

EXECUTIVE SUMMARY

EROS disclosure regarding "Internal Review" does not answer key questions

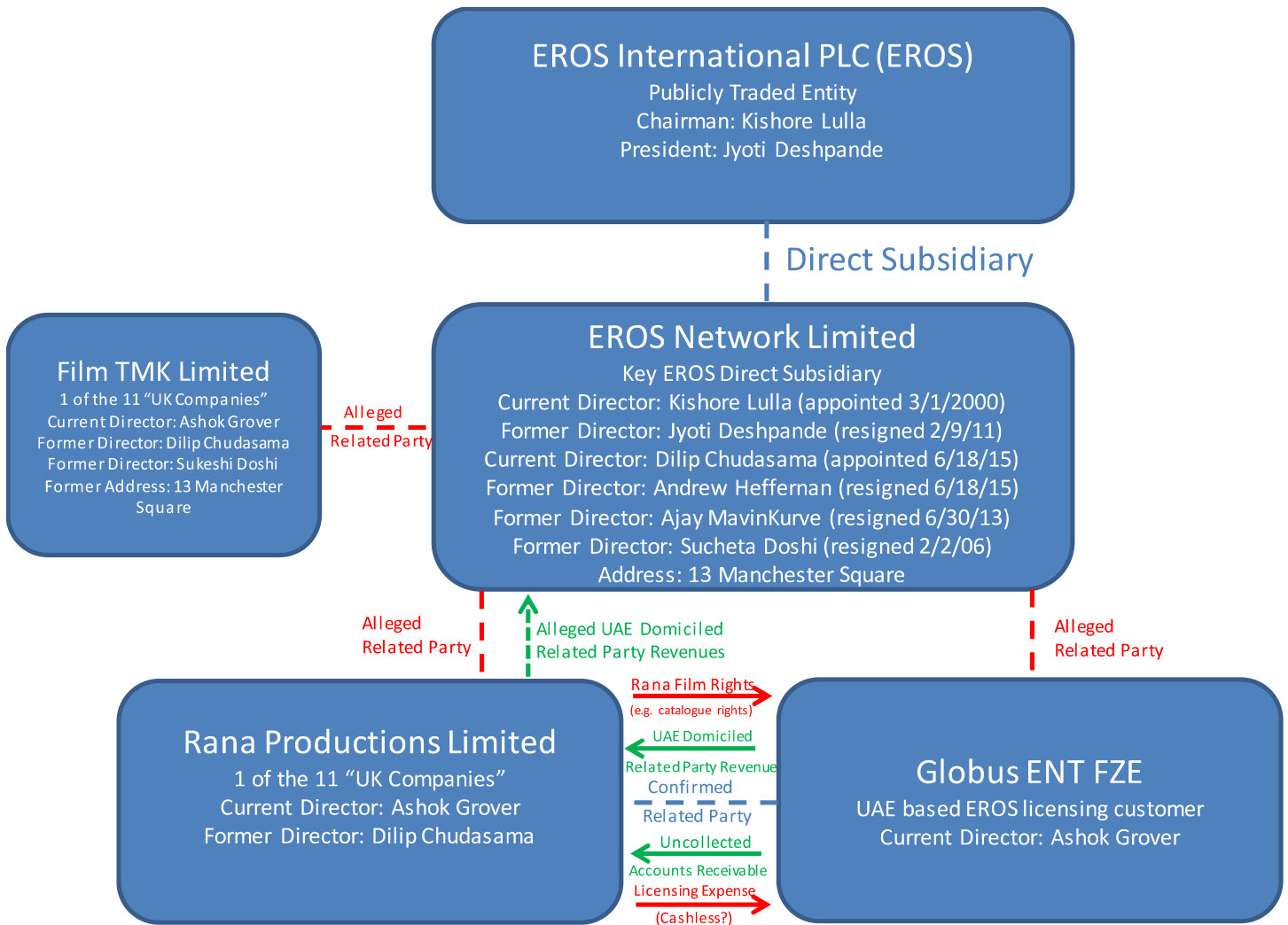
- A serious lack of transparency regarding the source of questionable UAE revenue growth remains at Eros International PLC ("EROS").
- Did either Skadden Arps or the "Big Four" accounting firm enlisted for this internal review process actually review accounting journal entries specifically related to UAE revenues? Was this an "internal investigation" actually conducted by Skadden Arps, or did they simply "advise" the Audit Committee from a distance? Did the "Big Four" accounting firm actively engage in forensic accounting analysis related to UAE revenue recognition or merely assist with a transfer pricing study?
- While it is totally unclear what actual investigative results were presented by Skadden, it is also worth noting that the "internal review" was overseen by two of EROS's independent directors, who each sit on 14+ other company boards. Given their numerous other board responsibilities, we wonder how thoroughly these directors were able to scrutinize the results.

Exposing Undisclosed Related Party Links in the UAE

- In our view, EROS's provided explanations for its large UAE revenue growth over the last several years are not credible.
- Using publicly available documents, we have uncovered **eleven** undisclosed EROS linked companies domiciled in the UK, which from what we can see appear to be **mere shells** (the "UK Companies"). The UK Companies all share a UAE director, Ashok Grover, who controls an entity called Globus ENT FZE ("Globus"), which itself is domiciled in the UAE.
- **We believe that Globus ENT FZE is likely an undisclosed related party**
 1. EROS's former CFO, Andrew Heffernan, was on the board of a number of the UK Companies. These companies have strong links to Globus and Ashok Grover.
 - Heffernan is involved in the formation of a number of UK Companies and previously signed off on the company financials.
 - In some cases, years after the Heffernan UK Companies are formed, Grover joins the board and the entire equity account, which amazingly in some cases is only 1 GBP, is transferred to Globus. After Grover joins the board, Heffernan quickly resigns from the company.
 - Prior to joining EROS, Heffernan worked as an auditor at Grant Thornton, EROS's current auditor that is blessing EROS's UAE revenue accounting.
 2. EROS's former controller, Ajay Mavinkurve, was also on the board of multiple of the UK Companies that are also linked to Globus.
 3. Dilip Chudasama, a director of multiple current EROS subsidiaries, shared board membership with Grover of Globus on many other of the UK Companies.
 - Chudasama sits on EROS subsidiary boards such as Eros Network Limited, Eros Music Publishing Lmt, and Ayngaran International. EROS insiders such as Kishore Lulla, Jyoti Deshpande, and Vijay Ahuja also sit (or previously sat) on these EROS subsidiary boards.
 4. Three of the Globus linked UK Companies previously shared a business address with EROS's UK headquarters and Kishore Lulla, EROS's Chairman.

- When Heffernan abruptly resigned from EROS in June 2015, just ten days later, these three UK Companies had their business addresses moved away from EROS’s UK headquarters to the address of a generic formation agent.

ILLUSTRATIVE UAE REVENUE RECOGNITION VIA UK COMPANIES AND GLOBUS



Sources: <https://beta.companieshouse.gov.uk/company/07628901/filing-history>
<https://beta.companieshouse.gov.uk/company/03934248/officers>
<https://beta.companieshouse.gov.uk/company/07459867/filing-history>

- We have found strong evidence that directly demonstrates that one of these EROS linked UK companies, Rana Productions, is a related party of Globus, its 100% owner. Rana Productions has generated large sums of UAE domiciled revenue from Globus, but the cash does not appear to have been collected. We believe Rana Productions is also a related party of EROS and that uncollected Rana receivables may represent 45-90%+ of cumulative UAE revenues during the 2012-2013 period for which we have full Rana financials. 2014-2015 financial disclosure for Rana is more limited due to disclosure changes made by Globus.**

- Globus Ent FZE, based in the UAE, lists itself as an EROS licensing customer on its own webpage.

2. Rana is an EROS produced movie, dubbed by EROS as a “Magnum Opus,” that mysteriously never saw the light of day after being under development for a number of years.
 3. An October 2011 EROS press release directly says that Eros International and Next Gen Films will produce the film through **Rana Productions LTD, UK**. Next Gen Films is a related party controlled by a relative of Kishore Lulla.
 4. We conducted a detailed search of all EROS publicly disclosed financial documents utilizing Alphasense and could not find a single mention of “Globus.”
 5. However, Globus is the only shareholder in the Rana Productions company, which itself was formed even before EROS announced that Rana was a new film project. **This begs the question: Is Globus not only a related party, but also fully owned by EROS? Globus lists itself as a “film producer” in Rana’s annual filings but Globus’s website utilizes a very different business description.**
 6. Rana Productions annual return states that Rana is 100% owned and financed by Globus, which the Rana annual financial return states is a related party.
 7. Development expenses at Rana were halted after 2012 (4,036,694 GBP), but “trade debtors”, or accounts receivable, mysteriously nearly double in 2013 from 7.8MM GBP to 14.8MM GBP, which in our belief likely means that Rana is charging distributors upfront for film rights (e.g. TV, satellite, and catalogue rights). Globus owed Rana 3.2MM in 2012, which grew 100%+ to 6.7MM GBP in 2013.
 8. By the end of 2014, the last year we have a full balance sheet for Rana, we see that while barely any of the receivables have been collected, not a dollar more has been spent on film production expenses, and Rana has a whopping 18MM GBP of liabilities. There is negative equity in this company.
- **We believe that the financials of Rana Productions alone indicate that Globus is a material source of UAE revenue and uncollected—and potentially fictitious—accounts receivable, of which 17.8MM GBP is uncollected as of 12/31/14.** Given the sheer number of EROS linked UK Companies linked to Globus, it is possible that Globus may be responsible for substantially more of EROS’s UAE revenue. Accounting transactions between Globus and all EROS linked entities should be thoroughly investigated by Skadden Arps, “the Big Four” accounting firm, and government regulators.

Strong fundamentals? ErosNow appears to have failed

- The EROS equity story revolves around the growth of ErosNow, but multiple objective third party sources (App Annie, Google, Alexa) indicate that the OTT strategy has failed since the July 2015 marketing push.
- Furthermore, the company disclosed “registered user” metric is both meaningless and misleading in our view. We believe that “Registered Users” have no meaningful correlation with users that can actually be monetized through subscriptions or advertising since the vast majority of them relate to the unrelated Techzone acquisition and cannot be easily migrate to ErosNow.

3rd Party Data Indicates that UK revenue may be overstated

- EROS prefers Rentrak measurements statistics over Indian sources like Boxoffice India and boasts industry leading market share in markets like the UK. We found the UK Rentrak data, which validates EROS’s market share claim, but at the same time reveals that UK revenues may be overstated

Concluding Thoughts on Valuation

- EROS's stock has traded up over 100% in the last few months on a short squeeze likely related to the completion of the "internal review." We believe that the stock has the potential to trade back to \$6-7 in the short term as disclosure and credibility concerns are far from resolved.
- EROS's India subsidiary showed a short term improvement in cash flow from working capital in the latest quarter, and we believe it's reasonable to expect a similar improvement at the PLC level when EROS reports this Friday.
- However, we believe that the deplorable long term free cash flow generation profile of this company speaks for itself. In the short term, working capital can be managed, and we believe that investors should judge these accounts with skepticism given credibility concerns. Our view is that the time horizon by which investors should judge EROS's free cash flow should be over a period of years, not one or two quarters.
- Given poor business fundamentals, the lack of *long term* FCF generation, and the large net debt position with bonds trading below 70 cents on the dollar, reflective of seriously distressed debt, our long term valuation target for EROS is \$0.00 per share.

INTRODUCTION

While others have previously highlighted a number of accounting and broader credibility concerns related to EROS, the key source of the controversy in our view has been the poorly explained revenue growth derived from the UAE that defies EROS's business fundamentals. Revenue by Customer Location in India declined by 20% from FY2012 to FY2015 while the UAE, a small market for Indian film, has seen its revenue skyrocket by 1,548% without any believable explanations from the company. Most simply put, EROS is primarily an Indian film studio and most Indians live in India, so if business is booming as Management strongly asserts, then why are revenues not growing strongly in EROS's home market? Readers interested in our detailed analytical assessment of why we don't believe EROS's explanations for its UAE revenue growth should refer to the Appendix at the end of this document.

EROS DISCLOSURE REGARDING "INTERNAL REVIEW" DOES NOT ADDRESS KEY QUESTIONS

Instead of providing more disclosure to assuage investor concerns (a list of the top 10 UAE customers would be a good place to start!), we believe that EROS has applied a "whitewash" strategy – hire a respected law firm, Skadden Arps, and a "Big Four" accounting to purportedly give the company a clean bill of health. While ostensibly an "internal review" is a noble exercise, we have a number of concerns with the manner EROS conducted this "review" and wonder what analysis Skadden Arps and the "Big Four" firm actually did.

EROS should have conducted an "internal investigation" rather than an "internal review."

Having consulted with our own lawyers, we understand that an "internal investigation" can have real substance, often including the interviewing of witness by an objective third party and a forensic investigation of accounting journal entries (in the case of EROS, an investigation of accounting journal entries for UAE revenue would be highly pertinent). An "internal review" may have little substance in that investigators may be merely asked to make recommendations regarding business practices or to opine on existing financial documents, rather than investigating the source documents used to create those financial documents.

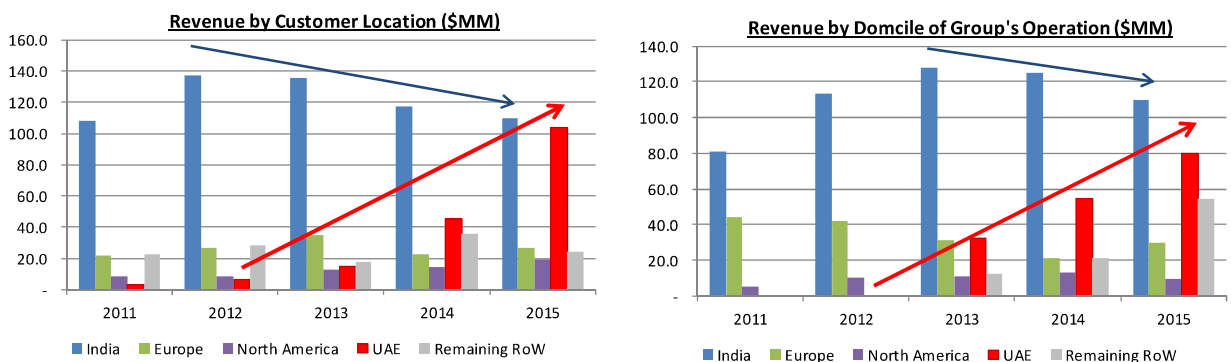
With respect to EROS's "internal review," we have identified a number of red flags indicating that the Skadden review may have not been a serious investigation.

1. The press release announcing the completion of the "internal review" on March 21st simply mentions that EROS's audit committee completed the review "with the assistance of" Skadden Arps Slate Meagher & Flom LLP. It is not clear if Skadden Arps even had the opportunity to conduct the review itself in a third party fashion, or if they were just hired to advise EROS's own Audit Committee on how it should review itself.
2. The Audit Committee consists of two EROS "independent director," Naresh Chandra and Dilip Thakkar. Mr. Thakkar sits on the board of 14 other listed companies in India and 2 other foreign companies.ⁱ Mr. Chandra sits on the board of 12 other Indian companies and 2 other foreign companies.ⁱⁱ Given all of their other board duties, we wonder how much time Mr. Thakkar and Mr. Chandra would have to focus specifically on EROS.
3. In its March 21st press release, the Audit Committee remained "satisfied" with EROS's financial reporting and disclosures, and EROS CEO Jyote Desphande said she was "pleased" with the results. However, Skadden Arps itself did not give an opinion or quote on the results of the internal review. All we learned from the press release was that the Audit Committee (Chandra and Thakkar) and EROS management were "satisfied" and "pleased", respectively. In addition, neither the Audit Committee nor EROS management even commented on if Skadden Arps was "pleased" or "satisfied" with the review, and Skadden made no disclosures itself!

4. While the press release said that the review included an “analysis” of the company’s “UAE sales and revenue recognition”, it did not say what this analysis entailed. As this was dubbed an “internal review” rather than an “internal investigation,” we question if real 3rd party investigative work occurred. On the upcoming June 10th earnings call, it would be very helpful for EROS to confirm if (1) all UAE accounting journal entries were analyzed by the “Big Four” accounting firm and (2) if Skadden Arps or the “Big Four” accounting firm actually interviewed witnesses regarding UAE revenue recognition as part of their “review”
5. Perhaps the biggest red flag of all is that the “Big Four” accounting firm is not even mentioned in the press release and the firm’s name is not even mentioned, perhaps indicating that they were not even involved in the internal review at all. With the release of fourth quarter 2016 results last week from Eros International Media (the publicly traded Indian subsidiary), we learned that the “Big Four” accounting firm was actually working on a “detailed transfer pricing study” for EROS. It is unclear if the accounting firm was even working on the “internal review” based on this disclosure. As EROS CEO Jyoti Desphande explained on the earnings call last week, “As you know, we’ve been working with a big four accounting firm to come up with a win-win structure for the digital business including Eros now.” We thought the “Big Four” firm was supposed to be doing a detailed forensic review of EROS accounting, not opining on a fairly meaningless transfer pricing analysis, since EROS claims their ultimate goal is to collapse the Eros International Media and EROS PLC structures together anyways.

EROS should have conducted an “internal investigation,” not an “internal review.” The internal investigation should have had the “Big Four” accounting firm investigating accounting journal entries, particularly for the suspicious UAE revenue recognition. Skadden Arps, or another third party investigator, should have interviewed employees in the UAE and in EROS financial reporting functions to understand the source and accuracy of UAE revenue recognition. Since EROS’s disclosures have not convinced us that either Skadden Arps or the “Big Four” firm conducted a real investigation of UAE revenue recognition, we conducted a UAE investigation of our own. We are shocked by the results.

As a reminder, EROS reported \$103.8 million of 2015 revenue “by Customer Location” in the UAE and \$80.3 million of revenue “by Domicile of Group’s Location in the UAE,” or a 127% and 47% year-over-year, respectively.



Source: EROS 20-F filings

EROS'S SECRET: UNDISCLOSED RELATED PARTY LINKS IN THE UAE?

We have uncovered **eleven** undisclosed potential related party entities linked to an EROS customer in the UAE named Globus ENT FZE. We believe that links to Globus may be a key missing piece in the UAE revenue recognition puzzle that should be thoroughly investigated by Skadden Arps, the "Big Four" accounting firm, and government regulators. Our analysis below may help explain how EROS has inconceivably grown UAE revenue 1,548% from FY2012 to FY2015 in part by using related party companies, while EROS revenue from India declined 20% and revenue from Europe only grew 1% over that same time period. We believe that the UK Companies and the UAE entity, Globus, are all undisclosed related parties. In the case of the UK company Rana Productions, we know that large amount of UAE revenue from Globus were billed and most of the accounts receivable were not collected.

Introducing a missing link to the EROS UAE revenue recognition puzzle: Globus Ent FZE

Globus Ent FZE ("Globus") was formed in 2007, just after the formation of the initial Eros International PLC entities, which were created in 2006:

| | Date incorporated | Jurisdiction of incorporation or organization | % of voting rights held |
|---------------------------------------|-------------------|---|-------------------------|
| Copsale Limited | June 2006 | British Virgin Islands | 100.00 |
| Eros Australia Pty Limited | June 2006 | Australia | 100.00 |
| Eros International Films Pvt. Limited | June 2006 | India | 100.00 |
| Eros International Limited | June 2006 | United Kingdom | 100.00 |
| Eros International Media Limited | June 2006 | India | 74.40 |
| Eros International USA Inc | June 2006 | United States | 100.00 |
| Eros Music Publishing Limited | June 2006 | United Kingdom | 100.00 |
| Eros Network Limited | June 2006 | United Kingdom | 100.00 |
| Eros Pacific Limited | June 2006 | Fiji | 100.00 |
| Eros Worldwide FZ- LLC | June 2006 | United Arab Emirates | 100.00 |

Source: EROS 20-F Filing

Per Globus's website, the company was formed by Ashok Grover and has established relationships with companies in the media entertainment business. Globus is in the business of acquiring and distributing Hollywood and Bollywood catalog films, home video rights, and TV rights for the overseas market. Eros International is the first licensing partner listed on Globus's website.



GLOBUS ENT FZE
G.ONE

RA-ONE

DIRECTED BY ANUSHAV SINHA
THE NEXT LEVEL 2011

About Us | Script Development | Movie Development | Catalog | Home Video | TV Serials | Contact Us

Catalog Film
Globus is also in to the business of acquiring and distribution of catalog films.
[READ MORE >](#)

Home Video
Globus acquires both Hollywood and Bollywood films in the Home Video Segment.
[READ MORE >](#)

TV Serials
Globus recent foray in the entertainment segment has been the small screen i.e Television. Currently
[READ MORE >](#)

Welcome to Globus

Globus Ent FZE is a young dynamic organization incorporated in the year 2007 by Mr Ashok Grover. Since then the organization has rampantly progressed into various areas of the Entertainment Business is concerned. It has established relations with reputed companies in the Media and Entertainment segment viz Eros International, Red Chillies International, B R Films, Shemaroo Entertainment Pvt Ltd to name a few.

Source: <http://globusentfze.co/>

Globus's website lists the following address and contact information in the UAE:

Globus Ent FZE,
Block No A 70, Ajman Free Zone
P O Box 40295
Ajman
UAE

Email - enquiry@globusentfze.co

Contact Person: Mr. Ashok Grover

Source: <http://globusentfze.co/>

Linking EROS to Globus through eleven UK Companies

When we started digging around the UK, we found something fascinating: eleven links between EROS's former CFO, former controller, and current Eros subsidiary board members to Ashok Grover and his address at Globus in the UAE.

- Three Globus linked entites in the UK even shared an address with EROS's UK headquarters and EROS Chairman Kishore Lulla.
- Some UK Companies' financials indicate that Ashok Grover of Globus is the primary or only shareholder.
- Some UK Companies previously had financials signed off by EROS CFO Heffernan and EROS director Dilip Chudasama. A Chudasama entity was even audited by Grant Thornton. However, UK Company ownership is later transferred to Ashok Grover, who later signs off on company financials himself without conducting a third party audit.
- Just 10 days after Andrew Heffernan, the former EROS CFO, abruptly announced his resignation from EROS, three of the UK Companies moved their business addresses away from EROS's UK headquarters and to a 3rd

party business formation agent's address. Furthermore, prior to becoming CFO at EROS, Andrew Heffernan was an auditor at Grant Thornton in the U.K. Grant Thornton is EROS's auditor and is responsible for signing off on UAE revenue recognition.

Below are details on the 11 UK Companies that share current and former EROS insiders and Ashok Grover from the UAE:

| Selected UK Shell Companies | Selected Company Directors Linked to: | | | Current Address |
|--|---|--|---|---|
| Company Name | EROS Direct Sub | Globus | Formation Agent | |
| Sajid Nadiawala Productions (1) Dhun Productions (2) | CHUDASAMA, Dilip HEFFERNAN, Andrew MAVINKURVE, Ajay | GROVER, Ashok Tarachand GROVER, Ashok Tarachand | JACOBS, Yomtov Eliezer LEA YEAT LIMITED | 27/28 Eastcastle Street London, United Kingdom, W1W 8DH 27/28 Eastcastle Street London, United Kingdom, W1W 8DH |
| Velocity Films Limited (3) AppleTree Movies (4) Future Film Productions Limited (5) Nadiadwala Grandson Entertainment (6) | CHUDASAMA, Dilip CHUDASAMA, Dilip CHUDASAMA, Dilip HEFFERNAN, Andrew MAVINKURVE, Ajay | GROVER, Ashok Tarachand GROVER, Ashok Tarachand GROVER, Ashok Tarachand GROVER, Ashok Tarachand | JACOBS, Yomtov Eliezer JACOBS, Yomtov Eliezer KEITH, Philippa Anne DOCKING, John Christopher | 27/28 Eastcastle Street London, United Kingdom, W1W 8DH Suite 303 50 East Castle Street, London, W1W 8EA 27/28 Eastcastle Street London, United Kingdom, W1W 8DH 27/28 Eastcastle Street London, United Kingdom, W1W 8DH |
| Winford Productions (7) | HEFFERNAN, Andrew DOSHI, Sukeshi | GROVER, Ashok Tarachand | DOCKING, John Christopher | 27/28 Eastcastle Street London, United Kingdom, W1W 8DH |
| Desi Boyz (8) Film TMK Limited (9) | DOSHI, Sukeshi CHUDASAMA, Dilip DOSHI, Sukeshi | GROVER, Ashok Tarachand GROVER, Ashok Tarachand | DOCKING, John Christopher KEITH, Philippa Anne | 27/28 Eastcastle Street London, United Kingdom, W1W 8DH (12) 27/28 Eastcastle Street London, United Kingdom, W1W 8DH (12) |
| Rana Productions (10) Cocktail Film (11) | CHUDASAMA, Dilip DOSHI, Sukeshi | GROVER, Ashok Tarachand GROVER, Ashok Tarachand | JACOBS, Yomtov Eliezer JACOBS, Yomtov Eliezer | 27/28 Eastcastle Street London, United Kingdom, W1W 8DH Hunter House 109 Snakes Lane West Wodford Green Essex (13) |

Sources:

(1) <https://beta.companieshouse.gov.uk/company/07599096/officers> (6) <https://beta.companieshouse.gov.uk/company/06853504/officers> (11) <https://beta.companieshouse.gov.uk/company/07551543/officers>
(2) <https://beta.companieshouse.gov.uk/company/06539450/officers> (7) <https://beta.companieshouse.gov.uk/company/07142995/officers> (12) Address moved from 13 Manchester Square London W1U 3PP on 6/3/15
(3) <https://beta.companieshouse.gov.uk/company/08412274/officers> (8) <https://beta.companieshouse.gov.uk/company/07142792/officers> (13) Address moved from 13 Manchester Square London W1U 3PP on 1/15/15
(4) <https://beta.companieshouse.gov.uk/company/08412096/officers> (9) <https://beta.companieshouse.gov.uk/company/07628901/officers>
(5) <https://beta.companieshouse.gov.uk/company/06853504/officers> (10) <https://beta.companieshouse.gov.uk/company/07459867/officers>

And below are three direct EROS subsidiaries that share the same board members as the 11 UK Companies. EROS PLC's senior management team sits on these same direct EROS subsidiary boards. Furthermore, note that the address of these direct subsidiaries is 13 Manchester Square, which is Kishore Lulla's given address and the UK headquarters of EROS. Four UK Companies also previously shared the address 13 Manchester Square.

| Selected EROS Subsidiary | EROS Directors on Boards of: | | Eros Direct Subsidiary Address |
|--------------------------------------|---|--|---------------------------------------|
| | Shell Companies + EROS Dire | EROS Direct Subsidiary Only | |
| Eros Network Limited (13) | CHUDASAMA, Dilip (3) HEFFERNAN, Andrew (4) MAVINKURVE, Ajay (5) | LULLA, Kishore Kumar (1) DESHPANDE, Jyoti (2) | 13 Manchester Square, London, W1U 3PP |
| Eros Music Publishing Lmtd (14) | CHUDASAMA, Dilip (6) HEFFERNAN, Andrew (7) | AHUJA, Vijay (8) | 13 Manchester Square, London, W1U 3PP |
| Ayngaran International (UK) LTD (15) | CHUDASAMA, Dilip (9) HEFFERNAN, Andrew (10) MAVINKURVE, Ajay (11) | DESHOPANDE, Jyoti (12) | 13 Manchester Square, London, W1U 3PP |

Sources:

(1) Appointed 3/1/2000 (6) Appointed 6/18/15 (11) Resigned on 12/09/13
(2) Resigned 2/9/11 (7) Resigned 6/18/15 (12) Resigned on 12/31/10
(3) Appointed 6/18/15 (8) Resigned 12/14/07 (13) <https://beta.companieshouse.gov.uk/company/03934248/officers>
(4) Resigned 6/18/15 (9) Resigned on 4/18/16 (14) <https://beta.companieshouse.gov.uk/company/05985133/officers>
(5) Resigned on 6/30/13 (10) Resigned on 6/18/15 (15) <https://beta.companieshouse.gov.uk/company/05957372/filing-history>

We believe that Rana Productions is a related party UK company that produced Rana, an EROS film, that is owned and controlled by Globus, another entity we believe to be an EROS related party. Rana Productions recognizes material amounts of UAE revenue from Globus, but never collects much of the accounts receivable. Yet the film Rana was mysteriously never released!

We could write another 100 pages tracing through the details of each UK entity and its connections to both EROS and Globus, but let's just start with one glaring example, Rana Productions Limited. Rana was incorporated on 12/3/2010, and on 12/7/2010 Ashok Grover joined the board as a director.ⁱⁱⁱ On 1/29/11, EROS announced Rana as a "magnum opus."^{iv} After some shooting delays, the film was scheduled to be released in the first half of calendar year 2012,^v and Sunil Lulla from EROS was executive producer.



Source: [https://en.wikipedia.org/wiki/Rana_\(film\)#/media/File:Rajinikanth_Rana.jpg](https://en.wikipedia.org/wiki/Rana_(film)#/media/File:Rajinikanth_Rana.jpg)

But Rana was not released as anticipated in 2012. Here is where things get really interesting.

On 4/19/14, an article titled "Rana to finally take off!" from the Mumbai Mirror said that the film's star, Rajinikanth, had been ill and that had delayed the project, but the film should be ready in six months.^{vi} However, the film was never released according to movietalkis.com^{vii} and Wikipedia.^{viii} Yet Rajinikanth has been back to business as usual shooting other films. According to IMBD.com, Rajinikanth appeared in Lingaa and Kockadaiyaan in 2014 and is currently filming Kabali and Robot 2.^{ix} Neither Rajinikanth's IMBD page nor EROS's 2016 film slate^x makes any mention of Rana.

The film appears to have vanished into thin air. However, even though the film was never released, accounts receivable have continued to pile up at the Rana Productions UK Company years after the project's original announcement and even after development expenses on the film were halted!

Dilip Chudasama from EROS joins the board of Rana Productions on 2/08/13^{xi} only to quickly resign on 5/13/13. Dilip Chudasama is a current director of a number of companies within the EROS corporate structure and sits on a number of boards with both current and former members of the EROS management team and board of directors.

Chudasama's overlapping current and previous board memberships with EROS key executives include:

- Eros Network Limited^{xii}
 - Other current and former directors of Eros Network Limited include: Kishore Lulla (Chairman of EROS, current director of Eros Network Limited), Jyoti Deshpande (CEO of EROS, resigned from this board on 2/9/11), and Vijay Ahuja (Vice Chairman of EROS, resigned from this board on 12/14/07)
 - Former EROS CFO Andrew Heffernan was a director of Eros Network Limited until his resignation on 6/18/15^{xiii}
- Eros International Limited^{xiv}
 - Kishore Lulla and Rishika Lulla are also board members
 - Jyoti Deshpandi, Vijay Ahuja, and Andrew Heffernan resigned as board members on and 1/4/05 and 1/31/10, and 06/18/15, respectively
 - Andrew Heffernan resigned from this board on 6/18/15
- Eros Music Publishing Limited^{xv}
 - Vijay Ahuja was on this board until his 12/14/07 resignation
 - Former EROS CFO Andrew Heffernan was a director of Eros Network Limited until his resignation on 6/18/15^{xvi}
- Ayngaran International (UK) LTD
 - Jyoti Deshpande and Andrew Heffernan were board members until 12/31/10 and 6/18/15, respectively

Chudasama is an active member of the EROS team. For instance, the same day Heffernan resigned from Eros Music Publishing Limited in June 2015, we see that Chudasama took his board seat and is now responsible himself for signing off on Eros Music's financial statements.

EROS MUSIC PUBLISHING LIMITED

FINANCIAL STATEMENTS

For the year ended 31 March 2015

Company registration number: 05985133

Registered office: **Milner House
13 Manchester Square
London
W1U 3PP**

Director: **Andrew Heffernan (resigned 18 June 2015)
Dilip Chudasama (appointed 18 June 2015)**

Secretary: **Andrew Heffernan (resigned 18 June 2015)
Dilip Chudasama (appointed 18 June 2015)**

Auditors: **Grant Thornton UK LLP
Registered Auditors
Chartered Accountants
Grant Thornton House
Melton Street
London
NW1 2EP**

Source: <https://beta.companieshouse.gov.uk/company/05985133/filing-history>

Curiously, in Rana's 2013 annual return, we see that Globus, owned by Grover, is the only past or present shareholder of Rana, the film that was clearly supposed to be produced by EROS.

G3 List of past and present shareholders^o

Changes during this period to shareholders' particulars or details of the amount of stock or shares transferred must be completed each year

You must provide a 'full list' of all company shareholders on

- The company's first annual return following incorporation,
- Every third annual return after a full list has been provided

^oPlease list the company shareholders in alphabetical order

Joint shareholders should be listed consecutively

Further shareholders
Please use a 'List of past and present shareholders' continuation page if necessary

This section only applies to companies answering 'No' to Question 1 in Section G1

| Shareholder's Name (Address not required) | Class of share | Shares or stock currently held | | Shares or stock transferred (if appropriate) | |
|--|-----------------------|-------------------------------------|---|--|----------------------------------|
| | | Number of shares or amount of stock | | Number of shares or amount of stock | Date of registration of transfer |
| Globus Entertainment FZE | £1 00 Ordinary Shares | | 1 | | |
| | | | | | |
| | | | | | |
| | | | | | |

Source: <https://beta.companieshouse.gov.uk/company/07628901/filing-history>

Globus has invested only 1 GBP, and Grover describes his role as “FILM PRODUCER” in the annual return.

| D1 Director's details [Ⓢ] | |
|--|-----------------|
| Please use this section to list all the directors of the company For a corporate director, complete Section E1-E4 | |
| Title* | Mr |
| Full forename(s) | Ashok Tarachand |
| Surname | Grover |
| Former name(s) [Ⓢ] | |
| Country/State of residence | India |
| Nationality | Indian |
| Date of birth | 0 3 0 9 1 9 5 6 |
| Business occupation (if any) | FILM PRODUCER |

Ⓢ Director appointments
You cannot use this form to appoint a director. To do this, please complete form AP01 and submit it together with this annual return.

Corporate details
Please use Section E1-E4 to enter corporate director details.

Director details
All details must agree with those previously notified to Companies House. If you have made changes since the last annual return and have not notified us, please complete form CH01.

Ⓢ Former name(s)
Please provide any previous names which have been used for business purposes during the period of this return. Married women do not need to give former names unless previously used for business purposes.

Source: <https://beta.companieshouse.gov.uk/company/07628901/filing-history>

Globus's own website describes the company as an acquirer and distributor of catalog film, home video, and TV serials with “established relations” with firms such as Eros International. Globus also supposedly is engaged in “Script Development” and vaguely “Movie Development.”

Globus describes “Movie Development” as: “Right from the scripting stage, casting, arranging of locales for shoots, pre production, post production everything is taken care by Globus... Some of the movies to whom we have provided Line Production Facilities in United Kingdom in recent times are Love Aaj Kal, Veer, Housefull.”^{xvii}

Note that there is no mention of Rana in Globus's materials. Furthermore, nowhere on Globus's webpage does the company describe itself as being an actual *film producer* linked to EROS or Rana. We find this highly unusual, since, from our review of Globus's website and miniscule online footprint, Globus appears to be a small-time operation. There is no indication that there are other employees other than Grover on the Globus website or from evaluating LinkedIn. One would think that even being a small co-producer for a “Magnum Opus” like Rana was intended to be would be a film credit definitely worth mentioning for tiny Globus. It's true the film was never released, but it was supposed to star Rajinikanth, who is a legitimate Bollywood movie star.

Even the least skeptical readers would have to admit it is more than a bit curious that Globus takes no credit for being involved in producing Rana.

However, according to EROS, Globus was not involved in the production of Rana at all! We see from the May 2011 EROS financial presentation that the co-producers of Rana are “Hara Pictures” and “Next Gen Films.”

Strong visibility of film slate for 2012 as well as 2013.

| Film name | Star Cast/ (Director) | Production House | Tentative Release date | Status |
|---------------------------------------|--|----------------------------------|------------------------|-----------------------|
| Ready | Salman Khan, Asin | T-Series | Q1 FY 2012 | Completed |
| Always Kabhi Kabhi | Ali Fazal, Zoa Morani | Red Chillies | Q1 FY 2012 | Completed |
| BOL | Atif Aslam, Iman Ali | Homan Productions | Q1 FY 2012 | Completed |
| Murder 2 | Emraan Hashmi, Yana Gupta | Vishesh Films | Q2FY 2012 | Completed |
| Zindagi Na Milenge Dobra | Hrithik Roshan, Katrina Kaif, Farhaan Akhtar, Abhay Deol | Excel Entertainment | Q2FY 2012 | Completed |
| Mausam | Shahid Kapur, Sonam (Pankaj Kapur) | Cinergy / Vistaar Religare | Q2 FY 2012 | Completed |
| Rockstar | Ranbir Kapoor (Imtiaz Ali) Music A R Rehman | Ashtavinayak Films | Q2 FY 2012 | Post production |
| RA. One | Shahrukh Khan, Kareena Kapoor (Anubhav Sinha) | Red Chillies Entertainment | Q3 FY 2012 | Post production |
| Dezi Boys | Akshay Kumar, John Abraham, Deepika (Rohit Dhavan) | Next Gen | Q3 FY 2012 | Post production |
| Agent Vinod | Saif Ali Khan, Kareena Kapoor (Sriram Raghavan) | Illuminati Films | Q3 FY 2012 | Principal photography |
| RANA (Tamil, Telugu and Hindi) | Rajinikanth, Deepika Pandukone | Harra Pictures / Next Gen | FY 2013 | Pre-production |

Source: http://ir.erosplc.com/files/doc_presentations/Analyst_results_presentation_31_May_2011.pdf

In an October 2011 Eros International press release, we see the following: “Eros International along with NextGen Films, will produce the film through **Rana Production Ltd, UK**”^{xviii}

As the author Alpha Exposure previously documents,^{xix} Next Gen Films is a related party entity owned by the husband of Puja Rajani, the sister of Kishore Lulla. Quoting Alpha Exposure:

- “EROS purchased film rights of \$23.5 million, \$22.2 million, and \$23.6 million during fiscal-year 2015, fiscal-year 2014, and fiscal-year 2013, respectively, from Next Gen Films. These acquisitions represented 9%, 14%, and 13% of total film right investments during those years. EROS also has provided performance guarantees to a bank amounting to \$32.5 million in fiscal-year 2015 and \$26.3 million in fiscal-year 2014 in connection with funding commitments under film co-production agreements with Next Gen that mature over the next 24 months.
- Interestingly, Next Gen has produced very few films, and the vast majority of them have been box office failures. Despite these failures, there appear to have been no impairments taken to EROS' film rights”

| Next Gen Films Filmography | | | | |
|----------------------------|--|--------------|---------------|---------------|
| Rank | Film | Release Date | Nett Gross | Verdict |
| 8 |  Tevar | 09 Jan 2015 | ₹35,55,00,000 | Flop |
| 7 |  Purani Jeans | 02 May 2014 | ₹1,36,00,000 | Disaster |
| 6 |  R... Rajkumar | 06 Dec 2013 | ₹65,99,00,000 | Average |
| 5 |  3G | 15 Mar 2013 | ₹5,48,50,000 | Flop |
| 4 |  Table No. 21 | 04 Jan 2013 | ₹11,96,50,000 | Below Average |
| 3 |  Desi Boyz | 25 Nov 2011 | ₹45,92,00,000 | Flop |
| 2 |  Pankh | 02 Apr 2010 | ₹15,10,000 | Disaster |
| 1 |  Vaada Raha... | 11 Sep 2009 | ₹80,25,000 | Disaster |

Source: www.boxofficeindia.com

While Alpha Exposure has highlighted some seriously questionable activity relating to EROS's relationship with Next Gen Films, we would highlight that Rana did not even make it into the Next Gen Filmography above.

Whether or not Next Gen Films conducted any financial transactions with Rana Productions is unclear. The film is not included in Next Gen's film credits on IMBD:

Next Gen Films [in]

 IMDbPro.com offers expanded company and employee contact details for over 62,600 companies in the entertainment industry as well as representation listings for over 140,000 individuals, including actors, directors, and producers.
[Click here for a free trial!](#)

More information for this company is available on IMDbPro.

Staff

| Name | Branch | Occupation |
|---------------------------|--------|------------|
| Available only on IMDbPro | | |

Filmography as: Production Company

Production Company - filmography

1. Phobia (2016) ... Production Company
2. R... Rajkumar (2013) ... Production Company
3. 3G - A Killer Connection (2013) ... Production Company
4. Table No. 21 (2013) ... Production Company

Source: www.imdb.com

Furthermore, “Hara Pictures” is merely a small special effects company that itself is owned subsidiary of Ocher Studios. Ocher has only 2 film credits other than the unreleased Rana:

Ocher Studios [in]



More information for this company is available on [IMDbPro](#).

Staff

| Name | Branch | Occupation |
|---------------------------|--------|------------|
| Available only on IMDbPro | | |

Available only on IMDbPro

Filmography as: Special Effects Company, Production Company

Special Effects Company - filmography

1. Goa (2010) ... Special Effects Company
2. Ilampuyal (2009) ... Special Effects Company
3. Rana (????) ... Special Effects Company (special effects)

Filmography as: Special Effects Company, Production Company

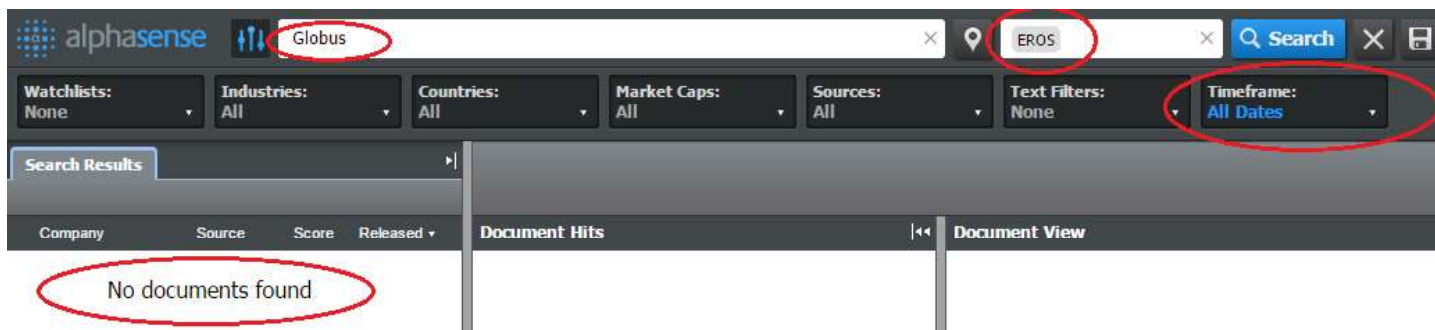
Production Company - filmography

1. Goa (2010) ... Production Company
2. Rana (????) ... Production Company

Source: www.imdb.com

We see no mention of Ocher Studios or Hara Pictures in the Rana Productions financials.

What we do know is that (1) Globus is the 100% owner of Rana Productions, (2) EROS claims to be developing Rana through Rana Productions, and (3) both Rana Productions and Globus have ties to EROS. This begs the question: Is Globus not only a related party, but also fully owned by EROS? We conducted a global search of all EROS financial filings utilizing Alpha Sense and did not find any mention of the word “Globus” in the cumulative history of EROS public disclosure.



Source: www.alpha-sense.com

A note on EROS “pre-sales” of film rights

It is important to note that “pre-sales” represent a large portion of EROS’s overall revenue mix that are used to “de-risk” individual films. On the FY2016 earnings call for the EROS India subsidiary, Management said the following:

“While FY16 was all about the balance sheet, it came with some short-term **P&L sacrifice due to temporary holding back of catalogue revenues in the last two quarters. Catalogue contributions came in at around 15% of revenues at around INR2,400 million instead of the usual target of 25% of revenues...** Another significant development is the satellite's **pre-sales visibility** on our FY2017 film slate. We disclosed a long list of films which have been licensed to all the top four channels Zee, Star, Viacom and Sony and **some catalogue deals included**. We can confidently say that

between 35% to 50% of the cost of the individual's films is already underwritten by these contracts alone significantly derisking the business.”

Pre-selling film rights can be a legitimate business practice in the film industry. However, we cannot think of any good reasons why catalogue revenue would have longer payment terms than satellite or other film rights. Catalogue revenues declined as a percentage of sales (to 15% from usual target of 25% in FY2016) due to a large drop in catalogue revenue in the last two quarters of 2016, which coincides with the period of time in which EROS's UAE revenue recognition has been questioned.

Above we have laid out the facts that we believe link Globus, EROS, and Rana. We also know that 35-50% of an EROS film's cost is typically pre-sold just for satellite and catalogue rights.

Now we will provide evidence that Rana Productions may have billed customers, including related party Globus, likely for "Film Rights," even through the film was never released and long after development halted on the film.

To be perfectly clear, the principle activity of Rana Productions is to produce the film Rana, and Grover is one of two company directors in 2013.

Principal activities

The principal activity of the company during the period under review was the production of the theatrical film 'Rana'.

Director

The director who served the company during the year were Mr. Ashok Grover & Mrs. Sunanda Murali Manohar.

Source: <https://beta.companieshouse.gov.uk/company/07628901/filing-history>

In the notes to the 2013 Rana Productions financials, we learn that film production costs for Rana are recognized as “work in progress” on the balance sheet until the production is “delivered to the commissioning distributor.” After the delivery of the completed film, the production costs are then charged to the income statement. Importantly, the film was “100% financed” by the commissioning distributor.

Film production costs

Production costs incurred in the production of "Rana" are recognised as work in progress on the balance sheet until the production is delivered to the commissioning distributor. Upon delivery the film was acquired by the Commissioning Distributor and the production costs are then charged to the Profit and Loss Account.

The film was 100% financed by the Commissioning Distributor.

Source: <https://beta.companieshouse.gov.uk/company/07628901/filing-history>

Going back to the 2012 financials, we see that Globus owns 100% of Rana and is a related party and has paid 1 GBP for the privilege of 100% ownership. Therefore, by the transitive property, Globus is also the “Commissioning Distributor” detailed in the 2013 financials. Further note that as of 2012, Globus owed Rana 3.2MM GBP.

Related party transactions and ultimate controlling party

At 31 December 2012 the Company was owed £3,227,325 (2011 £3,211,325) by Globus Ent FZE, a company incorporated in U.A.E

Rana Productions Limited is 100% owned by Globus Ent FZE

A Grover is a director of Globus Ent FZE and is considered to the ultimate controlling party

Share capital

Allotted, called up and fully paid

| | 2012 | | 2011 | |
|------------------------------|------|---|------|---|
| | No | £ | No | £ |
| 1 Ordinary shares of £1 each | 1 | 1 | - | - |

Source: <https://beta.companieshouse.gov.uk/company/07628901/filing-history>

Next, we review the 2012 balance sheet. Here we learn that (1) Rana has capitalized ~600k GBP for production work on the film in 2012, (2) debtors, or accounts receivables, have grown by ~7.4MM GBP in 2012, and (3) that there is no net income generated (shareholder funds is still 1 GBP). This means that while the film has not yet been released (Work in Progress is still growing), Rana has billed at least ~7.4MM of revenue that is sitting in accounts receivable. Over 40% of the accounts receivable is from Globus itself, which is the films distributor, and likely relates to "pre-sales." Finally, it is worth noting that Grover uses a small company exemption to sign off on his own financials without obtaining a 3rd party audit.

| | Note | As at 31 December 2012 £ | As at 31 December 2011 £ |
|---|------|--------------------------------|--------------------------------|
| Current assets | | | |
| Work – in - Progress | 1 | 4,036,694 | 3,434,709 |
| Debtors | 2 | 7,795,059 | 457,578 |
| Cash at bank and in hand | 3 | 10,130 | 3,101 |
| | | (11,841,883) | 3,895,386 |
| Creditors amounts falling due within one year | 4 | (11,841,882) | (3,895,385) |
| Net current assets | | 1 | 1 |
| Total assets less current liabilities | | 1 | 1 |
| Capital and reserves | | | |
| Called-up equity share capital | 6 | 1 | 1 |
| Shareholders' funds | | 1 | 1 |

The director is satisfied that the company is entitled to exemption from the provisions of the Companies Act 2006 (the Act) relating to the audit of the financial statements for the year by virtue of section 477, and that no member or members have requested an audit pursuant to section 476 of the Act

The director acknowledges his responsibility for

- (i) ensuring that the company keeps adequate accounting records which comply with section 386 of the Act, and
- (ii) preparing financial statements which give a true and fair view of the state of affairs of the company as at the end of the financial year and of its profit or loss for the financial year in accordance with the requirements of section 393, and which otherwise comply with the requirements of the Act relating to financial statements, so far as applicable to the company

These financial statements have been prepared in accordance with the special provisions for small companies under Part 15 of the Companies Act 2006 and with the Financial Reporting Standard for Smaller Entities (effective April 2008)

These financial statements were approved by the director and authorised for issue on *2nd June 2014*


A Grover
Director

Source: <https://beta.companieshouse.gov.uk/company/07628901/filing-history>

Next, we review the 2014 financials as of 12/31/14. Here we note that “stocks” represents work in progress on the film and hasn’t moved a penny since 2012! This indicates that production has likely been halted on Rana for 2 years since (1) the film has not been released by EROS, (2) no more development work is being capitalized on the balance sheet, (3) work in progress is not amortizing, which indicate the film has not been released per the 2013 financials detailed earlier. However, debtors, or accounts receivable, has ballooned to 13.9MM GBP, up 78% since 2012 even though no further development work on Rana has occurred! Shareholder funds and net assets have declined, registering negative 111k GBP and cash in the bank has declined by 6k further indicating that none of this revenue is really being collected.

RANA PRODUCTIONS LIMITED

Registered Number 07459867

Abbreviated Balance Sheet as at 31 December 2014

| | <i>Notes</i> | <i>2014</i> | <i>2013</i> |
|---|--------------|-------------------|-------------------|
| | | £ | £ |
| Fixed assets | | | |
| Intangible assets | | - | - |
| Tangible assets | | - | - |
| Investments | | - | - |
| | | <u>-</u> | <u>-</u> |
| Current assets | | | |
| Stocks | | 4,036,694 | 4,036,694 |
| Debtors | | 13,878,941 | 14,479,442 |
| Cash at bank and in hand | | 4,316 | 5,167 |
| | | <u>17,919,951</u> | <u>18,521,303</u> |
| Creditors: amounts falling due within one year | | (18,030,675) | (18,627,535) |
| Net current assets (liabilities) | | <u>(110,724)</u> | <u>(106,232)</u> |
| Total assets less current liabilities | | <u>(110,724)</u> | <u>(106,232)</u> |
| Total net assets (liabilities) | | <u>(110,724)</u> | <u>(106,232)</u> |
| Capital and reserves | | | |
| Called up share capital | | 1 | 1 |
| Profit and loss account | | (110,725) | (106,233) |
| Shareholders' funds | | <u>(110,724)</u> | <u>(106,232)</u> |

Source: <https://beta.companieshouse.gov.uk/company/07628901/filing-history>

Looking back to the 2013 financials, we see related party revenue from Globus has ballooned to ~6.7MM GBP, up 107% year-over-year. This balance represents 46% of total receivable in 2013 up from 40% of total receivable in 2012.

Related party transactions and ultimate controlling party

At 31 December 2013 the Company was owed £6,685,504 (2012: £3,222,325) by Globus Ent FZE, a company incorporated in U.A.E.

Rana Productions Limited is 100% owned by Globus Ent FZE.

A Grover is a director of Globus Ent FZE and is considered to the ultimate controlling party.

Share capital

Allotted, called up and fully paid:

| | 2013 | | 2012 | |
|------------------------------|------|---|------|---|
| | No | £ | No | £ |
| 1 Ordinary shares of £1 each | 1 | 1 | 1 | 1 |

Source: <https://beta.companieshouse.gov.uk/company/07628901/filing-history>

At a 1.50 GBP / USD exchange rate, 6.7MM GBP of Globus UAE accounts receivable represents \$10MM + USD of accounts receivable, which itself represents revenue for which cash has not been collected. Amazingly, EROS only booked \$14.5MM USD of UAE revenue in 2013 and \$6.3MM in 2012, which indicates that Globus receivables to Rana Productions alone could have represented as much as half of EROS's cumulative UAE revenue from 2012-2013. But the total debtors, or receivables balance as of 2013 was ~13.8MM GBP in 2013, up from only 457k GBP at the end of 2011. Thus the total Rana revenue generated from uncollected UAE receivables recognized cumulatively in 2012-2013 was likely 13.4MM GBP, or \$20MM USD, compared to \$20.7MM of UAE revenue recognized by EROS in 2012-2013. Thus, if our calculations are correct, it appears that nearly all of EROS's 2012-2013 UAE revenue may have come from the Rana Productions UK company.

While we have 2014 and 2015 financials for Rana Products, the company stopped reporting the receivable balance from Globus in 2014 and stopped reporting balance sheet all together in 2015. However, do see that in 2015 the equity account still registers just 1 GBP.

| Statement of Capital (Totals) | | | |
|-------------------------------|-----|-------------------------------|---|
| Currency | GBP | Total number of shares | 1 |
| | | Total aggregate nominal value | 1 |

Full Details of Shareholders

The details below relate to individuals / corporate bodies that were shareholders as at 03/12/2015 or that had ceased to be shareholders since the made up date of the previous Annual Return

A full list of shareholders for the company are shown below

Shareholding 1 : 1 ORDINARY shares held as at the date of this return
 Name: GLOBUS ENTERTAINMENT FZE

Source: <https://beta.companieshouse.gov.uk/company/07628901/filing-history>

In 2014-2015, Rana disclosure was redacted making a similar analysis up to 2015 impossible for us to conduct. Yet UAE revenues continued to rise, without a credible explanation in our view, from \$14.5MM in 2013 to \$103.8MM in 2015.

All Eleven EROS linked UK Companies have links to Globus, its UAE address, and its director Ashok Grover

While we won't go through the details of all eleven UK entities, we will explicitly connect the dots with a few more examples.

Sajid Nadiadwala Productions LTD was incorporated on April 11, 2011. On April 13, 2011 the annual return indicates that the company was capitalized with **1,000 GBP** (1,000 shares at 1.00 GBP per share).^{xx} On 4/21/11, Sajid Nadiadwala, an actual Bollywood film producer and director,^{xxi} is appointed to the board of the company. Presumably this UK entity is being set up to produce a Bollywood film?

On 9/26/11, Dilip Chudasama from EROS is added to the board of directors, but then Mr. Nadiadwala resigns on 12/17/12. On 4/2/13, the company files an annual return with **Grant Thornton, EROS's auditor, signing off on the accounts as auditor**. Also, Dilip Chudasama from EROS also signs off on the annual return, which indicate that the total Shareholders' Funds on Sajid Nadiadwala Productions LTD's balance sheet is still only **1,000 GBP**.



Abbreviated Balance Sheet
As at 31 May 2012

| | Note | £ | 2012 £ |
|---|------|-------------|-----------|
| Current assets | | | |
| Debtors | | 2,331,140 | |
| Cash at bank | | 30,388 | |
| | | 2,361,528 | |
| Creditors: amounts falling due within one year | | (2,360,528) | |
| Net current assets | | | 1,000 |
| Net assets | | | 1,000 |
| Capital and reserves | | | |
| Called up share capital | 2 | | 1,000 |
| Shareholders' funds | | | 1,000 |

The abbreviated accounts, which have been prepared in accordance with the special provisions relating to companies subject to the small companies regime within Part 15 of the Companies Act 2006, were approved and authorised for issue by the board and were signed on its behalf on *21 March 2013*



The notes on page 3 form part of these financial statements
Source: <https://beta.companieshouse.gov.uk/company/07599096/filing-history>

Unlike with Rana Productions, where Ashok Grover was involved with the UK entity since inception, in this case he does not join the board until 11/25/13. However, prior to his appointment, we see that on 12/15/12, all 1,000 shares of the company (worth just 1,000 GBP) are transferred to Grover's entity, Globus ENT-FZE. The same day that the capital is transferred to Globus, Dilip Chudasama resigns from the board.

A full list of shareholders for the company are shown below

Shareholding 1 : 0 ORDINARY shares held as at the date of this return
1000 shares transferred on 2012-12-15
Name: NADIADWALA GRANDSON ENTERTAINMENT PVT LTD

Shareholding 2 : 1000 ORDINARY shares held as at the date of this return
Name: GLOBUS ENT - F.Z.E.

Source: <https://beta.companieshouse.gov.uk/company/07599096/filing-history>

With Mr. Chudasama off the board and Globus now owning 100% of the equity, there was just one problem. Someone forgot to change the business address of Sajid Nadiadwala Productions LTD away from EROS's UK headquarters!

Received for filing in Electronic Format on the: 07/05/2015 X46WLG4Q

Company Name: SAJID NADIADWALA PRODUCTIONS LTD

Company Number: 07599096

Date of this return: 11/04/2015

SIC codes: 59111

Company Type: Private company limited by shares

Situation of Registered Office: 13 MANCHESTER SQUARE
 LONDON
 ENGLAND
 W1U 3PP

Source: <https://beta.companieshouse.gov.uk/company/07599096/filing-history>

Kishore Lulla is the Executive Chairman and a Director of EROS. Per an EROS 13D filed with the SEC, we see that the "principal business address of Kishore Lulla is 13 Manchester Square, London, UK W1U 3PP."^{xxii} EROS's web page also lists 13 Manchester Square as its UK headquarters:^{xxiii}

UNITED KINGDOM

Eros International Ltd.
 Milner House
 13 Manchester Square
 London W1U 3PP,
 UK
 Tel: + 44 (0) 207 935 2727
 Fax: + 44 (0) 207 935 5656
 Email for Business Queries:
 uk-business@erosintl.co.uk
 For Customer Queries & Complaints:
 customerservice2@erosintl.com

Source: http://erosplc.com/?page_id=35

Sajid Nadiadwala Productions LTD changed its address from 13 Manchester Square, London, UK to 27/28 Eastcastle Street, London, England W1W 8DH on 06/03/15. 27/28 Eastcastle Street appears to be the business address for MSP Chartered Secretaries, which is company that provides secretarial services to businesses in the UK.^{xxiv} We find it highly intriguing that this company changed its address AWAY from Eros headquarters just 6 days after Heffernan announced his resignation as CFO, taking a "leave of absence from the company in June."^{xxv}

Company Name: **SAJID NADIADWALA PRODUCTIONS LTD**
 Company Number: **07599096**



Received for filing in Electronic Format on the: **03/06/2015**

X48SD0BE

New Address Details

New Address: **27/28 EASTCASTLE STREET
 LONDON
 ENGLAND
 W1W 8DH**

Source: <https://beta.companieshouse.gov.uk/company/07599096/filing-history>

SAJID NADIADWALA PRODUCTIONS LTD

Registered Number 07599096

Abbreviated Balance Sheet as at 31 May 2015

| | Notes | 2015 | 2014 |
|---|-------|------------------|------------------|
| | | £ | £ |
| Current assets | | | |
| Debtors | | 1,628,970 | 2,004,355 |
| Cash at bank and in hand | | 5,982 | 7,344 |
| | | <u>1,634,952</u> | <u>2,011,699</u> |
| Creditors: amounts falling due within one year | | (1,657,379) | (2,031,229) |
| Net current assets (liabilities) | | <u>(22,427)</u> | <u>(19,530)</u> |
| Total assets less current liabilities | | <u>(22,427)</u> | <u>(19,530)</u> |
| Total net assets (liabilities) | | <u>(22,427)</u> | <u>(19,530)</u> |
| Capital and reserves | | | |
| Called up share capital | | 1,000 | 1,000 |
| Profit and loss account | | (23,427) | (20,530) |
| Shareholders' funds | | <u>(22,427)</u> | <u>(19,530)</u> |

- For the year ending 31 May 2015 the company was entitled to exemption under section 477 of the Companies Act 2006 relating to small companies.
- The members have not required the company to obtain an audit in accordance with section 476 of the Companies Act 2006.
- The directors acknowledge their responsibilities for complying with the requirements of the Act with respect to accounting records and the preparation of accounts.
- These accounts have been prepared in accordance with the provisions applicable to companies subject to the small companies regime.

Approved by the Board on 24 February 2016

And signed on their behalf by:
ASHOK t g ROVER, Director

Source: <https://beta.companieshouse.gov.uk/company/07599096/filing-history>

We see that by 2014-2015, Sajid Nadiadwala has built up a negative equity account of 22k GBP. Furthermore, note that Sajid Nadiadwala was audited by Grant Thornton when Dilip Chudasama signed off on the books, but when Grover took over, he used an exemption under section 477 of the Companies Act 2006 to avoid getting a third party audit at all!

Linking EROS's former CFO and former controller to Globus through Dhun Productions

Andrew Heffernan set up Dhun Productions in 2008:

APPOINTMENT of director or secretary
(NOT for resignation (use Form 288b) or change of particulars (use Form 288c))

Please complete in typescript, or in bold black capitals.
CHFP010

Company Number 6539450

Company Name in full DHUN PRODUCTIONS LIMITED

Appointment form

Date of appointment: Day 1, Month 0, Year 3, 2, 0, 0, 8
 Date of Birth: Day 0, Month 7, Year 0, 9, 1, 9, 6, 6

Appointment as director as secretary Please mark the appropriate box. If appointment is as a director and secretary mark both boxes

NAME * Style / Title _____ * Honours etc _____

Forename(s) ANDREW

Surname HEFFERNAN

Previous forename(s) _____ Previous surname(s) _____

Usual residential address 22 WESTBERE ROAD

Post town LONDON Postcode NW2 3SR

County / Region _____ Country _____

† Nationality BRITISH † Business occupation ACCOUNTANT

Source: <https://beta.companieshouse.gov.uk/company/06539450/filing-history>

On 11/18/08, Ajay Mavinkurve, controller of EROS from 2006-2013 until his resignation,^{xxvi} was also appointed as secretary of Dhun. Mysteriously, Mavinkurve resigned from the board the next day while Heffernan remained on the board for a few more years.

Company Name: DHUN PRODUCTIONS LIMITED

Company Number: 06539450

Received for filing in Electronic Format on the: 13/07/2009

New Appointment Details

Position: SECRETARY **Date of Appointment:** 18/11/2008

Name: MR. AJAY MAVINKURVE

Source: <https://beta.companieshouse.gov.uk/company/06539450/filing-history>

2 years later in 2010, we see that Mr. Mavinkurve and Mr. Heffernan have generously capitalized Dhun Productions with 1 share worth 1 GBP.^{xxvii}

| Statement of Capital (Totals) | | | |
|-------------------------------|-----|-------------------------------|---|
| Currency | GBP | Total number of shares | 1 |
| | | Total aggregate nominal value | 1 |

Full Details of Shareholders

The details below relate to individuals / corporate bodies that were shareholders as at 19/03/2010 or that had ceased to be shareholders since the made up date of the previous Annual Return

Source: <https://beta.companieshouse.gov.uk/company/06539450/filing-history>

On 3/20/11, Mr. Grover joins the board. Heffernan and Grover overlap on the Dhun board for just 11 days prior to Heffernan resigning and leaving Dhun Productions in Grover's hands:

Company Name: **DHUN PRODUCTIONS LIMITED** AKH9SU01

Company Number: **06539450**

Received for filing in Electronic Format on the: **10/05/2011**

New Appointment Details

Date of Appointment: **20/03/2010**

Name: **ASHOK TARACHAND GROVER**

Company Name: **DHUN PRODUCTIONS LIMITED** AKH9SU01

Company Number: **06539450**

Received for filing in Electronic Format on the: **20/04/2011**

Resignation Details

Date of resignation: **31/03/2011**

Name: **ANDREW HEFFERNAN**

Source: <https://beta.companieshouse.gov.uk/company/06539450/filing-history>

In May 2012, we learn that Grover has changed his country of residence from India to the UAE:

Original Name: **MR. ASHOK TARACHAND GROVER**

Date of Birth: **03/09/1956**

New Details

Date of Change: **05/03/2012**

Country/State Usually Resident: **UNITED ARAB EMIRATES**

Source: <https://beta.companieshouse.gov.uk/company/06539450/filing-history>

Despite the addition of Grover to the board, total paid in capital remains 1 GBP. In the 2013 annual return, we see Globus is officially recognized as Grover's address in the UAE. Thus, we believe that we have established a link between EROS, Heffernan, Grover, and Globus.

Type: Person
Full forename(s): ASHOK TARACHAND

Surname: GROVER

Former names:

Service Address: GLOBUS ENT FZE, FREE ZONE ENTITY BLOCK A-70, AJMAN
 PO BOX NO: 40295
 AJMAN
 UNITED ARAB EMIRATES

Country/State Usually Resident: UNITED ARAB EMIRATES

Date of Birth: 03/09/1956 *Nationality:* INDIAN
Occupation: BUSINESS

Source: <https://beta.companieshouse.gov.uk/company/06539450/filing-history>

Unlike with Rana Productions where Grover describes his occupation as being a "film producer," here Grover simply says he conducts "business." What type of "business" does Mr. Grover conduct? We now have presented multiple examples of how when Grover takes over, EROS directors (Chudasama and Heffernan) quickly resign from the board. Prior to Grover's addition to these boards, these EROS directors are responsible for signing off on company accounts. After Grover joins, he then signs off on the company accounts himself without using a third party auditor. As of the latest available financials for the year ending March 31, 2015, Dhun Productions has a negative equity account of 196,000 GBP. There is 36 GBP of cash on the balance sheet (we are not forgetting our units here; we mean 36, not 36 thousand or 36 million) and the only other assets are "intangible."

| DHUN PRODUCTIONS LIMITED | | Registered Number 06539450 | |
|---|-------|----------------------------|--------------------|
| Abbreviated Balance Sheet as at 31 March 2015 | | | |
| | Notes | 2015 | 2014 |
| | | £ | £ |
| Called up share capital not paid | | 1 | 1 |
| Fixed assets | | | |
| Intangible assets | 2 | 1,318,949 | 4,524,081 |
| | | <u>1,318,949</u> | <u>4,524,081</u> |
| Current assets | | | |
| Cash at bank and in hand | | 36 | 36 |
| | | <u>36</u> | <u>36</u> |
| Creditors: amounts falling due within one year | | (1,515,152) | (4,636,510) |
| Net current assets (liabilities) | | <u>(1,515,116)</u> | <u>(4,636,474)</u> |
| Total assets less current liabilities | | <u>(196,166)</u> | <u>(112,392)</u> |
| Total net assets (liabilities) | | <u>(196,166)</u> | <u>(112,392)</u> |
| Capital and reserves | | | |
| Called up share capital | | 1 | 1 |
| Profit and loss account | | (196,167) | (112,393) |
| Shareholders' funds | | <u>(196,166)</u> | <u>(112,392)</u> |

- For the year ending 31 March 2015 the company was entitled to exemption under section 477 of the Companies Act 2006 relating to small companies.
- The members have not required the company to obtain an audit in accordance with section 476 of the Companies Act 2006.
- The directors acknowledge their responsibilities for complying with the requirements of the Act with respect to accounting records and the preparation of accounts.
- These accounts have been prepared in accordance with the provisions applicable to companies subject to the small companies regime.

Approved by the Board on 14 December 2015

And signed on their behalf by:
Ashok T Grover, Director

Source: <https://beta.companieshouse.gov.uk/company/06539450/filing-history>

STRONG FUNDAMENTALS? EROSNOW APPEARS TO HAVE FAILED SPECTACULARLY

On the 6/10/15 fourth quarter 2015 earnings call, EROS Management described ErosNow as follows:

“Our pre-launch phase of ErosNow has been very successful, with 19 million registered users globally, up 35.7% from the 14 million registered users we announced in Feb 15. Our official launch marketing campaign will kick off this July and use the latest exclusive movie premieres like Tanu Weds Manu Returns and our original shows as marketing pegs.”

While ErosNow has existed as a small-time OTT application for years, we will use the July 2015 “official launch” campaign as a point of comparison using App Annie data to judge ErosNow’s success. The data suggests ErosNow has failed to gain traction and is falling further behind every day since the marketing push. ErosNow lags both Hotstar and Netflix in India.

Furthermore, the company disclosed registered user metric is both meaningless and misleading in our view. We believe that “Registered Users” have no meaningful correlation with users that can actually be monetized through subscriptions or advertising since the vast majority of them relate to the unrelated Techzone acquisition and cannot be easily migrate to ErosNow.

ErosNow – Download ranking has fallen precipitously since marketing surge in July 2015



Source: www.appannie.com

Hotstar – Undisputed leader in Indian OTT and consistently ranked #1 in downloads



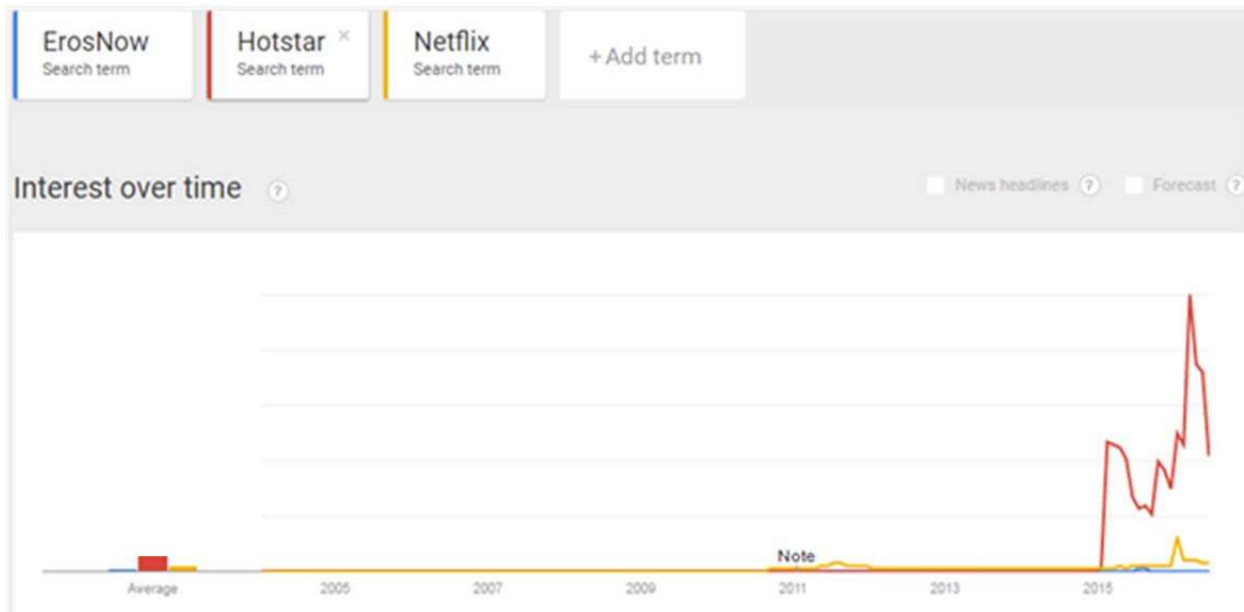
Source: www.appannie.com

ErosNow – There is really no international interest in this app. Note tepid response in the US and UK:



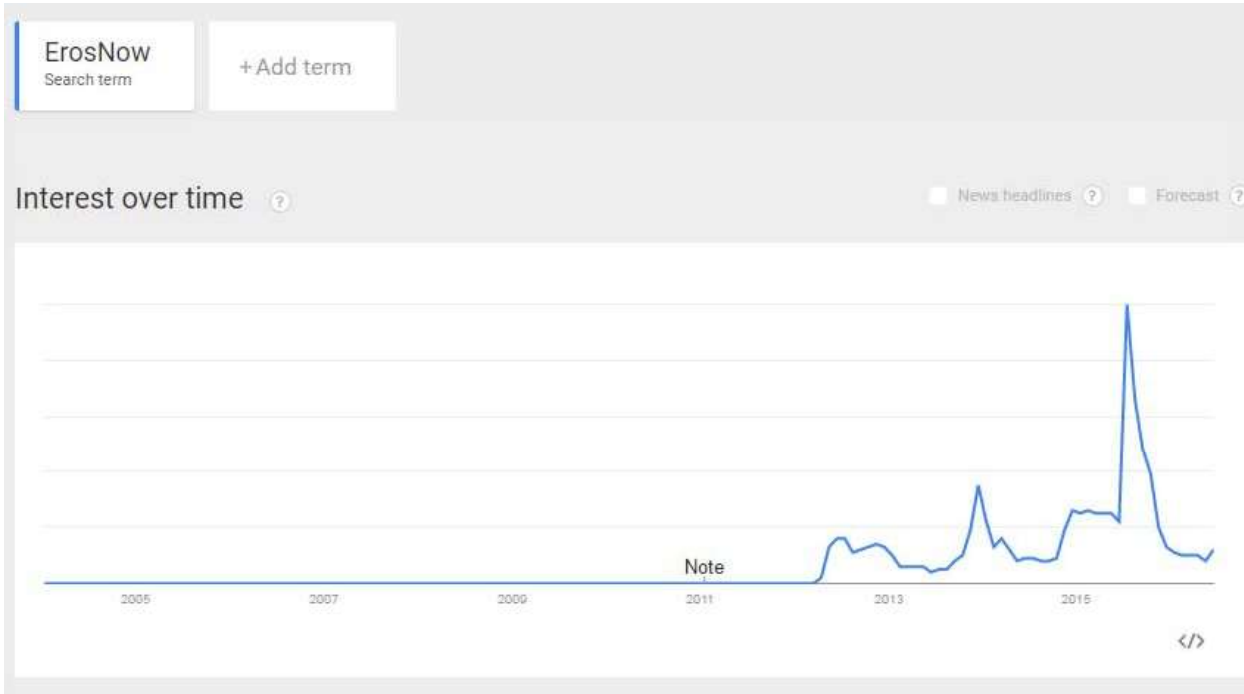
Source: www.appannie.com

Aside from App Annie, which tracks iPhone app downloads, another good way to track OTT usage is Google Trends, which tracks Google searches. We see almost no one is Googling ErosNow in India, there isn't much interest in Netflix either. Hotstar dominates Indian OTT.



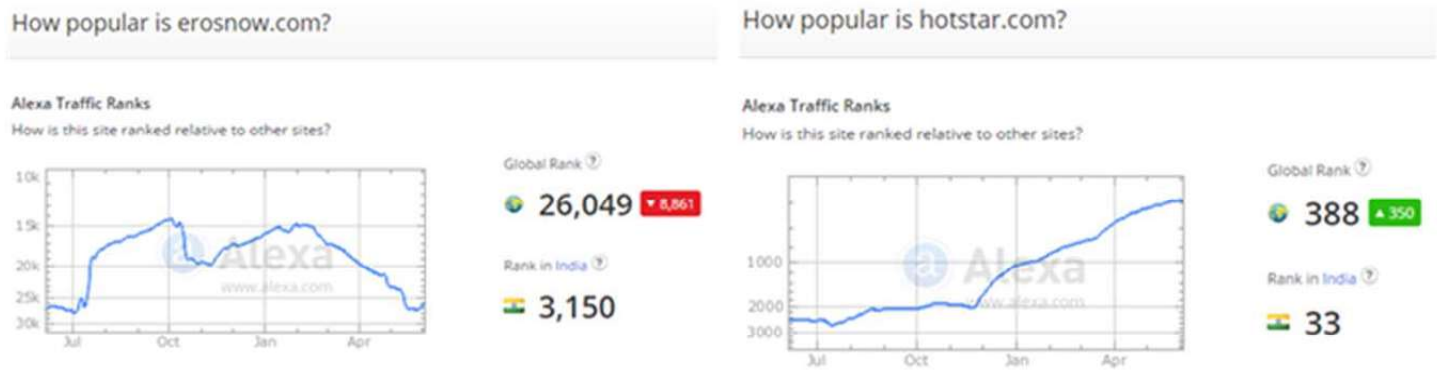
Source: www.google.com/trends/

Ignoring the significance of Hotstar (owned by FOX) and focusing solely on Eros Now, we see even the tiny interest that ErosNow has today among Indian consumers is declining:



Source: www.google.com/trends/

A third way to measure the success of ErosNow is looking at webpage views. Utilizing Alexa.com, we see that the small number of users clicking through to Erosnow.com is declining, while hotstar.com continues its ascent.

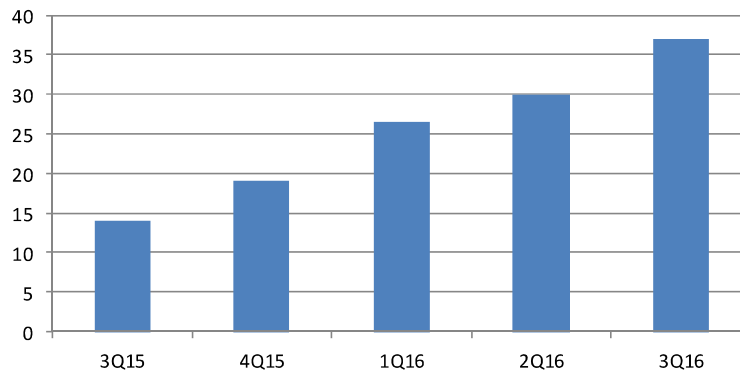


Source: Alexa.com

Erosnow.com is declining and ranked only the 3,150th in India in terms of web page traffic compared to 33rd for Hotstar. ErosNow.com is not a destination, but rather appears to be largely irrelevant in the eyes of Indian consumers.

Of course, EROS management tells investors to not focus on the indisputable 3rd party data from Apple, Google, and its own website, but rather to focus on the growth in its “registered user” count, which continues to grow:

Total Registered Users (MM)



Source: EROS Earnings Call Transcripts

We would encourage investors to take note of EROS's Techzone acquisition disclosure from the 2015 20-F:

In February 2015 we executed a definitive agreement to acquire a controlling stake in Techzone, a Mobile Value Added Services ("MVAS") provider for telecom operators based in India, for an undisclosed sum. This acquisition is subject to certain conditions precedent apart from customary legal, regulatory and financial requirements.

Techzone is an aggregator, developer and distributor of entertainment content via mobile platforms in India. Techzone is particularly focused on the Bollywood films and music markets and has significant region- specific content in Tamil and Telugu. The company has relationships and billing integration with major telecom networks in India to distribute its content and also has its own "Mobile Shortcode" 56060. Techzone makes its content available to end- users via various methods such as caller ring- back tones (CRBT), mobile radio, short message service (SMS), wireless application protocol (WAP) and interactive voice response (IVR).

Techzone has completed an average of 25 million SMS, WAP or IVR transactions per month over the past three years across 12 major telecom operators in India for which it bills the customers directly through its billing platform. This excludes CRBT transactions which are also marketed and distributed by Techzone but billed by the telecom operators directly. In a given month, a single customer may engage in multiple transactions.

With 944 million mobile subscribers (including over 60 million internet enabled smart phones) in India in 2014, we believe that Techzone will be a strong addition to our Eros Now strategy to increase distribution of content through digital platforms.

Source: EROS 2015 20-F

As EROS disclosure indicates, Techzone makes its content, which includes ringtones, wallpapers, and song audio files, available via CRBT, SMS, WAP, and IVR. We believe Techzone is a legacy platform that is not capable streaming full video files or enabling the download of the Eros Now smart phone application. Many Techzone users are using feature phones, rather than smart phones anyways.

From our own independent research on Techzone's business model, which included speaking with two former Techzone employees, we do not believe that Techzone itself has access to its detailed customers billing or contact information. This data is considered to be valuable information by the telco companies and is not typically shared with third party service providers like Techzone. We believe that most of EROS's registered users are merely Techzone users, and that "cross selling" these users to download the Eros Now smartphone application is a significant challenge. This dynamic is likely why despite Techzone having a large user base, we have not seen any significant adoption of Eros Now in the third party data we highlighted above from AppAnnie, Google, and Alexa.

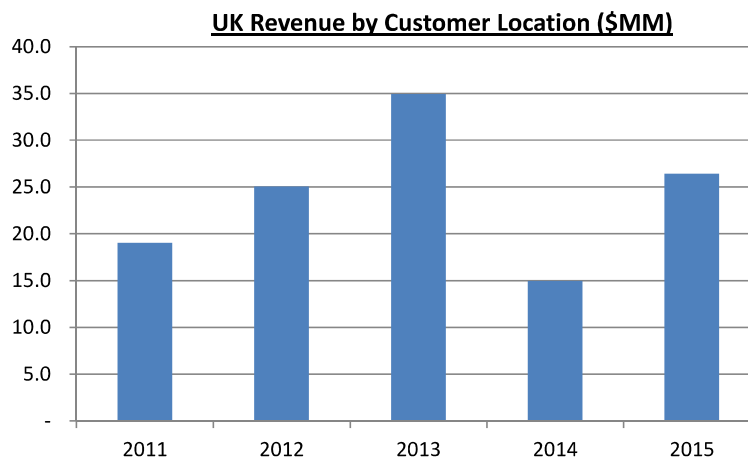
3rd PARTY DATA INDICATES THAT UK REVENUE MAY BE OVERSTATED

EROS prefers Rentrak measurements statistics over Indian sources like Boxoffice India and boasts industry leading market share in markets like the UK. As EROS Management described on the 11/17/15 second quarter 2016 earnings call:

“The box office reporting sources in India are websites, which is helpful data although not audited by any third-party sources like Rentrak. With over 1,000 films releasing in India each year, these websites mainly focus on Hindi films, and largely don't report the box office of regional language films, which is an integral part of our strategy... We typically get 50% of the net box office revenue as our share of theatrical revenue on a sliding scale basis.”

We found the UK Rentrak data for 2011-2013, which validates EROS's leading market share claim, but at the same time reveals that UK revenues may be seriously overstated.

EROS has reported an average of \$24MM of UK revenue in each of the last 5 years:



Source: EROS 20-F Filings

The \$24MM average annual revenue compares to the \$9-11MM revenue we estimate for EROS annually between 2011-2013 based on British Film Institute aggregated box office data that itself leverages Rentrak data. Below we lay out the BFI data that validates EROS market share claims, but indicates that UK revenue is likely overstated. Even including Ayngaran, which should already be included in the Eros Indian subsidiary results rather than the UK revenue segment within EROS PLC (see Appendix), we believe that UK revenue may be overstated.

In the below analysis we utilize Rentrak data for 2011-2013 EROS box office, a 50% revenue split per EROS's 2Q16 earnings call transcript disclosure, and then gross up theatrical revenues by assuming that theatrical represents 45% of total UK geographic segment revenues, which is in line with the total company average over 2011-2013.

| <u>Estimated EROS UK Revenue Build</u> | <u>2011</u> | <u>2012</u> | <u>2013</u> |
|---|--------------------|--------------------|--------------------|
| EROS UK Box Office | 5.8 | 5.5 | 4.2 |
| Ayngaran UK Box Office (1) | <u>0.8</u> | <u>0.5</u> | <u>1.3</u> |
| Total UK Box Office (GBP) | 6.6 | 6.0 | 5.5 |
| Total UK Box Office (USD) | <u>9.9</u> | <u>9.0</u> | <u>8.3</u> |
| EROS Take of Box Office - 50% | 5.0 | 4.5 | 4.1 |
| <i>Estimated Theatrical Revenue as % of Total</i> | 45% | 45% | 45% |
| Estimated Total UK Revenue (USD) | 11.0 | 10.0 | 9.2 |

(1) No in top 10 in 2012 so assumed to have revenue slightly below #10 studio

Table 9.4 Top 10 distributors of foreign language films in the UK and Republic of Ireland, 2013
(ranked by box office gross)

| Distributor | Number of films released in 2013 | Average widest point of release | Box office gross (£ million) |
|------------------------|----------------------------------|---------------------------------|------------------------------|
| Eros International | 19 | 39 | 4.2 |
| UTV Motion Pictures | 7 | 66 | 3.9 |
| Yash Raj Films | 4 | 49 | 2.9 |
| Curzon Film World* | 12 | 20 | 2.4 |
| Ayngaran | 22 | 13 | 1.3 |
| eOne Films | 2 | 79 | 1.2 |
| Tip Top Entertainment | 7 | 27 | 1.0 |
| Pathé | 3 | 36 | 0.9 |
| Soda Pictures | 12 | 15 | 0.8 |
| Reliance Entertainment | 4 | 50 | 0.7 |

Source: Rentrak, BFI RSU analysis

Table 9.4 Top 10 distributors of foreign language films in the UK and Republic of Ireland, 2012
(ranked by box office gross)

| Distributor | Number of films released in 2012 | Average widest point of release | Box office gross (£ million) |
|-----------------------|----------------------------------|---------------------------------|------------------------------|
| Eros International | 16 | 48 | 5.5 |
| Yash Raj Films | 3 | 58 | 3.1 |
| Momentum | 6 | 75 | 2.7 |
| UTV Motion Pictures | 9 | 41 | 2.5 |
| Artificial Eye | 17 | 18 | 2.3 |
| StudioCanal | 12 | 14 | 1.2 |
| Reliance Big Pictures | 2 | 44 | 0.9 |
| Metrodome | 6 | 23 | 0.7 |
| New Wave | 8 | 15 | 0.6 |
| Soda Pictures | 11 | 14 | 0.6 |

Source: Rentrak, BFI RSU analysis.

Table 9.2 Top 10 distributors of foreign language films in the UK and Republic of Ireland, 2011
(ranked by box office gross)

| Distributor | Films released in 2011 | Average widest point of release | Box office gross (£ million) |
|-----------------------|------------------------|---------------------------------|------------------------------|
| Eros International | 16 | 39 | 5.8 |
| Reliance Big Pictures | 6 | 41 | 3.5 |
| StudioCanal/Optimum* | 14 | 23 | 2.8 |
| Artificial Eye | 9 | 22 | 1.9 |
| 20th Century Fox | 3 | 80 | 1.9 |
| UTV Motion Pictures | 6 | 35 | 1.5 |
| B4U Network | 12 | 15 | 1.3 |
| Ayngaran | 17 | 10 | 0.8 |
| Yash Raj Films | 2 | 38 | 0.6 |
| Soda Pictures | 8 | 10 | 0.5 |

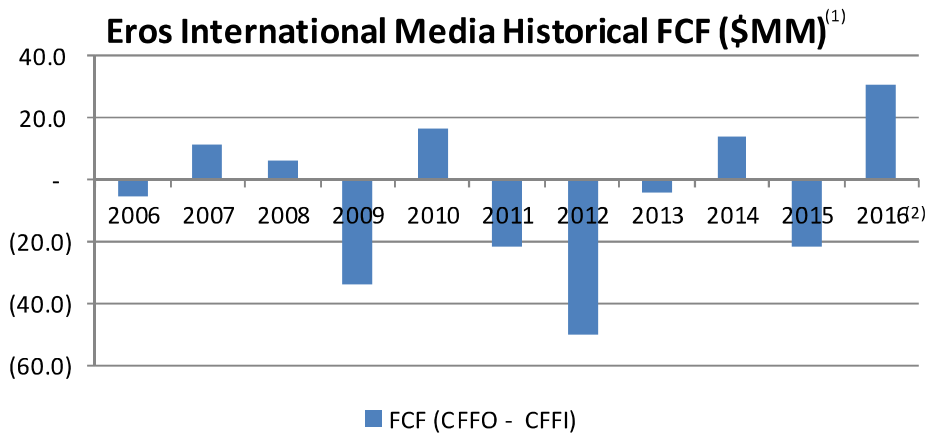
Source: Rentrak, BFI RSU analysis.

Concluding Thoughts on Valuation

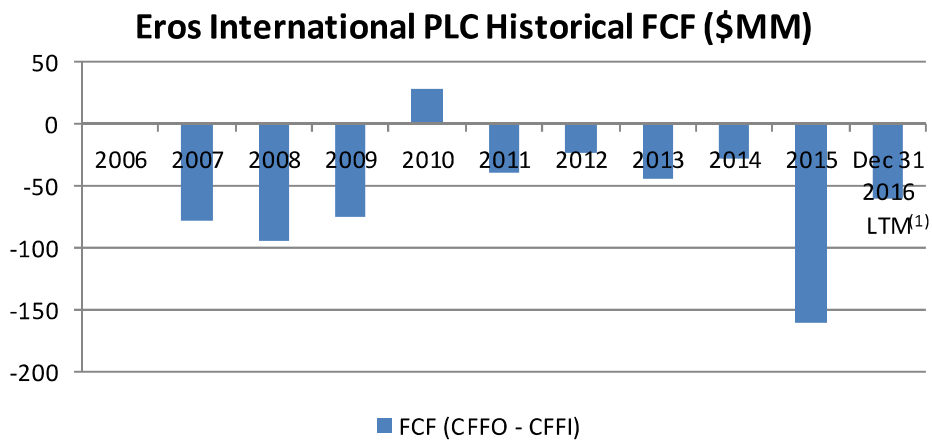
With the release of the Indian subsidiary results last week, EROS appears to be taking a victory lap for reducing working capital in the latest quarter that has resulted in a short term boost to free cash flow. We would highlight for investors that the long term FCF generation track record of this business is terrible. EROS is under a lot of pressure right now to show free cash flow, and in the short term, we believe that cash collection can be managed, but in the coming quarters the historical lack of FCF generation will likely repeat itself as short term fixes wear thin. Over the last 11 years, Eros International Media has generated negative 3 billion rupees, or negative ~\$59MM USD, of free cash flow. For Eros International PLC (EROS), we do not have fourth quarter 2016 FCF numbers yet, but the entity has burned an amazing \$578MM cumulatively inception to date through the third quarter of 2016!

Despite the broader market improvement in the second quarter of 2016, EROS's publicly traded bonds are still trading at a ~15% yield up from 7% in October 2015, indicating that the debt markets view EROS PLC to be in serious financial distress. Given poor business fundamentals, the lack of long term FCF generation, and the large net debt position with bonds trading below 70 cents on the dollar, we are deeply concerned with EROS's prospects.

There is a large disconnect between how equity and credit investors are valuing EROS's prospects, and we strongly agree with the creditors' valuation, which implies a \$0.00 per share price for EROS's equity in our view.



(1) Historical annual average INR / USD FX rate utilized to translate INR based FCF to USD
 (2) FY2016 net debt reduction used as proxy for FCF given full cash flow statement has not yet been released
 Source: Capital IQ



(1) LTM FY2016 FCF as of 12/31/15 since full year FY2016 figures are not yet available
 Source: Capital IQ

APPENDIX: A Review of EROS's Current UAE Revenue by Customer Location and Receivable Disclosure

While we have made a number of new revelations regarding potential undisclosed related party entities in the UK and UAE, it is an important exercise to also review the state of the current UAE revenue recognition controversy and what EROS has said in response to anonymous bloggers.

On October 30th, 2015, Alpha Exposure published a report^{xxviii} highlighting several concerns relating to the integrity of EROS's financials. Perhaps the most alarming concern for investors has been the unexplainable growth in UAE revenue and ballooning receivables. From FY2014 to FY2015, revenue by customer location from the UAE grew by 127% to \$103.8MM while the total receivable balance grew by 74% to \$215.4MM. Total revenue grew by only \$48.7MM, compared to the absolute UAE revenue growth by customer location of \$58.2MM and a growth in receivables of \$91.7MM. EROS as is an Indian movie producer and distributor, and as the majority of the Indian movie industry revenue is unsurprisingly generated in India, it is further alarming that EROS's Indian revenue by customer location declined \$8.1MM to \$109.5MM in FY2015 while UAE revenue and receivables were spiking.

On November 2nd, 2015, EROS responded via press release^{xxix} to the anonymous allegations. The company assured investors that receivables would decline to 50-55% of FY2016 revenue compared to 76% of revenue in FY2015. EROS claimed that ~\$50MM of the overall increase in receivables related to the overall increase in revenue growth and that the company had granted extended payment terms to customers amounting to \$31.2MM of receivables from FY2014 to FY2015. EROS stated that it creates "preferred partnerships with select parties" in various international geographies and will extend "preferred payment terms" as incentives to those partners that generate profitable results.

OUR INTERPRETATION: EROS merely broke the receivables growth into two core buckets, but did not actually disclose any useful information about the legitimacy of the source of the revenue or receivables growth. We learned nothing about the legitimacy of the "preferred partnerships" as none of these parties were disclosed.

With regards to UAE revenue, EROS said that:

- "Many sub-distributors exploiting Indian content in international territories have companies set up in UAE, British Virgin Islands or similar tax-friendly jurisdictions. The geographic reported revenue in accordance with IFRS as per company or customer domicile does not always represent the end market where the content is being consumed. Having given context to the definition of "UAE Receivables" as reported, note that India revenues from its international subsidiaries would be reported as Rest of the World revenues. If India has licensed any rights to its parent, the Company's UAE subsidiary, which in turn has exploited it with any third party, the Company would report it as Rest of the World revenues and within that UAE if applicable."

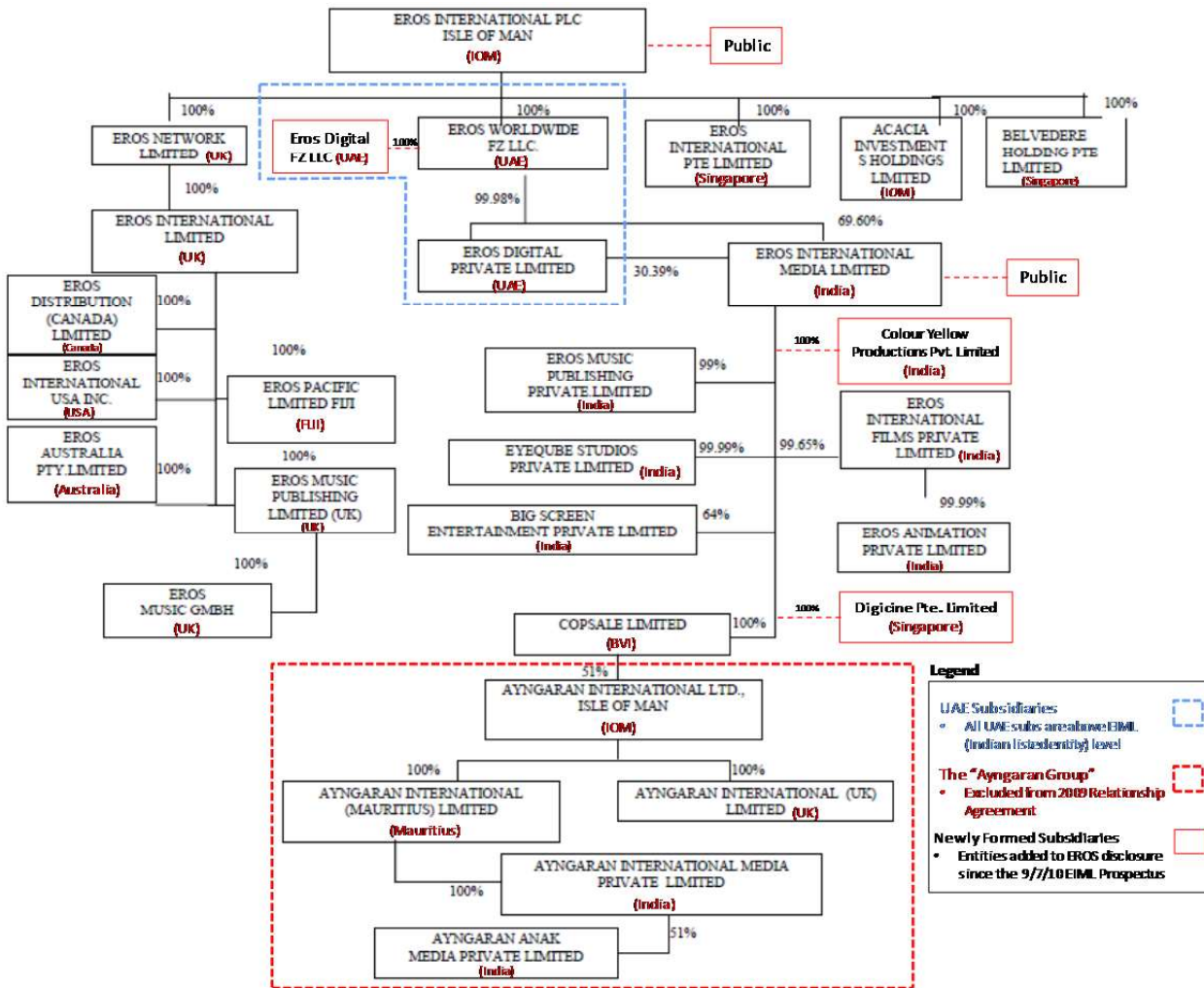
OUR INTERPRETATION: We believe that EROS is saying that some of its Indian and international customers have entities set up in the UAE for tax reasons, but no specific customers utilizing such a tax strategy are disclosed. Importantly, note that per the 12/16/2009 Relationship Agreement between Eros International Media Limited (the Indian listed entity), Eros International PLC (the US listed entity), and Eros Worldwide FZ LLC (the UAE subsidiary of Eros International PLC), we know that Eros International PLC, the international licensing arm of the Eros structure, would be forbidden from licensing the company's Indian film content to customers based in India. Per the agreement:

- “For the abundance of clarity, the Eros India Group shall retain the Film Rights and the India Television Rights for all Indian Films within the Territory.”

Thus, if Indian customers are indeed licensing films from EROS for the Indian market even using UAE tax entities, this revenue should largely be recognized by Eros International Media rather than Eros International PLC. The only Eros International Media Limited subsidiary excluded from the Relationship Agreement is Ayngaran. Per the agreement:

- For the avoidance of doubt, the Eros India Group shall exclude Ayngaran International Limited and its subsidiaries (the “Ayngaran Group”)

See below for the diagram of EROS’s corporate structure per the 9/7/10 prospectus, which was released prior to EIML’s October 2010 IPO in India. As described in the legend in the bottom right of the diagram, we have highlighted EROS’s UAE subsidiaries, the “Ayngaran Group”, and also the new subsidiaries that EROS has added to the corporate structure since the IPO, which was the last time we have seen the full corporate structure formally disclosed. Further disclosure on the added entities is available in Exhibit 8.1 of the EROS 2014 20-F.



Source: EROS 2014 20-F, Spotlight Research

In its regulatory filings, EROS discloses revenue by customer location (where EROS customers are located) and by group domicile (where the EROS subsidiary is located). We see the explosion in UAE revenue over the last 3 years coupled with the decline in revenues generated in India:

| <u>Revenue by Customer Location</u> | <u>2011</u> | <u>2012</u> | <u>2013</u> | <u>2014</u> | <u>2015</u> |
|--|--------------------|--------------------|--------------------|--------------------|--------------------|
| India | 108.3 | 136.9 | 135.3 | 117.6 | 109.5 |
| % Change | | 26.4% | -1.2% | -13.0% | -6.9% |
| Europe | 21.8 | 26.9 | 35.1 | 22.2 | 27.1 |
| UK | 19.0 | 25.1 | 34.9 | 15.0 | 26.4 |
| Remaining Europe | 2.8 | 1.8 | 0.2 | 7.3 | 0.7 |
| North America | 8.6 | 8.4 | 12.7 | 14.0 | 19.1 |
| Rest of the World | 25.9 | 34.3 | 32.2 | 81.6 | 128.5 |
| UAE | 3.3 | 6.3 | 14.5 | 45.6 | 103.8 |
| % Change | | 88.1% | 130.0% | 215.6% | 127.4% |
| Remaining RoW | 22.6 | 28.0 | 17.8 | 35.9 | 24.7 |
| Total Revenue | 164.6 | 206.5 | 215.3 | 235.5 | 284.2 |

| <u>Revenue by Domicile of Group's Operation</u> | <u>2011</u> | <u>2012</u> | <u>2013</u> | <u>2014</u> | <u>2015</u> |
|--|--------------------|--------------------|--------------------|--------------------|--------------------|
| India | 81.3 | 113.6 | 128.0 | 125.1 | 110.0 |
| % Change | | 39.7% | 12.7% | -2.3% | -12.0% |
| Europe | 44.5 | 41.8 | 31.5 | 21.2 | 29.5 |
| UK | NA | NA | 25.6 | 21.0 | 29.5 |
| Remaining Europe | NA | NA | 5.9 | 0.2 | - |
| North America | 5.1 | 10.5 | 10.8 | 13.6 | 10.0 |
| Rest of the World | 33.7 | 40.6 | 45.1 | 75.6 | 134.6 |
| UAE | NA | NA | 32.6 | 54.5 | 80.3 |
| % Change | | | | 67.2% | 47.4% |
| Remaining RoW | NA | NA | 12.5 | 21.2 | 54.4 |
| Total Revenue | 164.6 | 206.5 | 215.3 | 235.5 | 284.2 |

Source: EROS 20-F Filings

Analyzing the company's financials in conjunction with the above diagram, we draw the following conclusions:

1. In accounting for "Revenue by Customer Location," any revenue generated by the "Ayngaran Group" from UAE customers would be included in EROS UAE revenues at the Eros PLC level. However, all other licensing revenues for the India domestic market for customers using the UAE as a tax haven would still be included in EIML revenue subject to the terms of the Relationship Agreement. EIML is domiciled in India.
2. In accounting for "Revenue by Domicile of Group's Operation," all revenue generated must by definition be generated at the EROS UAE subsidiary level.

Thus, even if the entire \$23.5MM difference between 2015 UAE revenue by customer location and UAE revenue by Domicile was accounted for by Ayngaran, UAE revenue would still be growing at 47% in 2015. However, the total "Ayngaran Family" only generated ~\$18.9MM USD in revenue in 2015, up from only \$4.5MM in 2014, and Ayngaran revenue was down \$7.1MM from 2013 to 2014 when UAE revenue by customer location rose \$31.2MM from 2013 to 2014.

| <u>The "Ayngaran Family" Revenue (in INR MMs)</u> | <u>2012</u> | <u>2013</u> | <u>2014</u> | <u>2015</u> |
|--|--------------------|--------------------|--------------------|--------------------|
| Ayngaran International Limited (IOM) | - | 216.3 | - | - |
| Ayngaran International Limited (Mauritius) | 234.6 | 312.9 | 15.4 | 252.1 |
| Ayngaran International Limited (UK) | 327.4 | 95.3 | 132.2 | 299.5 |
| Ayngaran International Media Private Limited (India) | 182.4 | 5.8 | 118.6 | 602.9 |
| Ayngaran Anak Media Private Limited (India) | <u>5.2</u> | <u>3.5</u> | <u>6.5</u> | <u>3.4</u> |
| Total "Ayngaran Family" Revenue (in INR MMs) | 749.6 | 633.8 | 272.7 | 1,157.8 |
| Historical INR / USD FX Rate | 48.01 | 54.36 | 60.35 | 61.15 |
| Total "Ayngaran Family" Revenue (in USD MMs) | 15.6 | 11.7 | 4.5 | 18.9 |

Source: EROS 20-F Filings and Eros International Media Annual Filings

We can safely conclude that the Ayngaran family is likely not the source of the large uptick in UAE revenues that has occurred over the last 3 years. Therefore, ruling out Ayngaran, we believe that there are no other legitimate sources of Indian domestic revenue that should be lumped into the UAE revenue category.

Sources:

A note on links from Companies House: If for whatever reason any of the links included in this document are not functioning, simply search for the name of the desired entity from the Companies House landing page:

<https://beta.companieshouse.gov.uk/>

After selecting the desired entity from the search results, simply navigate to “Filing history” or “Officers” tabs for more information and links to the actual company filings and financials.

ⁱ http://erosplc.com/?page_id=515

ⁱⁱ http://erosplc.com/?page_id=513

ⁱⁱⁱ <https://beta.companieshouse.gov.uk/company/07459867/filing-history>

^{iv} <http://www.erosintl.com/Eros-In-News/rana.aspx>

^v <http://www.indiantelevision.com/release/y2k11/apr/aprrel32.php>

^{vi} <http://www.mumbaimirror.com/entertainment/bollywood/Rana-to-finally-take-off/articleshow/33921082.cms>

^{vii} <http://www.movietalkies.com/movies/crew/20154/rana>

^{viii} [https://en.wikipedia.org/wiki/Rana_\(film\)](https://en.wikipedia.org/wiki/Rana_(film))

^{ix} <http://www.imdb.com/name/nm0707425/>

^x <http://phx.corporate-ir.net/phoenix.zhtml?c=201012&p=irol-newsArticle&ID=2131864>

^{xi} <https://beta.companieshouse.gov.uk/company/07459867/filing-history>

^{xii} <https://beta.companieshouse.gov.uk/company/03934248/officers>

^{xiii} <https://beta.companieshouse.gov.uk/company/03934248/officers>

^{xiv} <https://beta.companieshouse.gov.uk/company/02382637/officers>

^{xv} <https://beta.companieshouse.gov.uk/company/05985133/officers>

^{xvi} <https://beta.companieshouse.gov.uk/company/05985133/officers>

^{xvii} <http://globusentfze.co/movie.html>

^{xviii} http://www.erosintl.com/Eros-In-News/Eros-International-s-RANA-_2_10_11.aspx

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^{xx} <https://beta.companieshouse.gov.uk/company/07599096/filing-history?page=1>

^{xxi} https://en.wikipedia.org/wiki/Sajid_Nadiadwala

^{xxii} <http://www.sec.gov/Archives/edgar/data/1532981/000117152015000375/eps6301.htm>

^{xxiii} http://erosplc.com/?page_id=35

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^{xxvi} <https://uk.linkedin.com/in/ajay-mavinkurve-82126212>

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