA from the Ivey Business School at Western University and an ICD.D designation from the Institute of Corporate Directors.

Appointed non-executive director in November 2017.

Non-executive director of HSBC Bank Canada and Deputy-Chair of Royal & Sun Alliance Insurance Company of Canada. Chair of the Information Technology Advisory Council of the University of British Columbia and serves on the Board of Trustees of Queen's University.

Member of Audit Committee, Member of Disclosure 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 VP Global Business Development & Strategy 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 of Women Lawyers Joining Hands.

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

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, six 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.

During the year two new independent non-executive directors, Michael Friisdahl and Robert McFarlane, were appointed to the Board. In addition, Joseph Sparacio, who was appointed as Chief Financial Officer in May 2017, was appointed an executive director in November 2017.

Information about the directors, including their background and experience, is given on pages 50 and 51.

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 2018, the Board has reviewed the independence of the non-executive directors and concluded that six non-executive directors including the Company's Chairman are independent. The independent directors are: Allan Leighton, Michael Friisdahl, Robert McFarlane, 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 2018, Mark Opzoomer had served on the Board for more than 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.

The Board continues to determine Mr 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.

Robert McFarlane joined the Board in November 2017 and, after a transition period during which he has been a member of the Audit Committee, he is expected to assume the chairmanship of the Audit Committee from September 2018. Mr McFarlane brings a wealth of financial expertise to the role of Audit Committee

Chairman, both having been Chief Financial Officer of TELUS Corporation, and currently serving as a non-executive director on the board of HSBC Bank Canada and Deputy-Chair of Royal & Sun Alliance Insurance Company of Canada.

Michael Friisdahl joined the Board in November 2017 and has been appointed to the Remuneration Committee. Mr Friisdahl is President and Chief Executive Officer of Maple Leaf Sports & Entertainment and has many years of experience in the entertainment and leisure industry, supplementing the Board's knowledge of the live entertainment space, an area of the business which is expected to grow over the coming years.

The Corporation continues to look for opportunities to broaden the experience of the Board, particularly where this would increase the diversity of the Company's directors.

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 their basic duties as directors. An additional commitment of time is expected of directors to address matters on a timely basis as appropriate via ad hoc Board meetings, or for directors who chair or are members of Board Committees and this is reflected in additional fees in this respect, as set out in the Directors' Remuneration Report. Overall time spent by directors on Group business 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 16 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 Family & Brands, and Television and Film Divisions (which have been combined into the Film, Television & Digital Division in FY19).

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 2018.

Separate questionnaires were developed for each Committee and these were completed by Committee members and collated as input to an annual performance review of each Committee. 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.

On the basis of this evaluation process, the Group was able to determine that its Board, Committees and individual directors had performed effectively during the year, which will enable the Company to confirm its recommendation for the re-election of its existing directors at the 2018 Annual General Meeting.

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 and, taken as a whole, have the relevant competence to the sectors in which eOne operates.

The Board Committees were refreshed in November 2017, following the appointment of two new independent non-executive directors to the Board.

As at 31 March 2018, the Audit Committee comprised Mark Opzoomer (Chairman) with Robert McFarlane, Mitzi Reaugh and Linda Robinson as the other independent non-executive members. Mark Opzoomer and Robert McFarlane have recent and relevant financial experience.

As at 31 March 2018, the Disclosure Committee comprised Mark Opzoomer (Chairman) with Robert McFarlane, Mitzi Reaugh and Linda Robinson as the other independent non-executive members.

As at 31 March 2018, the Remuneration Committee comprised Mark Opzoomer (Chairman) with Michael Friisdahl, Mitzi Reaugh and Linda Robinson as the other independent non-executive members.

As at 31 March 2018, the Nomination Committee comprised Linda Robinson (Chair) with Allan Leighton as the other independent non-executive member and Scott Lawrence as a non-independent non-executive member.

The Company's Articles of Amendment require that each of the Board's Committees is chaired by a Canadian.

Further details of the operation of these Board Committees are given on page 49.

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 Chair before the meeting in question takes place.

During the financial year all directors attended all Board meetings to which they were entitled to attend, with the exception of Mitzi Reaugh who was unable to attend one Board meeting. The Board meeting in question was time-sensitive and scheduled at very short notice and conflicted with a pre-existing commitment for Ms Reaugh. Ms Reaugh was briefed separately prior to the Board meeting in question by the Chief Financial Officer and Company Secretary to ensure that her views could be provided to the other directors at the Board meeting.

During the financial year all directors attended all Committee meetings to which they were entitled to attend, with the exception of Scott Lawrence who was unable to attend one Nomination Committee meeting. The Nomination Committee meeting in question took place at a time when Mr Lawrence was travelling in respect to his other, non-Entertainment One, commitments. Mr Lawrence intended to join the meeting, but at the time in question he was in a region without mobile telephone coverage. He received papers for the Committee meeting in question and was able to provide feedback to other Committee members.

	Board	Audit Committee	Remuneration Committee	Nomination Committee	Disclosure Committee
Total held in year	**16**	**8**	**8**	**6**	**6**
Allan Leighton	16	–	–	6	–
Darren Throop	16	–	–	–	–
Joseph Sparacio[1]	6	–	–	–	–
Mark Opzoomer	16	8	8	–	6
Ron Atkey[2]	1	2	1	–	1
Michael Friisdahl[1,3]	6	–	2	–	–
Scott Lawrence	16	–	–	5	–
Robert McFarlane[1,4]	6	2	–	–	–
Margaret O'Brien[5]	9	–	–	–	–
Mitzi Reaugh[4]	15	6	8	–	4
Linda Robinson[3,6]	16	8	7	5	6

Notes:

1. Appointed on 20 November 2017. Attended all Board meetings entitled to attend during the year.
2. The Company was notified of the death of Ron Atkey on 12 May 2017. Attended all Board and Committee meetings entitled to attend during the year.
3. Appointed to the Remuneration Committee during the year. Attended all Remuneration Committee meetings entitled to attend during the year.
4. Appointed to the Audit/Disclosure Committees during the year. Attended all Audit/Disclosure Committee meetings entitled to attend during the year.
5. Appointed on 18 May 2017. Resigned on 20 November 2017. Attended all Board meetings entitled to attend during the year.
6. Appointed to the Nomination Committee during the year. Attended all Nomination Committee 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.

The Company is currently undertaking a programme of engagement with key shareholders focused on governance matters.

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 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.

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 2017 Annual General Meeting was held on 27 September 2017 at the Company's offices in Toronto, Canada.

Resolutions were passed, with votes in favour of all resolutions of 85% or more of votes cast, except as noted below:

- the resolution in relation to the Directors' Remuneration Report (passed with votes in favour of 62%);
- the resolution in relation to the Directors' Remuneration Policy (passed with votes in favour of 53%);
- the resolution in relation to the re-appointment of Linda Robinson (passed with votes in favour of 83%);
- the resolution in relation to the re-appointment of Mark Opzoomer (passed with votes in favour of 77%);
- the resolution in relation to the specific dis-application of pre-emption rights (passed with votes in favour of 76%);
- the resolution in relation to proposed amendments to the Company's Long Term Incentive Plan (passed with votes in favour of 58%); and
- the resolution in relation to a proposed award of options over shares in favour of the Company's Chief Executive Officer (passed with votes in favour of 55%).

Following last year's AGM and the implementation of the UK Investment Association's Public Register, the Company noted that it intended to engage with its key shareholders to understand any feedback on governance, outside of its regular financial-focused engagement programme.

Mark Opzoomer, the Company's Senior Independent Director is currently undertaking a programme of engagement with a number of the Company's key shareholders. Mr Opzoomer is based in London, the location of the Company's listing, and this has facilitated face-to-face meetings to be scheduled more easily as part of this programme. Further details of this programme are provided in the Directors' Remuneration Report

The Company plans to hold its 2018 Annual General Meeting on 13 September 2018 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.

During the financial year, the directors confirm that they have undertaken a robust assessment of the principal risks affecting the Company. Details of the principal risks and uncertainties affecting the Company, as the Group's risk management processes are shown on pages 39 to 41.

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.

As noted in the Group's half year results, during the period ended 30 September 2017 the Group identified five forward currency contracts that were not in compliance with the Group's hedging policy, three of which had resulted in losses that had not been reflected in the consolidated audited financial statements for the years ended 31 March 2016 and 2017 or in the condensed consolidated financial statements for the six months ended 30 September 2016.

The Group concluded that the prior period errors were not fundamental to any of the Group's previously issued financial statements. Therefore, the Group corrected the prior period errors retrospectively by restating the comparative amounts for the prior period presented in which the error occurred and restating the opening balances for the earliest prior period presented in this Annual Report, as required under International Accounting Standard 8.

These forward currency contracts were settled fully during the period ended 30 September 2017 and further details are provided in Notes 2 and 5 to the condensed consolidated financial statements for the period ended 30 September 2017 and Note 1 of the consolidated financial statements for the year ended 31 March 2018.

In response to the above, the Group conducted a broad review of the treasury processes, systems and controls across the Group. Steps have been taken to improve controls within Treasury including changes in personnel and enhancement of the control environment. In addition, a detailed review of all, externally confirmed, open forward currency contracts at 30 September 2017 was completed to ensure that they were in compliance with the Group's hedging policies and enhanced procedures have been carried out in this area as part of the financial close process for the year ended 31 March 2018.

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 Divisional management.

There have been no significant operational control failures or significant weaknesses in controls identified 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 regular basis, generally monthly, 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 are 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 – non-audit services provided by the Group's external auditor during the year mainly related to work supporting financing activities, were agreed by the Board, and were determined not to compromise the auditor's independence. Further details on the Company's policy for the provision of non-audit services by the external auditor are provided in the Audit Committee Report.

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 the FRC's Guidance on Risk Management, Internal Control and Related Financial and Business Reporting (formerly known 'Internal Control: Revised Guidance for Directors on the Combined Code'). 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, following the changes made in the Treasury area noted above, are satisfied that the Group's internal controls are operating effectively.

Audit Committee

ANNUAL STATEMENT OF THE CHAIRMAN 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 2017 financial results, matters arising from the Group's 2017 external audit, approval of the Group's 2018 half year results and the planning of the external audit for the 2018 financial year. As noted in the 2017 Annual Report, the Committee also met immediately after the end of the financial year in April, to discuss any matters expected to form areas of judgement in the Group's consolidated financial statements.

Three additional meetings took place during the financial year, which focused on finalising the selection of the Company's new external auditor for the 2018 financial year, correspondence with the Financial Reporting Council and various corporate transactions.

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, particularly with the new General Data Protection Regulation (GDPR) environment in the European Union.

The Executive Committee continues to meet regularly, generally 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.

During the year, presentations were made to the Committee by the Company's Chief Information Officer (focusing on technology infrastructure and cyber-security), the CFO of the Film, Television & Digital Division (focusing on proposed updates to finance systems) and the Chief Corporate Development and Administrative Officer (focusing on acquisition opportunities).

During the year the Financial Reporting Council Corporate Reporting Review team reviewed our 2016 Annual Report and Accounts. We discussed the questions raised with Deloitte (who was our external auditor for the period in question) and PricewaterhouseCoopers (our incoming external auditor), and corresponded with the Corporate Reporting Review team to provide responses to their questions.

The review identified three areas for improvement in the financial statements, namely, the presentation of production financing, cash flows relating to investment in content, and the disclosure of put and call options relating to non-controlling interests. These changes in presentation were reflected in the condensed consolidated financial statements for the six months ended 30 September 2017 and the consolidated financial statements for the year ended 31 March 2018 (and comparative figures for 31 March 2017).

Overall, we found the results of the review, which was limited to our 2016 Annual Report and Accounts and considered only compliance with reporting requirements with comments provided on a non-reliance basis, reassuring as no issues were identified which we considered raised fundamental issues with the financial reporting that had been published by the Group.

Having completed a full audit tender process, the Committee recommended the appointment of PricewaterhouseCoopers LLP as the Company's new external auditor, effective for the 2018 financial year.

Mark Opzoomer
Audit Committee Chairman
21 May 2018

COMMITTEE MEMBERSHIP

As at 31 March 2018, the Audit Committee comprised Mark Opzoomer (Chairman) with Robert McFarlane, Mitzi Reaugh and Linda Robinson as the other independent non-executive members. Mark Opzoomer and Robert McFarlane have recent and relevant financial experience and the Committee as a whole has relevant competence in relation to the sectors in which eOne operates.

Robert McFarlane joined the Board in November 2017 and, after a transition period during which he has been a member of the Audit Committee, he is expected to assume the chairmanship of the Audit Committee from September 2018.

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.

Phil Stokes is the PricewaterhouseCoopers partner responsible for the eOne audit. Since appointment he has attended all standing Audit Committee meetings to present reports and answer questions from Committee members. Senior PricewaterhouseCoopers employees who have had day-to-day involvement in the conduct of the audit also attend Audit Committee meetings.

AUDIT PLANNING

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

PricewaterhouseCoopers drafted an initial external audit plan in consultation with executive management and the Group's Director of Risk and Assurance 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, which was supplemented through enhanced walk-through procedures as part of the half year review, its deep knowledge of the entertainment industry and operating environment, as well as discussions with management and the Committee. 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. The Group plans to start scoping and planning work with PricewaterhouseCoopers at an even earlier stage of the financial year in 2018.

There were no significant changes in audit approach in the current year, whilst the appointment of a new external auditor has brought a fresh perspective to the audit process.

REVIEW OF CONSOLIDATED FINANCIAL STATEMENTS AND AUDIT FINDINGS

The Committee reviewed the full year 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	After careful consideration of the alternative methods of amortisation of its investment in content rights that could be applied under IAS 38, 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. The Group considers the revenue derived from and the consumption of the economic benefit via such exploitation windows 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 receives presentations from management, providing feedback and challenge as necessary, and requests further explanations and supporting analysis from management where necessary to support the Committee's judgements in this area. In this way the Committee is able to satisfy itself 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 PricewaterhouseCoopers carries out detailed testing at the local operating unit level, with central oversight to provide further consistency of approach. PricewaterhouseCoopers reports on this area to the Audit Committee and reports explicitly on the matter in its audit opinion in the consolidated financial statements.

AREAS OF JUDGEMENT	ASSESSMENT
Investment in productions	After careful consideration of the alternative methods of amortisation of its investment in productions that could be applied under IAS 38, 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. The Group considers the revenue derived from and the consumption of the economic benefit via such exploitation windows 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 receives presentations from management, providing feedback and challenge as necessary, and requests further explanations and supporting analysis from management where necessary to support the Committee's judgements in this area. In this way the Committee is able to satisfy itself 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 PricewaterhouseCoopers carries out detailed testing at the local operating unit level, with central oversight to provide further consistency of approach. PricewaterhouseCoopers reports on this area 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 recoverable amount of the cash generating units supports the carrying value in the financial statements. The assessment of the carrying value of intangible assets is a judgemental area and the Group has a robust process in place to support this assessment, as well as specific industry expertise and knowledge to ensure that estimates used are reasonable and based on achievable targets. Bottom-up models allow estimates of future cash flows that are expected to be generated to support the carrying value of intangible assets, consistent with the business plans for the Group which are adopted by the Board on an annual basis. Given the assessment of future cash flows is judgemental, the Group overlays sensitivities to its cash flow modelling to assess the potential impact of under-performance against its business plans. In carrying out such sensitivity analysis, the Committee is able to seek reassurance that, notwithstanding the impact of any potential under-performance, the carrying value of intangible assets remains appropriate. As a result of the analysis performed by management and provided to the Committee, it 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, PricewaterhouseCoopers 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. PricewaterhouseCoopers reports on this area to the Audit Committee and reports explicitly on the matter in its audit opinion in the consolidated financial statements.

The Committee also considered other accounting areas of judgement as part of its review, as noted below:

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. Management provide supporting analysis and rationale to the Committee to enable it to be 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, PricewaterhouseCoopers 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. Management provide supporting analysis and rationale to the Committee to enable it to be 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 PricewaterhouseCoopers is required to report on explicitly. The Committee receives presentations from management, providing feedback and challenge as necessary, and requests further explanations and supporting analysis from management where necessary to support the Committee's judgements in this area. In this way the Committee is able to satisfy itself 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, following the changes made in the Treasury area noted in the condensed consolidated financial statements for the six month period ended 30 September 2017 and the consolidated financial statements for the year ended 31 March 2018. 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, PricewaterhouseCoopers carries out direct testing and analytical procedures on journal data, reports on these matters to the Audit Committee 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 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, PricewaterhouseCoopers 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.

During the year, the Company carried out a formal tender process for the provision of external audit services, at the conclusion of which the Company appointed PricewaterhouseCoopers as its external auditor.

The tender process included the following considerations:

- Depth of understanding of eOne and the sectors in which it operates
- The team and their credentials/experience
- Audit approach and transition plan
- Audit planning and scope
- Communications with management and the Audit Committee
- Quality assurance and independence
- Wider services (where these could be provided within the Company's policy on the provision of non-audit services)
- Proposed fee levels

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. This policy defines services which are permitted and services which are prohibited. The Company's Chief Financial Officer is able to approve permitted services up to a threshold that is agreed by the Committee, with amounts above such threshold requiring explicit approval from the Committee. In considering the provision of non-audit services, the Committee is mindful of the potential impact of the external auditor's independence. PricewaterhouseCoopers also has internal processes to ensure that they do not carry out services which would affect their independence.

During the year PricewaterhouseCoopers has provided limited non-audit services, mainly in relation to the financing arrangements for the acquisition of the remaining stake in The Mark Gordon Company not already held by the Group. In addition, various minor pieces of work which were in progress prior to the audit tender process (none of which was material or compromised independence) were completed.

Fees paid to PricewaterhouseCoopers (2017: Deloitte) for non-audit services were as follows:

	2018 £m	2017 £m
Services relating to corporate finance transactions	£0.2m	£0.0m
Review of interim statements	£0.1m	£0.1m
Other	£0.2m	£0.0m
Total	£0.5m	£0.1m

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.

The Group's policy on the provision of non-audit services is documented in a written policy and is reviewed and re-adopted by the Audit Committee on an annual basis, taking consideration of external 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. The internal audit plan is presented to the Audit Committee for approval on an annual basis and regular update reports are presented at Committee meetings during the course of the financial year.

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

– Canada Film
– Canada Distribution
– TV Division
– TV Productions
– Secret Location
– Features (Film Production)
– UK Film
– The Mark Gordon Company
– Family & Brands
– Music
– UK HR

Additionally, central reviews covered the following areas:

– Treasury foreign exchange controls
– Group Finance payments process
– System implementation reviews
– Global bank mandates review
– Governance assertions

The Group's risk management process continues to be developed in operating units and specific attention has been directed at the further rollout 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.

The Committee Chairman maintains regular contact with the Company's Director of Risk and Assurance to monitor the delivery of the Internal Audit plan. Based on these meetings and the formal updates provided to the Audit Committee, the Committee is able to assess the Internal Audit function to ensure that it is satisfied over the quality, experience and expertise of the function.

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.

INTERNAL CONTROLS IN THE TREASURY FUNCTION

As noted in the Group's half year results, during the period ended 30 September 2017 the Group identified five forward currency contracts that were not in compliance with the Group's hedging policy, three of which had resulted in losses that had not been reflected in the consolidated audited financial statements for the years ended 31 March 2016 and 2017 or in the condensed consolidated financial statements for the six months ended 30 September 2016.

The Group concluded that the prior period errors were not fundamental to any of the Group's previously issued financial statements. Therefore, the Group corrected the prior period errors retrospectively by restating the comparative amounts for the prior period presented in which the error occurred and restating the opening balances for the earliest prior period presented in the Consolidated Financial Statements, as required under International Accounting Standard 8.

These forward currency contracts were settled fully during the period ended 30 September 2017 and further details are provided in Notes 2 and 5 to the condensed consolidated financial statements for the period ended 30 September 2017 and Note 1 of the consolidated financial statements for the year ended 31 March 2018.

In response to the above, the Group conducted a broad review of the Treasury processes, systems and controls across the Group, led by the Internal Audit function under the direction of the Audit Committee and supported by external advisers.

Steps have been taken to improve controls within Treasury including changes in personnel and enhancement of the control environment. In addition, a detailed review of all, externally confirmed, open forward currency contracts at 30 September 2017 was completed to ensure that they were in compliance with the Group's hedging policies and enhanced procedures have been carried out in this area as part of the financial close process for the year ended 31 March 2018.

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 eight times during the year. Committee member attendance at Committee meetings is shown on page 54.

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

April 2017	– Standing updates: litigation, insurance and whistleblower updates
	– Risk and assurance update, including:
	  – Internal audit update
	  – Quarterly risk review
	– Accounting update
	– Hedging policy review
	– Audit tender process update
	– Auditor's private meeting with non-executive directors

May 2017 (two meetings)	– Correspondence with the Financial Reporting Council
	– 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 results announcement and financial statements
	– Review of effectiveness of external auditor
	– Audit tender process update
	– Auditor's private meeting with non-executive directors

June 2017	– Correspondence with the Financial Reporting Council – Audit tender process update

September 2017	– Standing updates: litigation, insurance and whistleblower updates
	– Risk and assurance update, including:
	  – Internal audit update (including hedging review)
	  – Quarterly risk review
	– Matters arising from 2017 audit
	– 2018 interim scoping/onboarding process
	– Auditor's private meeting with non-executive directors

DATE OF MEETING	AGENDA

November 2017	– Half year governance matters
	– Standing updates: litigation, insurance and whistleblower updates
	– Risk and assurance update including:
	  – Internal audit update (including hedging review)
	  – Quarterly risk review
	– Accounting update, including review of going concern basis of accounting based on the Q2 Forecast
	– Update from external auditor
	– Review of interim announcement and financial statements
	– IT/cyber security update
	– Auditor's private meeting with non-executive directors

February 2018	– Standing updates: litigation, insurance and whistleblower updates
	– Risk and assurance update, including:
	  – Internal audit programme
	  – Quarterly risk review
	– Update from external auditor, covering year end audit planning
	– Auditor's private meeting with non-executive directors

March 2018	– Standing updates: litigation, insurance and whistleblower updates – Risk and assurance update – Consideration of corporate transaction – Publication of tax strategy

EXTERNAL AUDITOR TENURE

In line with the FRC Audit Committees Guidance regarding the frequency of audit tenders, eOne carried out a tender process for the Group's external audit during 2017.

PricewaterhouseCoopers were first appointed during the 2017/18 financial year, with the Group audit team led by Phil Stokes. Mr Stokes was part of the external audit team for Alliance Films, which was acquired by the Group in January 2013, but has not had any previous direct association with Entertainment One Ltd.

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 53, which included feedback from the Group's external auditor.

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 early 2016, the Committee appointed Spencer Stuart to support a search process to identify two additional non-executive directors to serve on the Board. In my 2017 statement I was pleased to confirm the appointment of Mitzi Reaugh to the Board in November 2016, whilst noting that a search continued for a new Audit Committee Chairman.

In conducting that ongoing 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 diversity of the Board.

In my statement for the 2018 Annual Report, I am pleased to confirm that two additional non-executive directors have been appointed to the Board during the year. In addition, Joseph Sparacio, who was appointed as Chief Financial Officer in May 2017, was also appointed an executive director in November 2017.

These appointments have increased the representation of independent non-executive directors on the Board and allowed a refresh of the Board's Committees.

Robert McFarlane joined the Board in November 2017 and, after a transition period during which he has been a member of the Audit Committee, he is expected to assume the chairmanship of the Audit Committee from September 2018. Mark Opzoomer will continue to serve on the Board and remain a member of the Audit and Remuneration Committees to provide continuity. Mr McFarlane brings a wealth of financial expertise to the role of Audit Committee Chairman, both having been Chief Financial Officer of TELUS Corporation, and currently serving as a non-executive director on the board of HSBC Bank Canada and Deputy-Chair of Royal & Sun Alliance Insurance Company of Canada.

Michael Friisdahl also joined the Board in November 2017 and has been appointed to the Remuneration Committee. Mr Friisdahl is President and Chief Executive Officer of Maple Leaf Sports & Entertainment and has many years of experience in the entertainment and leisure industry, supplementing the Board's knowledge of the live entertainment space, an area of eOne's business which is expected to grow over the coming years.

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.

The Nomination Committee continues to look for opportunities to broaden the experience of the Board, as the Group grows and expands its global operations, particularly where such appointments would increase the diversity of the Company's directors.

Linda Robinson
Nomination Committee Chair
21 May 2018

COMMITTEE MEMBERSHIP

As at 31 March 2018, the Nomination Committee comprised Linda Robinson (Chair) with Allan Leighton as the other independent non-executive member and Scott Lawrence as a non-independent non-executive member.

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.

The Committee carries out a formal annual review of the Board's composition, size and structure. This review includes assessing the skills, knowledge and experience of individual directors as well as diversity, including gender, and the outputs of the Board's own annual self-evaluation. The Committee must also balance the particular requirements of the Board as set out in the Company's Articles of Amendment, which require two-thirds of its directors to be Canadian.

Following the appointment of Mitzi Reaugh to the Board, the Committee continued a search process for additional non-executive directors, supported by Spencer Stuart. Spencer Stuart is an international executive search firm that has no other connection with the Company.

This process resulted in the appointment of Mr McFarlane and Mr Friisdahl as two additional non-executive directors, as well as the appointment of Mr Sparacio, the Corporation's CFO, to the Board as an executive director. The Committee has recommended that Mark Opzoomer continues to serve on the Board and Audit Committee to provide continuity.

BOARD AND COMMITTEE EVALUATION

During the year, a self-evaluation of the Board, its Committees and its individual directors was carried out, further details of which are set out on page 53.

A report covering the Board and Committee evaluation was used as input to a performance discussion at the Board meeting in May 2018.

MEETINGS

The Committee met six times during the year. Committee member attendance at Committee meetings is shown on page 54.

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

DATE OF MEETING	AGENDA
May 2017	– Review of Board and Committee composition – Succession planning – Year end matters, including self-evaluation and re-adoption of terms of reference
June 2017 (two meetings)	– Non-executive director search process
September 2017	– Non-executive director search process
October 2017	– Review of Board and Committee composition – Non-executive director search process
March 2018	– Review of Board and Committee composition

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 53.

SUCCESSION PLANNING

Beneath the Board level, there have been a number of key changes to the Group's organisational structure.

During the year, it was announced that going forward the Film Division and Television Division would be combined to form a single operating unit: the Film, Television & Digital Division. This structural change reflected the evolving entertainment market and followed the implementation of a single global sales team in April 2017 to better compete in the global content markets.

In January 2018, with the announcement of the acquisition of the outstanding interests not already held in The Mark Gordon Company, it was confirmed that Mark Gordon had been appointed President & Chief Content Officer, Film, Television & Digital to lead the Company's creative units. Concurrently, Steve Bertram was appointed President, Film, Television & Digital to oversee all commercial and distribution operations. The Film, Television & Digital Division is in operation as a combined segment, combining the existing Film and Television Divisions from FY19.

During the year, Margaret O'Brien was appointed to the role of Chief Corporate Development and Administrative Officer and Mark Trachuk has recently been appointed General Counsel.

These appointments complete the reshaping of the executive team reporting to Darren Throop, the Chief Executive Officer. Beneath the executive level, the new operating structure is still being finalised and the Committee expects to be able to carry out a full succession planning review in September 2018.

Board

Chairman:
- Allan Leighton

Non-executive directors:
- Michael Friisdahl (from 20 November 2017)
- Scott Lawrence
- Robert McFarlane (from 20 November 2017)
- Mark Opzoomer
- Mitzi Reaugh
- Linda Robinson

Executive directors:
- Darren Throop
- Joseph Sparacio (from 20 November 2017)

AUDIT COMMITTEE

Chairman:
- Mark Opzoomer

Non-executive directors:
- Robert McFarlane (from 22 February 2018)
- Mitzi Reaugh
- Linda Robinson

DISCLOSURE COMMITTEE

Chairman:
- Mark Opzoomer

Non-executive directors:
- Robert McFarlane (from 22 February 2018)
- Mitzi Reaugh
- Linda Robinson

NOMINATION COMMITTEE

Chair:
- Linda Robinson

Non-executive directors:
- Allan Leighton
- Scott Lawrence

REMUNERATION COMMITTEE

Chairman:
- Mark Opzoomer

Non-executive directors:
- Michael Friisdahl (from 21 February 2018)
- Mitzi Reaugh
- Linda Robinson

Directors' Remuneration Report

ANNUAL STATEMENT OF THE CHAIRMAN OF THE REMUNERATION COMMITTEE

On behalf of the Board, I am pleased to present the Directors' Remuneration Report for 2018, which sets out the Remuneration Policy for the directors and the amounts earned in respect of the year ended 31 March 2018. 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 2016 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 was approved by a binding vote of shareholders at the 2017 Annual General Meeting and remains in force for the three years ending 31 March 2020 unless further amendments are approved by shareholders.

The Annual Report on Remuneration provides details of the amounts earned in respect of the year ended 31 March 2018, showing how the Directors' Remuneration Policy as approved by shareholders has been operated for the year commencing 1 April 2017. The Annual Report on Remuneration is subject to an advisory vote at the 2018 Annual General Meeting.

Entertainment One operates in a highly competitive environment for talent, both in terms of recruitment and retention, as well as operating on a multi-territory basis. The Company has significant operations in Los Angeles, the centre of the entertainment world and where remuneration pressures are particularly intense, and around the world, as far as Sydney. Our remuneration framework needs to reflect our global operations and the sectors in which we operate.

In terms of our geographic footprint, more than two-thirds of our total employees are based in North America. The Company's Chief Executive Officer and Chief Financial Officer are both based in North America and, including them, almost 90% of our most senior management roles are based in North America.

In that context, we compete for talent with large North American companies, particularly with the newer digital platforms (including Netflix, Amazon, Apple, Hulu and Google), the major studios (including Disney, Sony, Fox and Universal), the major broadcasters (including CBS and Comcast) and other content creators and distributers (including Lionsgate). These companies are listed on North American stock markets and operate in a different remuneration environment in comparison to eOne, whose shares are listed in the UK.

Building a remuneration framework which balances the commercial needs of the business and that is fit-for-purpose on a global basis, in being able to address the highly competitive market for talent, with the sensitivity of our UK listing context is challenging. The Committee has relied upon counsel from its professional advisers to address this challenge and believes that it has now implemented a remuneration framework that best balances these factors.

As I noted in the Directors' Remuneration Report for 2017, in proposing changes to the Directors' Remuneration Policy, the Committee endeavoured to design a Policy that met the unique needs of the Company, being a UK listed company with a strong North American/entertainment presence. Recognising the sensitivity of remuneration issues in the UK environment, the Company consulted with major shareholders on the updates proposed to help provide a wide understanding of the importance of the changes to the Policy in retaining key individuals who continue to be critical in delivering the Company's growth strategy.

The Company is undertaking an exercise to ensure that eOne is ready for any future reporting requirements in respect of the UK's new Gender Pay Gap Reporting regulations, notwithstanding that less than 20% of the Group's current employees are UK-based, as well as to comply with other local requirements in the jurisdictions in which we operate.

We are committed to equality and diversity in our workforce and recognise the benefits to the Company of employing people with a wide mix of ethnic and cultural backgrounds, and a balance between genders. The Company has a written policy that prohibits unequal treatment based on a prohibited ground under applicable human rights legislation, including race, ancestry, place of origin, colour, ethnic origin, citizenship, record of offences, creed, sex, sexual orientation, gender identity, gender expression, age, marital status, family status and disability which applies across the Group.

When considering the recruitment of new employees, the Company is an equal-opportunity employer and operates under a written hiring policy. In respect of existing employees, the Company has a formal appraisal process that is implemented across the Group to ensure that we are making employment-related decisions informed on performance-based, rather than other, factors.

Whilst the Company has a good balance of male and female employees overall, we are implementing a number of initiatives aimed at improving the gender balance at senior levels, including the strengthening of maternity and paternity benefits across the Group.

The Directors' Remuneration Policy, the Annual Report on Remuneration for 2017, amendments to the Company's Long Term Incentive Plan and a special share award to the Chief Executive Officer were approved by shareholders at the 2017 Annual General Meeting. However, resolutions on these items were passed without the overwhelming support from the Company's shareholders.

As a result, following last year's AGM and the implementation of the UK Investment Association's Public Register, the Company noted in a public statement that it intended to engage with its key shareholders to understand any feedback on governance, outside of its regular financial-focused engagement programme, including feedback on the voting outcomes from the 2017 AGM.

In my role as the Company's Senior Independent Director and as Chairman of the Remuneration Committee, I am currently undertaking this programme of engagement with a number of the Company's key shareholders. The programme will be completed over the coming months to enable the Company to understand feedback from its shareholders as it considers proposed resolutions for the 2018 Annual General Meeting, as well as considering whether beneficial changes to the implementation of the Directors' Remuneration Policy should be made going forward.

Mark Opzoomer
Remuneration Committee Chairman
21 May 2018

MAJOR DECISIONS TAKEN DURING THE YEAR

The key work of the Committee during the year was to implement changes to the remuneration for the Company's Chief Executive Officer, Darren Throop, which were agreed by the Committee in 2017 and approved at the last Annual General Meeting.

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. Further details of the LTIP are set out on pages 72 and 74. The LTIP continues to be a valuable tool for the recruitment and retention of key employees.

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 under the new Remuneration Policy 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, which gives individual team members a direct alignment with the Company's shareholders in driving performance of the Group. Over 450 employees are now enrolled in Sharesave, amounting to over a third of eOne's total employees. The Company expects a continued interest from employees in the 2018 Scheme, which is expected to be launched in May 2018.

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 £144.4 million (an increase of 11% on the prior year) which has resulted in an annual bonus of 92.6% of base salary being earned by the CEO and an annual bonus of 52.3% of base salary being earned by the CFO. Further details of this award are set out on page 83.

We remain committed to taking a responsible approach in respect of executive pay. There are no changes proposed to the Directors' Remuneration Policy at the current time, but the Remuneration Committee will continue to actively engage with and seek to incorporate the views of the Company's shareholders should changes in the Policy become necessary or advisable in the future.

Directors' Remuneration Policy

This section of the Remuneration Report sets out the Directors' Remuneration Policy which was approved by shareholders by a binding vote at the 2017 Annual General Meeting and applies for the three financial years ending 31 March 2020.

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	Description 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 previous policy, no maximum base salary increase has been set under the current 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 pay-out 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	Description 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, which 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 pay-out 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 the final pay-out, 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	Description 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 executive 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 chairing 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
Joseph Sparacio	12 months	No notice by the Company, 90 days by the executive director

DARREN THROOP

As noted in the 2017 Remuneration Report, an update was proposed for the CEO's remuneration and the Company entered into a new service contract with Darren Throop, with terms in line with the Directors' Remuneration Policy approved by shareholders. 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 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 shares, vesting after three years. Maximum annual LTIP entitlement under the new service contract is 200% of salary, with a performance condition of Group underlying EBITDA applied over the annual award.

If dismissed without cause Mr Throop 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.

JOSEPH SPARACIO

Details of specific contractual terms are set out below.

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

- FY18 – US$525,000
- FY19 – US$550,000
- FY20 – US$575,000
- Maximum annual bonus entitlement under the new service contract is 60% of salary.

Maximum annual LTIP entitlement under the service contract is 200% of salary, with a performance condition of Group underlying EBITDA applied over half of such annual awards and no performance condition on the remainder of such annual awards. This construct is in line the contractual arrangements agreed prior to the appointment of Mr Sparacio as an executive director (in line with Section 4 of the Directors' Remuneration Policy, noted above).

If dismissed without cause he is entitled to a lump sum of up to 12 months' base salary.

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
Michael Friisdahl	20 November 2017	6 months	6 months
Scott Lawrence	1 October 2016	6 months	No notice
Robert McFarlane	20 November 2017	6 months	6 months
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

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.

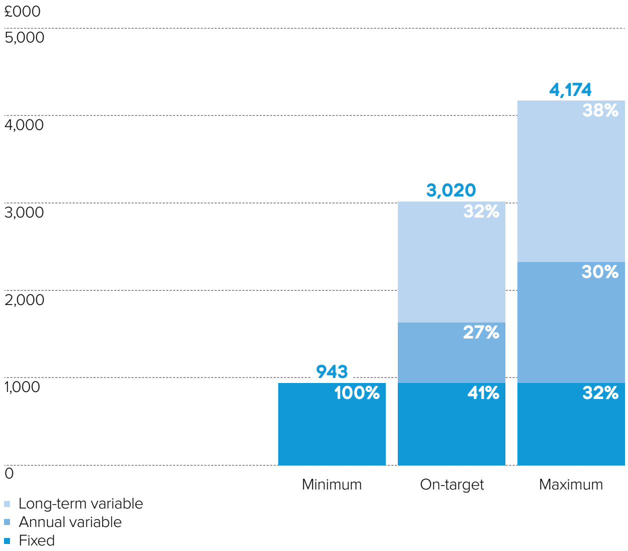
Discretion is retained to terminate with or without due notice or paying any payment in lieu of notice dependent on what is considered to be in the best interests of the Company in the particular circumstances. The Committee reserves the right to make additional exit payments where such payments are 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

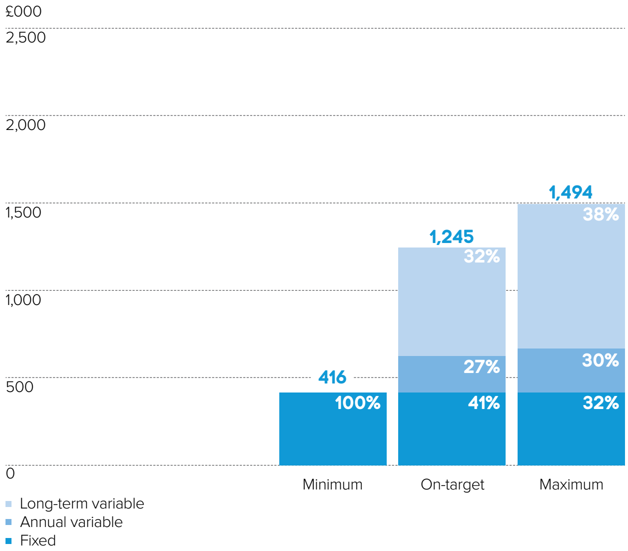
The graph below seeks to demonstrate how pay varies with performance for the executive directors based on the current implementation of our stated Remuneration Policy.

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 the CEO and 60% for the CFO.
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



CHIEF FINANCIAL 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: **CEO:** – Assumes 50% of maximum pay-out under the annual bonus scheme (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 **CFO:** – Assumes on-target pay-out under the annual bonus scheme (i.e. 50% 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: **CEO:** – Assumes 100% of maximum pay-out under the annual bonus scheme (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 **CFO:** – Assumes 100% of maximum pay-out under the annual bonus scheme (i.e. 60% 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. The special share award to the CEO has been excluded from the above calculations as it was one-off in nature.

Base salary is the latest known salary (i.e. the salary effective from 1 April 2018) 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 80.

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. As noted elsewhere in the Annual Report, 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 2018.

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 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 2018 and 2017. 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 2018

	Salary £000	Taxable benefits £000	Annual bonus £000	Long-term incentives £000	Pensions £000	Total £000
Darren Throop[1]	**866**	**5**	**802**	**172**	**15**	**1,860**
Joseph Sparacio[2]	**132**	**2**	**69**	**–**	**–**	**203**
Margaret O'Brien[3]	**207**	**7**	**143**	**N/A**	**5**	**362**

1. Darren Throop received and retained total annual compensation of US$182,492 in relation to his service as a non-executive director of IMAX Corporation, which is not included in the table above.
2. Appointed on 20 November 2017. Amounts shown reflect the period for which services were performed as a director.
3. Appointed on 18 May 2017. Resigned on 20 November 2017. Amounts shown reflect the period for which services were performed as a director.

Year ended 31 March 2017

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

1. 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.
2. 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.
3. Taxable benefits for Giles Willits include £22,282 of payment in lieu of pension.
4. Appointed on 18 May 2017.

Taxable benefits in the years ended 31 March 2018 and 2017 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 2018 and 2017.

Year ended 31 March 2018

Non-executive	Fees[3] £000	Taxable benefits £000	Total £000
Allan Leighton	246	–	246
Ronald Atkey	12	–	12
Michael Friisdahl[1]	21	–	21
Scott Lawrence[2]	58	–	58
Robert McFarlane[1]	21	–	21
Mark Opzoomer	132	–	132
Mitzi Reaugh	90	–	90
Linda Robinson	105	–	105

1. Appointed on 20 November 2017.
2. 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 2018 was C$98,500.
3. Non-executive directors are paid a per-meeting fee of £1,000/C$1,700 for attending Committee meetings.

Year ended 31 March 2017

Non-executive	Fees £000	Taxable benefits £000	Total £000
Allan Leighton[1]	211	–	211
Clare Copeland[2]	33	–	33
Bob Allan[2]	31	–	31
Ronald Atkey[4]	69	–	69
Garth Girvan[2]	27	–	27
Scott Lawrence[3]	–	–	–
Mark Opzoomer	74	–	74
Linda Robinson	60	–	60
Mitzi Reaugh[5]	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. Stepped down from the Board on 30 September 2016 and did not stand for re-election at the Company's AGM.
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. The Company was informed of Ron Atkey's death on 15 May 2017.
5. Appointed on 21 November 2016.

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 2017 together with the increase from the prior year.

	Base salary from 1 April 2017 (per annum)	Increase (per annum)
Darren Throop	**US$1,150,000**	**US$75,000**
Joseph Sparacio[1]	**US$525,000**	**N/A**

1. Salary effective from 1 May 2017

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 2017 (per annum)[8]	Fee from 1 April 2016 (per annum)
Allan Leighton[1]	**£240,000**	£200,000
Ronald Atkey[2]	**C$90,000**	C$90,000
Michael Friisdahl[7]	**C$90,000**	N/A
Scott Lawrence[3]	**–**	–
Robert McFarlane[7]	**C$90,000**	N/A
Mark Opzoomer[4]	**£111,000**	£50,000
Mitzi Reaugh[5]	**£72,000**	£50,000
Linda Robinson[6]	**C$124,000**	C$90,000

1. As a member of the Special Committee, Allan Leighton was paid £20,000.
2. 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 2018 was C$98,500.
4. For being the Senior Independent Director, Mark Opzoomer was paid £10,000 per annum. As Chairman of the Remuneration Committee, he was paid £9,000 per annum. As Chairman of the Audit Committee, he was paid £10,000 per annum. As Chairman of the Special Committee, he was paid £30,000.
5. As a member of the Special Committee, Mitzi Reaugh was paid £20,000.
6. As a member of the Special Committee, Linda Robinson was paid C$34,000.
7. Appointed on 20 November 2017.
8. Non-executive directors are paid a per-meeting fee of £1,000/C$1,700 for attending Committee meetings, which is included in the single total remuneration table.

Canadian dollar amounts in the above table have been translated into pounds sterling amounts in the single total figure of remuneration table on page 81.

ANNUAL BONUS PLAN AWARDS

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

CEO:

Weighting (Group adjusted profit before tax):	**100%**
Threshold performance required (90% of target):	**£126.9m**
Maximum performance required (110% of target):	**£155.1m**
Annual bonus value for threshold and maximum performance (% of salary):	**30%-150%**
Actual performance:	**£144.4**
Annual bonus value achieved:	**92.6%**

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 pay-out and the thresholds.

CFO:

Weighting (Group adjusted profit before tax):	**100%**
Threshold performance required (100% of target):	**£141.0m**
Maximum performance required (110% of target):	**£155.1m**
Annual bonus value for threshold and maximum performance (% of salary):	**50%-60%**
Actual performance:	**£144.4**
Annual bonus value achieved:	**52.3%**

On-target performance would earn the executive 83.33% of the maximum bonus award. If actual performance is less than 110% but greater than 100% of the target then the bonus is calculated on a straight-line basis between the on-target pay-out 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.

LTIP awards were made to the executive directors during the year, as follows:

Darren Throop:

27 September 2017:	Award of options over 3,000,000 shares
27 September 2017:	Award of options over 661,142 shares

Joseph Sparacio:

4 July 2017:	Award of options over 366,951 shares

The table below sets out the details of the LTIP awards vested in the year ended 31 March 2018:

EPS (VESTING OF 33% OF THE AWARD)

	Shares	Threshold	Maximum	Actual
Darren Throop	78,063	10%/30%	15%/100%	**2.5%/0%/–**

TSR (VESTING OF 34% OF THE AWARD)

	Shares	Threshold	Maximum	Actual
Darren Throop	80,429	Median/30%	Upper/100%	**-15.1%/0%/–**

ROCE (VESTING OF 33% OF THE AWARD)

	Shares	Threshold	Maximum	Actual
Darren Throop	78,063	11.2%/30%	12.7%/100%	**13.3%/100%/78,063**

(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 has been determined by an assessment of the annualised adjusted fully diluted EPS growth from 1 April 2014 to 31 March 2017 as set out above.

Awards vested on a straight-line basis for performance between threshold and maximum performance. No vesting occurred where performance was below threshold.

(II) TSR GROWTH

The comparator group comprises those companies constituting the FTSE 250 Index on 1 April 2014 (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 vested on a straight-line basis for performance between median and upper quartile performance from 1 April 2014 to 31 March 2017 as set out above. No vesting of this portion occurred where if either (i) performance was below median or (ii) the Company's TSR was 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 was determined by an assessment of the average ROCE over the three consecutive years ending 31 March 2017 as set out above.

Awards vested on a straight-line basis for performance between threshold and maximum performance. No vesting occurred where performance was 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 2018, Darren Throop received pension RRSP contributions amounting to £15,000 (the maximum RRSP contribution permitted for 2018 being C$26,230). 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. Joe Sparacio received no pension contributions. Margaret O'Brien received RRSP contributions amounting to £5,000.

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 £0.1 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.

Executive director	Shares (without performance measures) 31 March 2018	Shares (without performance measures) 31 March 2017	Unexercised share options[1] (with performance measures) 31 March 2018	Unexercised share options[1] (with performance measures) 31 March 2017
Darren Throop	**8,670,141**	10,024,028	**3,730,934**	448,047
Joseph Sparacio	**40,000**	N/A	**416,951**	N/A

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 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 2018.

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	2,450	8,670,141	24,363	Yes
Joseph Sparacio	746	40,000	112	No

1. This has been calculated based on the salaries of the executives set out in the table under 3, above. US dollar salaries have been translated at the 31 March 2018 US$:£ rate of 1.408.
2. Beneficial interests include shares held directly or indirectly by connected persons.
3. Based on the closing share price at 31 March 2018 of £2.81.

At 31 March 2018, the shareholding expectation has been achieved for the CEO and is in line with the transitional requirements for the CFO, as set out in the Group's policy.

There is no shareholding expectation for non-executive directors, but the following non-executive directors held shares, as noted:

- Robert McFarlane had a beneficial interest in 12,500 shares at 31 March 2018
- Mark Opzoomer had a beneficial interest in 25,000 shares at 31 March 2018
- Mitzi Reaugh had a beneficial interest in 7,000 shares at 31 March 2018

No other non-executive director had any beneficial interests in shares at 31 March 2018.

9. OUTSIDE DIRECTORSHIPS

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.

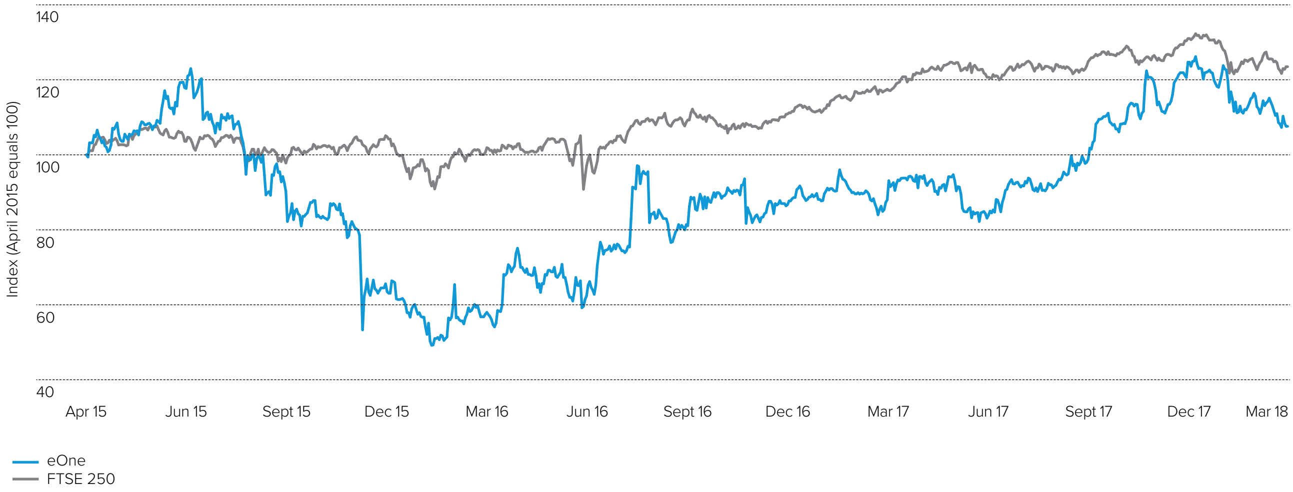
During the year, Darren Throop served as a non-executive director of IMAX Corporation.

Mr Throop received and retained total annual compensation of US$182,492 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 April 2015.

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.

	2014	2015	2016	2017	2018
CEO single figure of total remuneration (£000)	10,269	976	718	1,680	**1,860**
Annual bonus pay-out % against maximum (%)	84.4%	82.8%	40.4%	39.6%	**92.6%**
LTIP vesting rates against maximum opportunity (%)	n/a	n/a	n/a	64%	**33%**

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).

		2018 £000	2017 £000	% change
Chief Executive Officer	Salary	**866**	823	+5%
	Taxable benefits	**5**	3	+67%
	Annual bonus	**802**	326	+146%
Employees of the Group taken as a whole	Salary	**62**	53	+17%
	Taxable benefits	**1**	1	–
	Annual bonus	**6**	4	+50%

It should be noted that the percentage changes shown above are impacted 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 2018 and 2017.

	Dividend	Remuneration paid to or receivable by all employees of the Group	Total investment in content
Year ended 31 March 2018	**1.4 pence per share**	**£108.2m**	**£440.8m**
Year ended 31 March 2017	1.3 pence per share	£96.2m	£407.9m
Percentage change	+8%	+12%	+8%

Total investment in content represents the total cash outflow relating to investment in acquired content rights (2018: £148.2m; 2017: £181.4m) and investment in productions, net of grants received (2018: £292.6m; 2017: £226.5m), as set out in the consolidated cash flow statement on page 102. 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 voting outcome on the resolutions for the 2017 Remuneration Policy and Remuneration Report at the AGM on 27 September 2017:

	Votes for	%	Votes against	%	Votes withheld
2017 Remuneration Policy	184,022,847	52.64	165,540,770	47.36	–
2017 Remuneration Report	215,327,416	61.81	133,033,058	38.19	1,203,143

14. IMPLEMENTATION

No changes to the Directors' Remuneration Policy are currently envisaged.

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 include:

– 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 senior management, as well as 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 53.

COMMITTEE MEMBERSHIP

As at 31 March 2018, the Remuneration Committee comprised Mark Opzoomer (Chairman) with Michael Friisdahl, Mitzi Reaugh and Linda Robinson as the other independent non-executive members.

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 2018.

MEETINGS

The Committee met eight times during the year. Committee member attendance at Committee meetings is shown on page 54.

The Committee's activities for the year ended 31 March 2018 have included:

DATE OF MEETING	AGENDA
May 2017 (two meetings)	– Approval of executive director bonuses for the year ended 31 March 2017 – 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 2018 – Succession planning – Terms of reference and Committee self-evaluation
August 2017	– Senior management approvals
September 2017	– Annual incentive plan proposals – Senior management approvals – Annual General Meeting matters
November 2017	– Annual incentive plan proposals – Senior management approvals – Actions from Annual General Meeting
December 2017	– Senior management approvals – Vesting of share option awards under the LTIP
February 2018	– Senior management approvals – Actions from Annual General Meeting
March 2018	– Senior management approvals

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 2017, 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 was therefore satisfied that the advice received was independent.

During the current year, Willis Towers Watson (Towers Watson Canada Inc.) have provided general market updates to the Committee and the Company has utilised its salary benchmarking data, but they have not advised on specific remuneration matters.

Directors' Report: additional information

The directors present their report and audited consolidated financial statements for the year ended 31 March 2018.

PRINCIPAL ACTIVITIES

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

STRATEGIC REPORT

The Strategic Report on pages 1 to 47 sets out a comprehensive review of the development and performance of the business for the year ended 31 March 2018.

RESULTS AND DIVIDENDS

During the year the Group made a profit after tax of £78.2 million (2017 restated: £23.6 million). The Company did not pay an interim dividend during the year ended 31 March 2018; however, the directors have declared the payment of a final dividend in respect of 2018 of 1.4 pence per share (2017: 1.3 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 40 and 41.

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 50 to 51. 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 48 to 57.

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 83 to 84.

	Number of common shares at 31 March 2018
Robert McFarlane	12,500
Mark Opzoomer	25,000
Mitzi Reaugh	7,000
Joseph Sparacio	40,000
Darren Throop	8,670,141

SUBSTANTIAL SHAREHOLDINGS

At 30 April 2018 the Company was aware of the following holdings representing 3% or more in its issued common shares:

30 April 2018	Number of common shares held	Percentage of voting rights and issued shares
Canada Pension Plan Investment Board	85,597,069	18.6
Capital Research and Management	47,974,028	10.4
Standard Life Aberdeen	33,261,432	7.2
Mackenzie Financial Corporation	24,455,776	5.3
M&G Investment Management Ltd	24,043,886	5.2
Franklin Resources Inc	18,030,267	3.9

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 44 to 47.

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.

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.

During the year, the Company appointed PricewaterhouseCoopers LLP as its external auditor, at the completion of a tender process. A resolution to appoint the Company's external auditors for the year ended 31 March 2019 will be included in the Company's AGM Circular.

ANNUAL GENERAL MEETING

The Annual General Meeting of the Company will be held on 13 September 2018.

By order of the Board

Joseph Sparacio
Director
21 May 2018

Statement of Directors' Responsibilities

The directors are responsible for preparing the Annual Report and Accounts 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:

– select suitable accounting policies and then apply them consistently;
– state whether applicable IFRSs as adopted by the European Union have been followed, subject to any material departures disclosed and explained in the financial statements;
– make judgements and accounting estimates that are reasonable and prudent; and
– prepare the consolidated financial statements on the going concern basis unless it is inappropriate to presume that the Group will continue in business.

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 Strategic Report includes 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 it faces; 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

Joseph Sparacio
Director
21 May 2018

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To the members of Entertainment One Ltd.

REPORT ON THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

OPINION

In our opinion, the Entertainment One Ltd.'s Group financial statements (the consolidated financial statements):

– give a true and fair view of the state of the Group's affairs as at 31 March 2018 and of its profit and cash for the year then ended; and
– have been properly prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union.

We have audited the consolidated financial statements, included within the 2018 Annual Report and Accounts (the "Annual Report"), which comprise: the consolidated balance sheet as at 31 March 2018; the consolidated income statement and consolidated statement of comprehensive income, the consolidated cash flow statement, and the consolidated statement of changes in equity for the year then ended; and the notes to the financial statements, which include a description of the significant accounting policies.

BASIS FOR OPINION

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under ISAs (UK) are further described in the Auditors' responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

INDEPENDENCE

We remained independent of the Group in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in the UK, which includes the FRC's Ethical Standard, as applicable to listed public interest entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

OUR AUDIT APPROACH

CONTEXT

In this first year of our audit tenure our planning process involved meeting with Group and Divisional management and the Board to understand the business, its challenges, opportunities and associated risks.

OVERVIEW

Materiality	Overall Group materiality: £4.2 million, based on 5% of Group profit before tax (Group PBT) adjusted for one-off operating items which principally relate to restructuring costs and acquisition-related costs.
Audit scope	We identified six reporting units across three countries which, in our view, required an audit of their complete financial information due to their size: Canada (three), the US (one) and the UK (two). The reporting units where we performed a full scope audit and the consolidation adjustment entities accounted for 70% of Group revenue and 60% of Group PBT. We identified six reporting units across three countries which, in our view, were not significant enough contributors to Group PBT to have a full scope audit, but for which certain specific financial statement line items were audited. The reporting units for which we performed specific financial statement line item audits were located in: Canada (one), the US (one) and the UK (one). We also identified certain Head Office reporting units (three) where an audit of specific financial statement line items was required. Further specific audit procedures over central functions and areas of significant judgement, including goodwill and intangibles and treasury were performed at the Group level.
Key audit matters	Valuation of acquired content rights and investment in productions. Risk of fraud in revenue recognition. Carrying values of goodwill and other intangible assets (Film). Valuation and completeness of hedging and derivatives.

THE SCOPE OF OUR AUDIT

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the consolidated financial statements. In particular, we looked at where the directors made subjective judgements, for example in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain.

KEY AUDIT MATTERS

Key audit matters are those matters that, in the auditor's professional judgement, were of most significance in the audit of the consolidated financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) identified by the auditors, including those which had the greatest effect on: the overall audit strategy; the allocation of resources in the audit; and directing the efforts of the engagement team. These matters, and any comments we make on the results of our procedures thereon, were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. This is not a complete list of all risks identified by our audit.

As in all of our audits we also addressed the risk of management override of internal controls, including testing journals and evaluating whether there was evidence of bias by the directors that represented a risk of material misstatement due to fraud.

Key audit matter	How our audit addressed the key audit matter
Valuation of acquired content rights and investment in productions Refer to page 59 of the Audit Committee areas of assessment and notes 14 and 17. At 31 March 2018, the Group has recognised £181.5 million of investment in productions and £253.4 million of investment in acquired content on the consolidated balance sheet. Ultimate revenues (ultimates) are estimated based on assumptions related to expected future revenues generated from the ongoing exploitation of the content through the various exploitation windows (i.e. through theatrical release, home entertainment, digital and television). Forecasting these ultimates that support the valuation of the investment in acquired content and productions library is judgemental and is dependent upon management estimates. There is a risk in respect of the accuracy of the ultimate forecasts and that inappropriate assumptions are made in respect of the forecast future revenues that would mean that the valuation of the related investment in production and investment in content balances is incorrect.	Our audit procedures included understanding and evaluating the controls and systems related to the ultimates and investment in content/investment in production models, together with performing substantive audit procedures. We performed substantive testing, using sampling techniques, that were specific to each component based upon the nature of the content or title. The procedures performed included the following: – Discussing the expectations of the selected films and shows with key personnel, including those outside of finance, to ensure consistency of expected performance with key assumptions; – Where comparable titles existed, we assessed the key assumptions for consistency; – Evaluating key assumptions in the analysis through historic sales data, contracts or available market data; – Assessing management's historical forecasting accuracy by comparing past assumptions to actual outcomes; – Performing sensitivity analysis to identify if there were any ultimate revenues forecasts and associated investment in content/investment in production balances that were sensitive to change; and – Testing the mathematical accuracy of the investment in content and investment in productions models and associated amortisation charge and tested a sample of additions and disposals to third party supporting documents. As the Group engagement team, we were specifically involved in assessing the appropriateness of the audit approach for each component in this area. This satisfied us that the area was well understood and that sufficient focus was placed on the risk area.
Risk of fraud in revenue recognition Refer to page 61 of the Audit Committee areas of assessment and note 2. Recognition of revenue is a key driver of the presented results of the Group and executive bonuses and therefore there is an incentive for management to manipulate revenue recognition to meet targets. We assessed each revenue stream and identified a significant risk that revenue is not recorded in the correct period associated with significant transactions entered into close to year end and those revenue streams where there is more judgement associated with the timing of their revenue recognition. These identified higher risk revenue streams were licensing & merchandising, production and broadcast and digital revenue streams.	Audit procedures have been performed by each of the in-scope components, the Group engagement team and by one specified financial statement line item component and included the following: – Understanding and evaluating the internal control environment around revenue recognition; – Examination of significant contracts entered into close to year end to ensure revenue recognition in the appropriate period; – Substantive testing, on a sample basis, to ensure revenue recognition in the appropriate period, by agreeing information back to contracts and proof of delivery or transmission as appropriate; and – Testing post year end credit notes.

Key audit matter	How our audit addressed the key audit matter
Carrying values of goodwill and other intangible assets Refer to page 60 of the Audit Committee areas of assessment and note 17. At 31 March 2018, the Group's carrying value of goodwill and other intangibles is £375.2 million and £248.9 million respectively across four cash generating units (CGUs). The recoverable amounts of these CGUs are dependent on certain key assumptions, including the weighted average cost of capital (WACC) rate and future cash flows which are dependent upon management judgements and estimates. There is a risk that significant changes to assumptions or underperformance could give rise to an impairment. We have identified a risk in respect of the valuation for the Film CGU, which has the largest carrying value of £499 million, has been undergoing a transition, has lower year-on-year results, and is most sensitive to changes in assumptions.	The audit procedures, performed by the Group engagement team, focused towards the Film CGU included the following: – Testing the mathematical integrity of management's impairment model; – Evaluating the process by which management prepared their cash flow forecasts and comparing them against the latest Board approved plans; – Assessing the historical accuracy of management's forecasting; – Evaluating and challenging the reasonableness of management's key assumptions including the long and short-term growth rates and the WACC rate. We benchmarked against the industry/peers, external sources and country inflation rates; – Performing our own sensitivity analysis to understand the impact of reasonable changes in the key assumptions. No impairments were identified though our sensitivities; and – Validating and confirming the appropriateness of the related disclosures in Note 12 of the consolidated financial statements.
Valuation and completeness of hedging and derivatives Refer to page 63 and note 24. In the first half of the year management identified certain forward currency contracts that were not in compliance with the Group's hedging policy and had not been accounted for within the financial statements which resulted in a restatement to the prior year financial statements. As a result of the identification of this error we identified a risk of material misstatement associated with the valuation and completeness of hedging and derivatives.	The audit procedures to address the identified risk were performed by the Group team and included: – Obtaining a detailed understanding and evaluated the revised control environment through review of changes proposed by Internal Audit and performance of additional walkthroughs; – Requesting confirmation of all open trades, as at 31 March 2018, for Entertainment One Ltd. and all subsidiaries from all of the Group's brokers; – Reconciling 100% of the open trades independently confirmed to management's own records; and – Recalculating the value of all open trades using spot currency rates as at 31 March 2018. In addition to reviewing the completeness and valuation of the derivative position we have reviewed the cash flow hedging programme through reviewing the reconciliation of the cash flow hedge reserve and reviewing a sample of hedge documentation. Based on the procedures performed, we noted no material errors in respect of the completeness and valuation of hedging and derivatives as at 31 March 2018.

HOW WE TAILORED THE AUDIT SCOPE

We tailored the scope of our audit to ensure that we performed enough work to be able to give an opinion on the consolidated financial statements as a whole, taking into account the structure of the Group, the accounting processes and controls, and the industry in which it operates.

The Group has three reporting segments being Family, Television and Film. Within these reporting segments are a number of different Business Units that are primarily split across the geographic locations of Canada, the US and the UK. The Group consolidated financial statements are a consolidation of approximately 90 reporting units, representing these operating business units and certain centralised functions and consolidation units.

The reporting units vary in size and we identified six reporting units which, in our view, required an audit of their complete financial information due to their individual size. These reporting units where we performed a full audit of their financial information were in Canada (three reporting units), the US (one reporting unit) and the UK (two reporting units). These reporting units, together with the Group consolidation adjustments, accounted for 70% of revenue and 60% of Group profit before tax.

Audits of specific financial statement line items, including revenue, inventory, intangibles and the associated amortisation and external borrowings, were performed on additional reporting units. These reporting units were in Canada (one reporting unit), the US (one reporting unit), the UK (one reporting unit) and certain head office entities (three reporting units). We also performed specific audit procedures over central functions such as the consolidation, and certain key areas of focus, including goodwill and treasury at the Group level.

Certain reporting units were audited by local component audit teams. The Group engagement team attended the year end audit clearance meetings of each full scope component team, maintained regular contact with the component teams and were involved in the oversight of work in respect of significant/judgemental areas.

MATERIALITY

The scope of our audit was influenced by our application of materiality. We set certain quantitative thresholds for materiality. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures on the individual financial statement line items and disclosures and in evaluating the effect of misstatements, both individually and in aggregate on the consolidated financial statements as a whole.

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

Overall Group materiality	£4.2 million.
How we determined it	5% of Group profit before tax adjusted for operating one-off items.
Rationale for benchmark	Overall materiality has been set based on a Group profit before tax, adjusted for one-off items relating to restructuring costs, acquisition related costs and costs associated with aborted corporate projects and non-recurring finance costs. We believe that this is an appropriate benchmark as it removes volatility in order to present results on a more consistent basis and is a key performance measure for the Group.

For each component in the scope of our group audit, we allocated a materiality that is less than our overall Group materiality. The range of materiality allocated across components was between £2.0 million and £3.5 million.

We agreed with the Audit Committee that we would report to them misstatements identified during our audit above £0.2 million as well as misstatements below that amount that, in our view, warranted reporting for qualitative reasons.

GOING CONCERN

In accordance with ISAs (UK) we report as follows:

Reporting obligation	Outcome
We are required to report if we have anything material to add or draw attention to in respect of the directors' statement in the financial statements about whether the directors considered it appropriate to adopt the going concern basis of accounting in preparing the financial statements and the directors' identification of any material uncertainties to the Group's ability to continue as a going concern over a period of at least twelve months from the date of approval of the financial statements.	We have nothing material to add or to draw attention to. However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the Group's ability to continue as a going concern.
We are required to report if the directors' statement relating to Going Concern in accordance with Listing Rule 9.8.6R(3) is materially inconsistent with our knowledge obtained in the audit.	We have nothing to report.

REPORTING ON OTHER INFORMATION

The other information comprises all of the information in the Annual Report other than the consolidated financial statements and our auditors' report thereon. The directors are responsible for the other information. Our opinion on the consolidated financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except to the extent otherwise explicitly stated in this report, any form of assurance thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If we identify an apparent material inconsistency or material misstatement, we are required to perform procedures to conclude whether there is a material misstatement of the consolidated financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report based on these responsibilities.

Based on the responsibilities described above and our work undertaken in the course of the audit, ISAs (UK) and the Listing Rules of the Financial Conduct Authority (FCA) require us also to report certain opinions and matters as described below (required by ISAs (UK) unless otherwise stated).

THE DIRECTORS' ASSESSMENT OF THE PROSPECTS OF THE GROUP AND OF THE PRINCIPAL RISKS THAT WOULD THREATEN THE SOLVENCY OR LIQUIDITY OF THE GROUP

We have nothing material to add or draw attention to regarding:

– The directors' confirmation on page 42 of the Annual Report that they have carried out a robust assessment of the principal risks facing the Group, including those that would threaten its business model, future performance, solvency or liquidity.
– The disclosures in the Annual Report that describe those risks and explain how they are being managed or mitigated.
– The directors' explanation on page 42 of the Annual Report as to how they have assessed the prospects of the Group, 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 Group 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 have nothing to report having performed a review of the directors' statement that they have carried out a robust assessment of the principal risks facing the Group and directors' voluntary statement in relation to the longer-term viability of the Group. Our review was substantially less in scope than an audit and only consisted of making inquiries and considering the directors' process supporting their statements; checking that the statements are in alignment with the relevant provisions of the UK Corporate Governance Code (the Code); and considering whether the statements are consistent with the knowledge and understanding of the Group and its environment obtained in the course of the audit. (Listing Rules)

OTHER CODE PROVISIONS

We have nothing to report in respect of our responsibility to report when:

– The statement given by the directors on page 61, that they consider the Annual Report taken as a whole to be fair, balanced and understandable, and provides the information necessary for the members to assess the Group's position and performance, business model and strategy is materially inconsistent with our knowledge of the Group obtained in the course of performing our audit.
– The section of the Annual Report on pages 58 to 65 describing the work of the Audit Committee does not appropriately address matters communicated by us to the Audit Committee.
– The directors' statement relating to the parent company's compliance with the Code does not properly disclose a departure from a relevant provision of the Code specified, under the Listing Rules, for review by the auditors.

RESPONSIBILITIES FOR THE FINANCIAL STATEMENTS AND THE AUDIT

RESPONSIBILITIES OF THE DIRECTORS FOR THE FINANCIAL STATEMENTS

As explained more fully in the Statement of Directors' Responsibilities on page 92, the directors are responsible for the preparation of the consolidated financial statements in accordance with the applicable framework and for being satisfied that they give a true and fair view. The directors are also responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

A further description of our responsibilities for the audit of the consolidated financial statements is located on the FRC's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

USE OF THIS REPORT

This report, including the opinions, has been prepared for and only for the parent company's members as a body to enable the directors to meet their obligations under the Disclosure Guidance and Transparency Rules sourcebook of the UK Financial Conduct Authority and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

Philip Stokes
For and on behalf of PricewaterhouseCoopers LLP

Chartered Accountants

London
21 May 2018

Consolidated Income Statement

for the year ended 31 March 2018

	Note	Year ended 31 March 2018 £m	Restated[1] Year ended 31 March 2017 £m
Revenue	2	1,044.5	1,082.7
Cost of sales		(733.6)	(795.4)
Gross profit		310.9	287.3
Administrative expenses		(196.5)	(219.0)
Share of results of joint ventures	28	–	(0.7)
Operating profit	3	114.4	67.6
Finance income	7	3.9	5.0
Finance costs	7	(40.7)	(36.7)
Profit before tax		77.6	35.9
Income tax credit/(charge)	8	0.6	(12.3)
Profit for the year		78.2	23.6
Attributable to:			
Owners of the Company		64.5	11.7
Non-controlling interests		13.7	11.9
Operating profit analysed as:			
Underlying EBITDA	2	177.3	160.2
Amortisation of acquired intangibles	13	(39.6)	(41.9)
Depreciation and amortisation of software	13, 15	(3.6)	(4.9)
Share-based payment charge	31	(12.6)	(5.0)
One-off items	6	(7.1)	(40.8)
Operating profit		114.4	67.6
Earnings per share (pence)			
Basic	11	14.8	2.7
Diluted	11	14.4	2.7
Adjusted earnings per share (pence)			
Basic	11	22.5	20.3
Diluted	11	21.9	20.0

1. See Note 1 'Prior period restatements' for details.

Consolidated Statement of Comprehensive Income

for the year ended 31 March 2018

	Year ended 31 March 2018 £m	Restated[1] Year ended 31 March 2017 £m
Profit for the year	78.2	23.6
Items that may be reclassified subsequently to profit or loss:		
Exchange differences on foreign operations	(56.6)	75.6
Hedging reserve movements:		
Fair value movements on cash flow hedges	(5.0)	8.5
Reclassification adjustments for movements on cash flow hedges	1.4	(9.3)
Tax credit/(charge) related to components of other comprehensive (loss)/income	2.7	(1.7)
Total other comprehensive (loss)/income for the year	(57.5)	73.1
Total comprehensive income for the year	20.7	96.7
Attributable to:		
Owners of the Company	12.3	77.2
Non-controlling interests	8.4	19.5

1. See Note 1 'Prior period restatements' for details.

Consolidated Balance Sheet

at 31 March 2018

	Note	31 March 2018 £m	Restated[1] 31 March 2017 £m
ASSETS			
Non-current assets			
Goodwill	12	**375.2**	406.9
Other intangible assets	13	**248.9**	302.9
Interests in joint ventures	28	**1.0**	1.1
Investment in productions	14	**181.5**	160.8
Property, plant and equipment	15	**10.6**	11.9
Trade and other receivables	18	**93.7**	60.9
Deferred tax assets	9	**26.2**	28.2
Total non-current assets		**937.1**	972.7
Current assets			
Inventories	16	**39.6**	48.6
Investment in acquired content rights	17	**253.4**	269.8
Trade and other receivables	18	**481.5**	464.4
Cash and cash equivalents	19	**119.2**	133.4
Current tax assets		**3.5**	1.5
Financial instruments	24	**1.9**	10.6
Total current assets		**899.1**	928.3
Total assets		**1,836.2**	1,901.0
LIABILITIES			
Non-current liabilities			
Interest-bearing loans and borrowings	22	**375.2**	276.6
Production financing	23	**86.7**	91.2
Other payables	20	**28.0**	35.4
Provisions	21	**0.4**	1.5
Deferred tax liabilities	9	**34.7**	53.1
Total non-current liabilities		**525.0**	457.8
Current liabilities			
Interest-bearing loans and borrowings	22	**0.4**	0.5
Production financing	23	**90.1**	104.8
Trade and other payables	20	**491.3**	507.8
Provisions	21	**5.9**	30.6
Current tax liabilities		**14.8**	32.8
Financial instruments	24	**2.7**	15.4
Total current liabilities		**605.2**	691.9
Total liabilities		**1,130.2**	1,149.7
Net assets		**706.0**	751.3
EQUITY			
Stated capital	30	**594.8**	505.3
Own shares	30	**(0.2)**	(1.5)
Other reserves	30	**(23.6)**	(22.7)
Currency translation reserve		**28.5**	79.8
Retained earnings		**58.4**	104.2
Equity attributable to owners of the Company		**657.9**	665.1
Non-controlling interests		**48.1**	86.2
Total equity		**706.0**	751.3
Total liabilities and equity		**1,836.2**	1,901.0

1. See Note 1 'Prior period restatements' for details.

These consolidated financial statements were approved by the Board of Directors on 21 May 2018.

Joseph Sparacio
Director

Consolidated Statement of Changes in Equity

for the year ended 31 March 2018

			Other reserves							
	Stated capital £m	Own shares £m	Cash flow hedge reserve £m	Put options over NCI £m	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 2016	500.0	(3.6)	1.4	(30.9)	9.3	11.8	100.3	588.3	69.9	658.2
Restatement[1]	–	–	–	–	–	–	(4.4)	(4.4)	–	(4.4)
At 1 April 2016 restated	500.0	(3.6)	1.4	(30.9)	9.3	11.8	95.9	583.9	69.9	653.8
Profit for the year	–	–	–	–	–	–	11.7	11.7	11.9	23.6
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	11.7	77.2	19.5	96.7
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)
Total transactions with equity holders	5.3	2.1	–	–	–	–	(3.4)	4.0	(3.2)	0.8
At 31 March 2017	505.3	(1.5)	(1.1)	(30.9)	9.3	79.8	104.2	665.1	86.2	751.3
Profit for the year	**–**	**–**	**–**	**–**	**–**	**–**	**64.5**	**64.5**	**13.7**	**78.2**
Other comprehensive loss	**–**	**–**	**(0.9)**	**–**	**–**	**(51.3)**	**–**	**(52.2)**	**(5.3)**	**(57.5)**
Total comprehensive (loss)/profit for the year	**–**	**–**	**(0.9)**	**–**	**–**	**(51.3)**	**64.5**	**12.3**	**8.4**	**20.7**
Issue of common shares net of transaction costs	**51.8**	**–**	**–**	**–**	**–**	**–**	**–**	**51.8**	**–**	**51.8**
Credits in respect of share-based payments	**–**	**–**	**–**	**–**	**–**	**–**	**11.9**	**11.9**	**–**	**11.9**
Deferred tax movement arising on share options	**–**	**–**	**–**	**–**	**–**	**–**	**0.3**	**0.3**	**–**	**0.3**
Exercise of share options	**4.2**	**–**	**–**	**–**	**–**	**–**	**(4.2)**	**–**	**–**	**–**
Distribution of shares to beneficiaries of the Employee Benefit Trust	**–**	**1.3**	**–**	**–**	**–**	**–**	**(1.3)**	**–**	**–**	**–**
Acquisition of subsidiaries[2]	**1.8**	**–**	**–**	**–**	**–**	**–**	**–**	**1.8**	**–**	**1.8**
Transactions with equity holders[2]	**31.7**	**–**	**–**	**–**	**–**	**–**	**(111.4)**	**(79.7)**	**(39.1)**	**(118.8)**
Dividends paid[3]	**–**	**–**	**–**	**–**	**–**	**–**	**(5.6)**	**(5.6)**	**(7.4)**	**(13.0)**
Total transactions with equity holders	**89.5**	**1.3**	**–**	**–**	**–**	**–**	**(110.3)**	**(19.5)**	**(46.5)**	**(66.0)**
At 31 March 2018	**594.8**	**(0.2)**	**(2.0)**	**(30.9)**	**9.3**	**28.5**	**58.4**	**657.9**	**48.1**	**706.0**

1. See Note 1 'Prior period restatements' for details.
2. Refer to Note 25 for details on transactions with equity holders and acquisition related movements.
3. Refer to Note 10 for details on dividends paid during the year.

Consolidated Cash Flow Statement

for the year ended 31 March 2018

	Note	Year ended 31 March 2018 £m	Restated[1] Year ended 31 March 2017 £m
Operating activities			
Operating profit		114.4	67.6
Adjustment for:			
Depreciation of property, plant and equipment	15	2.0	2.4
Loss on disposal of property, plant and equipment	15	–	0.8
Amortisation of software	13	1.6	2.5
Amortisation of acquired intangibles	13	39.6	41.9
Amortisation of investment in productions	14	230.4	213.4
Investment in productions, net of grants received	14	(292.6)	(226.5)
Amortisation of investment in acquired content rights	17	113.9	168.3
Investment in acquired content rights	17	(148.2)	(181.4)
Impairment of investment in acquired content rights	17	–	2.2
Fair value gain on acquisition of subsidiary	25	–	(2.3)
Share of results of joint ventures	28	–	0.7
Put option movements	20	(3.9)	(6.3)
Share-based payment charge	31	12.6	5.0
Operating cash flows before changes in working capital and provisions		69.8	88.3
Decrease in inventories	16	5.0	8.4
Increase in trade and other receivables	18	(65.5)	(102.1)
Increase in trade and other payables	20	62.4	30.5
(Decrease)/increase in provisions	21	(24.3)	27.3
Cash from operations		47.4	52.4
Income tax paid		(32.5)	(18.4)
Net cash from operating activities		14.9	34.0
Investing activities			
Transactions with equity holders	25	(114.8)	–
Acquisition of subsidiaries and joint ventures, net of cash acquired	25, 28	(3.7)	(6.8)
Purchase of financial instruments	24	–	(0.7)
Purchase of acquired intangibles		–	(0.3)
Purchase of property, plant and equipment	15	(1.7)	(1.5)
Purchase of software	13	(1.5)	(2.0)
Net cash used in investing activities		(121.7)	(11.3)
Financing activities			
Net proceeds on issue of shares	30	52.0	–
Drawdown of interest-bearing loans and borrowings	22	374.7	209.8
Repayment of interest-bearing loans and borrowings	22	(269.7)	(211.7)
Drawdown of production financing	23	234.7	224.9
Repayment of production financing	23	(233.9)	(179.2)
Interest paid		(26.2)	(24.3)
Dividends paid to shareholders and to non-controlling interests of subsidiaries	10, 29	(13.0)	(8.3)
Fees paid in relation to the Group's bank facility, premium received on notes and one-off finance costs	7, 22	(11.5)	(5.6)
Net cash from financing activities		107.1	5.6
Net increase in cash and cash equivalents		0.3	28.3
Cash and cash equivalents at beginning of the year	19	133.4	108.3
Effect of foreign exchange rate changes on cash held		(14.5)	(3.2)
Cash and cash equivalents at end of the year	19	119.2	133.4

1. See Note 1 'Prior period restatements' for details.

Notes to the Consolidated Financial Statements

for the year ended 31 March 2018

1. NATURE OF OPERATIONS AND BASIS OF PREPARATION

Entertainment One is a leading independent entertainment group focused on the acquisition, production and distribution of family, television, music and film 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, and is limited by shares. 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 21 May 2018.

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 (IFRS) as adopted by the EU and IFRS Interpretations Committee (IFRS IC) interpretations. The consolidated financial statements of the Company and its subsidiaries (the Group) 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 14 to 38.

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 2018 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 2018, the Group had £61.1m of cash and cash equivalents (excluding cash held by production subsidiaries) (refer to Note 19), £314.5m of net debt and undrawn-down amounts under the revolving credit facility of £134.4m (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 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 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.

1. NATURE OF OPERATIONS AND BASIS OF PREPARATION CONTINUED

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.

USE OF ADDITIONAL PERFORMANCE MEASURES

The Group uses a number of non-IFRS financial measures that are not specifically defined under IFRS or any other generally accepted accounting principles, including underlying EBITDA, one-off items, adjusted profit before tax, adjusted diluted earnings per share, adjusted cash flow, free cash flow, net debt, adjusted net debt and production financing. These non-IFRS financial measures are presented because they are among the measures used by management to measure operating performance and as a basis for strategic planning and forecasting, and the Group believes that these measures are frequently used by investors in analysing business performance. Refer to the Appendix to the Consolidated Financial Statements for definitions of these terms.

PRIOR PERIOD RESTATEMENTS

Non-compliant forward currency contracts

As noted in the condensed consolidated financial statements for the six months ended 30 September 2017, the Group identified three forward currency contracts, entered into between December 2015 and September 2016, that were not in compliance with the Group's hedging policy. The losses in respect of these forward currency contracts were not reflected in the consolidated audited financial statements for the years ended 31 March 2016 and 2017 or in the condensed consolidated financial statements for the six months ended 30 September 2016.

The effect of the prior period errors on the consolidated income statement amounted to a £4.4m reduction in profit for the year ended 31 March 2016, £6.2m reduction in profit for the period ended 30 September 2016 and £7.6m reduction in profit for the year ended 31 March 2017. The impact of the prior period errors on the consolidated statement of financial position amounted to a £4.4m reduction in total equity at 31 March 2016, £10.6m reduction in total equity at 30 September 2016 and £12.0m reduction in total equity at 31 March 2017. These forward currency contracts were settled through a payment of £9.8m in the year and application of payments on account made in FY17 in the amount of £4.9m. The cash payment £9.8m (2017: £4.9m) has been classified as 'Fees paid in relation to the Group's senior bank facility, premium and one-off finance costs' in the consolidated cash flow statement for the year ended 31 March 2018. Upon settlement, an additional loss of £2.7m (31 March 2017: loss of £7.6m) was recorded which has been reflected as a one-off finance cost, refer to Note 7. The restatement and current year impact does not impact the financial covenants on the Group's revolving credit facility or senior secured notes.

The Group concluded that the prior period errors were not fundamental to any of the Group's previously issued financial statements and therefore the accounts were not reissued. The Group has corrected the prior period errors retrospectively by restating the comparative amounts for the prior year presented in which the error occurred and restating the opening balances for the earliest prior year presented in these financial statements, as required under International Accounting Standard 8.

During the six months ended 30 September 2017, a further two forward currency contracts entered into in June 2017 and July 2017 were also identified as not being in compliance with the Group's hedging policy. These forward currency contracts were settled during the year, resulting in a one-off finance cost of £2.5m, refer to Note 7.

In response to the above, the Group conducted a broad and continuing review of the Treasury processes, systems and controls across the Group. Steps have been taken to improve controls within Treasury including changes in personnel and enhancement of the control environment. In addition, a detailed review of all, externally confirmed, open forward currency contracts at 31 March 2018 was completed to ensure that they were in compliance with the Group's hedging policies.

Put options over non-controlling interests

Put and call options have been granted over the non-controlling interests of prior year acquisitions with the options exercisable in FY21 based on average EBITDA for FY19 – FY21. During the year, the Group identified that the put option liability as at 31 March 2017 was overstated by £6.3m principally driven by the use of an incorrect foreign exchange rate.

The Group concluded that the prior period error was not fundamental to any of the Group's previously issued financial statements and therefore the accounts were not reissued. The Group has corrected the prior period error retrospectively by restating the comparative amounts for the prior year presented in which the error occurred and restating the balances as at 31 March 2017, as required under International Accounting Standard 8. The correction has resulted in a reduction in operating one-off expenses of £6.3m for the year ended 31 March 2017.

The calculation of the put liability at 31 March 2018 has been revised based on the appropriate exchange rates using Board approved budgets for FY19 and plans for FY20 and FY21. This resulted in a further decline in the value of the liability of £3.9m as a result of changes in the expectation of future earnings. The resulting credit has been recorded as an operating one-off gain, refer to Note 6 for details. The restatement and current year impact does not impact the financial covenants on the Group's revolving credit facility or senior secured notes.

A summary of the impact of the above restatements is shown below:

	Previously reported	Non-compliant forward currency contracts	Put options	Restated
For the year ended 31 March 2017				
Consolidated Income Statement				
Administrative expenses	(225.3)	–	6.3	(219.0)
Operating profit	**61.3**	**–**	**6.3**	**67.6**
Net finance costs	(29.1)	(7.6)	–	(36.7)
Profit before tax	**37.2**	**(7.6)**	**6.3**	**35.9**
Income tax charge	(12.3)	–	–	(12.3)
Profit for the year	**24.9**	**(7.6)**	**6.3**	**23.6**
Attributable to:				
Owners of the Company	13.0	(7.6)	6.3	11.7
Earnings per share (pence)				
Basic	3.1	(1.9)	1.5	2.7
Diluted	3.0	(1.8)	1.5	2.7
Consolidated Statement of Comprehensive Income				
Attributable to:				
Owners of the Company	78.5	(7.6)	6.3	77.2
At 31 March 2017				
Consolidated Balance Sheet				
Financial instruments	3.4	12.0	–	15.4
Total current liabilities	**679.9**	**12.0**	**–**	**691.9**
Other payables	41.7	–	(6.3)	35.4
Total non-current liabilities	**464.1**	**–**	**(6.3)**	**457.8**
Total liabilities	**1,144.0**	**12.0**	**(6.3)**	**1,149.7**
Net assets	**757.0**	**(12.0)**	**6.3**	**751.3**
Retained earnings	109.9	(12.0)	6.3	104.2
Equity attributable to owners of the Company	670.8	(12.0)	6.3	665.1
Total equity	**757.0**	**(12.0)**	**6.3**	**751.3**

1. NATURE OF OPERATIONS AND BASIS OF PREPARATION CONTINUED

	Previously reported	Non-compliant forward currency contracts	Put options	Restated
For the year ended 31 March 2017				
Consolidated Cash Flow Statement				
Operating profit	61.3	–	6.3	67.6
Put option movements	–	–	(6.3)	(6.3)
Operating cash flows before changes in working capital and provisions	**88.3**	**–**	**–**	**88.3**
Fees paid in relation to the Group's bank facility, premium received on notes and one-off finance costs	(0.7)	(4.9)	–	(5.6)
Net cash from financing activities	**10.5**	**(4.9)**	**–**	**5.6**
Net increase in cash and cash equivalents	**33.2**	**(4.9)**	**–**	**28.3**
Effect of foreign exchange rate changes on cash held	**(8.1)**	**4.9**	**–**	**(3.2)**

The balance sheet for the year ended 31 March 2016 has not been represented as a comparative to the Group's consolidated balance sheet as at 31 March 2018 as the impact of restatement is not material. The impact to the balance sheet as at 31 March 2016 is as follows:

	Previously reported	Non-compliant forward currency contracts	Restated
At 31 March 2016			
Consolidated Balance Sheet			
Financial instruments	3.1	4.4	7.5
Total current liabilities	**565.1**	**4.4**	**569.5**
Total liabilities	978.7	4.4	983.1
Net assets	**658.2**	**(4.4)**	**653.8**
Retained earnings	100.3	(4.4)	95.9
Equity attributable to owners of the Company	588.3	(4.4)	583.9
Total equity	**658.2**	**(4.4)**	**653.8**

ACCOUNTING JUDGEMENTS AND 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.

Key sources of estimation uncertainty:

– The Group's annual impairment test. See Note 12 for details.

– Investment in productions and investment in acquired content rights. See Notes 14 and 17 for details.

Critical judgements in applying the Group's accounting policies:

– Assumptions are made as to the recoverability of tax assets. See Note 9 for details.

NEW STANDARDS AND AMENDMENTS, REVISIONS AND IMPROVEMENTS TO STANDARDS ADOPTED DURING THE YEAR

During the year ended 31 March 2018, the following were adopted by the Group:

New, amended, revised and improved Standards	Effective date
Amendments to IAS 7 *Statements of Cash Flows* – additional disclosure in respect of financing activities	1 January 2017
Amendments to IAS 12 *Income Taxes* – recognition of deferred tax assets related to debt instruments measured at fair value	1 January 2017
Annual improvements 2014-2016 cycle:	
Amendments to IFRS 12 *Disclosure of interests in other entities* – clarifying the scope of IFRS 12, specifically the disclosure requirements for interests in subsidiaries, associates or joint ventures that are classified as held for sale	1 January 2017

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

NEW, AMENDED AND REVISED STANDARDS ISSUED BUT NOT ADOPTED DURING THE YEAR

IFRS 15 *Revenue from Contracts with Customers* is effective 1 January 2018. An assessment of the impact on all of the Group's revenue streams has been completed. The Group adopted IFRS 15 on 1 April 2018 on a fully retrospective basis and will present, within the 2019 financial statements, a restatement of the comparative periods.

- In the Family & Brands 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. Under IFRS 15, the recognition of minimum guarantees will change and be spread over the consumption of the intellectual property. The impact of applying IFRS 15 to the financial year ended 31 March 2018 would have been a reduction in licensing and merchandising revenue of £14.7m and underlying EBITDA of £11.3m.
- In addition, there are timing differences arising from the way the Group recognises revenue for content licensing in the Television and Film Divisions. The new standard adds additional requirements that revenue cannot be recognised before the beginning of the period in which the customer can begin to use and benefit from the licence; and revenue dependent on the customer's sales or usage cannot be recognised until the sale or usage occurs. The impact of applying IFRS 15 to the financial year ended 31 March 2018 would have been a reduction in revenue of £0.8m and underlying EBITDA of £2.3m.

IFRS 15 will not have any impact on the cash flows generated in the year.

IFRS 9 *Financial Instruments* is also effective from 1 January 2018. An assessment of the impact on all of the Group's financial instruments has been completed and adoption is not expected to have a material impact. The Group intends to apply the limited exemption in IFRS 9 and will elect not to restate comparative information in the year of initial adoption. As a result, the comparative information provided will continue to be accounted for in accordance with the Group's previous accounting policy. The analysis of the impact focussed on the following items:

- Classification and measurement of financial assets – there is no material change in the classification of financial assets and there are no changes to the measurement of financial assets.
- Impairment of financial assets – for trade receivables and accrued income, the Group is expecting to apply the simplified approach permitted by IFRS 9, which requires the use of the lifetime expected loss provision for all receivables. Based on the Group's credit history and market outlook, the impact of the change to the IFRS 9 basis of provision is not expected to be material.
- Hedge accounting – the Group intends to continue to apply current IAS 39 accounting and will provide the additional IFRS 7 disclosures required for taking that option.

IFRS 16 *Leases* is effective from 1 January 2019. IFRS 16 requires lessees to recognise a lease liability reflecting future lease payments and a right-of-use asset for lease contracts, subject to limited exceptions for short-term leases and leases of low value assets. The quantitative impact of IFRS 16 on the Group's net assets and results is in the process of being assessed with an initial data set to determine the impact on the Group. IFRS 16 will have an impact on the balance sheet as both assets and liabilities will increase, and also an impact on components within the income statement, as operating lease rental charges will be replaced by depreciation and finance costs. Please refer to Note 32 to the consolidated financial statements for details of the Group's total operating lease commitments. IFRS 16 will not have any impact on the cash flows generated in the year. The impact of the transitional arrangements is under review.

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 family licensing and merchandising and television and film production sales. Revenue is also derived from the licensing, marketing and distribution and trading of television, video programming, music rights and feature films. The following summarises the Group's main revenue recognition policies:

Revenue from the exploitation of television, music rights and film 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.

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 broadcast 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.

Theatrical

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

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.

Production, international sales and other

– Revenue from the sale of own or co-produced television or film 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.
– Revenue from international licensing and trading of film content represents the contracted value of licence fees and is recognised when notice of delivery is provided to customers and collection of the fee is reasonably assured.

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 – Family & Brands, Television 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:

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

Inter-segment revenues are charged at prevailing market prices.

Segment information for the year ended 31 March 2018 is presented below:

	Note	Family & Brands £m	Television £m	Film £m	Eliminations £m	Consolidated £m
Segment revenue						
External revenue		133.2	521.6	389.7	–	1,044.5
Inter-segment revenue		5.4	17.4	12.5	(35.3)	–
Total segment revenue		138.6	539.0	402.2	(35.3)	1,044.5
Segment results						
Segment underlying EBITDA		82.3	72.0	35.1	0.8	190.2
Group costs						(12.9)
Underlying EBITDA						177.3
Amortisation of acquired intangibles	13					(39.6)
Depreciation and amortisation of software	13, 15					(3.6)
Share-based payment charge	31					(12.6)
One-off items	6					(7.1)
Operating profit						114.4
Finance income	7					3.9
Finance costs	7					(40.7)
Profit before tax						77.6
Income tax credit	8					0.6
Profit for the year						78.2
Segment assets						
Total segment assets		268.5	771.1	775.4	8.1	1,823.1
Unallocated corporate assets						13.1
Total assets						1,836.2

	Note	Family & Brands £m	Television £m	Film £m	Eliminations £m	Consolidated £m
Other segment information						
Amortisation of acquired intangibles	13	(12.3)	(11.8)	(15.5)	–	(39.6)
Depreciation and amortisation of software	13, 15	(0.2)	(0.9)	(2.5)	–	(3.6)
One-off items	6	(0.2)	0.9	(7.8)	–	(7.1)

2. OPERATING ANALYSIS CONTINUED

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

	Note	Family & Brands £m	Television £m	Film £m	Eliminations £m	Restated[1] Consolidated £m
Segment revenue						
External revenue		86.3	411.3	585.1	–	1,082.7
Inter-segment revenue		2.3	41.4	9.1	(52.8)	–
Total segment revenue		88.6	452.7	594.2	(52.8)	1,082.7
Segment results						
Segment underlying EBITDA		55.6	62.8	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)
One-off items	6					(40.8)
Operating profit						67.6
Finance income	7					5.0
Finance costs	7					(36.7)
Profit before tax						35.9
Income tax charge	8					(12.3)
Profit for the year						23.6
Segment assets						
Total segment assets		260.3	788.7	835.2	–	1,884.2
Unallocated corporate assets						16.8
Total assets						1,901.0

1. See Note 1 ‘Prior period restatements’ for details.

	Note	Family & Brands £m	Television £m	Film £m	Eliminations £m	Consolidated £m
Other segment information						
Amortisation of acquired intangibles	13	(12.0)	(14.5)	(15.4)	–	(41.9)
Depreciation and amortisation of software	13, 15	(0.1)	(0.6)	(4.2)	–	(4.9)
One-off items	6	(0.4)	8.4	(48.8)	–	(40.8)

GEOGRAPHICAL INFORMATION

The Group’s operations are located in the US, Canada, the UK, Australia, the Benelux, Germany and Spain. Family & Brands Division operations are located in the UK. Television Division operations are located in the US, Canada, the UK, Australia and Germany. Film Division operations are located in the US, Canada, the UK, Australia, the Benelux, Germany 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 2018 and 2017.

	External revenue 2018 £m	**Non-current assets 2018 £m**	External revenue 2017 £m	Non-current assets 2017 £m
US	**473.8**	**277.7**	387.0	319.3
Canada	**151.3**	**286.0**	197.9	292.8
UK	**101.1**	**308.9**	153.0	289.8
Rest of Europe	**190.0**	**28.6**	193.4	31.3
Other	**128.3**	**8.7**	151.4	10.2
Total	**1,044.5**	**909.9**	1,082.7	943.4

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 2018 £m	Year ended 31 March 2017 £m
Amortisation of investment in productions	14	230.4	213.4
Amortisation of investment in acquired content rights	17	113.9	168.3
Amortisation of acquired intangibles	13	39.6	41.9
Amortisation of software	13	1.6	2.5
Depreciation of property, plant and equipment	15	2.0	2.4
Impairment of investment in acquired content rights	17	–	2.2
Staff costs	5	108.2	96.2
Inventory costs – costs of inventory disposed of	16	2.7	1.5
Inventory costs – costs of inventory recognised as expense	16	47.1	100.9
Net foreign exchange losses		2.7	0.4
Operating lease rentals	32	10.8	10.8

The total remuneration during the year of the Group's auditor was as follows:

	Year ended 31 March 2018 £m	Year ended 31 March 2017 £m
Audit fees		
– Fees payable for the audit of the Group's annual accounts	0.6	0.4
– Fees payable for the audit of the Group's subsidiaries	0.2	0.4
– Fees payable for the review of the Group's interim accounts	0.1	–
Other services		
– Services relating to corporate finance transactions	0.2	–
– Other	0.2	–
Total	1.3	0.8

The fee for the year ended 31 March 2018 was payable to PricewaterhouseCoopers LLP whereas the fee for the year ended 31 March 2017 was payable to Deloitte LLP.

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 2018 and 2017 are as follows:

- Darren Throop, Group Chief Executive Officer and executive director in the years ended 31 March 2018 and 2017. All payments to Darren Throop during the financial years ended 31 March 2017 and 31 March 2018 have been included within the table below.
- Giles Willits, Group Chief Financial Officer and executive director of the Group until 21 November 2016. On 21 November 2016, Giles Willits resigned from office and payments after 21 November 2016 relating to service total £0.2m. The below table includes all payments made during the year ended 31 March 2017. The share-based payment options with 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 ended 31 March 2017 and not included within the below table.
- Joseph Sparacio joined eOne as Interim Chief Finance Officer on 21 November 2016. The payments to Joseph Sparacio in the year ended 31 March 2017 are not included in the table below as he was not considered to be a key management person for that year. Joseph Sparacio was appointed as Group Chief Finance Officer on 2 May 2017 and executive director from 20 November 2017. All payments to Joseph Sparacio during the financial year ended 31 March 2018 have been included within the table below.
- Margaret O'Brien, executive director from 18 May 2017 to 20 November 2017. Margaret O'Brien stepped down as an executive director from 20 November 2017 but continues to be the Group's Chief Corporate Development and Administrative Officer. The below table includes all payments made to Margaret O'Brien from 1 April 2017 to 20 November 2017. Payments after 20 November 2017 have not been included in the table as she is not considered to be a key management person from that date.

4. KEY MANAGEMENT COMPENSATION AND DIRECTORS' EMOLUMENTS CONTINUED

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 2018 £m	Year ended 31 March 2017 £m
Short-term employee benefits	2.7	1.6
Share-based payment benefits	5.7	0.5
Total	8.4	2.1

Short-term employee benefits comprise salary, taxable benefits, annual bonus and pensions and include employer social security contributions of £nil (2017: £0.1m).

DIRECTORS' EMOLUMENTS

Full details of directors' emoluments can be found in the Directors' Remuneration Report on pages 69 to 89.

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 2018 £m	Year ended 31 March 2017 £m
Average number of employees		
Canada	630	778
US	271	304
UK	232	220
Australia	46	46
Rest of World	80	76
Total	1,259	1,424

The table below sets out the Group's staff costs (including directors' remuneration):

	Year ended 31 March 2018 £m	Year ended 31 March 2017 £m
Wages and salaries	87.9	83.6
Share-based payment charge	12.6	5.0
Social security costs	6.0	5.9
Pension costs	1.7	1.7
Total staff costs	108.2	96.2

Included within total staff costs is £6.0m (2017: £7.5m) 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 2018 £m	Restated[1] Year ended 31 March 2017 £m
Restructuring costs		
Strategy-related	**7.6**	28.2
Other	**0.4**	22.8
Total restructuring costs	**8.0**	51.0
Other items		
Acquisition gains	**(1.9)**	(12.7)
Other	**1.0**	2.5
Total other items	**(0.9)**	(10.2)
Total one-off costs	**7.1**	40.8

1. See Note 1 'Prior period restatements' for details.

RESTRUCTURING COSTS

The restructuring costs of £8.0m consist of:

– £4.4m of costs associated with the integration of the Television and Film Divisions and includes £3.6m related to severance and staff costs and £0.8m related to consultancy fees;

– £2.0m related to the integration of the unscripted television companies within the wider Canadian television production division. The costs primarily include severance, staff costs and onerous leases; and

– £1.6m of costs associated with completion of the 2017 strategy related restructuring programme. The costs include additional severance, onerous leases and write-off of inventory.

ACQUISITION GAINS

In 2018, acquisition gains of £1.9m consist of:

– Credit of £3.9m on re-assessment of the liability on put options in relation to the non-controlling interests over Renegade 83 and Sierra Pictures put options;

– Partially offset by banking and legal costs of £1.6m associated with the creation and set-up of Makeready in the current year; and

– Charge of £0.6m on settlement of contingent consideration in relation to Renegade 83 settled in the year, partially offset by escrow of £0.2m received in relation to the 2016 acquisition of Last Gang Entertainment.

OTHER ITEMS

Other costs of £1.0m in 2018 primarily related to costs associated with aborted corporate projects during the year.

6. ONE-OFF ITEMS CONTINUED

PRIOR YEAR COSTS

In 2017, restructuring costs were as follows:

During the year ended 31 March 2017 the Group restructured the physical distribution business through the closure of a number of distribution warehouses, as well as terminating distribution agreements with partners in the UK and the Benelux. Restructuring costs incurred in implementing the change included £10.1m related to the ramp-down of 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, £5.9m of inventory and £0.9m of property, plant and equipment was written off. Other costs of £1.6m included 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 recorded a one-off charge of £1.2m to write down certain physical inventory titles and a £1.0m one-off bad debt expense.

In 2017, the Group integrated the Paperny Entertainment and Force Four Entertainment businesses in Vancouver into one Canadian unscripted business. Costs of £2.6m were incurred to facilitate the amalgamation of these two businesses, including staff and other transition-related payments. Other restructuring costs of £1.4m were also incurred.

As part of the wider reshaping of the Film Division, the Group re-negotiated one of its larger film distribution arrangements. The previous arrangement was terminated and replaced with a new distribution arrangement and, associated with the termination, the Company made a one-time payment of £20.1m (US$25m). Further, an impairment charge of £2.2m was recognised related to the write-off of unamortised signing-on fees relating to the existing agreements, previously capitalised within investment in content, and £0.5m related 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.

In 2017, acquisition gains of £12.7m included:

- Credit of £6.3m on re-assessment of the liability on put options in relation to the non-controlling interests over Renegade 83 and Sierra put options. See Note 1 ‘Prior period restatements’ for details;
- Credit of £4.0m resulted from the re-assessment of contingent consideration in relation to previous acquisitions; and
- Credit of £2.3m related to the acquisition accounting for the purchase of the remaining 50% stake in Secret Location.

In 2017, other costs included costs associated with aborted corporate projects of £1.7m and a one-off foreign exchange charge related to the alignment of the Television business with the Group hedging process of £0.8m.

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. During the year, the Group issued an additional £70.0m of senior secured notes (Notes) and all directly attributable costs have been capitalised within deferred finance charges and are being amortised through the consolidated income statement over the term of the Notes using the effective interest rate method.

Premium on senior secured notes

During the year, the Group issued an additional £70.0m of Notes at a premium to face value. The premium has been netted off against the amount of deferred finance charges and is then amortised through the consolidated income statement over the term of the instrument using the effective interest rate method.

One-off finance items

One-off finance 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 finance costs and enable comparison of underlying financial performance between years. The items include interest on one-off tax items being the interest on tax provisions, the unwind of discounting on financial assets and liabilities, and charges in relation to refinancing activities.

ANALYSIS OF RESULTS FOR THE YEAR

	Note	Year ended 31 March 2018 £m	Restated[1] Year ended 31 March 2017 £m
Finance income			
Other finance income		**3.9**	3.8
Gains on fair value of derivative instruments		**–**	1.2
Total finance income		**3.9**	5.0
Finance costs			
Interest cost		**(26.8)**	(22.8)
Amortisation of deferred finance charges and premium on senior secured notes	22	**(1.9)**	(1.7)
Other accrued interest charges		**–**	(0.8)
Losses on fair value of derivative instruments		**(7.9)**	(7.6)
Unwind of discounting on financial instruments		**(3.0)**	(2.9)
Net foreign exchange losses on financing activities		**(1.1)**	(0.9)
Total finance costs		**(40.7)**	(36.7)
Net finance costs		**(36.8)**	(31.7)
Comprised of:			
Adjusted net finance costs		**(29.3)**	(25.4)
One-off net finance costs	11	**(7.5)**	(6.3)

1. See Note 1 'Prior period restatements' for details.

The one-off net finance costs of £7.5m (2017: £6.3m) comprise:

- £7.9m (2017: £6.4m) net losses on fair value of derivative instruments, which includes:
  - £5.2m charge (2017: £7.6m) in respect of losses on five forward currency contracts not in compliance with the Group's hedging policy. See Note 1 of the consolidated financial statements for further details;
  - £1.6m charge (2017: gain of £1.2m) in respect of fair-value losses on hedge contracts which reverse in future periods; and
  - £1.1m charge (2017: nil) in respect of fair-value losses on hedge contracts cancelled as a result of the re-negotiation of one of the Group's larger film distribution agreements in 2017;
- £3.0m charge (2017: £2.9m) related to unwind of discounting on put options issued by the Group over the non-controlling interest of subsidiary companies; and
- The costs above are partly offset by a credit of £3.4m (2017: net credit of £3.0m) relating to the reversal of interest previously charged on tax provisions, which were released during the year.

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.

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

	Year ended 31 March 2018 £m	Year ended 31 March 2017 £m
Current tax (charge)/credit		
– in respect of current year	(15.4)	(26.1)
– in respect of the prior years	2.2	1.5
Total current tax charge	**(13.2)**	(24.6)
Deferred tax credit/(charge)		
– in respect of current year	16.7	14.2
– in respect of the prior years	(2.9)	(1.9)
Total deferred tax credit	**13.8**	12.3
Income tax credit/(charge)	**0.6**	(12.3)
Of which:		
Adjusted tax charge on adjusted profit before tax	(27.9)	(27.1)
One-off net tax credit	28.5	14.8

The one-off tax credit comprises tax credits of £1.9m (2017: £6.7m) in relation to the one-off items described in Note 6, £7.5m in relation to the reduction of the US Federal corporate income tax rate on deferred tax liabilities, £12.6m in relation to the release of the certain tax provision, £6.6m (2017: £7.1m) on amortisation of acquired intangibles described in Note 13, £0.4m (2017: £0.2m) on share-based payments as described in Note 31, and a tax credit of £0.2m (2017: £0.1m credit) on other non-recurring items and a tax charge of £0.7m (2017: £0.4m charge) relating to prior year current tax and deferred tax adjustments. 2017 also included a tax credit of £1.1m related to changes in corporation tax rates on calculation of deferred tax assets.

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

	Year ended 31 March 2018		Year ended 31 March 2017	
	£m	%	£m	%
Profit before tax (including joint ventures)	**77.6**		35.9	
Deduct share of results of joint ventures	–		0.7	
Profit before tax (excluding joint ventures)	**77.6**		36.6	
Taxes at applicable domestic rates	**(18.1)**	**(23.3)**	(11.1)	(30.3)
Effect of income that is exempt from tax	**3.8**	**4.9**	6.7	18.3
Effect of expenses that are not deductible in determining taxable profit	**(3.3)**	**(4.3)**	(1.7)	(4.6)
Effect of decrease in tax provisions	**13.5**	**17.4**	–	–
Effect of losses/temporary differences not recognised in deferred tax	**(2.8)**	**(3.6)**	(7.8)	(21.3)
Effect of non-controlling interests	**0.9**	**1.2**	0.9	2.5
Effect of tax rate changes	**7.3**	**9.4**	1.1	3.0
Prior year items	**(0.7)**	**(0.9)**	(0.4)	(1.1)
Income tax credit/(charge) and effective tax rate for the year	**0.6**	**0.8**	(12.3)	(33.6)

Income tax is calculated at the rates prevailing in respective jurisdictions. The standard tax rates in each jurisdiction in which the Group has a taxable presence are 26.5% in Canada (2017: 26.5%), 30.64% – 32.75% in the US (2017: 36.0% – 40.8%), 19.0% in the UK (2017: 20.0%), 25.0% in the Netherlands (2017: 25.0%), 30.0% in Australia (2017: 30.0%) and 25.0% in Spain (2017: 25.0%).

Prior year items include £2.2m relating to current tax credits and £2.9m in relation to deferred tax charges based on the final tax returns for FY17.

ANALYSIS OF TAX ON ITEMS TAKEN DIRECTLY TO OTHER COMPREHENSIVE INCOME AND EQUITY

	Note	Year ended 31 March 2018 £m	Year ended 31 March 2017 £m
Deferred tax credit/(charge) on cash flow hedges		**2.7**	(1.7)
Deferred tax credit on share options		**0.3**	0.1
Total credit/(charge) taken directly to equity	9	**3.0**	(1.6)

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 assets and liabilities on a net basis.

9. DEFERRED TAX ASSETS AND LIABILITIES CONTINUED

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.

SIGNIFICANT JUDGEMENTS

Deferred tax assets 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. In certain jurisdictions, 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	Other intangible assets £m	Unused tax losses £m	Financing items £m	Other £m	Total £m
At 1 April 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		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)
Credit/(charge) to income		**17.6**	**(6.1)**	**(0.4)**	**2.7**	**13.8**
Charge to equity	8	**–**	**–**	**2.7**	**0.3**	**3.0**
Exchange differences		**3.3**	**(3.1)**	**(0.5)**	**(0.1)**	**(0.4)**
At 31 March 2018		**(43.0)**	**28.8**	**2.6**	**3.1**	**(8.5)**

The category "Other" includes temporary differences on share options, accrued liabilities, certain asset valuation provisions, foreign exchange gains, investment in productions and investment in acquired content rights.

The deferred tax balances have been reflected in the consolidated balance sheet as follows:

	31 March 2018 £m	31 March 2017 £m
Deferred tax assets	**26.2**	28.2
Deferred tax liabilities	**(34.7)**	(53.1)
Total	**(8.5)**	(24.9)

At the balance sheet date, the Group had unrecognised unused tax losses of £156.3m (2017: £103.2m), the majority of which will expire in the years ending 2028 to 2036.

The Group also had unrecognised deferred tax assets of £4.8m (2017: £11.4m) in connection with the put options that were granted over the non-controlling interests of 35% in Renegade 83 and of 49% in Sierra Pictures, respectively.

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 £70.1m (2017: £19.0m).

It is estimated that net deferred tax liabilities of approximately £0.2m will reverse during the next financial year.

During the year ended 31 March 2018, the corporate income tax rate reduced from 35% to 21% in the US. During the year ended 31 March 2017, the corporate income tax rate in the UK was reduced from 18% to 17% effective 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 21 May 2018 the directors declared a final dividend in respect of the financial year ended 31 March 2018 of 1.4 pence (2017: 1.3 pence) per share which will absorb an estimated £6.5m of total equity (2017: £5.6m). It will be paid on or around 7 September 2018 to shareholders who are on the register of members on 6 July 2018 (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, fully vested employee share awards exercisable for no further consideration and 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, fully vested employee share awards exercisable for no further consideration and 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 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 one-off tax items.

Diluted earnings per share and adjusted 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. On 9 April 2018, the Group acquired 70% of the share capital of Whizz Kid Entertainment Limited, for a cash consideration of £5.0m and the issue of 637,952 shares of Entertainment One Ltd. Refer to Note 34 for details. There have been no other 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 2018 Pence	Year ended 31 March 2017 Pence
Basic earnings per share	14.8	2.7
Diluted earnings per share	14.4	2.7
Adjusted basic earnings per share	22.5	20.3
Adjusted diluted earnings per share	21.9	20.0

The weighted average number of shares used in the earnings per share calculations are set out below:

	Year ended 31 March 2018 Million	Year ended 31 March 2017 Million
Weighted average number of shares for basic earnings per share and adjusted basic earnings per share	436.3	425.7
Effect of dilution for basic and adjusted:		
Employee share awards	10.9	5.9
Contingent consideration with option in cash or shares	0.4	1.1
Weighted average number of shares for diluted earnings per share and adjusted diluted earnings per share	447.6	432.7

The shares held by the EBT are classified as own shares and excluded from earnings per share and adjusted earnings per share. Refer to Note 31 for details on employee share awards.

The Group holds an option to settle the contingent consideration payable in relation to the acquisition of Last Gang Entertainment in shares or in cash. At 31 March 2017, the Group also held an option to settle the contingent consideration payable in relation to the acquisition of Renegade 83 which has been settled during the year ended 31 March 2018. Refer to Note 25 for details.

11. EARNINGS PER SHARE CONTINUED

ADJUSTED EARNINGS PER SHARE

The directors believe that the presentation of adjusted earnings per share, being the fully diluted earnings per share adjusted for 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 one-off tax items, 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 2018		Restated[1] Year ended 31 March 2017	
	Note	£m	Pence per share	£m	Pence per share
Profit for the year attributable to the owners of the Company		**64.5**	**14.4**	11.7	2.7
Add back amortisation of acquired intangibles	13	**39.6**	**8.8**	41.9	9.7
Add back share-based payment charge	31	**12.6**	**2.8**	5.0	1.1
Add back one-off items	6	**7.1**	**1.6**	40.8	9.4
Add back one-off net finance costs	7	**7.5**	**1.7**	6.3	1.5
Deduct tax effect of above items and discrete tax items	8	**(28.5)**	**(6.4)**	(14.8)	(3.4)
Deduct non-controlling interests' share of above items		**(4.6)**	**(1.0)**	(4.4)	(1.0)
Adjusted earnings attributable to the owners of the Company		**98.2**	**21.9**	86.5	20.0
Adjusted earnings attributable to non-controlling interests		**18.3**		16.3	
Adjusted profit for the year		**116.5**		102.8	

1. See Note 1 'Prior period restatements' for details.

Profit before tax is reconciled to adjusted profit before tax and adjusted earnings as follows:

	Note	Year ended 31 March 2018 £m	Restated[1] Year ended 31 March 2017 £m
Profit before tax		**77.6**	35.9
Add back one-off items	6	**7.1**	40.8
Add back amortisation of acquired intangibles	13	**39.6**	41.9
Add back share-based payment charge	31	**12.6**	5.0
Add back one-off net finance costs	7	**7.5**	6.3
Adjusted profit before tax		**144.4**	129.9
Adjusted tax charge	8	**(27.9)**	(27.1)
Deduct profit attributable to non-controlling interests		**(13.7)**	(11.9)
Deduct non-controlling interests' share of adjusting items above		**(4.6)**	(4.4)
Adjusted earnings attributable to the owners of the Company		**98.2**	86.5

1. See Note 1 'Prior period restatements' for details.

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.

12. GOODWILL CONTINUED

KEY SOURCE OF ESTIMATION UNCERTAINTY

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 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 2016		360.3
Acquisition of subsidiaries	25	5.8
Exchange differences		40.8
At 31 March 2017		406.9
Acquisition of subsidiaries	25	**0.8**
Exchange differences		**(32.5)**
At 31 March 2018		**375.2**

Goodwill arising on a business combination is allocated to the CGUs that are expected to benefit from that business combination. As explained below, the Group's CGUs are Family & Brands, Television, The Mark Gordon Company (MGC) 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 Family & Brands, Television, MGC and Film.

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 2018			31 March 2017		
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 %
Family & Brands	**8.1**	**3.0**	**3 years**	9.7	3.0	3 years
Television	**8.2**	**3.0**	**3 years**	8.9	3.0	3 years
The Mark Gordon Company	**12.7**	**3.0**	**3 years**	10.7	3.0	3 years
Film	**7.2**	**2.3**	**3 years**	8.1	2.1	3 years

12. GOODWILL CONTINUED

The calculations of the value-in-use for all CGUs are most sensitive to the operating profit, discount rate and terminal 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 7.2% (2017: 7.9%). 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 Family & Brands, Television, MGC and Film of 3.0%, 3.0%, 3.0% and 2.3%, respectively (2017: Family & Brands, Television, MGC and Film of 3.0%, 3.0%, 3.0% and 2.1%, 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 42 to 43.

The carrying value of goodwill, translated at year end exchange rates, is allocated as follows:

CGU	Year ended 31 March 2018 £m	Year ended 31 March 2017 £m
Family & Brands	57.4	57.3
Television	58.6	64.3
The Mark Gordon Company	69.0	78.3
Film	190.2	207.0
Total	**375.2**	406.9

SENSITIVITY TO CHANGE IN ASSUMPTIONS

Family & Brands – The Family & Brands calculations show that there is significant headroom when compared to carrying values of non-current assets at 31 March 2018 and 31 March 2017. As part of the impairment review, sensitivity was applied to the main assumptions with no impairment identified (10% reduction in budgeted/planned operating profit, 15% increase in investment in acquired content rights/productions, 1.0% increase in pre-tax discount rate and 0% terminal growth rate). A 475.4% (38.7 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.

Television – The Television calculations show that there is significant headroom when compared to carrying values of non-current assets at 31 March 2018 and 31 March 2017. As part of the impairment review, sensitivity was applied to the main assumptions with no impairment identified (10% reduction in budgeted/planned operating profit, 15% increase in investment in acquired content rights/productions, 1.0% increase in pre-tax discount rate and 0% terminal growth rate). A 140.0% (11.4 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.

The Mark Gordon Company – The MGC calculations show that there is significant headroom when compared to carrying values of non-current assets at 31 March 2018 and 31 March 2017. As part of the impairment review, sensitivity was applied to the main assumptions with no impairment identified (10% reduction in budgeted/planned operating profit, 15% increase in investment in acquired content rights/productions, 1.0% increase in pre-tax discount rate and 0% terminal growth rate). A 176.0% (22.3 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 of non-current assets at 31 March 2018 and 31 March 2017. As part of the impairment review, sensitivity was applied to the main assumptions with no impairment identified (10% reduction in budgeted/planned operating profit, 15% increase in investment in acquired content rights/productions, 1.0% increase in pre-tax discount rate and 0% terminal growth rate). A 56.2% (4.0 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.

13. OTHER INTANGIBLE ASSETS

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

ANALYSIS OF AMOUNTS RECOGNISED BY THE GROUP

		Acquired intangibles						
	Note	Exclusive content agreements and libraries £m	Trade names and brands £m	Exclusive distribution agreements £m	Customer relationships £m	Non-compete agreements £m	Software £m	Total £m
Cost								
At 1 April 2016		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
Additions		**–**	**–**	**–**	**–**	**–**	**1.5**	**1.5**
Disposals		**(0.8)**	**(6.8)**	**(14.7)**	**–**	**(15.4)**	**(0.1)**	**(37.8)**
Exchange differences		**(19.9)**	**(2.7)**	**(2.0)**	**(4.7)**	**(1.1)**	**(1.2)**	**(31.6)**
At 31 March 2018		**210.3**	**193.3**	**12.3**	**46.3**	**2.0**	**14.5**	**478.7**
Amortisation								
At 1 April 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)
Amortisation charge for the year	3	**(23.4)**	**(11.9)**	**(0.3)**	**(4.0)**	**–**	**(1.6)**	**(41.2)**
Disposals		**0.8**	**6.8**	**14.7**	**–**	**15.4**	**0.1**	**37.8**
Exchange differences		**7.3**	**2.0**	**2.1**	**3.8**	**1.1**	**1.0**	**17.3**
At 31 March 2018		**(111.5)**	**(53.2)**	**(12.1)**	**(38.9)**	**(2.0)**	**(12.1)**	**(229.8)**
Carrying amount								
At 31 March 2017		134.8	152.7	0.4	12.3	–	2.7	302.9
At 31 March 2018		**98.8**	**140.1**	**0.2**	**7.4**	**–**	**2.4**	**248.9**

The amortisation charge for the year ended 31 March 2018 comprises £39.6m (2017: £41.9m) in respect of acquired intangibles.

Included within exclusive content agreements and libraries is a carrying value of £38.1m 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 and £16.6m relating to libraries acquired as part of the acquisition of Sierra Pictures in December 2015 and Sierra Affinity in September 2016, which are being amortised over a useful life of 10 years.

Included within trade names and brands is a carrying value of £135.6m 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.

13. OTHER INTANGIBLE ASSETS CONTINUED

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 within exclusive content agreements and libraries. Refer to Note 25 for further details.

Disposals represent intangible assets that have been derecognised as no future economic benefits are expected from its use or disposal. These assets were fully amortised at 31 March 2018.

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 television and films 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 is required to exercise judgement in estimating future revenue forecasts for its underlying productions. These forecasts are based on the revenue generated from other similar productions, actual performance to-date of the production and the expectation of future revenue generated over the remaining useful life. The future revenue forecasts are reviewed periodically and any changes to forecasts are treated prospectively as of the beginning of the financial year during which the forecasts are revised. Sensitivities are considered as part of the respective production level forecasts.

Due to the varied nature of the productions, a sensitivity analysis on the overall balance of investment in productions is not considered to be meaningful.

AMOUNTS RECOGNISED BY THE GROUP

	Note	**Year ended 31 March 2018 £m**	Year ended 31 March 2017 £m
Cost			
Balance at 1 April		**846.3**	542.8
Acquisition of subsidiaries	25	**–**	0.6
Additions		**274.5**	230.0
Disposals		**(0.5)**	–
Exchange differences		**(94.6)**	72.9
Balance at 31 March		**1,025.7**	846.3
Amortisation			
Balance at 1 April		**(685.5)**	(415.6)
Amortisation charge for the year	3	**(230.4)**	(213.4)
Exchange differences		**71.7**	(56.5)
Balance at 31 March		**(844.2)**	(685.5)
Carrying amount		**181.5**	160.8

Borrowing costs of £6.9m (2017: £6.6m) 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 2018 is £71.5m (2017: £73.4m) of productions in progress, which includes additions from the acquisition of subsidiaries of £nil (2017: £0.6m).

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 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
Additions		**0.3**	**1.4**	**1.7**
Disposals		**(0.2)**	**(0.6)**	**(0.8)**
Exchange differences		**(1.0)**	**(0.8)**	**(1.8)**
At 31 March 2018		**11.3**	**9.8**	**21.1**
Depreciation				
At 1 April 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)
Depreciation charge for the year	3	**(1.1)**	**(0.9)**	**(2.0)**
Disposals		**0.2**	**0.6**	**0.8**
Exchange differences		**0.3**	**0.5**	**0.8**
At 31 March 2018		**(3.8)**	**(6.7)**	**(10.5)**
Carrying Amount				
At 31 March 2017		9.0	2.9	11.9
At 31 March 2018		**7.5**	**3.1**	**10.6**

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 2018 comprise finished goods of £39.6m (2017: £48.6m). Refer to Note 3 for details on amounts recognised in the year.

17. INVESTMENT IN ACQUIRED CONTENT RIGHTS

ACCOUNTING POLICY

In the ordinary course of business the Group contracts with television and film 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 television or film 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. broadcast licences, theatrical release and home entertainment) 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 Family & Brands, Television and Film businesses. The normal operating cycle of these businesses can be greater than 12 months. In general 65%-75% of television and film programme content is amortised within 12 months of theatrical release/delivery.

KEY SOURCE OF ESTIMATION UNCERTAINTY

The Group is required to exercise judgement in estimating future revenue forecasts for its underlying programmes. These forecasts are based on the revenue generated from other similar programmes, actual performance to-date of the programmes and the expectation of future revenue generated over the remaining useful life. The future revenue forecasts are reviewed periodically and any changes to forecasts are treated prospectively as of the beginning of the financial year during which the forecasts are revised. Sensitivities are considered as part of the respective programme level forecasts.

Due to the varied nature of the productions, a sensitivity analysis on the overall balance of investment in content is not considered to be meaningful.

AMOUNTS RECOGNISED BY THE GROUP

	Note	Year ended 31 March 2018 £m	Year ended 31 March 2017 £m
Balance at 1 April		**269.8**	241.3
Additions		**108.3**	177.2
Amortisation charge for the year	3	**(113.9)**	(168.3)
Impairment charge for the year	3	**–**	(2.2)
Exchange differences		**(10.8)**	21.8
Balance at 31 March		**253.4**	269.8

There was no impairment charge recognised during the year ended 31 March 2018.

The impairment charge recognised during the prior year ended 31 March 2017 of £2.2m was in respect of a 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.

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 2018 £m	31 March 2017 £m
Trade receivables		119.0	146.4
Less: Provision for doubtful debts		(3.0)	(1.9)
Net trade receivables	26	116.0	144.5
Prepayments		20.4	16.6
Accrued income	26	220.2	198.5
Amounts owed from joint ventures		0.2	0.2
Tax credits receivable		77.1	67.9
Other receivables	26	47.6	36.7
Total		481.5	464.4

Non-current			
Trade receivables		8.0	14.2
Less: Provision for doubtful debts		–	(0.4)
Net trade receivables	26	8.0	13.8
Prepayments		0.8	–
Accrued income	26	83.9	46.0
Other receivables	26	1.0	1.1
Total		93.7	60.9

As at 31 March 2018 and 2017 current trade receivables are aged as follows:

	31 March 2018 £m	31 March 2017 £m
Neither impaired or past due	98.0	119.4
Less than 60 days	8.9	11.2
Between 60 and 90 days	2.5	6.2
More than 90 days	6.6	7.7
Total	116.0	144.5

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 2018 and 2017 were as follows:

	31 March 2018 £m	31 March 2017 £m
Balance at 1 April	(2.3)	(2.3)
Provision recognised in the year	(1.7)	(1.7)
Provision reversed in the year	0.2	0.8
Utilisation of provision	0.6	1.2
Exchange differences	0.2	(0.3)
Balance at 31 March	(3.0)	(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 units on an ongoing basis. Refer to Note 26 for further details on the Group's exposure to credit risk.

The table below sets out the ageing of the Group's impaired receivables:

	31 March 2018 £m	31 March 2017 £m
Less than 60 days	(0.1)	–
Between 60 and 90 days	(0.1)	(0.1)
More than 90 days	(2.8)	(2.2)
Total	**(3.0)**	(2.3)

Trade and other receivables are held in the following currencies at 31 March 2018 and 2017. 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	56.3	38.7	134.6	233.1	18.8	481.5
Non-current	6.7	4.5	13.8	67.7	1.0	93.7
At 31 March 2018	**63.0**	**43.2**	**148.4**	**300.8**	**19.8**	**575.2**
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

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 Family & Brands, Television and Film production subsidiaries and are non-recourse to other Group companies or assets. Cash held only for production financing relates to cash at bank and in hand held by production subsidiaries and can only be used for investment in the specified productions and repayment of the specific production financing facility.

Cash and cash equivalents are held in the following currencies at 31 March 2018 and 2017. Amounts held in currencies other than pounds sterling have been converted at their respective exchange rates ruling at the balance sheet date. The directors consider the carrying amount of cash and cash equivalents is the same as their fair value.

	Note	31 March 2018 £m	31 March 2017 £m
Cash and cash equivalents:			
Pounds sterling		4.7	13.0
euros		3.4	9.8
Canadian dollars		14.4	20.0
US dollars		94.5	88.1
Australian dollars		2.0	2.4
Other		0.2	0.1
Cash and cash equivalents	26	119.2	133.4
Held by production subsidiaries	23	58.1	43.7
Other	22	61.1	89.7
Cash and cash equivalents		119.2	133.4

The Group had no cash equivalents at either 31 March 2018 or 2017.

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 contractual payment date is in a period of greater than 12 months from the reporting date.

ANALYSIS OF AMOUNTS RECOGNISED BY THE GROUP

Current	Note	31 March 2018 £m	Restated[1] 31 March 2017 £m
Trade payables	26	49.7	120.3
Accruals		388.6	325.8
Deferred income		38.6	43.7
Payable to joint ventures		0.2	–
Contingent consideration payable	26	2.5	4.0
Other payables	26	11.7	14.0
Total		**491.3**	**507.8**

Non-current	Note	31 March 2018 £m	Restated[1] 31 March 2017 £m
Accruals		0.5	–
Deferred income	26	0.4	0.7
Contingent consideration payable	26	–	2.0
Put liabilities on partly owned subsidiaries	26	27.1	32.7
Total		**28.0**	**35.4**

1. See Note 1 'Prior period restatements' for details.

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 2018 were as follows:

	Renegade 83 £m	Sierra Affinity £m	Dualtone £m	Last Gang £m	MGC £m	Total £m
At 1 April 2017	4.0	0.2	0.7	1.1	–	6.0
Additions during the year	0.6	–	–	–	1.1	1.7
Utilised during the year	(4.5)	–	(0.5)	–	–	(5.0)
Exchange differences	(0.1)	(0.1)	–	–	–	(0.2)
At 31 March 2018	–	0.1	0.2	1.1	1.1	2.5

Expected payment period	2018	2018–19	2019	2019	Various (see Note 25)
Total maximum consideration £m	n/a	4.0	0.8	1.2	26.6

Shown in the consolidated balance sheet as:

Current	–	0.1	0.2	1.1	1.1	2.5

The maximum contractual consideration payable is calculated undiscounted and using the foreign exchange rates prevailing as at 31 March 2018.

20. TRADE AND OTHER PAYABLES CONTINUED

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	**105.0**	**15.8**	**91.0**	**273.9**	**5.6**	**491.3**
Non-current	**–**	**–**	**–**	**27.9**	**0.1**	**28.0**
At 31 March 2018	**105.0**	**15.8**	**91.0**	**301.8**	**5.7**	**519.3**
Current	81.3	18.9	109.2	291.7	6.7	507.8
Non-current	–	–	1.6	33.7	0.1	35.4
At 31 March 2017	81.3	18.9	110.8	325.4	6.8	543.2

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.

AMOUNTS RECOGNISED BY THE GROUP

	Onerous contracts £m	Restructuring and redundancy £m	Total £m
At 31 March 2016	1.5	2.5	4.0
Provisions recognised in the year	1.5	33.3	34.8
Provisions 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
Provisions recognised in the year	**0.2**	**7.0**	**7.2**
Provision reversed in the year	**–**	**(0.3)**	**(0.3)**
Utilisation of provisions	**(1.0)**	**(30.1)**	**(31.1)**
Exchange differences	**(0.2)**	**(1.4)**	**(1.6)**
At 31 March 2018	**0.7**	**5.6**	**6.3**
Shown in the consolidated balance sheet as:			
Non-current	**0.2**	**0.2**	**0.4**
Current	**0.5**	**5.4**	**5.9**

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 two years (2017: 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 one year (2017: two 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 (2017: two years) 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, with subsequent measurement at amortised cost using the effective interest rate method. Under the amortised cost method, the difference between the amount initially recognised and the redemption value is recorded in the income statement over the period of the borrowing on an effective interest rate basis.

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 financing structure permits greater flexibility when undertaking acquisitions and other corporate activity, and allows the Group to react swiftly to commercial opportunities.

	Note	31 March 2018 £m	31 March 2017 £m
Bank borrowings		**23.8**	–
Senior secured notes		**355.0**	285.0
Deferred finance charges net of premium on senior secured notes		**(5.7)**	(8.4)
Other		**2.5**	0.5
Interest-bearing loans and borrowings		**375.6**	277.1
Cash and cash equivalents (other than those held by production subsidiaries)	19	**(61.1)**	(89.7)
Net debt		**314.5**	187.4

Interest-bearing loans and borrowings in the consolidated balance sheet is presented as:

Non-current	**375.2**	276.6
Current	**0.4**	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 6.5% (2017: 6.6%).

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 2018, the Group had available £134.4m of undrawn committed bank borrowings under the RCF (2017: £116.6m), consisting of funds available in Canadian dollars, euros, pounds sterling and US dollars. The directors consider that the carrying amount of the drawn bank borrowings at 31 March 2018 approximates its fair value.

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. An additional £70.0m Notes were issued during the year.

The Notes are subject to a number of financial covenants including interest cover charge and gross debt against underlying EBITDA.

The fair value of the Notes as at 31 March 2018 is £377.6m (2017: £312.4m).

The Notes are secured against the assets of various Group subsidiaries which make up the 'Restricted group'.

22. INTEREST-BEARING LOANS AND BORROWINGS CONTINUED

DEFERRED FINANCE CHARGES

During the year ended 31 March 2018 the Group issued £70.0m of Notes and £3.3m of fees were capitalised relating to the Notes issued.

During the prior year ended 31 March 2017 the Group paid £0.6m relating to the December 2015 financing.

The fees were capitalised to the consolidated balance sheet and are amortised using the effective interest rate method.

PREMIUM ON SENIOR SECURED NOTES

During the year ended 31 March 2018 the Group issued £70.0m of Notes for a premium of £4.0m. The premium has been netted off from deferred finance charges in the table above and will be amortised using the effective interest rate method.

FOREIGN CURRENCIES

The carrying amounts of the Group's gross borrowings at 31 March 2018 and 2017 are denominated in the currencies set out below. Amounts held in currencies other than pounds sterling are converted at their respective exchange rates as at the balance sheet date.

	Pounds sterling £m	Canadian dollars £m	US dollars £m	Total £m
Bank borrowings	–	7.6	16.2	23.8
Senior secured notes	355.0	–	–	355.0
Other	–	0.4	2.1	2.5
At 31 March 2018	**355.0**	**8.0**	**18.3**	**381.3**
Senior secured notes	285.0	–	–	285.0
Other	–	0.5	–	0.5
At 31 March 2017	285.0	0.5	–	285.5

The following are the movements in the Group's financing liabilities during the year.

	Bank borrowings £m	Senior secured notes £m	Other loans £m	Total £m
At 1 April 2017	–	285.0	0.5	285.5
Drawdowns	302.6	70.0	2.1	374.7
Repayments	(269.7)	–	–	(269.7)
Exchange differences	(9.1)	–	(0.1)	(9.2)
At 31 March 2018	**23.8**	**355.0**	**2.5**	**381.3**

23. PRODUCTION FINANCING

ACCOUNTING POLICY

Production financing relates to short-term financing for the Group's Family & Brands, Television 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 Family & Brands, Television 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 Family & Brands, Television 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 short-term in nature and it is excluded from net debt. The Company therefore shows the cash flows associated with these activities separately. In connection with the production of a television or film programme, the Group typically records initial cash outflows due to its investment in the production and concurrently records initial positive cash inflows from the production financing it normally obtains.

The Company also believes that higher production financing demonstrates an increase in the success of the Family & Brands, Television 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.

	Note	31 March 2018 £m	31 March 2017 £m
Production financing held by production subsidiaries		171.9	190.8
Other loans		4.9	5.2
Production financing		**176.8**	196.0
Cash and cash equivalents (held by production subsidiaries)	19	(58.1)	(43.7)
Production financing (net of cash)		**118.7**	152.3

Production financing in the consolidated balance sheet as:

Non-current	86.7	91.2
Current	90.1	104.8

The directors consider that the carrying amounts of the Group's production financing and other loans approximates to their fair values. Interest is charged at bank prime rate plus a margin. The weighted average interest rate on all production financing is 3.9% (2017: 3.0%).

The Group has pounds sterling, 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 are denominated in the following currencies:

	Pounds sterling £m	Canadian dollars £m	US dollars £m	Total £m
At 31 March 2018	**10.2**	**64.6**	**102.0**	**176.8**
At 31 March 2017	–	66.9	129.1	196.0

The following are the movements in the Group's production financing and other loans during the year.

	Production financing £m	Other loans £m	Total £m
At 1 April 2017	190.8	5.2	196.0
Drawdowns	234.4	0.3	234.7
Repayments	(233.9)	–	(233.9)
Exchange differences	(19.4)	(0.6)	(20.0)
At 31 March 2018	**171.9**	**4.9**	**176.8**

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.

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 2018, the Group had the following financial assets and liabilities grouped into Level 2:

	31 March 2018 £m	31 March 2017 £m
Derivative financial instrument assets	1.1	9.9
Derivative financial instrument liabilities	(2.7)	(15.4)

At 31 March 2018, the Group had the following financial assets and liabilities grouped into Level 3:

	Note	31 March 2018 £m	31 March 2017 £m
Contingent consideration payable	20	(2.5)	(6.0)
Available-for-sale financial assets		0.8	0.7

The movements in contingent consideration payable and available-for-sale financial assets during the year ended 31 March 2018 were as follows:

	Note	Contingent consideration payable on acquisitions £m	Available-for-sale financial assets £m	Total £m
At 1 April 2017		(6.0)	0.7	(5.3)
Amounts settled	25	5.0	–	5.0
Additions	25	(1.1)	–	(1.1)
Change in fair value	6	(0.6)	–	(0.6)
Exchange differences		0.2	0.1	0.3
At 31 March 2018		(2.5)	0.8	(1.7)

The key assumptions taken into consideration when measuring the value of contingent consideration payable are the performance expectations of the acquisition and a discount rate that reflects the size and nature of the new business. There is no reasonable change in discount rate or performance targets that would give rise to a material change in the liability in these financial statements.

The key assumption in measuring the value of the available-for-sale financial assets is the long-term performance of the available for sale investments. There is no reasonable change in the performance of the investments that would give rise to a material change in the assets in these consolidated financial statements.

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 cover minimum guaranteed advances (MGs) payments in the US, Canada, the UK, Australia, the Benelux, Germany and Spain and hedging of other significant financial assets and liabilities.

At 31 March 2018, the total notional principal amount of outstanding currency contracts was US$230.6m, €55.9m, C$102.1m, A$63.4m, £5.0m, Hungarian Forint 1,458.9m, C¥5.0m and South African Rand 6.0m (2017: US$220.7m, €51.9m, C$49.2m, A$50.4m, £27.6m and Brazilian Real 1.8m). The forward currency contracts are all expected to be settled within two years.

The £0.9m loss (2017: £2.5m loss) recognised in other comprehensive income during the year relates to the effective portion of the revaluation gain or loss associated with these contracts. During the year ended 31 March 2018 there was a £0.3m gain (2017: £1.0m gain) recycled to the consolidated income statement and a £1.7m loss (2017: £10.3m gain) transferred to the carrying value of hedged assets held on the consolidated balance sheet.

VALUATION TECHNIQUES AND INPUTS

	Valuation technique and key inputs	Significant unobservable input	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: 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. Underlying 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 underlying EBITDA growth rate, the higher the value of contingent consideration payable. See Note 20 for details on the expected payment period and maximum amount payable.
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.

25. BUSINESS COMBINATIONS AND TRANSACTIONS WITH EQUITY HOLDERS

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 interest 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.

Transactions that result in changes in ownership interests while retaining control are accounted for as transactions with equity holders in their capacity as equity holders. As a result, no gain or loss on such changes is recognised in profit or loss; instead, it is recognised in equity. Also, no change in carrying amount of assets (including goodwill) or liabilities is recognised as a result of such transactions.

YEAR ENDED 31 MARCH 2018

Acquisitions

The Group acquired 60% of Round Room Live, LLC (Round Room) on 31 January 2018 for a consideration of £0.5m. No acquired intangibles were identified on the acquisition and the results of Round Room will be presented within the Music Division of the Television segment, and had an immaterial impact on the Group results for the year ended 31 March 2018.

Settlement of contingent consideration

During the year, contingent consideration payable relating to the prior year acquisition of Renegade Entertainment, LLC was settled by issuing 778,516 shares in Entertainment One Ltd. amounting to £1.8m and a cash payment of £2.7m. A payment of £0.5m was also made in part settlement of contingent consideration payable relating to the prior year acquisition of Dualtone Music Group. See Note 24 for details on movements in contingent consideration payable in the year ended 31 March 2018.

Transactions with equity holders

On 2 March 2018, the Group acquired the remaining 49% in The Mark Gordon Company (MGC) for a total consideration of £146.5m settled by a cash payment of £114.8m and by issuing 10,826,566 shares in Entertainment One Ltd amounting to £31.7m. In addition, the seller will be entitled to a maximum aggregate amount of £26.6m (US$37.5m) in respect of its pro-rata share of certain pre-acquisition contingent receipts, if actually received by MGC.

The carrying value of the non-controlling interest in MGC on 2 March 2018 of £37.0m was de-recognised, contingent consideration of £1.1m was recognised and transaction costs of £0.7m were recorded and the difference of £111.3m has been recognised as a charge to the Group's retained earnings.

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

The Group purchased the remaining 50% share in Secret Location for consideration of C$6.9m (equivalent to £4.1m), funded through the issue of 1,728,794 common shares in Entertainment One Ltd. settled as at 15 August 2016.

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 year ended 31 March 2017.

Acquired intangibles of £3.6m were 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 was integrated into the Television CGU.

SIERRA AFFINITY

On 30 September 2016, Sierra Pictures purchased the remaining 67% equity interest 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.

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, with no resulting gain or loss compared to its carrying amount.

Acquired intangibles of £7.7m were identified which represent the value of the acquired exclusive content agreements. The acquired Sierra Affinity business was integrated into the Film CGU.

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 £355.0m in 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.

At 31 March 2018, the Group's fixed rate debt represented 93% of total gross debt (2017: 100%). Consequently, a 1% movement in interest rates on floating rate debt would impact the 2018 post-tax profit for the year by less than £0.3m (2017: nil).

For financial assets and liabilities classified at fair value through profit or loss, the movements in the year relating to changes in fair value and interest rates are not separated.

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 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. Sensitivity is calculated on financial instruments at 31 March 2018 denominated in non-functional currencies for all operating units within the Group. The sensitivity analysis includes only unhedged foreign currency denominated monetary items. The percentage movement applied to each currency is based on management's measurement of foreign exchange rate risk.

Percentage movement	31 March 2018 Impact on consolidated income statement +/- £m	31 March 2017 Impact on consolidated income statement +/- £m
10% appreciation of the US dollar	9.4	8.8
10% appreciation of the Canadian dollar	(0.9)	(0.6)
10% appreciation of the euro	0.3	0.9
10% appreciation of the Australian dollar	0.2	0.3

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 2018 the Group had two (2017: two) customers that owed the Group more than 5% of the Group's total amounts receivable which accounted for approximately 32% (2017: 35%) of the total amounts receivable.

The Group considers its maximum exposure to credit risk as follows:

	Note	31 March 2018 £m	31 March 2017 £m
Cash and cash equivalents	19	**119.2**	133.4
Net trade receivables	18	**124.0**	158.3
Accrued income	18	**304.1**	244.5
Other receivables	18	**48.6**	37.8
Total		**595.9**	574.0

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 2018, the undrawn committed borrowings under the RCF are equivalent to £134.4m (2017: £116.6m). 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:

Amounts due for settlement at 31 March 2018	Trade and other payables £m	Interest-bearing loans and borrowings[1] £m	Production financing £m	Total £m
Within one year	**63.9**	**24.7**	**90.1**	**178.7**
One to two years	**–**	**24.3**	**86.7**	**111.0**
Two to five years	**27.1**	**454.1**	**–**	**481.2**
Total	**91.0**	**503.1**	**176.8**	**770.9**

Amounts due for settlement at 31 March 2017				
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	34.7	58.8	–	93.5
After five years	–	304.6	–	304.6
Total	173.0	403.1	196.0	772.1

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 a going concern 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 2017.

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 and reserves (disclosed in Note 30) and retained earnings and non-controlling interests).

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, 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.

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 and distribution
Alliance Films (UK) Limited	England and Wales	Content ownership and distribution
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
MR Productions Holdings, LLC (Makeready)	US	Production of film and television programmes
Deluxe Pictures d/b/a The Mark Gordon Company*	US	Production of film and television programmes

* As a result of the purchase of the remaining 49% of The Mark Gordon Company, it is a wholly owned subsidiary from 2 March 2018. Refer to Note 25 for details.

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.

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Details of the Group's joint ventures at 31 March 2018 are as follows:

Name	Country of incorporation	Proportion held	Principal activity
Suite Distribution Limited	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
Creative England-Entertainment One Global Television Initiative Limited	England and Wales	50%	Development of television shows
eOne/Fox Home Ent Distribution Canada Ltd	Canada	50%	Home entertainment distribution

Contractual arrangements establish joint control over each joint venture listed above. No single venturer is in a position to control the activity unilaterally.

The movements in the carrying amount of interests in joint ventures in the years ended 31 March 2018 and 2017 were as follows:

	31 March 2018 £m	31 March 2017 £m
Carrying amount of interests in joint ventures	1.1	3.2
Transfer from joint venture to fully consolidated subsidiary	–	(1.8)
Group's share of results of joint ventures for the year	–	(0.7)
Foreign exchange	(0.1)	0.4
Carrying amount of interests in joint ventures	**1.0**	1.1

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.

The Group's share of results of joint ventures for the year of £nil (2017: £0.7m loss) includes a charge of £nil (2017: £nil 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 is considered individually immaterial to the Group's consolidated financial statements.

	31 March 2018 £m	31 March 2017 £m
Revenue	2.4	3.2
Profit/(loss) for the year	0.1	(1.1)
Profit/(loss) attributable to the Group	–	(0.7)
Dividends received from interests in joint ventures	–	–

As a result of the purchase of the remaining 50% of Secret Location, Secret Location was fully consolidated into the Group's consolidated financial statements as a subsidiary from 15 August 2016 and as a result Secret Location is not presented in the table below.

	31 March 2018 £m	31 March 2017 £m
Non-current assets	2.0	2.4
Current assets (including £1.0m (2017: £0.3m) of cash and cash equivalents)	2.9	2.1
Non-current liabilities	(1.7)	(0.7)
Current liabilities	(1.3)	(1.8)
Net assets of joint ventures	**1.9**	2.0

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 period 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.

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
Round Room Live, LLC	US	60%	Production of live events
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
Coldest City II, LLC	US	51%	Production of films
Danger House Holding Co, LLC	US	51%	Production of films
Danger House Productions, LLC	US	51%	Production of films
How it Ends 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
Poms Holdings Co, LLC	US	51%	Production of films
Poms Pictures LLC	US	51%	Production of films
PPZ Holdings, LLC	US	51%	Production of films
PPZ NY Productions, Corp	US	51%	Production of films
Promise Acquisition, LLC	US	51%	Production of films
Sierra Pictures Development, LLC	US	51%	Production of films
Sierra Affinity, LLC	US	51%	International sales of films
Renegade Entertainment companies			
4 x 4 Productions, LLC	US	65%	Production of television programmes
Battle Beat Productions, LLC	US	65%	Production of television programmes
Beaker Productions, LLC	US	65%	Production of television programmes
Brute Force Entertainment, LLC	US	65%	Production of television programmes
Burnt Biscuit Productions, LLC	US	65%	Production of television programmes
Citrus Amor, LLC	US	65%	Production of television programmes
Detail Productions, LLC	US	65%	Production of television programmes
Double Time Productions, LLC	US	65%	Production of television programmes
First Stand Entertainment, LLC	US	65%	Production of television programmes
Flip Tied Productions, LLC	US	65%	Production of television programmes

Name	Country of incorporation	Proportion held	Principal activity
Gum Shoe Productions, LLC	US	65%	Production of television programmes
Inside Industry Depot, LLC	US	65%	Production of television programmes
King Crow Productions, LLC	US	65%	Production of television programmes
Lean 2 Productions, LLC	US	65%	Production of television programmes
Lucky Dozen Productions, LLC	US	65%	Production of television programmes
Math Quest Productions, LLC	US	65%	Production of television programmes
Miracle Mile Post, LLC	US	65%	Production of television programmes
Moon Breeze Productions, LLC	US	65%	Production of television programmes
OTF Productions, LLC	US	65%	Production of television programmes
R 83 Productions, LLC	US	65%	Production of television programmes
Renegade Entertainment, LLC	US	65%	Holding company
Renegade 83, LLC	US	65%	Production of television programmes
Ticking Time Productions, LLC	US	65%	Production of television programmes
Triple Ridge Entertainment, LLC	US	65%	Production of television programmes
Two Pack Productions, LLC	US	65%	Production of television programmes
Zip Line Entertainment, LLC	US	65%	Production of television programmes
Television production and other companies			
Westventures IV Productions Ltd *	Canada	50%	Production of television programmes
She-Wolf Season 1 Productions Inc *	Canada	51%	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
Read This Productions Inc *	Canada	51%	Production of television programmes
Second Detail Productions Inc *	Canada	51%	Production of television programmes
Union Station Media LLC *	US	50%	Production of television programmes
Insomnia VR Productions Inc *	Canada	50%	Ownership of IP
Wacken VR Productions Inc *	Canada	50%	Ownership of IP
The Other Guy Productions Pty Ltd *	Australia	50%	Production of television programmes
TOG Series One SPV Pty Ltd *	Australia	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 2018 for these entities is £nil (31 March 2017: £nil).

As a result of the purchase of the remaining 49% of The Mark Gordon Company, The Mark Gordon Company is a wholly owned subsidiary from 2 March 2018 and as a result The Mark Gordon entities are not included in the table above.

Television production and other companies are not classified as Group principal subsidiaries.

29. INTERESTS IN PARTLY-OWNED SUBSIDIARIES CONTINUED

The following presents, on a condensed basis, the effects of including partly-owned subsidiaries in the consolidated financial statements for the years ended 31 March 2018 and 31 March 2017:

Year ended 31 March 2018	Astley Baker Davies Limited £m	The Mark Gordon Company[1] £m	Sierra Pictures £m	Renegade 83 £m	Round Room £m
Revenue	20.5	126.3	68.8	41.8	–
Profit for the year	8.0	17.5	2.2	5.0	(0.2)
Profit attributable to the Group	5.6	8.9	1.1	3.3	(0.1)
Dividends paid to non-controlling interests	5.6	–	0.3	1.5	–
Non-current assets	135.5	–	34.0	2.1	–
Current assets	14.6	–	26.8	10.2	–
Non-current liabilities	(23.3)	–	(5.6)	–	–
Current liabilities	(3.4)	–	(37.6)	(4.6)	(0.6)
Net assets of partly owned subsidiaries	123.4	–	17.6	7.7	(0.6)

1. As a result of the purchase of the remaining 49% of The Mark Gordon Company on 2 March 2018, the above table relating to partly-owned subsidiaries is calculated for the year up to 2 March 2018.

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

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 2018		Year ended 31 March 2017	
	Number of shares '000	Value £m	Number of shares '000	Value £m
Balance at 1 April	**429,647**	**505.3**	427,343	500.0
Shares issued on exercise of share options	**1,384**	**4.2**	575	1.2
Shares issued as part-consideration for acquisitions	**–**	**–**	1,729	4.1
Shares issued as part-consideration for acquisitions of non-controlling interests	**10,827**	**31.7**	–	–
Shares issued on settlement of contingent consideration	**779**	**1.8**	–	–
Shares issued as part of equity raise	**17,475**	**51.8**	–	–
Balance at 31 March	**460,112**	**594.8**	429,647	505.3

During the years ended 31 March 2018 and 31 March 2017, the Group issued the following stated capital:

– 1,384,360 common shares (2017: 574,921) 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 (2017: £nil).

– On 4 July 2017, 778,516 common shares (equivalent to £1.8m) were issued as part consideration for the settlement of contingent consideration relating to the 2016 acquisition of Renegade Entertainment, LLC (see Note 25).

– On 1 February 2018, the Group completed a private placement of 17,475,000 new common shares at 305.0 pence per new common share. Net of expenses, the total amount raised was £51.8m. The fees of £1.6m in relation to the equity raise have been capitalised to equity.

– On 2 March 2018, 10,826,566 new common shares (equivalent to £31.7m) were issued as part consideration for the purchase of the remaining 49% share in The Mark Gordon Company (see Note 25).

– In 2017, 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 (see Note 25).

Subsequent to these transactions, and at the date of authorisation of these consolidated financial statements, the Company's stated capital comprised 460,749,271 common shares (2017: 429,646,877). Refer to Note 34 for details.

Own shares

At 31 March 2018, 194,663 common shares (2017: 1,599,674 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 2018 was £0.2m (2017: £1.5m).

During the year ended 31 March 2018, 1,405,011 shares (2017: 2,310,654) were issued to employees (or former employees) exercising share options granted under the Long Term Incentive Plan and Employee Save-As-You-Earn scheme (see Note 31). The total consideration received by the Company on the exercise of these options was £nil (2017: £nil).

The Company has obtained authority to make market purchases of its own shares at the Annual General Meeting of shareholders held on 27 September 2017.

OTHER RESERVES

Other reserves comprise the following:

– Cash flow hedging reserve at 31 March 2018 of debit balance £2.0m (2017: debit balance of £1.1m).

– Permanent restructuring reserve of credit balance £9.3m at 31 March 2018 and 2017 which arose on completion of the Scheme of Arrangement in 2010 (the Scheme) 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 option over non-controlling interests of subsidiaries reserve of debit balance £30.9m (2017: debit balance of £30.9m), which represents the potential cash payments related to put options issued by the Group over the non-controlling interest in 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. 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.

EQUITY-SETTLED SHARE SCHEMES

At 31 March 2018, 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 £12.6m (2017: £5.0m), inclusive of a charge of £0.7m (2017: charge 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)	(i) 50% vesting over the three-year performance period and 50% vesting dependent on performance against annual Group underlying EBITDA targets; (ii) 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 the binomial 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 2017	238.3	678,000	May 2020	242.2	Nil	n/a	10 years	0.5%	n/a
4 July 2017	218.1	2,194,930	May 2020	222.0	Nil	n/a	10 years	0.6%	n/a
8 August 2017	241.5	225,000	May 2018 – May 2020	244.1	Nil	n/a	10 years	0.5%	n/a
13 September 2017	250.2	200,000	May 2020	254.1	Nil	n/a	10 years	0.5%	n/a
19 September 2017	246.2	150,000	May 2020	250.1	Nil	n/a	10 years	0.5%	n/a
27 September 2017	251.1	661,412	May 2020	255.0	Nil	n/a	10 years	0.5%	n/a
29 September 2017[1]	254.1	3,000,000	May 2019	258.0	Nil	n/a	10 years	0.5%	n/a
29 September 2017[1]	254.1	402,353	May 2020	258.0	Nil	n/a	10 years	0.5%	n/a
28 February 2018[1]	304.0	659,440	Feb 2018 – Nov 2020	304.0	Nil	n/a	10 years	0.5%	n/a
Other adhoc grants[2]	239.0	144,946	May 2020	242.8	Nil	n/a	10 years	0.5%	n/a

1. These are special grants which follow the LTIP rules except for certain specific conditions.
2. The options were granted on various days between 30 June 2017 and 28 September 2017. The information presented has been calculated using the weighted average for the individual grants.

Details of share option movements during the year are as follows:

	2018 Number Million	2018 Weighted average exercise price Pence	2017 Number Million	2017 Weighted average exercise price Pence
Outstanding at 1 April	8.4	–	11.4	–
Exercised	(2.8)	–	(2.9)	–
Granted	8.3	–	1.9	–
Granted (rights issue uplift)	–	–	–	–
Forfeited	(0.6)	–	(0.4)	–
Lapsed	–	–	(1.6)	–
Outstanding at 31 March	13.3	–	8.4	–
Exercisable	2.8	–	1.5	–

The weighted average contractual life remaining of the LTIP options in existence at the end of the year was 6.4 years (2017: 6.7 years).

Employee Save-As-You-Earn scheme (SAYE)

On 30 September 2016, a 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 Entertainment One Ltd. 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 241.0 pence (2017: 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, 177,368 options were granted under the SAYE. The fair value of each grant was 84.4 pence per share and the assumptions are consistent with prior year. The resulting charge for the options granted in the year is not significant and the total charge in respect of all outstanding SAYE options is £0.4m (2017: £0.3). The movement in options in the year is presented below.

	2018 Number Million	2018 Weighted average exercise price Pence
Outstanding at 1 April	2.2	151.9
Granted	0.2	24.1
Outstanding at 31 March	2.4	149.3
Exercisable	–	–

The weighted average contractual life remaining of the SAYE options in existence at the end of the year was 1.2 years (2017: 2.1 years).

Makeready

On 17 May 2017, the Group incorporated MR Productions Holdings, LLC (Makeready), a new global content creation company. On that date, Makeready issued to Brad Weston 500,000 B shares, at nil cost, which incrementally vest over a three-year period. The fair value of the share awards granted has been determined as at the grant date as required by IFRS 2 and a charge of £0.4m has been recorded in the year ended 31 March 2018.

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 2018 £m	31 March 2017 £m
Within one year	10.7	9.6
Later than one year and less than five years	26.6	17.9
After five years	26.8	28.9
Total	64.1	56.4

FUTURE COMMITMENTS

	31 March 2018 £m	31 March 2017 £m
Investment in acquired content rights contracted for but not provided	143.6	190.3

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.

TRANSACTIONS WITH SIGNIFICANT SHAREHOLDERS

Canadian Pension Plan Investment Board (CPPIB) held 85,597,069 common shares in the Company at 31 March 2018 (2017: 84,597,069), amounting to 18.60% (2017: 19.69%) 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 2018 was C$98,500 (2017: C$91,700).

At 31 March 2018 the amounts outstanding payable to CPPIB are C$17,700 (2017: C$7,500).

TRANSACTIONS WITH JOINT VENTURES

The Group owns 50% shares in the joint venture eOne/Fox Home Ent Distribution Canada Ltd. During the year the Group made purchases of £569,717 from eOne Fox Distribution Canada. At 31 March 2018 the amount outstanding payable was £49,254.

The Group owns 50% shares in the joint venture Suite Distribution Limited. During the year the Group made no purchases from Suite Distribution Limited. At 31 March 2018 the amount outstanding payable to Suite Distribution Limited was £157,000.

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 2017 has not changed.

34. POST BALANCE SHEET EVENTS

On 9 April 2018 the Group acquired a 70% controlling stake in Whizz Kid Entertainment Limited (Whizz Kid) for consideration of £6.9m, which was satisfied by payment of £5.0m in cash and the issuance of 637,952 Entertainment One Ltd. common shares. Whizz Kid is a UK-based non-scripted television production company. The acquisition further enhances eOne's non-scripted television production capabilities in the UK, in line with the Group's strategy.

Appendix to the Consolidated Financial Statements (unaudited)

for the year ended 31 March 2018

RECONCILIATION OF ADDITIONAL PERFORMANCE MEASURES

The Group uses a number of non-IFRS financial measures that are not specifically defined under IFRS or any other generally accepted accounting principles, including underlying EBITDA, one-off items, adjusted profit before tax, adjusted diluted earnings per share, adjusted cash flow, free cash flow, net debt and production financing. These non-IFRS financial measures (adjusted measures) are presented because they are among the measures used by management to measure operating performance and as a basis for strategic planning and forecasting, and the Group believes that these measures are frequently used by investors in analysing business performance. Adjusted measures, in management's view, reflect the underlying performance of the business and provide a more meaningful comparison of how the business is managed and measured on a day-to-day basis and form the basis of the performance measures for remuneration. Adjusted measures exclude certain items because if included, these items could distort the understanding of our performance for the year and the comparability between years. The terms "underlying", "one-off items" and "adjusted" may not be comparable with similarly titled measures reported by other companies.

UNDERLYING EBITDA

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. A reconciliation is presented on the consolidated income statement.

ADJUSTED PROFIT BEFORE TAX AND ADJUSTED EARNINGS

The terms adjusted profit before tax and adjusted diluted 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 diluted earnings per share, one-off tax items. Refer to Note 11 Earnings per share for a reconciliation of profit before tax and earnings per share to the adjusted measures.

ADJUSTED CASH FLOW AND FREE CASH FLOW

Adjusted cash flow is underlying EBITDA, amortisation of investment in acquired content rights, investment in acquired content rights, amortisation of investment in productions, investment in productions, net of grants, working capital and joint venture movements.

Free cash flow is adjusted cash flow less capital expenditure, tax paid and net interest paid. It is measured excluding one-off items.

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 year, adding back underlying income tax charge/(credit) related to joint ventures, interest cost related to the Group's bank facilities, net foreign exchange gains or losses on financing activities, amortisation of deferred finance charges and premium on senior secured notes and the tax effect of these net finance costs (at the Group's adjusted effective tax rate).

Average capital employed is defined as the average of the current year and prior year adjusted total assets less adjusted current liabilities. Total assets are adjusted by deducting the cash and cash equivalents related to the Group's net debt group. Current liabilities are adjusted by deducting interest-bearing loans and borrowings and include 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 2018 £m	31 March 2017 £m
Adjusted net operating profit	**140.1**	122.9
Average capital employed	**1,056.2**	983.9
Return on capital employed (ROCE)	**13.3%**	12.5%

The reconciliation of adjusted net operating profit to profit before tax for the year is as follows:

	Note	31 March 2018 £m	31 March 2017 £m
Profit before tax		**77.6**	35.9
Add back:			
One-off net finance costs	7	**7.5**	6.3
Amortisation of acquired intangibles	13	**39.6**	41.9
Share-based payment charge	31	**12.6**	5.0
One-off items	6	**7.1**	40.8
Adjusted profit before tax		**144.4**	129.9
Adjusted tax	8	**(27.9)**	(27.1)
Interest cost on Group bank facilities	7	**26.8**	22.8
Net foreign exchange losses on financing activities	7	**1.1**	0.9
Amortisation of deferred finance charges and premium on senior secured notes and premium on senior secured notes	7	**1.9**	1.7
Other finance income	7	**(0.5)**	–
Add back net finance costs		**29.3**	25.4
Tax effect of net finance costs (at the Group's adjusted effective tax rate of 19.3% (2017: 20.9%))		**(5.7)**	(5.3)
Adjusted net operating profit		**140.1**	122.9

The reconciliation of average capital employed to the consolidated financial statements is as follows:

	Note	31 March 2018 £m	Restated[1] 31 March 2017 £m	Restated[1] 31 March 2016 £m	Average 2017-18 £m	Average 2016-17 £m
Total assets		**1,836.2**	1,901.0	1,636.9		
Less: Cash and cash equivalents	19	**(119.2)**	(133.4)	(108.3)		
Add: Cash held only for production financing	19	**58.1**	43.7	13.6		
Average total assets		**1,775.2**	1,811.3	1,542.2	**1,793.3**	1,676.8
Current liabilities		**(605.2)**	(691.9)	(569.5)		
Less: current interest-bearing loans and borrowings	22	**0.4**	0.5	–		
Add: non-current production financing	23	**(86.7)**	(91.2)	(33.6)		
Average total liabilities		**(691.5)**	(782.6)	(603.1)	**(737.1)**	(692.9)
Average capital employed		**1,083.7**	1,028.7	939.1	**1,056.2**	983.9

1. See Note 1 'Prior period restatements' for details.

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 Family & Brands, Television, Music and Film 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 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 2018 £m	Year ended 31 March 2017 £m	Change %
Revenue (per IFRS consolidated income statement)	**1,044.5**	1,082.7	(3.5)
Currency adjustment	–	(14.3)	
Revenue (constant currency)	**1,044.5**	1,068.4	(2.2)

A reconciliation of the underlying EBITDA growth on a constant currency basis is shown below:

	Year ended 31 March 2018 £m	Year ended 31 March 2017 £m	Change %
Underlying EBITDA (per IFRS consolidated income statement)	**177.3**	160.2	10.7
Currency adjustment	–	(3.7)	
Underlying EBITDA (constant currency)	**177.3**	156.5	13.3

CASH FLOW AND NET DEBT

The Group defines net debt as interest-bearing loans and borrowings net of cash and cash equivalents. Interest-bearing loans and borrowings include senior secured notes and revolving credit facility net of deferred finance charges, bank overdrafts and other interest-bearing loans.

The table below reconciles free cash flow associated with the net debt of the Group, shown in the Financial Review section of this report, to the net cash from operating activities and net movement in cash and cash equivalents in the consolidated cash flow statement. It excludes cash flows associated with production activities which are reconciled in the Cash flow and production financing section below.

	Year ended 31 March 2018 £m	Restated[1] Year ended 31 March 2017 £m
Underlying EBITDA	**154.2**	153.0
Adjustment for:		
One-off items	(3.0)	(38.1)
Loss on disposal of property, plant and equipment	–	0.8
Amortisation of investment in productions	72.3	32.8
Investment in productions, net of grants received	(111.8)	(34.2)
Amortisation of investment in acquired content rights	113.9	168.3
Investment in acquired content rights	(148.2)	(181.4)
Impairment of investment in acquired content rights	–	2.2
Fair value gain on acquisition of subsidiary	–	(2.3)
Put option movements	(3.9)	(6.3)
Share of results of joint ventures	–	0.6
Operating cash flows before changes in working capital and provisions	**73.5**	95.4
Working capital movements	(48.1)	(31.2)
Income tax paid	(31.8)	(16.2)
Net cash from operating activities	**(6.4)**	48.0
Cash one-off items	33.4	15.9
Purchase of plant, property and equipment and software	(3.2)	(3.2)
Interest paid	(25.5)	(24.2)
Free cash flow	**(1.5)**	36.5
Cash one-off items	(33.4)	(15.9)
Cash one-off finance items	(14.1)	(1.7)
Transactions with equity holders and acquisitions, net of debt acquired	(118.5)	(9.6)
Net proceeds on issue of shares	52.0	–
Dividends paid	(13.0)	(8.3)
Net (increase)/decrease in net debt	**(128.5)**	1.0
Net debt at beginning of the year	**(187.4)**	(180.8)
Net (increase)/decrease in net debt	(128.5)	1.0
Effect of foreign exchange rate changes on net debt held	1.4	(7.6)
Net debt at the end of the year	**(314.5)**	(187.4)

The table below reconciles the movement in net debt to movement in cash associated with net debt of the Group:

	Year ended 31 March 2018 £m	Year ended 31 March 2017 £m
Net (increase)/decrease in net debt	**(128.5)**	1.0
Net drawdown/(repayment) of interest-bearing loans and borrowings	105.0	(1.9)
Fees paid in relation to the Group's bank facility, premium received on notes and one-off finance costs	0.7	(5.5)
Acquisitions, net debt acquired	–	2.5
Amortisation of deferred finance charges and premium on senior secured notes	1.9	1.7
Write-off of deferred finance charges and other items	(0.2)	(0.1)
Net decrease in cash and cash equivalents at the end of the year	**(21.1)**	(2.3)

1. See Note 1 'Prior period restatements' for details.

CASH FLOW AND PRODUCTION FINANCING

The Group defines production financing as non-recourse production financing net of cash and cash equivalents which is used to fund the Group's Family & Brands, Television 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 received. The Group deems this type of financing to be short-term in nature and it is excluded from net debt. The Group therefore shows the cash flows associated with these activities separately. The Group also believes that higher production financing demonstrates an increase in the success of the Family & Brands, Television and Film production businesses, which helps drive revenue 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.

The table below reconciles free cash flow associated with the production financing of the Group, shown in the Finance Review of this report, to the net cash from operating activities and net movement in cash and cash equivalents in the consolidated cash flow statement. It excludes cash flows associated with net debt which are reconciled in the Cash flow and net debt section above.

	Year ended 31 March 2018 £m	Restated[1] Year ended 31 March 2017 £m
Underlying EBITDA	**23.1**	7.2
Adjustment for:		
One-off items	**(4.1)**	(2.7)
Amortisation of investment in productions	**158.1**	180.6
Investment in productions, net of grants received	**(180.8)**	(192.3)
Share of results of joint ventures	**–**	0.1
Operating cash flows before changes in working capital and provisions	**(3.7)**	(7.1)
Working capital movements	**25.7**	(4.7)
Income tax paid	**(0.7)**	(2.2)
Net cash from operating activities	**21.3**	(14.0)
Cash one-off items	**3.5**	0.9
Purchase of plant, property and equipment and software	**–**	(0.3)
Interest paid	**(0.7)**	(0.1)
Free cash flow	**24.1**	(13.5)
Cash one-off items	**(3.5)**	(0.9)
Acquisitions, net of production financing acquired	**–**	(0.7)
Net decrease/(increase) in production financing	**20.6**	(15.1)
Production financing at the beginning of the year	**(152.3)**	(118.0)
Net decrease/(increase) in production financing	**20.6**	(15.1)
Effects of foreign exchange rate changes on production financing held	**13.0**	(19.2)
Production financing at the end of the year	**(118.7)**	(152.3)

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 2018 £m	Year ended 31 March 2017 £m
Net decrease/(increase) in production financing	**20.6**	(15.1)
Net drawdown of production financing	**0.8**	45.7
Net increase in cash and cash equivalents at the end of the year	**21.4**	30.6

1. See Note 1 'Prior period restatements' for details.

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