

#raanjhananow#gogoagonenow@sainow
#rknow@newagebollywood
#instantmoviegratification
@bollywoodrocks#iwantmymovienow
@blockbuster#bollyflick@lettheshowbegin
@mindblowingmovies#foronlineviewingonly
#goingforgreater@fastforward
#nowshowing@nextchange#comingattractions
@redcarpet @worldpremiere #megahits
@actionnow@lightscameraaction
#gimmehbo#charttoppers@hitlist
@movieonthego#coolflick
@worldwiderelease@boxoffice
#officialtrailer@movieonmyphone
#digitalexcellence#myprivatescreening
@hidef#mustwatch@musthave
#bollywoodanywhere@moviebuff
#hbodefined#somebodygetthepopcorn@erosnow
#raanjhananow#gogoagonenow@sainow
#rknow@newagebollywood
#instantmoviegratification
@bollywoodrocks#iwantmymovienow
@blockbuster#bollyflick@lettheshowbegin
@mindblowingmovies#foronlineviewingonly
#goingforgreater@fastforward
#nowshowing@nextchange#comingattractions
@redcarpet @worldpremiere #megahits
@actionnow@lightscameraaction
#gimmehbo#charttoppers@hitlist
@movieonthego#coolflick
@worldwiderelease@erosnow

#WehavegottheworldtalkingaboutIndianentertainment



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Forward-looking Statements

In this Annual Report, we have disclosed forward-looking information to enable investors to comprehend our prospects and take investment decisions. This report and other statements – written or oral – that we periodically make, contain forward-looking statements that set out anticipated results based on the management's plans and assumptions. We have tried wherever possible, to identify such statements by using words such as 'anticipate', 'estimate', 'expects', 'projects', 'intends', 'plans', 'believes', and words of similar substance in connection with any discussion of future performance.

We cannot guarantee that these forward-looking statements will be realised, although we believe we have been prudent in assumptions. The achievements of results are subject to risks, uncertainties, and even inaccurate assumptions. Should known or unknown risks or uncertainties materialise, or should underlying assumptions prove inaccurate, actual results could vary materially from those anticipated, estimated, or projected. Readers should keep this in mind. We undertake no obligation to publicly update any forward-looking statements, whether as a result of new information, future events or otherwise.



#WehavegottheworldtalkingaboutIndianentertainment

We capture the world's imagination through engaging entertainment and hence not just sustain, but grow our leadership across platforms, formats and geographies.

Our creativity informs and inspires people, delights and defines trends from largest to the smallest screen globally. In our effort to showcase the best of entertainment to our viewers, we leverage technologies that are cutting edge and strategies that are industry leading.

#TheLeadershipJourney*

#1977

Began acquiring **international IP rights** for **Indian** content

#1981

Early adopter of **DVD distribution**

#1982-1998

Established global **distribution** network **outside** India

#1999

Launch of **first** digital **Bollywood TV network**

#2006

First Indian **media** company to list on **AIM**
First to **adopt** vertically **integrated** model

#2007-2008

SVOD agreement **with** Comcast
Launch of **You Tube** channel
Ayngaran Tamil **acquisition**

#2010-2013

Listed Eros **International** Media **Limited** (EIML) on
the **BSE** and **NSE**
Digital distribution **channels: HBO Asia** and **ErosNow**
Listed on **NYSE** Euronext

* Eros Group

A man wearing a white turban and a light-colored shirt, looking slightly to the right. The image is overlaid with a semi-transparent orange filter.

In 2014, Eros International was listed among Forbes Asia's 200 'Best under a Billion' Companies.

Entry into the premium television space with HBO via an exclusive partnership. The two premium channels HBO defined and HBO hits offer an ad free experience with a growing foothold over the premium television market.

The launch of 'ErosNow' online SVOD service (add in two models; premium and freemium).

#LeadershipContinued

69 films **in** multiple **languages** were **released** during **FY 2013-14**

1,200+ films **library** & **digital** rights to additional **700+** films

220+ films **released** over **last** three **years**, largest **scale** among **Indian** studios

40%+ market **share** in **key** international **markets**, such **as** USA **and** UK, **through** our **parent** Eros **Plc**





Released 37 Hindi films (FY2013-14), 30 Hindi films (FY2012-13) and 27 Hindi films (FY 2011-12)

First Indian Media Company to get listed on the NYSE with successful listing of parent company

4 out of top 10 in CY 2013 grossing films, 2 out of top 10 in CY 2012 and 4 out of top 10 in CY 2011 were Eros films

#Creating Greater Stakeholders Value

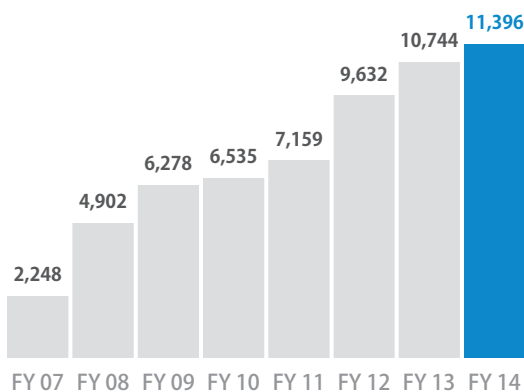
Key Performance Indicators (Consolidated)

Total Income grew from ₹10,743.5 Million in FY 2012-13 to ₹11,396.4 Million in FY 2013-14 Up by 6.1%

PBT (Profit Before Tax) grew from ₹ 2,170.0 Million in FY 2012-13 to ₹ 2,670 Million in FY 2013-14 Up by 23.0%

Revenue

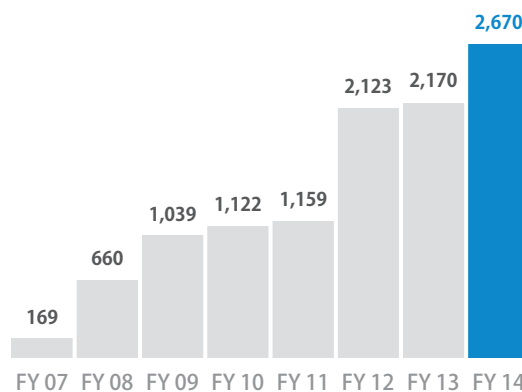
(₹ in Million)



7-year CAGR **26.1%**

Profit Before Tax

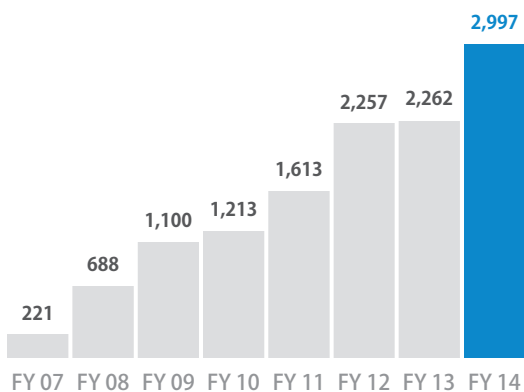
(₹ in Million)



7-year CAGR **48.3%**

EBIT

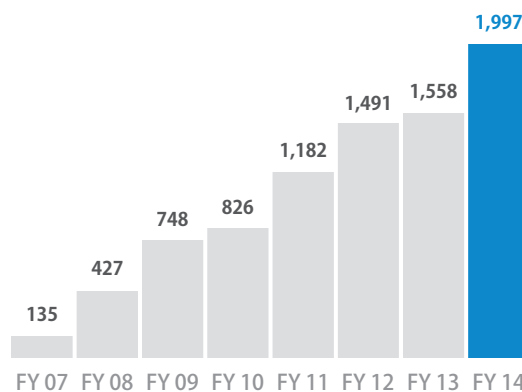
(₹ in Million)



7-year CAGR **45.1%**

Profit After Tax

(₹ in Million)



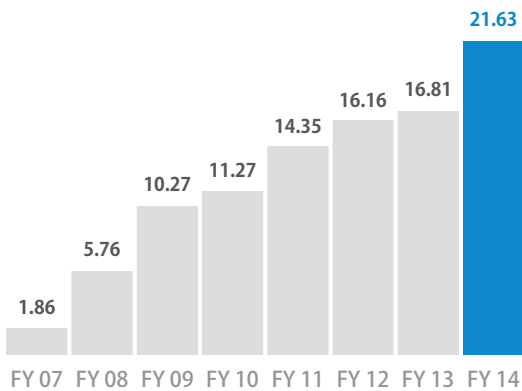
7-year CAGR **71.4%**

PAT (Profit After Tax) grew from ₹ 1,545.3 Million in FY 2012-13 to ₹ 1,996.9 Million in FY 2013-14 Up by 29.2%

Diluted EPS (Earnings per share) grew from ₹ 16.81 in FY 2012-13 to ₹ 21.63 in FY 2013-14 Up by 28.7%

Diluted EPS

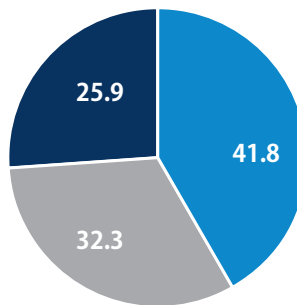
(₹)



7-year CAGR **63.3%**

Diversified Revenue Mix

(%)

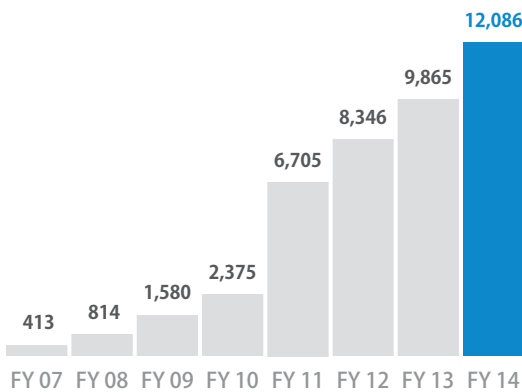


(₹ in Million)

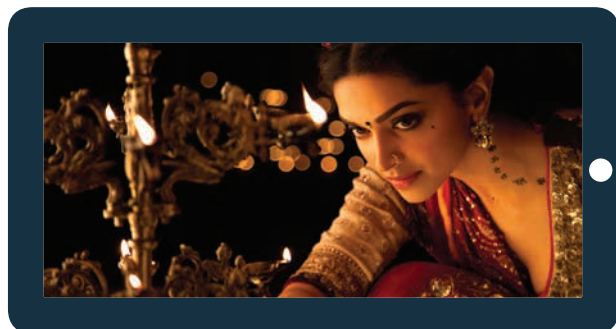
| | |
|------------|-------|
| Theatrical | 4,749 |
| Overseas | 2,934 |
| Others | 3,664 |

Networth

(₹ in Million)



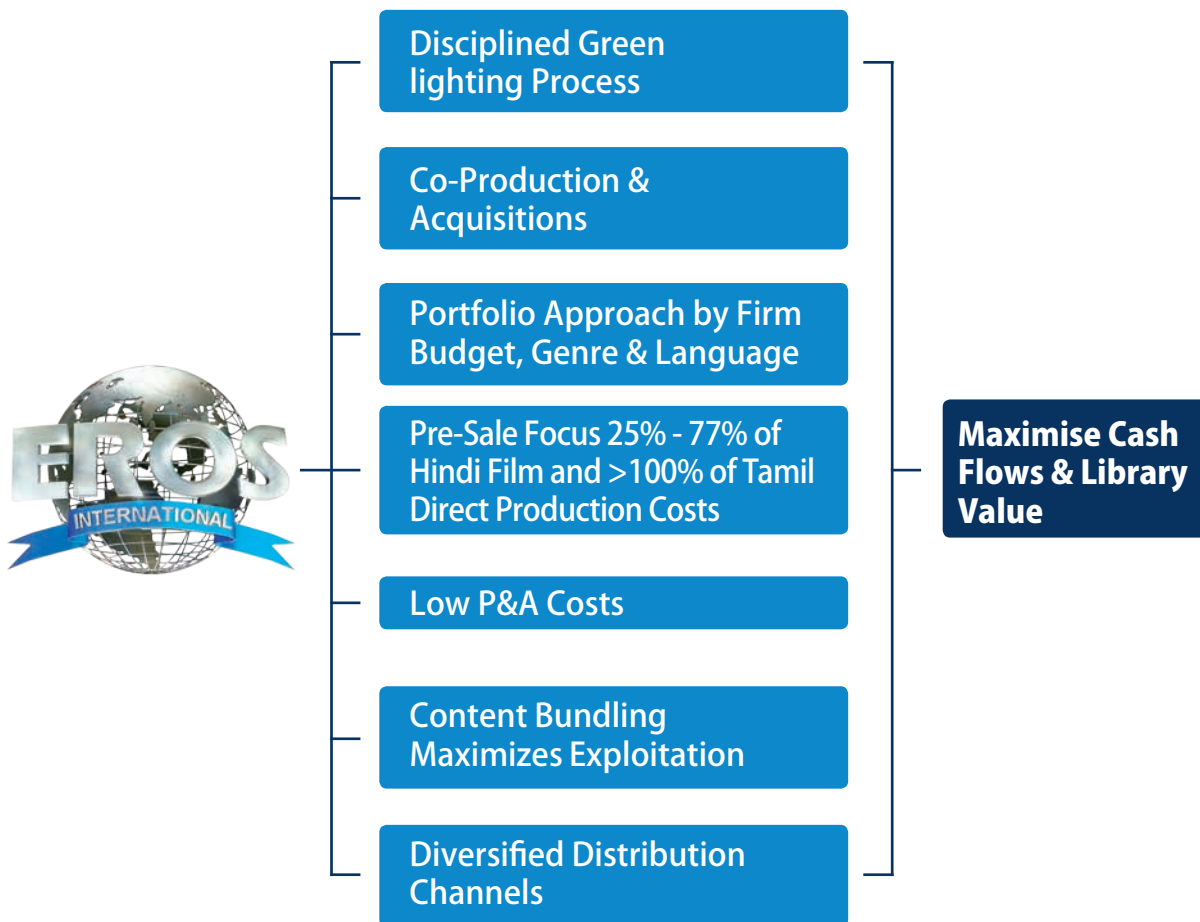
7-year CAGR **62.0%**



#SustainableBusinessModel...

We create refreshing and engaging content for consumers across geographies and platforms, in order to deliver sustainable and attractive returns for stakeholders.

CONTENT STRATEGY MITIGATES RISK AND MAXIMIZES CASH FLOW



1. DISCIPLINED GREEN-LIGHTING PROCESS

Our films have consistently been appearing in 'Top 10 Films' at the box office owing to our disciplined and well-defined green-lighting process of acquiring filmed content, which is executed by a professional team, along with the Executive Board of Directors. We evaluate films on multiple parameters, including creative, financial and estimated ROI.

2. CO-PRODUCTION AND ACQUISITIONS

Content acquisition is executed largely through co-production and acquisition deals.. We will continue to leverage the long-standing relationships with creative talent, production houses and other key industry participants that we have built since our inception to source a wide variety of content. Through Co-production we get IPR for perpetuity and through acquisition we get IPR for 15-25 years or perpetuity as per the deal specific.



3. WORLDWIDE DISTRIBUTION

We distribute our films to the Indian population in India, the South Asian diaspora and to non-Indian consumers, who view subtitled or dubbed Indian films. Internationally, we distribute through our parent Eros International Plc, with a network spanning over 50 countries, such as, the United States of America, United Kingdom and throughout the Middle East, where we distribute films to Indian expatriate populations. We additionally distribute across Germany, Poland, Russia, Romania, Indonesia, Malaysia, Taiwan, Japan, South Korea, China and Arabic speaking countries, where we release Indian films that are subtitled or dubbed in local languages.

Through this global distribution network, we distribute content over the multiple distribution channels such as theatrical, television syndication and digital platforms. Our internal distribution network allows us greater control, transparency and flexibility over the regions in which we distribute our films. This strategy results in higher profit margins as a result of the direct exploitation of our films without the payment of significant commissions to sub-distributors.

4. PORTFOLIO APPROACH BY FILM BUDGET, GENRE AND LANGUAGE

The portfolio approach is one of the key strategies we follow consistently. We select our content with utmost care to minimise potential risks to the business. We are also building a diverse film slate as part of our strong portfolio approach, with a mix of films by budget, language and genre that reduces our reliance on fewer talent, market volatilities and the so called 'Hit film' business and scale our business operations efficiently.

5. PRE-SALE FOCUS

We follow a pre-sales focused strategy for covering production costs for 25% to 77% of Hindi films and more than 100% of Tamil Direct Production costs. A focused approach towards pre-sales is a consistent strategy that strengthens our balance sheet. We consciously try to pre-licence our carved out rights to various channel partners in order to de-risk the business model and thereby secure cash.

6. LOW P&A COSTS

The print and advertising costs are well planned with respect to size, scale and



genre of the film. The P&A costs are not very high and are just about 10% to 15% of the production cost of the films in case of large budget films as against very high P&A investments in Hollywood films.

7. **CONTENT BUNDLING MAXIMISES EXPLOITATION**

A Content bundling approach helps us to effectively monetise. This broad-based approach enables us to bundle old and new titles for our television and digital distribution channels to generate additional revenues long after a film's theatrical release. Bundling often includes a mix of A, B and C category films, helping us to fully monetise our library.

8. **DIVERSIFIED DISTRIBUTION CHANNELS** **Theatrical - Multiplex and Standalone Theatres**

The Indian theatrical market is comprised of both multiplex and single screen theatres and is divided into thirteen circuits. We directly distribute the films ourselves in major circuits such as Mumbai, Delhi, Punjab and Mysore and through sub-distributors in other circuits.

With continual increase in digital distribution, we anticipate reduction in our print and distribution costs. Further the digital distribution also protect against the unauthorised copying, preventing revenue leakages from piracy.

We anticipate that as additional multiplex screens are built in India, there will be increased opportunities to exploit our film content theatrically. The multiplex theatre growth coupled with the rise in ticket prices and increased footfalls will result in increased revenue.

Television Syndication - satellite, television broadcasting, cable television and terrestrial television

Television pre-sales in India are an important factor in enhancing revenue predictability for our business.

We license Indian film content to satellite television broadcasters operating in India. We have also licensed content for major Indian television channels such as Sony, the Star Network and Zee TV. Additionally, we entered into direct licensing agreements with Viacom 18 Media Private Limited (Colors) and Multiscreen Media Private Limited (Sony) that cover a range of library titles.

The windowing for satellite premiere's is typically 3-6 months post release. However, as part of our collaboration with HBO Asia, new releases will be provided to HBO Defined and HBO hits in the first window post theatrical release.

We also offer some of our films through DTH service providers, but we have also licensed these rights with the satellite TV rights to satellite channel providers.

As the number of DTH subscribers increase in India, we anticipate that we will have an opportunity to license directly for DTH exploitation. We have also provided content to regional cable operators. The Indian telecom networks and DTH platforms are expanding their services, and we are beginning to see an increased interest for video on demand in India. We also sub-license some of our films for broadcast on Doordarshan, the sole terrestrial television broadcast network, which is government owned.

We are beginning to see early signs of growth in cable television licensing. We believe that as the cable industry migrates towards digital technology and moves toward consolidation, cable television licensing will represent a more significant revenue stream for our business.

Digital Distribution - IPTV, VOD and internet channels

Our global network for the digital distribution of our content consists of full length films, music, music videos, clips and other video content. This enables us to capitalise on changes in consumer demand by early adoption of new formats and services enabling us to capture above average market share and increased revenue via digital distribution.

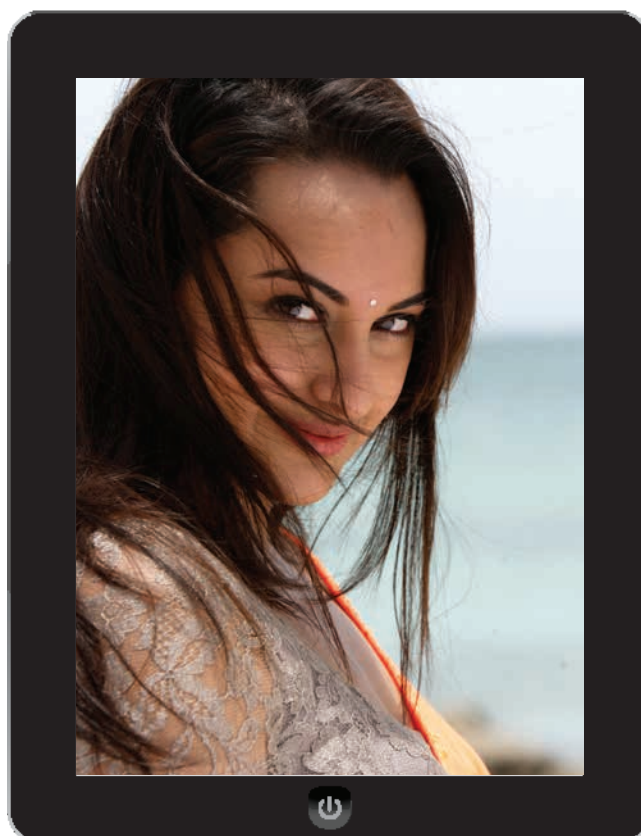
We distribute content primarily in IPTV, VOD (including SVOD and DTH) and online internet channels. Our film content is distributed in various dubbed or subtitled formats, driven by consumer or regional market preferences.

With a significant portion of the Indian and international population rapidly moving toward digital technology, we are increasing our focus on providing on-demand services, although the platforms and strategies differ by region.

We currently supply internet streaming ad-supported sites such as ErosNow YouTube channel with short form film and audio visual content where we have exceeded 2.3 billion views to date, since our launch and have over 2.3 million free subscribers.

In August 2012 we launched ErosNow, our on-demand entertainment portal accessible across all internet enabled devices.

We continue to entertain generations in a platform agnostic manner. We consistently strive to be on the forefront of technology to bring big screen entertainment at your fingertips.



#Formulating *Long-term* **Growth Plan**

A sustainable growth blueprint is a prerequisite for long term value creation for stakeholders. We continue to revisit and recalibrate our strategies in a dynamic industry landscape, characterised by changing viewer aspirations, technological platforms and the regulatory scenario nationally and internationally.

We are focusing on higher margin revenues through higher monetisation from our film library, small-to-medium budget films are generating higher profitability and our strategies are converting our library to cash and thus generating higher free cash flows. We also aim to have efficient working capital cycle and are managing content capex at optimum levels to ensure higher cash flow generation.



15% of the overall revenue during FY 2013-14 was from library monetisation

1. EXPANDING CATALOGUE MONETISATION

With more than 1,200 titles of films and digital rights to additional 700-plus films, the film library is our biggest strength. Our strategy is to expand and maximise the monetisation of our library. The income from the film library is increasing every year and we intend to maintain our focus on high and medium budget films and augment our film library with quality content for exploitation through our distribution channels and explore new bundling strategies to monetise existing content.

Our film library allows us to monetise satellite licensing and DVD compilations efficiently, as we are able to bundle and package several films together, instead of exploiting the films on an individual basis. We generate high margins by licensing new film releases and Library films to television channels in this manner.

We have diverse content, which is constantly growing due to the addition of our new releases as well as further library acquisitions. The film library includes classics and super-hit Hindi film titles, such as Mother India, Devdas, Hum Dil De Chuke Sanam, Rangeela, 1942-Love Story, Om Shanti Om, Heyy Babyy, Namastey London, Lage Raho Munna Bhai, Love Aaj Kal, De Dana Dan, Housefull and many other films. Tamil titles in our library include Alaipayuthey, Kandukondain, Kandukondain, Boys, Sivaji, Billa, Aagan, Adhavan among others.

To further unlock value of the film library and augment cash flow, we have initiated the following key strategies.

(A) Eros-HBO Asia exclusive tie-up

The Eros-HBO collaboration was one of the most significant deals for the company that was announced in December 2012. Two unique premium advertising free channels showcasing Hollywood and Indian film language content were launched namely 'HBO Defined' and 'HBO Hits'.

The channels are now launched on almost all DTH platforms including Tata Sky and Dish and also on major cable platforms. The initial response from the subscribers has surpassed the expectations and signals a positive momentum.

HBO Asia and Eros will both provide content in the first window after theatrical release to these two channels.

This tie-up is inline with companies key strategy to expand monetisation of its large film library.

(B) EROS NOW-Entertainment on the go

We expanded our digital presence with the launch of our online entertainment service ErosNow, which leverages our music and film libraries as well as acquired third party content. We offer customers two packages: a 'free' ad-supported

option and a 'premium' subscription-based offering. Our premium pack is differentiated not only by an ad-free experience but also access to more content and features.

ErosNow has systematically aggregated content across the industry to further enhance our online offering. Our service is fully comprehensive and includes music from labels such as T-Series and

films from production houses such as Viacom, UTV and Dharma. We have also introduced catch-up TV from satellite TV broadcasters Zee TV and Colours TV. ErosNow currently boasts a selection of over 1,000 movies and music videos and prime and catch up television content of Zee, colours and Hum, and continues to increase at a rapid trajectory.

Our presence in the market over the past year has grown with visibility across all major mobile platforms (iOs, Android) as well as across smart TV's and connected devices to ensure broad reach of our service. We have also entered into partnerships with cable providers in India, including 'Broadband Movies' in collaboration with Hathway Cable and Datacom.

Our proposed acquisition of Techzone, a mobile VAS company with an average of 30m transactions monthly, will further our digital reach within India. Techzone's deep expertise in digital content promotion and strong relationships with telcos will allow ErosNow to become a differentiated content provider in the high-growth Indian mobile market.

ErosNow's digital footprint allows us to target not only the Indian market but also 50+ countries where there is significant demand for Indian-themed entertainment. Our service is customised by geography and tailored to fit audience demands - including the South Asian diaspora as well as international audiences with an interest in Indian entertainment.



2. EXTENDING CONTENT DISTRIBUTION TO NEW OVERSEAS AUDIENCES

We have a relationship agreement with our parent Eros International Plc. Under this agreement, we sell rights for all our films at a predetermined markup over cost. Through Eros International Plc, we distribute our content to consumers

ErosNow currently boasts a selection of over 1,000 movies and music videos

in more than 50 countries. We believe there is a huge potential for Indian filmed entertainment globally. Therefore, we intend to promote and distribute our films in additional countries and further expand our distribution network in the existing countries. For example, we have entered into arrangements with local distributors in Taiwan, Japan, South Korea and China to distribute dubbed or subtitled ourfilms through theatrical release, television broadcast or DVD release.

3. EXPAND OUR REGIONAL INDIAN CONTENT OFFERINGS

We plan to expand non-Hindi content offerings to reach the substantial Indian population whose main language is not Hindi. While Hindi films retain a broad appeal across India, the diversity of languages within India allows us to treat regional language markets as distinct markets where particular regional language films have a strong following. In FY 2013-14, we increased our Tamil global releases to eight films, compared to three films in FY 2012-13.

In FY 2013-14 out of 4 high budget films one high budget film was Telugu film. We have planned one high budget Tamil film and one high budget Telugu film for FY2014-15 in addition to our high budget Hindi films. In addition to Tamil and Telugu, we plan to expand our content for selected regional languages, such as Marathi and Punjabi. We intend to use our

existing distribution network across India to distribute regional language films to specific territories. Where opportunities are available and where we have the rights, we also intend to exploit re-make rights to some of our popular Hindi movies into non-Hindi language content targeted towards these regional audiences.

4. INCREASING MONETISATION THROUGH SMALL TO MEDIUM BUDGET FILMS AS FOCUSED STRATEGY

We have demonstrated our ability to successfully market small and medium budget films that generate significant profitability, in films such as Vicky Donor, English Vinglish and Raanjhanaa among others. Therefore, as part of our strategy going forward, we will step up investments in small and medium budget films with innovative and engaging content. These films will be marketed and distributed like large films, thus providing higher potential to monetise and secure higher profitability.

#Executive Vice Chairman and Managing Directors Message



SUNIL LULLA | *Executive Vice-Chairman and Managing Director*

Dear Shareholders,

Aspirations and ambition pave the way for a nation's socio-economic development. The desire to perform better and deliver excellence in all spheres of life drives India's billion-plus population today. And India's 'dreaming and daring' is nowhere more aptly showcased than the Media and Entertainment (M&E) industry. The industry mirrors the country's innate potential to emerge as a frontrunner global economic force, with strong institutions and civil liberties.

The business environment for the Indian Film Industry remains bullish and it is growing at a CAGR of around 12%. Many structural initiatives such as digitisation, growing regional media, increasing screens and ticket prices together provide significant headroom for further growth. Domestic theatrical revenue

increased significantly by 47%, to ₹ 125.3 billion in FY 2013-14, compared to ₹ 85.1 billion in FY 2012-13. This along with increasing corporatisation of the film industry, larger multiplex expansion in Tier 2 and Tier 3 cities/towns, favourable demographics and increasing disposable income will enable the media and entertainment sector to mature further. Such a scenario augurs well for Eros and other industry participants.

As industry frontrunners, the more we accelerate its growth, the more people across the country can be made aware of contemporary issues of national or global importance, be educated, entertained and integrated with the world beyond.

We have taken certain strategic initiatives, such as ErosNow for online content distribution and

We continue to maintain a strong movie pipeline, expand avenues for content monetisation and maintain strong relationships with prominent production houses

collaboration with HBO Asia for two premium television channels. We have received highly encouraging response for ErosNow and are excited about its future prospects with an ever increasing target audience.

Some of our major releases during FY 2013-14 included 'Jai Ho', 'Goliyon Ki Rasleela-Ramleela', 'Raanjhanaa', 'One Nenokkadine' (Telugu), 'Krrish 3' (overseas), 'Yeh Jawaani Hai Diwani' (overseas) and Grand Masti.

In FY 2013-14, we registered a strong performance across multiple revenue streams. Our consolidated income grew from ₹ 10,743.5 million in FY 2012-13 to ₹ 11,396.4 million in FY 2013-14, an increase of 6.1% year on year. Our strategy to focus on a diversified mix of high, medium and low budget movies, emphasis on regional language films, along with monetisation of our film library across various platforms has enabled us to deliver strong performance. We also monetised movie rights by selling them to satellite channels in the year. We signed deals with MSM networks for broadcast of films on Sony as well as with Viacom 18 Media Private Limited for broadcast of films on Colours. We also benefited from the box office linked bonus over the minimum guarantee fees from satellite licensing deals for Ram-Leela and R. Rajkumar.

The EBIT increased from ₹ 2,262.2 million in FY 2012-13 to ₹ 2,997.1 million in FY 2013-14. The net profit after tax grew from ₹ 1,545.3 million in FY 2012-13 to ₹ 1,996.9 million in FY 2013-14.

We continue to maintain a strong movie pipeline, expand avenues for content monetisation and maintain strong relationships with prominent production houses. Moreover, we follow a de-risked operating model and minimise risks by pre-selling television, music, digital and overseas rights.

Engaging and innovative content, along with advanced technology and the best of creative talent and ideas have helped us to elevate cinematic excellence to unparalleled levels. We are proud of the creative endeavour of our team.

Business priorities do not dilute our focus to work for communities with equal passion. We promote the cause of education and training in a modest manner. Our group through Lulla Foundation partners with Pratham (India's largest education-focused NGO) in its two Eros Excellence projects and continues to benefit children by giving their parents guidance and support. The Foundation also funds training for rural volunteers, who dedicate their time and effort to the schools in return for extra educational training in IT and English language skills.

Over the years, we have accomplished encouraging milestones in the business as well as in the social sphere. We are confident that positive economic trends, our industry leadership and our ability to monetise our extensive film library will enable us to create long-term value for all stakeholders. On the back of a robust and well-funded movie slate scheduled for FY 2014-15 and beyond, we expect to deliver strong financial performance in the coming years.

We are excited about India's future potential and that of our industry, which reflects the dynamism and optimism of a nation on the move.

Warm Regards,

Sunil Lulla

Executive Vice-Chairman and Managing Director

#FilmPipeline **#Films***that continue to wow audiences...*

We enjoy enduring relationships with multiplex owners, movie stars, producers and distributors. These relationships help us entertain a wide cross-section of audiences by virtue of innovative and engaging content.



BUILDING SCALE

Our portfolio of new films each year is the result of a planned mix of films and tie-up with top-tier talent. We generally co-produce our big budget films, where in we agree on the script, cast, main crew, budget and cash flow as per a detailed shooting schedule with a well-known co-producer. We bring together the right talent, script, budget and cash flow and then allow the co-producer to produce the film in accordance with mutually agreed parameters. We also acquire films produced by various production houses, based on a mutually negotiated market price.

FILMS FROM DIVERSE GENRE

The content pipeline for FY 2014-15 and beyond also looks exciting and we would continue to wow diverse audiences across the world.

#EngagingContentfor2014-15andBeyond

Some of the selective names from our content pipeline comprise the following:

| Film Name | Star Cast/(Director) | Tentative Release (Fiscal Year) |
|--|--|---------------------------------|
| Kochadaiiyaan (Tamil, Telugu, Hindi and other languages) | Rajinikanth, Deepika (Soundarya Rajinikanth) | FY15 |
| Happy Ending | Saif All Khan, Ileana D'Cruz (Raj &DK) | FY15 |
| NH10 | Anushka Sharma (Navdeep Singh) | FY15 |
| Action Jackson | Ajay Devgan, Sonakshi Sinha (Prabhu Dheva) | FY15 |
| Tevar | Arjun Kapoor, Sonakshi Sinha, Manoj Bajpayee (Amit Sharma) | FY15 |
| Badlapur | Varun Dhawan, Nawazuddin Siddiqui (Sriram Raghavan) | FY15 |
| Shamitabh | Dhanush, Amitabh Bachchan (R Balki) | FY15 |
| TWM 2 | R. Madhavan, Kangana Ranaut (Anand Rai) | FY15 |
| Aagadu (Telugu) | Mahesh Babu, Tamannaah (Srinu Vaitla) | FY15 |
| Uttama Villain (Tamil) | Kamal Hasan (Ramesh Aravind) | FY15 |
| Rajini Murugan (Tamil) | Siva Karthikeyan | FY 15 |
| Bajirao Mastani | Ranvir Singh , Deepika Padukone (Sanjay Leela Bhansali) | FY16 |
| Shivay | Ajay Devgan | FY16 |
| Farzi | Shahid Kapoor (Raj & DK) | FY16 |
| Gabbar Singh 2 (Telugu) | Pawan Kalyan | FY16 |
| Ankhen 2 | Amitabh Bacchan | FY16 |
| Penzoa | Kajol (Ajay Devgan productions) | FY16 |
| Untitled | Varun Dhawan (Rohit Dhawan) | FY16 |
| Dr. Cable | Vinay Virmani, Kumal Nayar, Adrienne Palicki (Jean Francois) | FY16 |
| To be decided | To be decided (Navdeep Singh) | FY16 |
| To be decided | To be decided (Vetri Maran) | FY16 |
| To be decided | To be decided (Siddharth Malhotra) | FY16 |
| To be decided | To be decided (Rahul Dholakia) | FY16 |
| Untitled (Tamil) | Vikram | FY16 |
| Untitled | Saif All | FY16 |
| Untitled | To be decided (Sohaib Mansoor) | FY16 |
| Banjo | Ritesh Deshmukh (Ravi Jhadav) | FY16 |
| Rana (Tamil) | Rajnikanat, Deepika Padukone (S. Ravikumar) | FY16 |

#CorporateSocialResponsibility



The Company's Corporate Social Responsibility (CSR) vision is to make concerted efforts towards promotion of education amongst the underprivileged and women empowerment.

Though our primary area of focus for CSR activities would remain education and women empowerment; the Company is committed to undertake CSR activities in accordance with the provisions of Section 135 of the Indian Companies Act 2013 and related Rules.

The Board of Directors of the Company has set up the CSR Committee consisting of Mr. Naresh Chandra, Chairman and Non Executive Independent Director, Mr. Kishore Lulla, Executive Director, Mr. Sunil Lulla, Executive Vice Chairman and Managing Director and Ms. Jyoti Deshpande, Executive Director of the Company to develop long term vision and strategy for the Company's CSR objective as stated above.

The CSR Committee shall establish relevance of potential CSR activities core business and create an overview of activities to be undertaken in line with Schedule VII of the Companies Act, 2013.

The Eros International Group has partnered with Pratham, India's largest education focused NGO and set up two Eros Excellence projects. This project serves 100 villages at Tapi district in Gujarat and 100 villages at Sindhudurg district in Maharashtra. The primary objective is to provide advanced learning and teaching support for communities from disadvantaged sections of society to enable them to improve their lives.

IMPACT

- # Benefiting children by training their parents and teachers with further educational support and guidance.
- # Funding training of rural volunteers who teach in schools in return for extra educational training in IT and English language.

FUTURE INITIATIVES

- # Set up or support educational facilities for students (aged between 2 and 16).
- # Provide basic medical care for the community.

#Awards... #Recognitionfortopperformance...

FILMFARE AWARDS 2013

- # **Best Actress**
Deepika Padukone (Goliyon Ki Raasleela Ram-Leela)
- # **Best Actress in a Supporting Role**
Supriya Pathak Kapur (Goliyon Ki Rasleela Ram-leela)
- # **Best Choreography**
Samir and Arsh Tanna – Lahu Muh Lag Gaya (Goliyon Ki Raasleela Ram-Leela)
- # **Best Debut – Male**
Dhanush (Raanjhanaa)



APSARA FILM PRODUCERS GUILD AWARDS 2014

- # **Special Award-Red FM Bajaate Raho Dialogue of The Year**
Himanshu Sharma (Raanjhanaa)
- # **Best Art Direction**
Rashid Khan (Goliyon Ki Rasleela Ram-leela)
- # **Best Singer – Female**
Bhoomi Trivedi 'Ram Chahe Leela' (Goliyon Ki Rasleela Ram-leela)
- # **Best Costume Design**
Maxima Basu & Anju Modi (Goliyon Ki Rasleela Ram-leela)
- # **Best Performance in a Negative Role**
Bhoomi Trivedi 'Ram Chahe Leela' (Goliyon Ki Rasleela Ram-leela)

SCREEN WEEKLY AWARDS 2014

- # **Screen Best Supporting Actress**
Swara Bhaskar (Raanjhanaa)
- # **Screen Award for Best Actress**
Deepika Padukone (Goliyon Ki Raasleela-Ramleela)
- # **Most Popular Actress Female**
Deepika Padukone (also includes her work in Chennai Express and Yeh Jawaani Hai Deewani)
- # **Best Costume Design**
Anju Modi and Maxima Basu (Goliyon Ki Rasleela Ram-leela)
- # **Best Production Design**
Wasiq Khan (Goliyon Ki Rasleela Ram-leela)
- # **Best Cinematography**
S. Ravi Varman (Goliyon Ki Rasleela Ram-leela)

4TH DADA SAHEB PHALKE FILM FESTIVAL-2014

- # **Best Visual Effects**
Go Goa Gone
- # **Best Actor**
Dhanush (Raanjhanaa)
- # **Best Director**
Aanand L. Rai (Raanjhanaa)
- # **Best Music**
Sanjay Leela Bhansali (Goliyon Ki Rasleela Ram-leela)
- # **Best Supporting Actress**
Supriya Pathak (Goliyon Ki Rasleela Ram-leela)
- # **Best Supporting Actor**
Mohameed Zeeshan(Raanjhanaa)

ZEE CINE AWARDS

- Winner for Popular Award Category for
- # **Best Actress in a Supporting Role**
Swara Bhaskar(Raanjhanaa)
Tied with Divya Dutta for Bhaag Milkha Bhaag (2013)
 - # **Best Debut – Male**
Dhanush (Raanjhanaa)
 - # **Best Actor In A Negative Role**
Supriya Pathak (Goliyon Ki Rasleela Ram-leela)
- Winner for Technical Award Category
- # **Best Dialogue**
Himanshu Sharma (Raanjhanaa)

#BoardofDirectors



1. Naresh Chandra

Non Executive Chairman and Independent Director

- # Master's degree in Science from the Allahabad University;
- # Former civil servant, he joined the Indian Administrative Services in 1956;
- # In December 1990, became the Cabinet Secretary; served as Senior Advisor to India's Prime Minister;
- # Honoured with the Padma Vibhushan in 2007.

2. Dr. Shankar Nath Acharya

Independent Director

- # Bachelors' degree in Politics, Philosophy and Economics from Oxford University in 1967 and earned a Doctorate in Economics from the Harvard University in 1972;
- # Served as Economic Advisor to the Union Finance Ministry;
- # Chief Economic Advisor to the Government of India;
- # Member of the Prime Ministers' Economic Advisory Council (2001-03) and member, Twelfth Finance Commission(2004).

3. Dhirendra Swarup

Independent Director

- # Government certified Public Accountant and a Fellow of the Institute of Public Auditors of India, and has a post graduate degree in Humanities;
- # Former civil servant, served as a Secretary, Ministry of Finance, Government of India;
- # 43 years' experience in finance, budgeting, audit, public policy, public investments, project appraisal, evaluation of schemes and programmes of the Government of India;
- # Associated with the International Monetary Fund between 1993 and 2007.

4. Sunil Lulla

Executive Vice Chairman and Managing Director

- # Bachelor's degree in Commerce from Mumbai University;
- # 20 year-plus business experience; instrumental in developing the Eros India Group;
- # Valuable relationships with the wide talent pool of the Indian film industry.



5. Kishore Lulla

Executive Director

- # Group Executive Chairman of Eros International Plc;
- # Bachelor's degree in Arts from Mumbai University;
- # More than 30 years of experience in the media and film industry;
- # Member of the British Academy of Film and Television Arts and Young Presidents' Organisation and a Board member for the School of Film at the University of California, Los Angeles;
- # Honoured at the Asian Business Awards 2007 and the Indian Film Academy Awards 2007 for his contribution in taking Indian cinema global;
- # Instrumental in spearheading our growth and expanding our presence in the United Kingdom, the U.S., Dubai, Australia, Fiji and other international markets.

6. Jyoti Deshpande

Executive Director

- # Group Chief Executive Officer and Managing Director of Eros International Plc;
- # Bachelor's degree in Commerce and Economics and a Masters in Business Administration from Mumbai University;
- # Over 20 years of experience in the media and entertainment industry;
- # Previously worked in advertising with J. Walter Thompson, India before moving to the UK in 1997 where she was a senior consultant with MindShare, U.K.;
- # Part of the core team that founded B4U Television Network in the UK in 1998-99 and managed its expansion to other parts of the world in a span of two years;
- # With Eros Group since 2001, instrumental in helping Eros Plc list on the AIM in July 2006 and Eros International Media Limited on Indian Stock Exchanges in October 2010.

7. Vijay Ahuja

Executive Director

- # Group Executive Vice Chairman of Eros International Plc;
- # Bachelor's degree in Commerce from Mumbai University;
- # Co-founder of Eros International Plc's UK business in 1988; instrumental in implementing the key international strategies of Eros, helping expand the business to its present scale by making a significant contribution to developing the South East Asian markets (Singapore, Malaysia, Indonesia and Hong Kong).





#GovernanceReports

Directors' Report

To,

The Members

The Board of Directors are pleased to present the Twentieth Annual Report of your Company along with the standalone and consolidated Audited Accounts for the financial year ended 31 March, 2014.

1. FINANCIAL RESULTS

The summary of standalone and consolidated operating results for the year ended 31 March, 2014 and appropriation of divisible profits is stated below:

(₹ in Lakhs)

| Particulars | Eros International Media Limited (Standalone) | | Eros International Group (Consolidated) | |
|--|---|---------|---|---------|
| | 2013-14 | 2012-13 | 2013-14 | 2012-13 |
| Sales and other Income | 85,929 | 93,322 | 113,964 | 107,435 |
| Profit Before tax | 18,514 | 17,902 | 26,697 | 21,700 |
| Less: Provision for Tax | 7,147 | 6,193 | 7,370 | 6,119 |
| Less: Minority Interest | - | - | (642) | 128 |
| Net profit after Tax | 11,367 | 11,709 | 19,969 | 15,453 |
| Add: Balance carried forward from Profit and Loss A/c | 36,535 | 27,013 | 56,377 | 43,149 |
| Profit available for appropriations | 47,902 | 38,722 | 76,346 | 58,602 |
| Less: Transfer to general reserve | - | 586 | - | 586 |
| Less: Dividend | - | 1,378 | - | 1,378 |
| Less: Tax on dividend | - | 223 | - | 261 |
| Add: Excess provision for dividend distribution tax reversed | 37 | - | 37 | - |
| Balance of profit carried forward to Balance Sheet | 47,939 | 36,535 | 76,383 | 56,378 |

During FY 2013-2014, the Company successfully released 69 films in multiple languages consisting of 37 Hindi films, 30 Tamil/Telugu films and 2 other regional languages films as compared to 77 films during FY 2013, which included 30 Hindi, 44 Tamil and 3 other regional language films.

Of the Company's releases during the year under review, some successful films included 'Goliyon Ki Raasleela-Ram Leela', 'Jai Ho', 'R...Rajkumar', 'Grand Masti', 'One Nenokadine'(Telugu), 'Raanjhanaa', Singh Saab The Great, 'Krrish 3' (Overseas), 'Yeh Jawaani Hai Deewani' (Overseas), 'Phata Poster Nikla Hero' (Overseas). Of India's

top ten box office grossing Hindi language films in FY 2013-2014, three were released by Eros International
[Source: Box Office India]

During the year, new deals were signed with MSM Satellite Singapore Private Limited for broadcast of films on Sony as well as with Viacom 18 Media Private Limited for broadcast of various films on Colors. 'Goliyon Ki Raasleela-Ram Leela' and 'R...Rajkumar' satellite licensing deals further benefitted from the box office linked bonus over and above the minimum guarantee licence fees. Revenues from the satellite segment also contributed towards strong financial performance in

financial year 2014. Positive trends in this segment have been witnessed on account of digitization which is expected to remain a significant growth driver.

Your Company continues to explore new opportunities to monetise this content across various distribution platforms. With strong focus on this approach, the Company reported healthy catalogue revenues during the fiscal. The Company also holds digital rights for 700 additional movies including recent and classic titles that encompass diverse genres, budgets and languages which provide further impetus on content monetization.

ErosNow, the Company's dedicated online entertainment platform offering full length movies and music videos, further enhanced its content offering by including highly popular television content ranging from top rated current serials and soaps to reality shows. Your Company's ErosNow YouTube channel, a leading Indian channel, has crossed over 1.9 billion video views in aggregate and average over 50 million video views per month.

Your Company continues to gain momentum on account of exclusive relationship with HBO Asia as the distribution of channels extends to more platforms. The two unique premium advertising free channels viz. HBO Defined and HBO Hits, showcase the Hollywood and Bollywood content. This fiscal witnessed the launch of these channels on the TATA Sky network apart from earlier launch on Dish TV and other DTH platforms.

During the year under review, the ultimate parent company viz. Eros International PLC, became the first Indian media company to list on New York Stock Exchanges in November 2013.

2. RESULTS OF OPERATIONS

Consolidated

In the financial year 2013-2014, the Company recorded consolidated revenue of ₹ 113,964 lakhs as against

₹ 107,435 lakhs in the previous financial year, registering a growth of 6.08 %. The earnings before interest and tax (EBIT) increased by 32.49 % to ₹ 29,971 lakhs as compared to ₹ 22,622 lakhs in previous year. The Profit after tax (after minority interest) (PAT) at ₹ 19,969 lakhs was higher by 29.22 % over last year (₹ 15,453 lakhs in 2012-2013). Diluted EPS increased by 28.67 % to ₹ 21.63 as compared to ₹ 16.81 in financial year 2013.

Standalone

On standalone basis, the revenues from operations for the financial year 2013-2014 at ₹ 85,929 lakhs was lower by 7.92 % as compared to previous year which was ₹ 93,322 lakhs. The earnings before interest and tax (EBIT) increased by 15.63 % to ₹ 21,785 lakhs as compared to ₹ 18,841 lakhs in previous year. The Profit after tax (PAT) at ₹ 11,367 lakhs was lower by 2.92 % over last year (₹ 11,709 lakhs in 2012-2013). Diluted EPS decreased by 3.38 % to ₹ 12.31 as compared to ₹ 12.74 in financial year 2013.

3. DIVIDEND

With a view to strengthen the financial position of the Company, your Directors did not recommend any dividend for its equity shareholders.

4. EMPLOYEES' STOCK OPTION SCHEME

The Nomination and Remuneration Committee of the Board of Directors, inter alia, administers and monitors the Employees' Stock Option Scheme of the Company in accordance with the Securities and Exchange Board of India (Employee Stock Option Scheme and Employee Stock Purchase Scheme) Guidelines, 1999 ('the SEBI Guidelines').

Summary of information on the Company's stock options, as required to be made in terms of provisions of the Securities and Exchange Board of India (Employee Stock Option Scheme and Employee Stock Purchase Scheme) Guidelines, 1999 are provided in the Annexure attached to this Report.

6.08%

The Company recorded consolidated revenue of ₹ 113,964 lakhs as against ₹ 107,435 lakhs in the previous financial year, registering a growth of 6.08 %.

Directors' Report *continued*

During the year, the Company had granted 3,00,000 stock options to its two senior management personnel and allotted 51,850 equity shares to the employees against exercise of equal number of stock options pursuant to EROS Employee Stock Options Scheme 2009. The issuance of equity shares pursuant to exercise of options does not affect the Statement of Profit and Loss of the Company, as the exercise is made at the market price prevailing as on the date of the grant plus taxes as applicable.

5. ISSUE OF EQUITY SHARES

Your Company issued 51,850 equity shares to its employees against exercise of equal number of stock options pursuant to EROS Employee Stock Option Scheme 2009, thereby resulting in increase in the Company's paid up share capital from ₹ 919,213,400 to ₹ 919,731,900 as on 31 March, 2014.

6. CORPORATE GOVERNANCE REPORT AND MANAGEMENT DISCUSSION AND ANALYSIS REPORT

As per Clause 49 of the Listing Agreements entered into with the Stock Exchanges, Corporate Governance Report with Auditors' Certificate thereon and Management Discussion and Analysis are attached and forms part of this Report.

7. DIRECTORS

During the year, Dr. Shankar Nath Acharya and Mr. Vijay Ahuja were appointed as Non- Executive Independent Director and Executive Director of the Company respectively, liable to retire by rotation, w.e.f. 28 August, 2013, with the approval of Members at the Annual General Meeting.

In terms of Section 149, 152, Schedule IV and other applicable provisions, if any, of the Companies Act, 2013 read with Companies (Appointment and Qualification of Directors) Rules, 2014, the Independent Directors can hold office for a term of upto five (5) consecutive years on the Board of Directors of your Company

and are not liable to retire by rotation. Accordingly, it is proposed to appoint Mr. Naresh Chandra, Mr. Dharendra Swarup and Dr. Shankar Nath Acharya as Independent Directors of your Company upto five (5) consecutive years.

Pursuant to the provisions of Section 152 of the Companies Act, 2013 and applicable rules thereto, Mr. Kishore Lulla, Executive Director of the Company, is liable to retire by rotation at the ensuing Annual General Meeting and being eligible, seeks re-appointment. Your Directors recommend his re-appointment for your approval.

The term of payment of remuneration to Mr. Kishore Lulla as approved by the shareholders on 29 December, 2011 for a period of 3 years, would be expiring on 31 October, 2014. Your Directors have recommended the payment of remuneration to Mr. Kishore Lulla as an Executive Director of the Company for another period of three years w.e.f 1 November, 2014 as set out in the Notice of Annual General Meeting.

Necessary disclosures/declarations, as per the Companies Act, 2013 and applicable rules thereto, are received from the Directors seeking appointment/re-appointment(s).

As required under Clause 49 of the Listing Agreements entered with Stock Exchanges, the information including brief profile(s) of the Directors proposed for appointment/re-appointment(s) are mentioned at length in the Notice convening the 20th Annual General Meeting and also in Corporate Governance Report.

8. SUBSIDIARY COMPANIES AND CONSOLIDATED FINANCIAL STATEMENTS

Your Company has 12 subsidiaries (including 7 direct subsidiaries and 5 indirect subsidiaries) as on 31 March, 2014. Out of 7 direct subsidiaries, 5 are Indian and other 2 are foreign.

None of the subsidiaries of the Company are material Indian non-listed subsidiary, in

terms of Clause 49(iii) of the Listing Agreement.

The financial statements of all the subsidiary companies as on 31 March, 2014, are included in the Consolidated Financial Statements, which are prepared in compliance with applicable Accounting Standards.

The Ministry of Corporate Affairs, vide its Circular No. 02/2011 dated 8 February, 2011, has granted general exemption under Section 212(8) of Companies Act 1956, from attaching the balance sheet, profit and loss account and other documents of the subsidiary companies to the balance sheet of the Company, subject to approval by the Board of Directors of the Company and furnishing of certain financial information in the Annual Report.

Accordingly, your Board of Directors at its meeting held on 29 May, 2014, have approved for not attaching the balance sheet, profit and loss account and other documents of subsidiary companies to the Balance Sheet of the Company. Your Company, having complied with all the conditions as stated in the said circular, has not attached the financial statements of its subsidiary companies for the financial year 2013-14 and the same will be made available to the investors seeking such information. The statement on financials of the subsidiary companies and statement on subsidiary companies pursuant to Section 212(8) of the Companies Act, 1956, forms part of this Annual Report.

The Consolidated financial statements, in terms of Clause 32 of the Listing Agreement and prepared in accordance with Accounting Standard 21 as specified in the Companies (Accounting Standards) Rules, 2006, also forms part of this Annual Report.

9. AUDITORS & AUDITORS' REPORT

M/s. Walker Chandiook & Co LLP, Chartered Accountants, who are the statutory auditors of the Company hold office till the conclusion of the forthcoming AGM

and are eligible for re-appointment. Pursuant to the provisions of Section 139 of the Companies Act, 2013 and Rules framed thereunder, it is proposed to appoint Walker Chandiook & Co LLP as statutory auditors of the Company for a term of 3 years from the conclusion of the forthcoming AGM till the conclusion of 23rd Annual General Meeting to be held in 2017, subject to ratification of their appointment at every AGM.

Your Company has received letters from Walker Chandiook & Co LLP, Chartered Accountants to the effect that their reappointment, if made, would be within the prescribed limits under Section 141(3) (g) of the Companies Act, 2013 and that they are not disqualified from being appointed as the Auditors of the Company.

During the year, the Company had received intimation from Walker Chandiook & Co LLP stating that Walker, Chandiook & Co. had been converted into a limited liability partnership (LLP) under the provisions of the Limited Liability Partnership Act, 2008 with effect from 25 March, 2014. In terms of Ministry of Corporate Affairs, Government of India, General Circular no. 9/2013 dated 30 April, 2013, if a firm of Chartered Accountants, being an auditor in a company under the Companies Act, 1956, is converted into an LLP, then such an LLP would be deemed to the auditor of the said Company. The Board of Directors of the Company have taken due note of this change. Accordingly, the audit of the Company for financial year 2013-2014 was conducted by Walker Chandiook & Co LLP.

The Auditors' Report is unqualified and do not contain any adverse remarks. The notes to the Accounts referred to in the Auditor's Report are self explanatory and therefore do not call for any further clarifications under Section 217(3) of the Companies Act, 1956.

10. SECRETARIAL AUDIT REPORT

M/s. S G & Associates, Practising Company Secretary, has conducted Secretarial

Directors' Report *continued*

Audit, pursuant to the provisions of the Companies Act, 1956, for the financial year 2013-2014. M/s. S G & Associates has submitted the Report confirming compliance with the applicable provisions of Companies Act, 1956 and other rules and regulations issued by SEBI and other regulatory authorities.

11. PARTICULARS OF EMPLOYEES

In terms of the provisions of Section 217 (2A) of the Companies Act, 1956, read with the Companies (Particulars of Employees) Rules, 1975, as amended, the names and other particulars of employees are required to be attached to this report. However, as per the provisions of Section 219(1)(b)(iv) of the Companies Act, 1956, the Report and Annual Accounts of your Company sent to the shareholders do not contain the said annexure. Any member desirous of obtaining a copy of the said annexure may write to the Company Secretary at the Corporate Office.

12. INSURANCE

All the insurable interests of your Company including properties, equipments, stocks etc. are adequately insured.

13. DEPOSITS, LOANS AND ADVANCES

Your Company has not accepted any Public Deposits falling within the purview of Section 58A of the Companies Act, 1956. As such, no amount on account of principal or interests on public deposits was outstanding, as on 31 March, 2014. The details of loans and advances, which are required to be disclosed in the Company's annual accounts, pursuant to Clause 32 of the Listing Agreement with the Stock Exchanges, are mentioned in Notes to accounts forming a part of this Report.

14. DIRECTORS' RESPONSIBILITY STATEMENT

In terms of Section 217(2AA) of the Companies Act, 1956, in relation to financial statements for the year 2013-14, the Board of Directors state that:

- a. The applicable accounting standards have been followed in preparation of the financial statements and there are no material departures from the said standards.
- b. Reasonable and prudent accounting policies have been used in preparation of the financial statements and that they have been consistently applied, so as to give a true and fair view of the state of affairs of the Company as at 31 March 2014 and of the profit for the year ended on that date;
- c. Proper and sufficient care has been taken for maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 1956, for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities;
- d. The financial statements have been prepared on a going concern basis.

15. CONSERVATION OF ENERGY, TECHNOLOGY ABSORPTION, FOREIGN EXCHANGE

Considering the Company's business activities, information required under Section 217(1)(e) of the Companies Act, 1956, read with the Companies (Disclosure of Particulars in the Report of Board of Directors) Rules, 1988 is not applicable to the Company. Particulars of foreign currency earnings and outgo are given in the notes to accounts forming part of this Report.

16. INTERNAL AUDIT

The Company has developed stringent Internal Control systems in its various business processes, commensurate with the size and nature of its business. The Company has entrusted the internal audit to M/s. Ernst & Young LLP, Chartered Accountants. The main thrust of the internal audit process is test and review of controls, independent appraisals of risks,

business processes and benchmarking internal controls with best practices.

The Audit Committee of the Board of Directors actively reviews the adequacy and effectiveness of the internal control systems and suggests improvements to strengthen them.

The Audit Committee of the Board of Directors, Statutory Auditors and the Business Heads are periodically apprised of the internal audit findings and corrective actions taken.

17. EARNINGS AND OUTGO

Considering the Company's business activities, information required under Section 217(1)(e) of the Companies Act, 1956, read with the Companies (Disclosure of Particulars in the Report of Board of Directors) Rules, 1988 is not applicable to the Company. Particulars of foreign currency earnings and outgo are given in the notes to accounts forming part of this Report.

18. ACKNOWLEDGEMENTS

The Board of Directors take this opportunity to express the sincere appreciation for the support and the co-operation from the Banks, Financial Institutions, Shareholders, Vendors, Customers and all other business associates.

Your Directors sincerely appreciate the high degree of professionalism, commitment and dedication displayed by employees at all levels. The Directors also wish to place on record their gratitude to the Members for their continued support and confidence.

For and on behalf of the Board of Directors

Sunil Lulla

Executive Vice Chairman &
Managing Director

Jyoti Deshpande

Executive Director

Place: Mumbai

Date: 29 May, 2014

Annexure to Directors' Report

Summary of information on ESOS pursuant to Clause 12 of the SEBI (Employee Stock Option Scheme and Employee Stock Purchase Scheme) Guidelines, 1999

| Grant dates | (A) 17 December 2009 | (B) 12 August 2010 | (C) 01 July 2012 | (D) 14 October 2013 | Total |
|---|--|---|---|--|------------|
| (a) Options Granted during the year 2009-10 (Refer to Column A) Options Granted during the year 2010-11 (Refer Column B) Options Granted during the year 2012-13 (Refer to Column C) Options Granted during the year 2013-14 (Refer to Column D) | 1,729,512 | 83,628 | 571,160 | 300,000 | 2,684,300 |
| (b) Pricing Formula | | | | | |
| Discount to Fair Value | At a Discount ranging from Nil to 50% to Fair value | At a Discount ranging from 20% to 50% to Fair value | At a Discount of 57.15% to Fair Value | At Nil Discount to Fair Value | |
| (c) Options vested | 1,044,090 | 56,290 | 142,790 | - | 1,243,170 |
| (d) Options exercised | 531,464 | 34,726 | - | - | 566,190 |
| (e) Total number of shares arising as a result of exercise of options | 531,464 | 34,726 | - | - | 566,190 |
| (f) Options lapsed (as at 31 March 2014) | 712,928 | 7,500 | - | - | 720,428 |
| (g) Variation in terms of options | Fair Market value of ESOP 2009 scheme is revised from ₹ 200 to ₹ 175 vide Postal Ballot dt 21 December 2010 | Fair Market value of ESOP 2009 scheme is revised from ₹ 200 to ₹ 175 vide Postal Ballot dt 21 December 2010 | Not Applicable | Not Applicable | |
| (h) Money realized by exercise of options (₹) (upto 31 March 2014) | 63,191,060 | 3,234,450 | - | - | 66,425,510 |
| (I) Total number of options in force (as at 31 March 2014) | 485,120 | 41,402 | 571,160 | 300,000 | 1,397,682 |
| (j) 1 Employee wise details of options granted to Senior Management | Detailed below | Detailed below | Detailed below | Detailed below | |
| 2 Employees to whom more than 5% options granted during the year | Detailed below | Detailed below | Detailed below | Detailed below | |
| 3 Employees to whom options more than 1% of issued capital granted during the year | Not Applicable | Not Applicable | Not Applicable | Not Applicable | |
| (k) Diluted EPS, pursuant to issue of shares on exercise of options | The diluted E.P.S will be lower by ₹ 0.05 per share ie ₹ 12.31 | | | | |
| (l) 1 Method of calculation of employee compensation cost | Calculation is based on intrinsic value method | | | | |
| 2 Intrinsic Value per share (in ₹) | 28.22 | 88.18 | 100.00 | - | |

| Grant dates | | (A) 17 December 2009 | (B) 12 August 2010 | (C) 01 July 2012 | (D) 14 October 2013 | Total |
|-------------|--|--|--------------------------|------------------------|---------------------------|-------|
| 3 | Difference between the above and employee compensation cost that shall have been recognized if it had used the fair value of the options | Employee compensation cost would have been higher by ₹ 91.56 (in lakhs) during the year, had the Company used fair value method for accounting the options issued under ESOP 2009. | | | | |
| 4 | Impact of this difference on Profits and on EPS of the Company | Profits would have been lower by ₹ 91.56 (in lakhs) and E.P.S. would have been lower by ₹ 0.07 during the year, had the Company used fair value method of accounting the options issued under ESOP 2009. | | | | |
| (m) | 1 Weighted average exercise price (in ₹) | 156.20 | 81.52 | 75.00 | 150.00 | |
| | 2 Weighted average fair value of options based on Black Scholes methodology (in ₹) | 115.15 | 95.25 | 122.19 | 55.49 | |
| (n) | Significant assumptions used to estimate fair value of options including weighted average | | | | | |
| | 1 Risk free interest rate | 6.30% | 6.50% | 8.36% | 8.57% | |
| | 2 Expected life | 5.25 years | 5.25 years | 5.5 years | 4.5 years | |
| | 3 Expected volatility (based in competitor companies volatility) | 75% | 60% | 44% | 35% | |
| | 4 Expected dividends | Nil | Nil | Nil | Nil | |
| | 5 Closing market price of share on a date prior to date of grant (Fair market value in absence of listing) (in ₹) | 175 | 175 | 168.65 | 144.75 | |

| Options granted to Senior Management Personnel (including more than 5%) during the year | Options Granted | Option Exercised | Options Lapsed | Options in force |
|---|-----------------|------------------|----------------|------------------|
| Grant Dated 17 December 2009 | | | | |
| Ms Jyoti Deshpande | 713,950 | 142,790 | 571,160 | - |
| Mr Kumar Ahuja | 85,267 | 85,267 | - | - |
| Mr Nandu Ahuja | 19,588 | 3,918 | - | 15,670 |
| Mr Anand Shankar | 61,128 | 6,000 | - | 55,128 |
| Grant Dated 12 August 2010 | | | | |
| Mr Kamal Jain | 15,000 | 10,500 | - | 4,500 |
| Mr Anand Shankar | 61,128 | 24,226 | - | 36,902 |
| Grant Dated 1 July 2012 | | | | |
| Ms Jyoti Deshpande | 571,160 | - | - | 5,71,160 |
| Grant Dated 14 October 2013 | | | | |
| Mr Kamal Jain | 150,000 | - | - | 150,000 |
| Mr Nandu Ahuja | 150,000 | - | - | 150,000 |

Management Discussion and Analysis

THE MACROECONOMIC ENVIRONMENT IN INDIA

With a population of 1.2 billion and real gross domestic product, or GDP, of US\$1.4trillion, India was the second most populous country and the eighth largest economy by GDP in the world in 2013 according to Business Monitor International. India’s real GDP experienced a compound annual growth rate, or CAGR, of 6.7% from 2008 through 2013, and, despite a recent slowdown in macroeconomic conditions, is projected to grow at a CAGR of 6.3% from 2013-2018, according to the IMF World Economic Outlook as of April 2014.

Projected GDP Growth in Selected Countries, 2013-2018

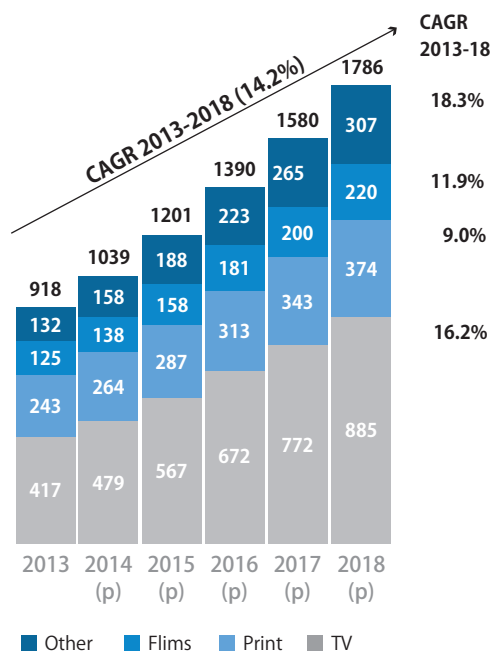
| | Real GDP Growth (%) |
|--------|---------------------|
| China | 7.0 |
| India | 6.3 |
| US | 2.9 |
| Brazil | 2.8 |
| UK | 2.5 |

According to CIA’s World Factbook, India has one of the youngest demographics in the world with a median age of 27 years, which is among the lowest in the world, and 46.6% of the population below age 24.

GROWTH OF THE INDIAN MEDIA AND ENTERTAINMENT INDUSTRY

The Indian media and entertainment industry has benefited from India’s recent economic expansion and demographic trends. This industry is projected to grow from ₹ 918 billion in 2013 to ₹ 1,786 billion in 2018, reflecting a CAGR of 14.2%. This growth is being driven, in part, by favorable demographic trends in India, including the growth of the Indian middle class.

Overall Indian media and entertainment industry revenue outlook (₹ in billion)



Other includes Radio, Music, Out of Home, Animation / VFX, Gaming and Digital advertising.

Source: FICCI Report 2014

Theatrical

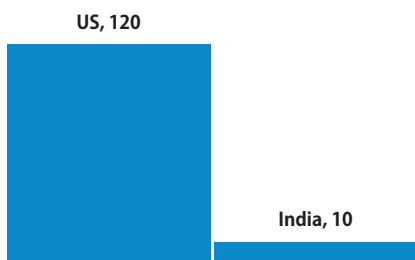
The Indian film entertainment industry, a subset of the Indian media and entertainment industry, is the largest in the world in terms of the total movies released theatrically. According to a 2010 report by Investec Securities, over 1,000 movies are released theatrically in India each year. By comparison, 535 movies were released theatrically in the U.S. In 2010 according to boxofficemojo.com. of the overall Indian media and entertainment industry’s ₹ 918 billion in revenues in 2013, film entertainment constituted 13.6%, or ₹ 125 billion, and is projected to grow to ₹ 220 billion by 2018, reflecting an 11.9% CAGR, according to the FICCI Report 2014.

14.2%

This industry is projected to grow from ₹ 918 billion in 2013 to ₹ 1,786 billion in 2018, reflecting a CAGR of 14.2%.

However, as compared to the film industry in many developed economies, the Indian market is underpenetrated as determined by the significantly lower number of screens per million population, representing an opportunity for growth.

Screens per million population (Nos.)



Source: "PWC Global Entertainment and Media Outlook 2014-2018," June 2014

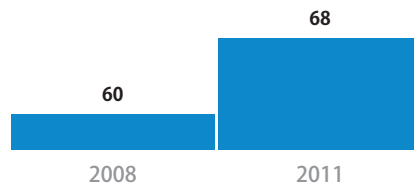
Additional new multiplex screens, which are typically located in urban areas and generally sell tickets at higher average ticket prices than single screen theatres, have supported and are projected to continue to support film Theatrical industry growth. According to FICCI Report 2013, 87% of the new 152 screens added during 2012 in the country were multiplex screens. Also, according to the same report, the South Indian exhibition industry added 41 screens with 90 percent of them being multiplex screens, in 2012.

Multiplexes like PVR Cinemas, INOX Movies and Reliance, Big Cinemas are rapidly expanding their footprint into smaller towns. According to the FICCI Report 2013, Cinapolis plans to expand its footprint in the south by opening 11 screens in 2013 and opening 500 screens across the country by 2016. INOX is planning to launch around 50 screens by the end of 2013. PVR Talkies is looking to add 50 screens in Tier II cities (as defined in the FICCI Report 2013) in the next three years.

Despite this historic growth, India's film industry, when compared with film industries in more developed economies, is a relatively underserved that presents substantial opportunities for additional growth. According to the FICCI Report 2014, average ticket prices at leading multiplexes increased by 12%-17% from 2011 to 2013. The average ticket price at high-end multiplexes was ₹ 239, ₹ 127 at multiplexes overall and ₹ 95 at single screens in 2013.

With a limited number of screens and a large number of films entering the market each year, a film's opening weekend performance is a crucial factor in determining a film's economic success. According to the FICCI Report 2013, box office success in the first week is considered critical and most Indian films now achieve between 60% and 80% of their revenue in the first week of release. Based on information from BoxOfficeIndia.com, opening week box office revenue in India for the top fifty films as a percentage of such films' total theatrical revenue increased from approximately 60% in 2009 to 68% in 2011. Based on BoxOfficeIndia.com's data, earning a higher of percentage of total revenue in the first week of releases is expected to help distributors recoup costs in a shorter timeframe.

Opening week box office revenue as a percentage of total theatrical revenue (%)



Source: Based on information from BoxOfficeIndia.com for the top fifty films as measured by India-based revenue in each calendar year.

Participants in the Indian film entertainment industry are also investing in newer technologies such as digital theatrical distribution. Film companies are increasingly adopting digital prints instead of physical prints, which in turn are increasing the number of available prints. Also according to the

1,000

Over 1,000 movies are released theatrically in India each year.

Management Discussion and Analysis *continued*

FICCI Report 2014, digital prints represented 80%-100% of all prints in 2013 vs. 50% in 2010. Digital technology enables Indian film distributors to increase their distribution efficiency and reduce costs.

According to the FICCI Report 2014, the number of screens available for releasing a film is also rising, aided by greater use of digital prints. It is estimated that close to 90% - 95% of screens have been digitized. Big budget movies are now released more widely across as many as 4,500 screens as compared to 1,000 screens three years ago, mainly due to affordability of digital prints as compared to physical prints.

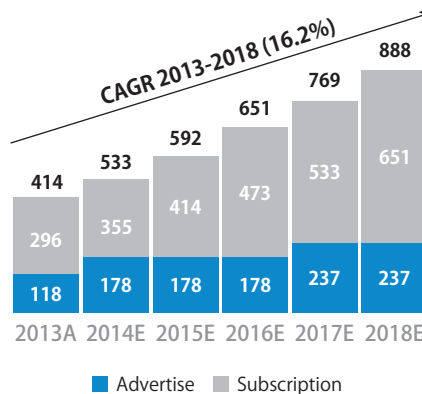
As a result, digitization of prints can increase potential revenue opportunities since, according to this report, distributors are able to broaden their reach to more theatres and capture revenues in a shorter time frame by having same day releases across theatres.

India's diverse regional cultures also present growth opportunities for regional content. The number of regional films has increased in recent years and is expected to continue to grow. According to the FICCI Report 2011, non-Hindi films were projected to represent 83% of the total number of films distributed in India in 2010, while accounting for a minority of total Indian box office revenues. Industry growth drivers, such as increased multiplex penetration, digitization of single screen theatres, focus on marketing, and improvement in production quality, suggest an increase in market opportunities for regional films.

Separately, as clarification, according to the FICCI 2012 Report, Indian theatrical exhibition, this includes gross revenue from ticket sales, advertising, concessions and other, accounted for 74% of 2011 Indian film industry revenues, and Indian non-ticket revenues at multiplex chains typically accounted for approximately 30% of that total. However, the percentage of Indian theatrical exhibition revenues identified in the FICCI 2012 Report is significantly higher than the percentage of revenue we generate from theatrical exhibition. This is because we do not benefit from any non-ticket revenues, and we report our revenue net of entertainment taxes and a revenue share with exhibitors in India.

Television

Television industry size (₹ in billion)



Source: FICCI Report 2014

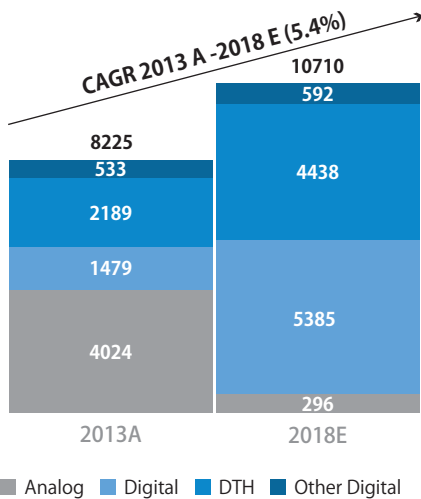
India is one of the world's largest television markets as measured by number of households, with an estimated 161 million television households in 2013, of which more than 130 million households had cable or satellite service, according to FICCI Report 2014. According to the FICCI Report 2012, television household penetration in India in 2011 was low at 61% as compared to penetration in China and Brazil which was estimated to be at 98% and 90%, respectively. Driven by favourable macroeconomic conditions and both subscription and advertising revenue growth, India's television industry is projected to more than double between 2013 to 2018, growing from ₹ 417.2 billion in 2013 to ₹ 885 billion in 2018, reflecting a CAGR of 16.2%. We expect that television industry growth will significantly increase demand for quality content including filmed content.

According to the FICCI Report 2014, digital prints represented 80%-100% of all prints in 2013 vs. 50% in 2010. Digital technology enables Indian film distributors to increase their distribution efficiency and reduce costs.

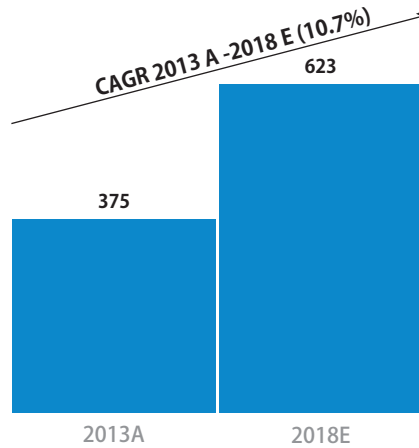
Factors such as the digitization of television, growth in advertising spend, increased viewership penetration and the proliferation of niche and regional content have contributed to the rapid rise in the number of channels in India over the past few years that compete for quality programming in order to attract advertising and subscription revenues. The government of India passed a bill for the mandatory digitization of

cable television networks by December 31, 2014. As a result, an estimated 55 million primarily analog cable homes in India will convert to digital platforms over the next 5 years and pay television average revenue per user, or ARPU, levels will increase. This will further spur demand for quality content, presenting additional opportunities for content monetization through services such as on-demand films.

Pay TV subscriber base (in million)

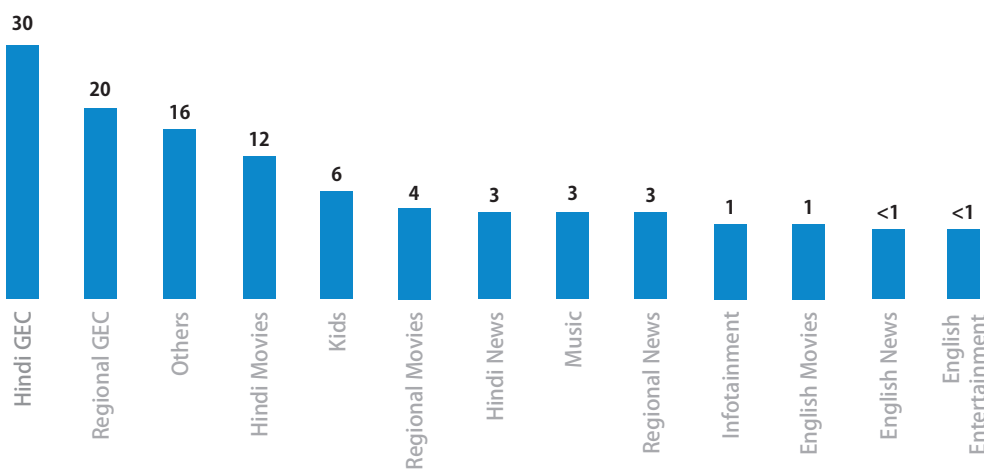


India Pay TV ARPU Per Month (₹)



Source: FICCI Report 2014

India TV Viewership Share (%)

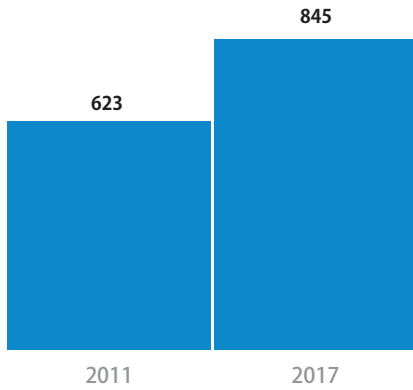


Source: FICCI Report 2013

Management Discussion and Analysis *continued*

Number of TV channels(b)

(Nos.)



Source: FICCI Report 2013

- (a) For calendar year 2012
- (b) Represents total number of unique channels available in India carried by DTH, broadcast multi system cable operators and local cable operators.

Television licensing is an important component of a film’s revenue lifecycle. Feature films are vital to India’s TV programming line-up, as reflected by television ratings points on GEC channels, or TRPs, for films. Additionally, we believe that premium films along with sports will be some of the key contents driving growth of premium television within India as more and more homes become digital.

Digital and ancillary

Following international trends, digital media is playing an increasingly important role in the Indian media industry. With the rapid convergence of media and technology, entertainment companies are digitizing their content and leveraging digital platforms such as mobile and broadband to exploit their content.

Broadband and mobile

Within India, the number of individuals utilizing electronic devices with internet connectivity is rapidly expanding and is projected to continue. Despite significant growth in users, internet penetration is still in its relatively early stages with the number of internet users in India as a percentage of the population at 10%. According to FICCI Report 2014, the number of internet connections in India is projected to grow at a

CAGR of 14% from an estimated 174 million connections in 2013 to 463 million connections in 2018.

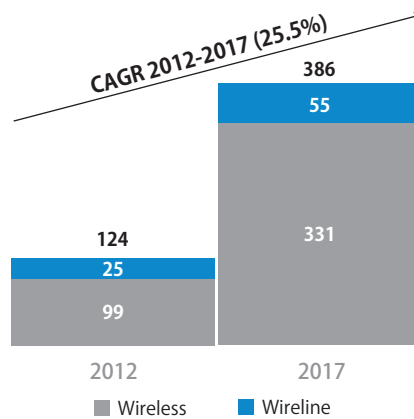
Internet Users

| Internet users as a percentage of total population | | |
|--|----|---|
| India | 10 | % |
| Brazil | 41 | % |
| China | 36 | % |
| USA | 81 | % |
| UK | 85 | % |

Source: McKinsey: *The Internet’s Impact on India 2012*

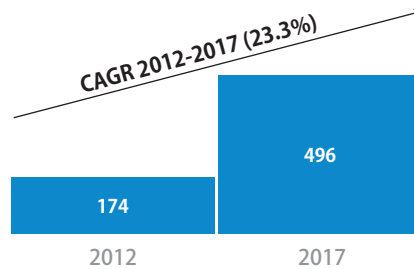
Indian internet connections

(in million)



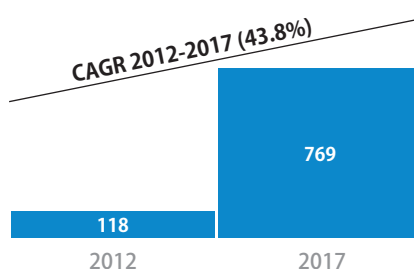
Indian internet users

(in million)



Indian e-commerce market

(₹ in billion)



Source: FICCI Report 2013, eMarketer

As broadband penetration continues to increase, streaming media content over the internet is projected to increase among consumers, driving further demand for premium content, and becoming an important advertising medium for advertisers. According to market research firm eMarketer, India's e-commerce market, defined as including digital downloads and event tickets and excluding gambling and travel, is projected to grow at a CAGR of 43.8% from ₹ 118 billion in 2012 to ₹ 769 billion in 2017, highlighting the potential for the digital commerce in India.

According to the research firm, eMarketer, a significant percentage of the population spends online time on videos and music. The Indian Department of Telecommunications investment in seeking to connect 160 million people to high-speed internet is expected to further attract online viewership. As the number of people having access to high-speed internet increases, time spent online on video / music viewership can also be expected to increase.

Leading Online and Mobile Activities Among Internet Users Ages 18-28 in India, July 2011

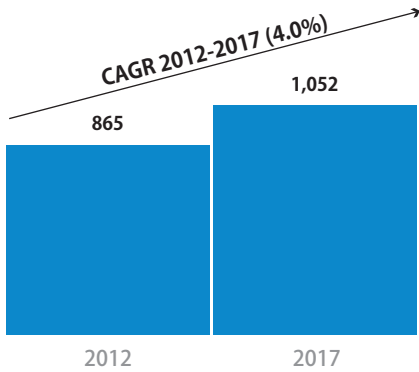
| | % of respondents |
|--|------------------|
| Send/receive emails | 83% |
| Surf the internet | 81% |
| Share/send pictures | 76% |
| Download Music | 73% |
| Internet banking | 69% |
| Search for information on Internet | 65% |
| Share/send videos | 63% |
| Study/do homework | 61% |
| Download Videos | 61% |
| Using online social networking sites | 59% |
| Work | 58% |
| Using instant messaging or chat rooms | 57% |
| Online buying | 54% |
| Download and play games | 53% |
| Play online games | 49% |
| Bill payment | 48% |
| Participate in contests | 47% |
| Stream videos | 41% |
| Stream music | 39% |
| Using blogging/micro blogging sites | 33% |
| Watch broadcast TV through internet | 31% |
| Watch video-on-demand (VOD) | 27% |

Source: eMarketer, India Online: Defining the New "Digital Class" December 2012

In addition to the proliferation of the internet, mobile platforms present further opportunities for content consumption. The proliferation of digital devices with internet connectivity has created a new market for digital on-demand and premium add-on mobile services, also known as value added services, such as ringtones. As can be seen from the FICCI Report 2013, as smartphone usage increases, it is likely to increase opportunities for consumers to view videos, download ringtones etc. on such devices, thereby potentially boosting associated revenue potential for content disseminators.

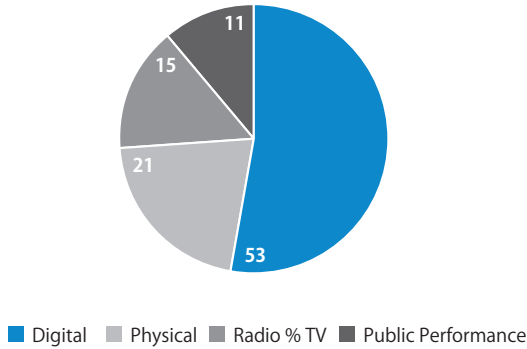
Management Discussion and Analysis *continued*

Indian mobile subscribers (in million)



Source: Business Monitor International

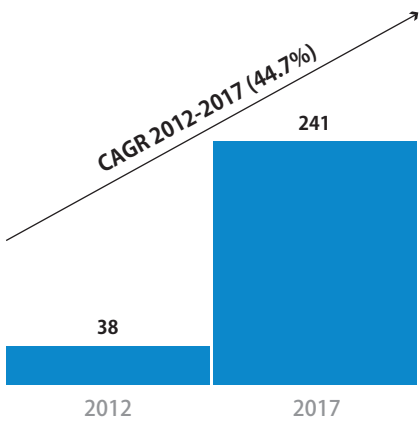
2013 Indian Music Industry Distribution (%)



2013 total revenue: ₹ 10.02 billion

Source: FICCI Report 2014

Indian active smartphones (in million)



Source: FICCI Report 2013

Company Overview

Snapshot

- Global Leader in Indian Filmed Entertainment with leading Box Office Market Share
- Large Indian Content Library of Films and Music with 1,200 titles of films and digital rights to an additional 700-plus films with Well-Established Global Distribution Network
- High Growth Domestic Media and Entertainment Market with Structural Upside
- Portfolio Approach and Pre-Sales Strategy Diversify and Accelerate Cash Flow
- New and Library Content Distributed through New Digital Platforms, Eros Now and HBO Asia

Music

Music is an integral part of Indian film promotion and generates additional revenue streams for film companies. The Indian music industry generally is dominated by music from films. In 2011, the Indian music industry generated approximately ₹ 9.0 billion in revenue, of which 70%, according to industry sources, was derived from film soundtracks. The Indian music industry is projected to grow to ₹ 17.8 billion by 2018, reflecting a CAGR of 13.2% according to the FICCI Report 2014. Digital distribution made up 53% of India's total music industry revenue in 2013. As digital music distribution continues to grow, opportunities to reach a larger audience base should increase.

Our strategy is driven by the scale and variety of our content and the global exploitation of that content through diversified channels.

Eros International Media Limited (Eros International) is a leading global Company in the Indian film Entertainment Industry. Eros International is a group company of Eros International PLC which was the first Indian media company to list on the New York Stock Exchange (NYSE) in November 2013. Eros International co-produces, acquires and distributes Indian language films in multiple formats worldwide, including theatrical, cable and satellite and digital new media platforms.

Our success is built on relationships we have cultivated over the past 30 years with leading talent, production companies, exhibitors and other key participants in our industry. Leveraging these relationships, we have aggregated rights to over 1,200 titles of films and digital rights to an additional 700-plus films, including recent and classic titles that span different genres, budgets and languages including Hindi, Tamil and other regional language films. Over the last three years we have distributed a portfolio of over 220 new films. We bundle library titles with new releases to maximize cash flows and we utilize a pre-sale strategy to mitigate new production project risks by obtaining contractual commitments to recover a larger portion of our capitalized costs through licensing of television, music and other distribution rights prior to the film's completion.

Our Group distribution capabilities enable us to target consumers in over 50 countries internationally, including markets with large South Asian populations, such as the United States and the United Kingdom. Other international markets that exhibit significant demand for subtitled or dubbed Indian-themed entertainment include Europe and Southeast Asia.

Strategic Overview

- Continued film slate investment in diverse portfolio mix ranging from high budget global theatrical releases to lower budget specific audience targeted movies
- Capitalize on positive industry trends in the Indian Market
- Expand our regional language content offerings
- Increase our distribution of content through digital platforms

Our strategy is driven by the scale and variety of our content and the global exploitation of that content through diversified channels. Specifically, we intend to pursue the following strategies:

Co-produce, acquire and distribute high quality content to augment our library

We will continue to leverage the longstanding relationships with creative talent, production houses and other key industry participants that we have built since our founding to source a wide variety of content. Our focus will be on investing in future slates comprised of a diverse portfolio mix ranging from high budget global theatrical releases to lower budget movies with targeted audiences and augment our library, with quality content for exploitation through our distribution channels and explore new bundling strategies to monetize existing content.

Capitalize on positive industry trends in the Indian market

Propelled by the economic expansion within India and the corresponding increase in consumer discretionary spending, the FICCI Report 2014 projects that the dynamic Indian media and entertainment industry will grow at a 14.2% compound annual growth rate, or CAGR, from ₹ 918.0 billion in 2013 to ₹ 1,786.0 billion by 2018, and that the Indian film industry will grow from ₹ 125.3 billion in 2013 to ₹ 219.8 billion in 2018. India is one of the largest film markets in the world. According to FICCI Report 2014, average ticket prices at leading multiplexes increased by 12%-17% from 2011-2013. The average ticket price at high-end multiplexes was ₹ 239, ₹ 127 at multiplexes overall and ₹ 95 at single screens in 2013.

The Indian television market is one of the largest in the world, reaching an estimated 161 million television, or TV households in 2013, of which over 139 million were cable households. FICCI Report 2014 projects that the Indian television industry will grow from ₹ 417.2 billion in 2013 to ₹ 885.0 billion in 2018. The growing size of the TV industry has led television satellite networks to provide an increasing number of channels,

Management Discussion and Analysis *continued*

resulting in competition for quality feature films for home viewing in order to attract increased advertising and subscription revenues.

Broadband and mobile platforms present growing digital avenues to exploit content. According to FICCI Report 2014, the number of internet users in India reached 214 million in 2013 and is projected to reach 494 million by 2018. Smartphone usage is projected to rapidly increase from 66 million active internet enabled smart phones in 2013 to 334 million in 2018. The ₹ 9.6 billion Indian music industry is projected to grow to ₹ 17.8 billion by 2018, although music publishing activities accounted for less than 1% of our fiscal 2013 net revenues. While these projections generally align with management's expectations for industry growth, there is no guarantee that such future growth will occur.

We will take advantage of the opportunities presented by these trends within India to monetize our library and distribute new films through existing and emerging platforms, including by exploring new content options for expanding our digital strategy such as filming exclusive short form content for consumption through emerging channels such as mobile and internet streaming devices.

Further extend the distribution of our content outside of India to new audiences

Through our parent we currently distribute our content to consumers in more than 50 countries, including in markets where this significant demand for subtitled and dubbed Indian themed entertainment, such as Europe and South East Asia, as well as to markets where there is significant concentration of South Asian expatriates, such as the Middle East, the United States and the United Kingdom. We intend to promote and distribute our films in additional countries, and further expand in countries where we already distribute, when we believe that demand for Indian filmed entertainment exists or the potential for such demand exists. For example, we have entered into arrangements with local distributors in Taiwan, Japan, South Korea, and China to distribute dubbed or subtitled Eros films through theatrical release, television broadcast or DVD release. Additionally, we believe that the

general population growth in India experienced over recent years will eventually lead to increasing migration of Indians to other regions, resulting in increased demand for our films internationally.

Increase our distribution of content through digital platforms globally

We intend to continue to distribute our content on existing and emerging digital platforms, which includes primarily internet protocol television, or IPTV, video on demand, or VOD, and internet channels. We also have an ad-supported YouTube portal site on Google that hosts an extensive collection of clips of our content and has generated 2.3 billion aggregate views and more than 2.3 million free subscribers. In August 2012, we expanded our digital presence with the launch of our on-demand entertainment portal Eros Now, through which we leverage our film and music libraries by providing ad-supported and subscription-based streaming of film and music content via internet-enabled devices.

Furthermore, through collaboration with HBO Asia, two premium television channels, HBO Defined and HBO Hits, were launched on the DISH and Airtel DTH digital platforms in February 2013, on Hathway and GTPL digital cable platforms in August 2013 and on Tata Sky DTH in December 2013. We are currently generating no revenue from the HBO Asia collaboration and do not anticipate any revenues from this collaboration until the second quarter of fiscal 2015. We expect to provide approximately 110 titles per year, including ten to twelve new release titles or first run films, and a combination of exclusive and non-exclusive library titles, to the two HBO channels to complement Hollywood film and television content from HBO Asia. Both channels are advertising-free and available as standard and high definition channels. HBO Asia and Eros will both provide content in the first window after theatrical release to these two channels. We intend to pursue similar models utilizing our extensive film library to gain access to similar partners throughout the world. We believe new offerings and emerging distribution channels such as DTH satellite, VOD, mobile and internet streaming services will also provide us with significant growth opportunities and potentially generate recurring subscription revenues.

Expand our regional Indian content offerings.

We will utilize our resources, international reputation and distribution network to continue expanding our non-Hindi content offerings to reach the substantial Indian population whose main language is not Hindi. While Hindi films retain a broad appeal across India, the diversity of languages within India allows us to treat regional language markets as distinct markets where particular regional language films have a strong following. In fiscal 2014 we increased our Tamil global releases to eight films as compared to three films in fiscal 2013. In fiscal 2014, none of our four high budget films were Tamil films, while one high budget film was a Telugu film. We have a high budget Tamil film and a high budget Telugu film planned for fiscal 2015 in addition to our high budget Hindi films. In addition to Tamil and Telugu, we plan to expand our content for selected regional languages such as Marathi and Punjabi. We intend to use our existing distribution network across India to distribute regional language films to specific territories. Where opportunities are available and where we have the rights, we also intend to exploit re-make rights to some of our popular Hindi movies into non-Hindi language content targeted towards these regional audiences.

Operational Overview

Snapshot

- Strong box office market share with highly successful global and overseas releases
- Successful listing of EROS international Plc, EROS international's parent company on the NYSE
- 'Freemium model' launched by Eros Now offering free ad-supported and subscription based content viewership
- Availability of Television content on Eros Now within 36 hours of their television premiere in India Outstanding performance of Eros Now which became one of the top ranked Indian channel on YouTube by Video Views crossing over 2.3 billion video views in aggregate and 50 million video views per month.

Diversified Portfolio of Release

During FY 2014, EROS International Media Ltd. released 69 films including 37 Hindi, 30 Tamil and 2 other regional language films. These releases include highly successful global and overseas releases like 'Goliyon Ki Rasleela – RamLeela', 'Jai Ho', 'R...Rajkumar', 'Grand Masti', '1 Nenokadine' (Telugu), 'Raanjhaana', 'Singh saab the Great', 'Krrish 3' (Overseas), 'Yeh Jawaani Hai Deewani' (Overseas), 'Phata Poster Nikla Hero' (Overseas) among others.

Parent listing on NYSE

EROS international Plc, EROS international's parent company was successfully listed on New York Stock Exchange during the year. The company raised USD 55 million by offering 5 million shares and became the first Indian Media Company to have IPO on NYSE.

Digital distribution leadership

Eros Now, the Company's on-demand entertainment portal accessible via internet-enabled devices, which went live last year with a commercial launch of www.erosnow.com, became one of the most watched channels. The Company has a 1,200 titles of films and digital rights to an additional 700-plus films and ongoing content aggregation including recent and classic titles that encompass diverse genres and budgets which has helped it engage with customers and build value.

Content offerings are further enhanced to include highly popular television content ranging from top rated current serials and soaps to reality shows. Programs such as 'BalikaVadhu', 'Uttaran', 'Sasural Simar Ka, Beintehaa', 'Rangrasiya', 'Sanskaar (Season 2)', 'Madhubala', 'Comedy Nights with Kapil' and 'Khatronke Khiladi (Season 5)' will be available on ErosNow within 36 hours of their television premiere in India with thousands of hours of catch up episodes.

Outlook

The Company is confident that its leadership position within the industry, monetisation of an extensive movie library and positive structural sector trends should enable it to create huge value for all stakeholders going forward.

Management Discussion and Analysis *continued*

Financial Overview

All figures below are consolidated financial results for FY 2013-14.

Snapshot:

| | 2013-14 | 2012-13 | Growth% |
|---|----------|----------|---------|
| Consolidated total income (₹ in Millions) | 11,396.4 | 10,743.5 | 6.1 |
| EBIT (₹ in Millions) | 2,997.1 | 2,262.2 | 32.5 |
| EBIT Margins (%) | 26.3 | 21.1 | |
| PAT (₹ in Millions) | 1,996.9 | 1,545.3 | 29.2 |

Segmental revenue break-up

| Theatrical Revenue: | Overseas Revenue: | Other Revenue: |
|----------------------|----------------------|-----------------------|
| ₹ 4,749 million | ₹ 2,934 million | ₹ 3,664 million |
| 42% of total revenue | 26% of total revenue | 32 % of total revenue |

Revenues

Consolidated total income increased by 6.1% to ₹ 11,396.4 million in FY2013-2014, compared to ₹ 10,743.5 million in FY2012-2013. This growth was driven partly by the portfolio mix of our current year releases and strong contribution from the catalogue films. There was a healthy mix of 4 big budget and 65 medium and small budget films including 37 Hindi, 30 Tamil/Telugu and 2 other regional language films.

Theatrical revenue largely contributed through the success of our Hindi films, Raanjhanaa, Grand Masti, Singh Saab the Great, Goliyon Ki Rasleela-Ram-leela, R... Rajkumar, and Jai Ho, as well as our first Telugu release 1: Nenokkadine. Television syndication revenue remained strong in FY2013-2014, with our high and medium budget films helping us syndicate attractive bundles of new and library films.

Purchase/ Operating expenses

Purchases/ Operating expenses increased by 0.2% to ₹ 7,676.8 million in FY2013-2014, compared to ₹ 7,657.8 million in FY2012-2013. The increase was primarily due to an increase in film rights costs of ₹ 251.6 million offset by a decrease in amortization of ₹ 91.3 million in FY2013-14. Other expenses comprising film print, advertising and associated expenses, decreased by ₹ 141.3 million in FY2013-2014 principally reflecting brand tie ups and increased usage of lower cost digital prints.

Employee benefits expense

Employee benefits expense increased by 3.3% or ₹ 9.1 million to ₹ 282.0 million in FY2013-2014, compared to ₹ 272.9 million in FY2012-2013, which was attributable to annual pay increments and performance linked pay.

Finance Cost

Net finance costs increased by 255% or ₹ 235.2 million due to an overall increase in net debt levels and an increase in higher cost short-term borrowings and a corresponding decrease in interest income from cash deposits.

Other expenses

Other expenses during the FY2013-2014 stood at ₹ 334.6 million compared to ₹ 511.6 million in the last year, registering a decline of ₹ 177.0 million.

The reduction in other expenses was primarily due to a reduction in establishment, legal

Theatrical revenue largely contributed through the success of our Hindi films, Raanjhanaa, Grand Masti, Singh Saab the Great, Goliyon Ki Rasleela-Ram-leela, R... Rajkumar, and Jai Ho, as well as our first Telugu release 1: Nenokkadine. Television syndication revenue remained strong in FY2013-2014.

and professional, travel, communication and miscellaneous expenses, write backs of excess provisions of last year, offset by an increase in provisions and write offs in respect of bad debts and advances.

EBIT

EBIT increased by 32.5% to ₹ 2,997.1 million as compared to ₹ 2,262.2 million in FY2012-2013. EBIT margins during the year improved to 26.3% from 21.1 % in FY2012-2013, primarily owing to a diversified film mix, higher profitability of the film slate released during the year and strong contribution from high margin catalogue sales.

Profit before tax

Profit before tax increased by 23.0% to ₹ 2,669.7 million in the year ended 31 March 2014, compared to ₹ 2,170 million in the year ended 31 March 2013.

Income Tax

Income Tax expenses for the year ended 31 March 2014, were ₹ 737.0 million, as compared to ₹ 611.9 million in 31 March 2013, an increase by ₹ 125.1 million. The Company's effective tax rate for the year ended 31 March 2014, was 27.6%, marginally lower than 28.2% in the previous year. Our income tax expense in the year ended 31 March 2014 included ₹ 219.8 million of estimated current tax expense and ₹ 517.2 million of estimated deferred tax expense.

Profit after Tax

Profit after tax stood at ₹ 1,996.9 million in the year ended 31 March 2014, compared to ₹ 1,545.3 million in the year ended 31 March, 2013.

Earning per share (EPS)

Basic EPS for the year ended 31 March 2014 was ₹ 21.72 per share compared to ₹ 16.83 a year ago, up by 29.06%. Fully diluted EPS for the year ended 31 March 2014 was ₹ 21.63 per share, as compared to ₹ 16.81 in the year ended 31 March 2013, up by 28.67%.

Risk Management

Internal Risks

The Company builds relationships with theatre operators, particular multiplex operators and

television operators, telecommunication companies and retailers and other industry participants to exploit its film content. Any disputes with multiplex operators in India or elsewhere could adversely affect its ability or willingness to release its films as scheduled.

The Company's inability to maintain these relationships, or to establish and capitalise on new relationships, could harm its business or prevent its business from growing, which could prevent it from exploiting its film content across various distribution platforms.

Disputes with multiplex operators in India led to delay in film releases and disrupted the Company's marketing schedule for future films. These disputes were subsequently settled pursuant to settlement agreements that expired in June 2011. The Company now enters into agreements on a film-by-film and exhibitor-by-exhibitor basis instead of entering into long-term agreements. The Company has till now, obtained film-by-film agreements on commercial terms that are no less favorable than the terms of the prior long-term settlement agreements; however, these terms cannot be always guaranteed. The Company is at a risk of losing a substantial portion of its revenues derived from its theatrical business through a disruption in its relationships with multiplex operators, the operators of single-screen theatres or other industry participants. Further, the theatre industry in India is rapidly growing and evolving and the Company faces the risk of not being able to build a committed relationship with new commercial theatre operators.

The Company's ability to successfully enter into co-productions and to acquire content from third parties depends on its ability to maintain existing relationships, and form new ones, with talent and other industry participants. There is a limited supply of quality talent- actors, directors, composers among others in the country and this increases the cost of talent and the cost of film content. The Company faces the risk of not being able to access content cost-effectively and not sustain its margins and not be able to maximise revenues from distribution and exploitation. The Company may not be able to secure access to content and/or creative

Management Discussion and Analysis *continued*

talent and may be unable to establish similar relationships with new leading creative talent. This will materially affect it negatively in its business, prospects, financial condition and results of operations.

There are substantial financial risks relating to film production, completion and release. Actual film costs may exceed their budgets and factors such as labour disputes, unavailability of a star performer, equipment shortages, disputes with production teams or adverse weather conditions may cause cost overruns and delay or hamper film completion. In case of a delay or failure in film completion, the Company faces the risk of losing the advance monies paid for the proposed acquisition. When the Company enters into co-productions, it is typically responsible for paying all production costs in accordance with an agreed upon budget and while the Company typically caps budgets in its contracts with its co-producers, given the importance of ongoing relationships in the movie industry, longer-term commercial considerations may in certain circumstances override strict contractual rights and the Company may feel obliged to fund cost over-runs even where there is no contractual obligation. To date, the Company has completed only one sole production, and this is not its preferred choice for sourcing content. Production delays, failure to complete projects or cost overruns could result in the Company not recovering its costs and this could have a material adverse effect on its business, prospects, financial condition and results of operations.

The popularity and commercial success of films depends on many factors that cannot be predicted beforehand including, but not limited to, the key talent involved, the timing of release, the promotion and marketing of the film, the quality and acceptance of other competing programs released into the marketplace at or near the same time, the availability of alternative forms of entertainment, general economic conditions, the genre and specific subject matter of the film, its critical acclaim and the breadth, timing and format of its initial release. The Company runs the risk of producing films not as successful as anticipated and this could impact its business adversely.

Changing consumer tastes might affect the Company's ability to predict which films will be popular with audiences in India and internationally. The failure to accurately predict the likely commercial success of a film may cause the Company to underestimate the value of such rights. If the Company is unable to co-produce and acquire rights to films that appeal to Indian and International film audiences or to accurately judge audience acceptance of its film content, the costs of such films could exceed revenues generated and anticipated profits may not be realised.

The Company has acquired over 90% of its film content through contracts with third parties, which are primarily fixed term contracts that may be subject to expiration or early termination. Upon expiration or termination of these arrangements, content may be unavailable to the Company on acceptable terms or at all, including with respect to technical matters such as encryption, territorial limitation and copy protection. In addition, if any of its competitors offer better terms, the Company will be required to spend more money or grant better terms, or both, to acquire or extend the rights we previously held. If the Company is unable to renew the rights to its film catalog on commercially favorable terms and to continue exploiting the existing films in its library or other content, it could have a material adverse effect on its business, prospects, financial condition and results of operations.

The Company's business depends in part on the adequacy, enforceability and maintenance of intellectual property rights in the entertainment products and services it creates. Motion picture piracy is extensive in many parts of the world and is made easier by technological advances and the conversion of motion pictures into digital formats. Although DVD and CD sales represent a relatively small portion of Indian film and music industry revenues, the proliferation of unauthorised copies of these products results in lost revenue and significantly reduced pricing power. In particular, unauthorised copying and piracy are prevalent in countries outside of the United States, Canada and Western Europe, including India, whose legal systems may make it difficult for the Company to enforce

its intellectual property rights and in which consumer awareness of the individual and industry consequences of piracy is lower. With broadband connectivity improving and 3G internet penetration increasing in India, digital piracy of the Company's content is an increasing risk. In addition, the prevalence of third party hosting sites and a large number of links to potentially pirated content make it difficult for the Company to effectively monitor and prevent digital piracy of its content. Existing copyright and trademark laws in India afford only limited practical protection and the lack of internet-specific legislation relating to trademark and copyright protection creates a further challenge for the Company to protect its content delivered through such media. Additionally, the Company may seek to implement elaborate and costly security and anti-piracy measures, which could result in significant expenses and revenue losses.

External Risks

Subdued economic growth, rising unemployment and inflation can weaken discretionary consumer spending for the entertainment that the Company offers. Any decline in attendance at theatres will reduce the revenues the Company generates from this channel, from which a significant proportion of its revenues are derived. Slowdown in external demand for theatre, television and digital distribution channels due to a global slowdown in the countries where the Company distributes films, can adversely impact the Company's prospects, operations and financial results. Further, a sustained decline in economic conditions could result in closure or downsizing by, or otherwise adversely impact, industry participants on whom the Company relies for content sourcing and distribution. Continued financial disruptions and adverse credit rating for India's abilities to repay debt may limit the Company's ability to obtain financing for its films. India has recently experienced fluctuating wholesale price inflation compared to historical levels. If this trend continues, the Company may be unable to accurately estimate or control its costs of production. Because it is unlikely that the Company would be able to pass all of its

increased costs on to its customers, this could have a material adverse effect on its business, prospects, financial condition and results of operations.

While a significant portion of its revenues are denominated in Indian Rupees, certain contracts for the Company's film content are or may be denominated in foreign currencies. Any fluctuation in the value of the Indian Rupee against these currencies could adversely impact its financial results.

Further, some of its debt is denominated in U.S. dollars, and the Company may not generate sufficient revenue in U.S. dollars to service all of its U.S. dollar-denominated debt. Consequently, the Company may be required to use revenues generated in Indian Rupees to service its U.S. dollar-denominated debt. Any appreciation in the value of the U.S. dollar, compared to the Indian Rupee, could adversely affect its ability to service its debt.

The pace of liberalisation reforms in India and specific laws and policies affecting companies in the media and entertainment sector, foreign investment, currency exchange rates and other matters affecting investment in the Company's securities could change, further disrupting business and economic conditions in India and thereby affect its business.

Taxation

Taxes generally are levied on a state-by-state basis for the Indian film industry. Recently, there has been interest in rationalising the industry's taxes by instituting a uniform set of entertainment taxes administered by the Indian government. Such changes may increase the Company's tax rate, which could adversely affect its financial condition and results of operations. Furthermore, in certain states, theatre multiplexes have enjoyed entertainment tax benefits that may be disrupted or discontinued, if India moves to a uniform entertainment tax system. This could slow the construction of new multiplexes which is projected to be a key driving force for the growth of the Indian film industry. Separately, there are certain deductions available to film producers for expenditures on production of feature films released during a given year. These

Management Discussion and Analysis *continued*

tax benefits may be discontinued and further impact current and deferred tax liabilities. In addition, the government of India has issued and may continue to issue tariff orders setting ceiling prices for distribution of content on cable television service charges in India. This could place pricing pressures on cable television service providers and broadcasters, which may, restrict the ability and willingness of cable television broadcasters in India to pay for content acquisition, including for Eros International's films. Any of the foregoing could have a material adverse effect on the Company's business, prospects, financial condition and results of operations.

Employee Initiative

Employees lie at the centre of the business universe of Eros. The Company has faith in talent, innovative leadership and independence and imbibes these qualities in its employees to enable them to recognize new opportunities and create value and perform better. The Company has instituted significant policies to attract, motivate and retain best industry talent. The Company gives a fair opportunity to all employees without any discrimination on the grounds of gender, marital status, race, colour, nationality, ethnic or national origin, religion, disability or sexual orientation. The Company follows an effective recruitment policy based on job criteria and the personal aptitude and competence of the applicants. It also applies best practices in the employment of disabled people. It also ensures an employee-friendly working atmosphere, proper training for its employees and offers career development opportunities. It also re-trains and retains staff who becomes disabled during their employment. The Company's established management communication channels are supplemented by direct presentations to employees by Directors, explaining developments of particular significance.

Internal Control System

Eros has established an Internal Control System in its various business processes, commensurate with the size and nature of its business. The system enables the Company to achieve its objectives. The Internal Auditors carry out risk

The Company has faith in talent, innovative leadership and independence and imbibes these qualities in its employees to enable them to recognize new opportunities and create value and perform better. The Company has instituted significant policies to attract, motivate and retain best industry talent.

based auditing according to the annual audit plan approved by the Audit Committee.

The Company's internal control systems records the transactions of its operations in all material respects and provides protection against significant misuse or loss of Company assets.

Cautionary Statements

Statements in the Management Discussion and Analysis describing the Company's objectives, projections, estimates and expectations may be 'forward looking statements' within the meaning of applicable securities, laws and regulations. Actual results could differ materially from those expressed or implied. Important factors that could influence the Company's operations include economic developments within the country, demand and supply conditions in the industry, input prices, changes in Government regulations, tax laws and other factors such as litigation and industrial relations.



Corporate Governance

REPORT OF COMPLIANCE WITH CLAUSE 49 OF THE LISTING AGREEMENT OF THE STOCK EXCHANGES

I. GOVERNANCE PHILOSOPHY

Corporate Governance may be defined as a set of systems, policies, processes and principles which ensure that a company is governed in the best interest of all stakeholders. It is the system by which companies are directed, administered, controlled and managed. Good governance is about promoting corporate fairness, transparency and accountability.

We strongly believe in the practice of conducting our business activities in a fair, direct and completely transparent manner that will not only benefit the Company but more importantly will ensure the highest level of accountability and trust for all our shareholders, our employees and our partners.

We at Eros International continuously strive at improving and adhering to the good governance practice.

The Company is fully compliant with the mandatory requirements of Clause 49 of the listing agreement. The report on compliance with the governance conditions are stated below.

II. BOARD OF DIRECTORS

A. Composition and Category Of Directors:

The Board of Directors comprises of professionals from various fields, possessing varied skills, expertise and vast experience.

As on 31 March, 2014, the Board of Directors of the Company comprised of seven (7) Directors, three (3) of which are Independent Directors. The Board is structured to maintain optimum combination of Independent and Non Independent, as well as Executive Directors and Non Executive Directors in compliance with the Clause 49(1)(a) of the Listing Agreement.

The Chairman of our Board, Mr. Naresh Chandra is a Non Executive and Independent Director and is not related to promoters of the Company or any person occupying the position one level below the Board. Hence, the minimum requirement as stipulated in Clause 49 of the Listing Agreements entered into with Stock Exchanges, for having at-least one third of the Board comprising of Independent Directors is complied with.

The Independent Directors on the Board do not have any pecuniary relationship or transactions with the Company, promoters or management, which may affect their judgement in any other manner. The members of our Board are from diverse background with skills and experience in critical areas like governance, finance, entrepreneurship and general management.

There are no Institutional/Nominee Directors on the Board.

The composition of the Board and category of Directors are given in the below table:

| Name of the Director | Category |
|--|--------------------------------------|
| Mr. Naresh Chandra, Chairman | Non Executive & Independent Director |
| Mr. Sunil Lulla, Vice Executive Chairman & Managing Director | Executive Director |
| Mr. Kishore Lulla | Executive Director |
| Dr. Shankar Nath Acharya | Non Executive & Independent Director |
| Mr. Dhirendra Swarup | Non Executive & Independent Director |
| Ms. Jyoti Deshpande | Executive Director |
| Mr. Vijay Ahuja | Executive Director |

Note:

1. Mr. Kishore Lulla, Executive Director and Mr. Sunil Lulla, Executive Vice Chairman and Managing Director of the Company, are brothers.
2. Mr. Vijay Ahuja, Executive Director of the Company, is co-brother of Mr. Sunil Lulla and Mr. Kishore Lulla.

Other than the aforesaid there are no inter-se relationships amongst the Directors.

B. Other Provisions Related to Board and Committees:

- **Board Meetings:**

The Board is informed well in advance about the Board meeting(s) and agenda for the same is circulated to the Directors in advance.

The members of the Board have access to all information of the Company and are free to recommend inclusion of any matter in agenda for discussion. In case of need, the senior management is invited to attend the Board Meeting(s) to

provide additional inputs relating to the items being discussed and/ or give presentation to the Board. The Board meets at least once in a quarter to review the quarterly results and other items on the agenda. Additional meetings are held, as and when necessary.

During the year under review, the Board met five (5) times in a year i.e. on 30 May, 2013, 12 August, 2013, 22 October, 2013, 13 February, 2014 and 6 March, 2014. The maximum time gap between two meetings of the Board was not more than four (4) months as stipulated under the Listing Agreement entered with Stock Exchanges.

- **Chairmanships/ Memberships:**

As at 31 March, 2014, all the Directors of the Company have confirmed that none of them is a member of more than ten (10) committees, or is a Chairman of more than five (5) committees across all companies in which they are acting as Directors.

Attendance of the Directors at Board Meetings, Audit Committee meeting, last Annual General Meeting (AGM) and number of other Directorships and Chairmanships/Memberships of the Committees of each Director in various other companies:

| Name of Director | Attendance | | | Position on the Board of other companies as on 31 March, 2014 | | |
|--------------------------|---------------|-------------------------|-----------------------------|---|--------------------------|-----------------------------|
| | Board Meeting | Audit Committee Meeting | Last Annual General Meeting | Directorship** (Including Unlisted Public Companies) | Committee Membership *** | Committee Chairmanship **** |
| Mr. Naresh Chandra | 5 | 4 | Yes | 9 | 9 | - |
| Mr. Sunil Lulla | 4 | 4 | Yes | - | - | - |
| Mr. Kishore Lulla | 2 | N.A. | No | - | - | - |
| Dr. Shankar Nath Acharya | 4 | 3 | No | 1 | 1 | 1 |
| Mr. Dharendra Swarup | 4 | 3 | Yes | 2 | 2 | 1 |
| Ms. Jyoti Deshpande | 2 | N.A. | Yes | - | - | - |
| Mr. Vijay Ahuja | 3 | N.A. | No | - | - | - |

Note:-

** Other Directorships in Private Limited Companies, Foreign Companies and Companies under Section 25 of the Companies Act, 1956 are not included.

*** Only Audit Committee and Shareholders and Investor's Grievance Committee are considered for the purpose of committee positions as per Listing Agreement.

**** Also includes the committees in which a Director holds position as a Chairman.

Corporate Governance *continued*

Periodical Review of Compliance Reports:

- During the year, the Board periodically reviewed the reports placed by the management with respect to compliance of various laws applicable to the Company. The Internal Auditors also reviews the compliance status and report to the Audit Committee.
- During the year, there was no resignation /removal of any Independent Director from the Board, and as such there was no requirement to fill the resultant vacancy within 180 days from the day of such resignation/removal.

C. Appointment of Directors:

In terms of the Section 149 and Section 152 of the Companies Act, 2013, the independent directors shall hold an office for a term upto five (5) consecutive years on the Board of the Company and are excluded from the computation of total number of directors liable to retire by rotation.

Based on the new Companies Act, 2013, it is proposed to the shareholders at the ensuing Annual General Meeting to appoint Mr. Naresh Chandra, Mr. Dhirendra Swarup and Dr. Shankar Nath Acharya, all the three (3) Independent Directors for a first term of five (5) consecutive years as "Independent Directors". All the Independent Directors have submitted their consent to act as a Director and also a declaration with respect to their independency as stated in Section 149(6) of the Companies Act, 2013.

As required under Clause 49(IV)(G) of the Listing Agreement, brief portrayal of Independent Directors, seeking appointment at the ensuing AGM are furnished hereunder:

i. Details of Mr. Naresh Chandra are as follows:

| | |
|---------------|---|
| Name | Mr. Naresh Chandra |
| DIN | 00015833 |
| Designation | Chairman and Non Executive Independent Director |
| Qualification | Masters' degree in Science from Allahabad University |
| Date of Birth | 1 August, 1934 |
| Profile | <p>Mr. Naresh Chandra is our Non-Executive Chairman and Independent Director since 28 September, 2009. He graduated with a masters' degree in science from Allahabad University. Mr. Chandra, former civil servant, joined the Indian Administrative Services in 1956 and served as Chief Secretary in the State of Rajasthan, Commonwealth Secretariat Adviser on Export Industrialisation and Policy in Colombo (Sri Lanka), Adviser to the Government of Jammu and Kashmir; and successively Secretary to the Crucial Ministries of Water Resources, Defence, Home and Justice in the Federal Indian Government.</p> <p>In December 1990, he became Cabinet Secretary, the highest post in the Indian civil service. In 1992, he was appointed Senior Adviser to the Prime Minister of India. He was the Governor of the state of Gujarat in 1995-1996 and Ambassador of India to the United States of America in 1996-2001. He has also chaired the Committee on Corporate Audit and Governance, the Committee on Private Companies and Limited Companies Partnerships and the Committee on Civil Aviation Policy, for the Government of India. He has been honoured with the Padma Vibhushan, a high civilian award, by the Government of India in 2007. He is a director of various companies, as stated below.</p> |

i. Details of Mr. Naresh Chandra are as follows: (Contd.)

| Name | Mr. Naresh Chandra |
|---|--|
| Directorships held in other companies (including private companies and foreign companies) | <ul style="list-style-type: none"> • Bajaj Holdings & Investment Limited • Balrampur Chini Mills Limited • Electro Steel Castings Limited • Avtec Limited • Cairn India Limited • G4S Corporate Services (India) Private Limited • Gammon Infrastructure Projects Limited • Bajaj Auto Limited • Bajaj Finserv Limited • Emergent Ventures India Private Limited • Eros International Plc • Sesa Sterlite Limited |
| Memberships/ Chairmanships of Committees of other companies (includes only Audit Committee and Shareholders/ Investors Grievance Committee) | <ul style="list-style-type: none"> • Member of Audit committee of Cairn India Limited • Member of Shareholders / Investor Grievance and Audit committee of Bajaj Auto Limited • Member of Audit committee of Bajaj Holding & Investment Limited • Member of Audit committee of Bajaj Finserv Limited • Member of Audit committee of Electrosteel Casting Limited • Member of Audit committee of Gammon Infrastructure Project Limited • Chairman and Member of Audit Committee of Eros International Plc. • Chairman of Audit Committee of Emergent Ventures India Private Limited • Member of Audit Committee of Sesa Sterlite Limited • Member of Stakeholder Relationship Committee of Sesa Sterlite Limited. |

ii. Details of Mr. Dharendra Swarup are as follows:

| | |
|---------------|--|
| Name | Mr. Dharendra Swarup |
| DIN | 02878434 |
| Designation | Non Executive Independent Director |
| Qualification | <ul style="list-style-type: none"> • Fellow Member of Institute of Public Auditors of India • Post Graduate degree in Humanities |
| Date of Birth | 5 December, 1944 |

Corporate Governance *continued*

ii. Details of Mr. Dharendra Swarup are as follows: (Contd.)

| | |
|---|--|
| Name | Mr. Dharendra Swarup |
| Profile | <p>Mr. Dharendra Swarup is a Government certified Public Accountant and a Fellow Member of the Institute of Public Auditors of India, and has a post graduate degree in humanities. He was a member of the Board of the SEBI, and a member of the Permanent High-level Committee on Financial Markets between July 2005 and December 2009. A former civil servant, he retired as Secretary, Ministry of Finance, Government of India in 2005, and has approximately 45 years' experience in finance, budgeting, audit, public policy, public investments, project appraisal, evaluation of schemes and programmes of the Government of India. He has also served as Chairman of the Pension Funds Regulatory Authority between 2005 and 2009, Chief of the Budget Bureau of the Government of India between 2000 and 2005.</p> <p>Mr. Swarup was involved in the drafting of the Fiscal Responsibility and Budget Management Act, 2003, and the fiscal rule made thereunder, and has been associated with the International Monetary Fund between 1993 and 2007, and has been Vice-Chairman of the International Network on Financial Education, Organisation for Economic Co-operation and Development between 2007 and 2009. He has a rich experience in finance sector.</p> |
| Directorships held in other companies (including private companies and foreign companies) | <ul style="list-style-type: none"> ● PTC India Limited ● United Stock Exchange of India Limited |
| Memberships/ Chairmanships of Committees of other companies (includes only Audit Committee and Shareholders/ Investors Grievance Committee) | <ul style="list-style-type: none"> ● Member of Audit Committee of PTC India Limited ● Chairman and Member of Audit Committee of United Stock Exchange of India Limited |

iii. Details of Dr. Shankar Nath Acharya are as follows:

| | |
|---------------|--|
| Name | Dr. Shankar Nath Acharya |
| DIN | 00033242 |
| Designation | Non Executive Independent Director |
| Qualification | <ul style="list-style-type: none"> ● Bachelors' degree in politics, philosophy and economics from Oxford University ● Ph. D in economics from Harvard University |
| Date of Birth | 21 October, 1945 |

iii. Details of Dr. Shankar Nath Acharya are as follows: (Contd.)

| | |
|---|--|
| Name | Dr. Shankar Nath Acharya |
| Profile | <p>Dr. Shankar Nath Acharya, completed his graduation in politics, philosophy and economy from Oxford University in 1967 and earned Ph.D. (Economics) from Harvard University in 1972.</p> <p>Starting his career with World Bank, Washington D.C (“Bank”) in 1971, he held several senior positions in the Bank. Mr. Acharya was also appointed as Director of World Development Report Team in 1979 and was then associated with the Bank as “Research Adviser”.</p> <p>After his stint with the World Bank for more than a decade, he returned back to India. He served as Economic Adviser to the Union Finance Ministry and he was then appointed as Chief Economic Adviser to the Government of India and was deeply involved in the economic reforms from 1993 to 2001.</p> <p>He has enormous experience in the field of economics and finance. He held several positions, such as,</p> <ul style="list-style-type: none"> ● Served as Honorary Professor at the Indian Council for Research on International Economic Relations (ICRIER). ● Served as Chief Economic Adviser, Ministry of Finance, Government of India. ● Member of Securities and Exchange Board of India (SEBI). ● Member of Twelfth Finance Commission. ● Member of the National Security Advisory Board. <p>He has authored 8 books and numerous scholarly articles on economics and serves on the governing bodies of several national research organisations.</p> <p>He serves on the Board of some listed companies and also acts as Chairman and Member of various Committees.</p> |
| Directorships held in other companies (including private companies and foreign companies) | <ul style="list-style-type: none"> ● Kotak Mahindra Bank Limited ● The South Asia Institute for Research & Policy (Private) Limited, Sri Lanka |
| Memberships/ Chairmanships of Committees of other companies (includes only Audit Committee and Shareholders/ Investors Grievance Committee) | <ul style="list-style-type: none"> ● Chairman of Audit Committee of Kotak Mahindra Bank Limited |

Corporate Governance *continued*

D. Reappointment of Directors:

As per Section 152 (6) of the Companies Act 2013, not less than two third of the total number of directors of a public company shall be persons whose office is liable to retire by rotation. Accordingly, the office of Mr. Kishore Lulla, Executive Director of the Company, is longest in the office and is liable to retire by rotation at the ensuing Annual General Meeting of the Company.

Mr. Kishore Lulla being eligible has offered himself for re-appointment.

Mr. Kishore Lulla has given his consent to act as Director as required under Section 152 of the Companies Act, 2013.

As required under Clause 49(IV)(G) of the Listing Agreement, brief portrayal of Mr. Kishore Lulla, seeking appointment at the ensuing AGM is furnished hereunder:

| | |
|--|---|
| Name | Mr. Kishore Lulla |
| Profile | <p>Mr. Kishore Lulla, an Art graduate from Mumbai University, has over 30 years of vast experience in the Media and Film Industry. He is associated with the Company in his capacity as an "Executive Director" of the Company, since 28 September, 2009. Currently, he is a Member of the British Academy of Film and Television Arts and Young Presidents' Organisation and also a board member of the school of film at the University of California, Los Angeles ("UCLA").</p> <p>As an Executive Chairman of EROS International group, Mr. Kishore Lulla has been instrumental in spearheading its growth and expanding the presence of Eros Group in UK, USA, Dubai, Australia, FIJI and other international markets. He has been honoured at the Asian Business Awards 2007 and the Indian Film Academy Awards 2007 for his contribution in taking Indian cinema global.</p> |
| Directorships held in other companies | <p>Eros International Plc (IOM)</p> <hr/> <p>Eros International Ltd (UK)</p> <hr/> <p>Eros Network Ltd (UK)</p> <hr/> <p>Eros International USA Inc</p> <hr/> <p>Eros Australia Pty Ltd</p> |
| Memberships/Chairmanships of Committees of other companies | Nil |

E. Code Of Conduct:

The Board has laid down a Code of Business Conduct and Ethics for all the Directors, Key Managerial personnel and Senior Managerial Personnel of the Company in accordance with the requirement under Clause 49(I)(D) of the Listing Agreement, which has been posted on the website of the Company www.erosintl.com All the Board members, Key Managerial Personnel and Senior Management Personnel have affirmed compliance with the Code for the financial year ending 31 March, 2014.

A declaration to this effect signed by the Executive Vice Chairman and Managing Director of the Company is given elsewhere in this report.

III. COMMITTEES OF THE BOARD

In compliance with the listing agreements, the SEBI Regulations and to focus effectively on the issues and ensure expedient resolution of the diverse matters, the Board has constituted various committees with specific terms of reference and scope. The decisions taken by these Committees are noted by the Board at its subsequent meeting. Brief particulars

of Audit Committee, Nomination and Remuneration Committee and Stakeholders Relationship Committee as required under Clause 49 of the Listing Agreement are given hereunder:

i) Audit Committee

In terms of Section 292A of the Companies Act, 1956 and as per Clause 49(III) of the Listing Agreement, the Board of Directors had constituted an Audit Committee with well defined composition, quorum, powers, role, review of information, scope etc. The Audit Committee so reconstituted by the Board of Directors on 19 November, 2009, complies with the constitution requirements as laid down in Section 177 of the Companies Act, 2013 and Listing Agreement.

The primary objective of the committee is to monitor and ensure effective supervision of the financial reporting process for accurate and timely disclosures while maintaining high levels of transparency and integrity.

All members of the Audit Committee are financially literate and bring in expertise in the fields of finance, economics and management. The Company Secretary and Compliance Officer of the Company act as the secretary to the Audit Committee. In addition to the above, the Chief Financial Officer, the Statutory Auditors and Internal Auditors also attend the Committee meetings as invitees.

Mr. Dharendra Swarup, Chairman of the Audit Committee was present at the last Annual General meeting of the Company.

Members of the Audit Committee are as follows:

| Name of Committee Member | Designation in Committee | Category |
|--------------------------|--------------------------|--|
| Mr. Dharendra Swarup | Chairman | Non-Executive Independent Director |
| Mr. Naresh Chandra | Member | Non-Executive Independent Director |
| Mr. Sunil Lulla | Member | Executive Director (Executive Vice Chairman & Managing Director) |
| Dr. Shankar Nath Acharya | Member | Non-Executive Independent Director |

The Charter of Audit Committee for the purpose of effective compliance is in accordance with Clause 49 of the Listing Agreements entered into with stock exchanges and as per terms of reference mentioned in Section 177 of the Companies Act, 2013.

During the year under review, Audit Committee met four (4) times in a year viz. on 30 May, 2013, 12 August, 2013, 22 October, 2013 and 13 February, 2014. Details of the attendance of the Members at the Audit Committee meetings are mentioned above in part II(B).

ii) Nomination and Remuneration Committee:

In accordance with the Section 178 of the Companies Act, 2013 and as per the Clause 49 of the Listing Agreement, every listed company shall constitute the Nomination and Remuneration Committee consisting of three or more non-executive Directors out of which not less than one half shall be Independent Directors. Accordingly, the existing Compensation Committee was rechristened as "Nomination and Remuneration Committee" by the Board of Directors at their meeting held on 29 May, 2014 on the terms of reference as detailed in Section 178 of the Companies Act, 2013 and applicable rules thereto and as per Clause 49 of the Listing Agreement.

Members of the Nomination & Remuneration Committee are as under:

| Name of Committee Member | Designation in Committee | Category |
|--------------------------|--------------------------|------------------------------------|
| Dr. Shankar Nath Acharya | Chairman | Non-Executive Independent Director |
| Mr. Naresh Chandra | Member | Non-Executive Independent Director |
| Mr. Dharendra Swarup | Member | Non-Executive Independent Director |

Corporate Governance *continued*

During the year under review, the Nomination & Remuneration Committee met twice i.e. on 13 February, 2014 and 6 March, 2014 at which the attendance of the Members were as follows:

| Name of the Committee Member | Number of meetings attended |
|------------------------------|-----------------------------|
| Dr. Shankar Nath Acharya | 2 |
| Mr. Naresh Chandra | 2 |
| Mr. Dhirendra Swarup | 2 |

Apart from the above meetings, the Committee passed the following resolutions by way of circulation:

- For allotting additional 3,00,000 stock options on 14 October, 2013 to Key Management officer and senior management officer of the Company.
- For issue and allotment of 51,850 Equity Shares of the Company on 13 January, 2014, against exercise of 51,850 stock options by the employees of the Company.

Ms. Dimple Mehta, Company Secretary & Compliance Officer acts as the Secretary to the Committee.

Remuneration Policy:

The Nomination & Remuneration Committee recommends the remuneration, including the commission based on the net profits of the Company, for the Managing Director / other Executive Directors (as the case may be), for approval by the Board and Members. The remuneration paid is determined keeping in view the industry benchmark, the relative

performance of the Company to the industry performance and review of remuneration packages of managerial personnel of other organizations. Perquisites and retirement benefits are paid according to the Company policy as applicable to senior executives of the Company, subject to prescribed statutory ceiling.

The remuneration of employees largely consists of basic salary, perquisites, bonus and performance incentives. The components of the total remuneration vary for different grades and are governed by the industry pattern, qualification & experience / merits, performance of each employee. The main objective of the remuneration policy is to motivate each and every employee and to stimulate excellence in their performance, recognise merits / achievements in order to retain the talent in the Company and to promote the feeling of belongingness.

In addition to the above, the employees may be granted stock options under the Employees Stock Options Scheme of the Company as may be decided by the Nomination & Remuneration Committee of Directors from time to time.

Details of remuneration /sitting fees paid to all the Directors for the financial year 2013-2014 are as follows:

| Sr. No. | Name of Director | Salary, Perquisites | Sitting Fees (Paid) | Commission (paid) (*) | Commission (payable) | Total (Rs) | Holding of Equity shares/stock options of the Company as on 31 March 2014 |
|---------|--------------------------|---------------------|---------------------|-----------------------|----------------------|-------------------|---|
| 1 | Mr. Naresh Chandra | - | 220,000 | 4,475,000 | 5,100,000 | 9,795,000 | Nil |
| 2 | Mr. Sunil Lulla | 33,880,000 | - | - | - | 33,880,000 | 1,400 (equity shares) |
| 3 | Mr. Kishore Lulla | 8,712,000 | - | - | - | 8,712,000 | Nil |
| 4 | Dr. Shankar Nath Acharya | - | 240,000 | 2,237,500 | 2,550,000 | 5,027,500 | Nil |
| 5 | Mr. Dhirendra Swarup | - | 240,000 | 2,237,500 | 2,550,000 | 5,027,500 | Nil |
| 6 | Mrs. Jyoti Deshpande | 7,920,000 | - | - | - | 7,920,000 | 571,160 (options outstanding) & holds 142,790 equity shares |
| 7 | Mr. Vijay Ahuja | - | - | - | - | - | Nil |
| | Total | 50,512,000 | 700,000 | 8,950,000 | 10,200,000 | 70,362,000 | |

* Note : Commission paid is for Financial Year 2012-2013

Remuneration to Non-Executive Directors:

- Remuneration by way of Sitting Fees for attending the Board and Committee meetings are paid to Non-Executive Directors, details of which are mentioned in the table above.
- Remuneration by way of payment of commission to Non-Executive Directors is made in accordance with Companies Act, 1956, and as may be decided by the Board of Directors with reference to the profits of the Company and its business plans.
- During the year ended on 31 March, 2014, the Non-Executive Directors were paid sitting fees of ₹ 20,000/- for attending each of the Board and Committee meetings of the Company.
- None of the Non-Executive Directors have any pecuniary relationship or transactions with the Company.
- None of the Non-Executive Directors holds any equity shares in the Company.
- Except for Mrs. Jyoti Deshpande who holds 5,71,160 stock options, none of the Directors are granted any stock options of the Company.
- Except for Mr. Sunil Lulla and Mrs. Jyoti Deshpande, Executive Directors of the Company, who holds 1400 shares and 1,42,790 equity shares respectively, none

of the Directors holds any Equity Shares in the Company.

- Mr. Kishore Lulla, Executive Director and Mr. Sunil Lulla, Executive Vice Chairman and Managing Director of the Company, are brothers and Mr. Vijay Ahuja, Executive Director of the Company, is co-brother of Mr. Sunil Lulla and Mr. Kishore Lulla. Other than the aforesaid there are no inter-se relationships amongst the Directors.
- None of the Directors hold any convertible instruments in the Company.

iii) Stakeholders Relationship Committee:

In terms of Section 178 of the new Companies Act, 2013 and applicable rules thereto and as per the Clause 49 of the Listing Agreement, every Company having one thousand or more shareholders/ security holders needs to constitute the Stakeholders Relationship Committee consisting of a chairperson who shall be a non-executive Director and such other members as may be decided by the Board.

Accordingly, the Board of Directors rechristened the existing Share Transfer and Investor Grievance Committee as "Stakeholders Relationship Committee", vide resolution passed at their meeting held on 29 May, 2014 on the terms of reference as detailed in Section 178 of the Companies Act, 2013 and Clause 49 of the Listing Agreement.

Members of the Stakeholders Relationship committee are as follows:

| Name of Committee Member | Designation in Committee | Category |
|--------------------------|--------------------------|------------------------------------|
| Dr. Shankar Nath Acharya | Chairman | Non-Executive Independent Director |
| Mr. Dharendra Swarup | Member | Non-Executive Independent Director |
| Mr. Sunil Lulla | Member | Executive Director |

The Company Secretary and Compliance Officer of the Company is the secretary of the Stakeholders Relationship Committee.

During the year under review, the Stakeholders Relationship Committee met four times viz. on 30 May, 2013, 12 August, 2013, 22 October, 2013 and 13 February, 2014 at which the attendance of the Members were as follows:

| Name of the Committee Member | Number of meetings attended |
|------------------------------|-----------------------------|
| Dr. Shankar Nath Acharya | 3 |
| Mr. Dharendra Swarup | 3 |
| Mr. Sunil Lulla | 4 |

Corporate Governance *continued*

Status of Investor Grievances during the year 2013-14:

| Description of Investors Grievances received during the year | No. of Grievances |
|---|-------------------|
| Total Grievances Pending at the Beginning of Period (1 April, 2013) | NIL |
| Letters directly received from Investors | 07 |
| B.S.E. | 02 |
| SEBI (Securities Exchange Board of India) (SCORES) | 01 |
| Total Grievances attended | 10 |
| Total Grievances pending as on 31 March, 2014 | NIL |

All the complaints /requests received during the year under report were resolved within time to the satisfaction of the investors/ members and no complaints were pending as on 31 March, 2014 for more than 30 days.

In addition to the above, the Board has also constituted Management Committee comprising of Mr. Sunil Lulla, Mr. Kishore Lulla, Mrs. Jyoti Deshpande, Mr. Vijay Ahuja and Mr. Kamal Kumar Jain to decide on day to day affairs of the Company; and also a Corporate Social Responsibility Committee comprising of Mr. Naresh Chandra, Mr. Kishore Lulla, Mr. Sunil Lulla and Ms. Jyoti Deshpande.

Subsidiary Companies

As on 31 March, 2014, the Company has 12 subsidiaries (including 7 direct subsidiaries and 5 indirect subsidiaries). Out of 7 direct subsidiaries, 5 are Indian and other 2 are foreign.

None of the subsidiaries of the Company are material Indian non-listed subsidiary in terms of Clause 49(iii) of the Listing Agreement.

Financial statements, in particular the investments made by the unlisted subsidiaries, statement containing all significant transactions and arrangements entered in to by the unlisted subsidiaries forming part of the financials are being reviewed by the Audit Committee of your Company on a quarterly basis. Also, statements of all significant transactions and arrangements entered into by the unlisted subsidiary companies are periodically brought to the attention of the Board by the Management.

INVESTORS INFORMATION

General Body Meeting

Details of previous three Annual General Meetings of the Members are as under:

| Respective Financial Year | 2010-2011 | 2011-2012 | 2012-2013 |
|---------------------------|--|--|--|
| Date of the meeting | 25 August, 2011 | 24 September, 2012 | 28 August, 2013 |
| Time of the meeting | 3.00 p.m. | 3.00 p.m. | 3.00 p.m. |
| Venue of the meeting | The Club, 197, D. N. Nagar, Andheri (West), Mumbai - 400 053 | The Club, 197, D. N. Nagar, Andheri (West), Mumbai - 400 053 | The Club, 197, D. N. Nagar, Andheri (West), Mumbai - 400 053 |

Details of previous three Annual General Meetings of the Members are as under: (Contd.)

| Respective Financial Year | 2010-2011 | 2011-2012 | 2012-2013 |
|--|---|---|-----------|
| Special Resolution passed at the meeting | <ul style="list-style-type: none"> • Payment of sitting fees of ₹ 20,000/- each (excluding out pocket expenses) to all Non-Executive Directors of the Company for attending the Committee meetings formed by the Board of Directors. | <ul style="list-style-type: none"> • Re-Appointment of Mr. Sunil Lulla as the Executive Vice Chairman and Managing Director of the Company for a period of three years w.e.f 28 September, 2012 on such terms and conditions as approved by the shareholders. • Appointment of Mrs. Jyoti Deshpande as an Executive Director upto 30 September, 2015 on such terms and conditions as approved by the Shareholders | N.A. |

RESOLUTIONS PASSED BY WAY OF CONDUCTING THE POSTAL BALLOT:

During the year under consideration, the Board of Directors at their meeting held on 6 March, 2014 had approved conducting of Postal ballot for seeking the approval of shareholders for appointment of Mrs. Krishika Lulla (wife of Mr. Sunil Lulla) as an Officer and to hold an office or place of profit in the Company, in terms of Section 192A of the Companies Act, 1956 read with the Companies (passing of the resolution by postal ballot) Rules, 2011, subject to the approval of Central Government.

The result of the Postal ballot was declared on 23 April, 2014 and the resolution was passed by requisite and overwhelming majority.

Mr. Haresh Jani, Company Secretary in Practice, was appointed as Scrutinizer for conducting the aforesaid Postal Ballot. Ms. Dimple Mehta, Company Secretary and Compliance Officer of the Company declared the results.

PROCEDURE FOR POSTAL BALLOT

For conducting a Postal Ballot, Notice specifying the resolutions proposed to be passed through Postal ballot alongwith explanatory statement, postal ballot forms alongwith prepaid business reply envelopes and User Ids and Passwords for the purpose of e-voting are dispatched / emailed to all the shareholders whose names appeared in Register of members/list of beneficial owners as on the cut off date.

The Shareholders are requested to send back the postal ballot forms duly filled up and signed in the postage prepaid envelopes so as to reach the Scrutinizer on or before the cut off date or to cast their votes by e-voting using their User Ids and Passwords and as per the instructions mentioned in the Notice of Postal ballot.

The Scrutinizer scrutinizes the ballot papers, verify the signature and counter check whether no duplicate voting is made through submission of physical ballot form and also

Corporate Governance *continued*

by e-voting. On compilation of ballot forms and e-voting results, the Scrutinizer prepares the Report and submits to the Company and based on the Report, the Company declares the voting results of the Postal Ballot and inform the stock exchanges, where the company is listed and also upload it on the website of the Company, apart from publishing in one English language and in one vernacular language newspaper.

DISCLOSURES

- During the year, there were no transactions of materially significant nature with the Promoters or Directors or the Management or the subsidiaries or relatives etc. that had potential conflict with the interests of the Company at large. A statement of summary of related party transactions is duly disclosed in the Notes to accounts.
- No treatment different from the accounting standards, prescribed by the Institute of Chartered Accountants of India, has been followed in the preparation of financial statements.
- The Company has in place the mechanism to inform Board members about the risk assessment and minimisation procedures and periodical reviews to ensure that risk is controlled by the Executive Management.
- During the year, the Company did not make any public issue, right issue, preferential issue, etc. and hence it did not receive any proceeds from any such issues. The proceeds received from public issue made in 2010, were appropriately utilized.
- During the last three years, there were no instances of non-compliance by the Company and no penalty or strictures were imposed on the Company by the Stock Exchanges or SEBI or any statutory authority, on any matter related to the capital markets.
- The Company is fully compliant with the applicable mandatory requirements of Clause 49 of the Listing Agreement with the Stock Exchanges, relating to Corporate Governance.
- The Company has laid down the Whistle Blower mechanism for employees and stakeholders of the Company to report to the management about any instances of unethical behaviour, actual or suspected fraud, illegal or unethical practices in the Company.
- The Chairman of your Company is a Non-Executive Director.
- During the year under review, there was no audit qualification in the Company's financial statements. Your Company continues to adopt best practices to ensure a regime of unqualified financial statements.

Insider Trading Regulations

The Company has constituted and adopted a comprehensive Code of Conduct viz. "Eros International Media Limited Code of Conduct for Prohibition of Insider Trading" ("Code"), for its Directors, Key Managerial Personnel, Senior Management Personnel and such other designated employees who are expected to have access to unpublished price sensitive information relating to the Company in compliance with Securities and Exchange Board of India (Prohibition of Insider Trading) Regulations, 1992, as amended from time to time.

The objective of the Code is to prevent purchase and / or sale of securities of the Company by an insider on the basis of unpublished price sensitive information. Under this Code, Directors, Key Managerial Personnel and Senior Management Personnel and such designated employees are completely prohibited from dealing in the Company's shares during the closure of Trading Window. Further, the Code specifies the procedures to be followed and disclosures to be made by Directors, Key Managerial Personnel and Senior Management Personnel and other designated employees, while dealing with the securities of the Company and enlists the consequences of any violations.

The Annual disclosures as required from Directors, Key Managerial Personnel, Senior Management Personnel and other Designated Employees for adherence to this Code during the financial year 2013-2014 have been received by the Company and certificate to that effect from the Executive Vice Chairman & Managing Director is annexed hereto and forming part of this Report.

The Company Secretary has been appointed as the Compliance Officer for monitoring adherence to the said Code.

The Code is uploaded on the Company's website at the following link www.erosintl.com

MANAGEMENT DISCUSSION AND ANALYSIS REPORT

A Management Discussion and Analysis Report is attached to and forming part of this Annual Report.

SECRETARIAL AUDIT

A Qualified Practising Company Secretary carried out the Quarterly Secretarial Audit for each quarter to reconcile the total admitted equity capital with National Securities Depository Limited (NSDL) and the Central Depository Services (India) Limited (CDSL) of the total issued and listed Equity Share Capital. The Report on Reconciliation of Share Capital confirms that the total issued/paid up capital is in agreement with the total number of shares in the Physical form and the total number of shares in the dematerialised form held with National Securities Depository Limited (NSDL) and the Central Depository Services (India) Limited (CDSL).

CERTIFICATE ON COMPLIANCE OF CONDITIONS OF CORPORATE GOVERNANCE

In accordance with Clause 49(VII) of the Listing Agreement, a certificate from a Practising Company Secretary confirming compliance of conditions of corporate governance as stipulated in the said clause has been obtained by the Company and the same forms a part of this Report.

CEO / CFO CERTIFICATION

A certificate in accordance with clause 49(V) of the Listing Agreement signed by Mr. Sunil Lulla, Executive Vice Chairman and Managing Director of the Company and Mr. Kamal Kumar Jain, Group Chief Financial Officer (India) of the Company, certifying to the Board on the matters related to financial and cash flow statements, legality, adherence to code of conduct, non-fraudulence of transactions entered into by the Company; acceptance of responsibility for establishing internal controls etc. and indications given to Auditors and Audit Committee about significant changes in internal control, accounting policies and instances of significant fraud, if any, as prescribed under the said sub clause is annexed to this Report.

GREEN INITIATIVE IN CORPORATE GOVERNANCE

The Company has undertaken a Green Initiative in Corporate Governance whereby the companies are allowed to send notice, documents and other communication(s) to the shareholders in electronic mode.

Your Company encourages its shareholders to support the "Green Initiative" by registering their e-mail addresses with the Company/ Registrar & Transfer Agent/ respective Depository Participants (DP's) by specifying their Client Id and DP Id and intimating changes in the email id from time to time.

In view of the above circular issued by MCA, like last year, this year too your Company is sending the documents like the Notice convening the general meetings, financial statements, Directors' Report, Auditors' Report, etc to the email address provided by the shareholders to their respective Depository Participant (DP)/ Company's Registrar and Transfer Agent.

Corporate Governance *continued*

General Shareholders Information:

| | |
|--|---|
| i. Annual General Meeting | |
| Day | Thursday |
| Date | 25 September, 2014 |
| Time | 2.30 p.m. |
| Venue | 'The Classique Club', New Link Road, Andheri (West), Mumbai 400 053 |
| ii. Financial calendar (tentative) | |
| Audited Annual Results of previous year ended March 31, 2014 | Fourth week of May 2014 |
| 1st quarter results for quarter ending June 2014 | On or before 14th August, 2014 |
| 2nd quarter results for quarter ending September 2014 | On or before 14th November, 2014 |
| 3rd quarter results for quarter ending December 2014 | On or before 14th February, 2015 |
| Last quarter results for quarter ending March 2015 | On or before 30th May, 2015 |
| iii. Financial year | 1 April, 2014 to 31 March, 2015 |
| iv. Book Closure Dates | 29 August, 2014 till 5 September, 2014 |
| v. Listing of equity shares at Stock Exchanges | <p>BSE Limited Pheeroze Jeejeebhoy Towers, Dalal Street, Fort, Mumbai-400 001 Tel No:-91-22-22721233/1234 Fax No:-91-22-22721919</p> <p>National Stock Exchange of India Limited Exchange Plaza, 5th Floor, Plot no- C Block, G Block, Bandra Kurla Complex, Mumbai-400 051 Tel No:- 91-22-26598100-8114 Fax No:-91-22-26598120</p> |
| vi. Stock Codes | <p>BSE – 533261 NSE – EROSMEDIA</p> |
| vii. ISIN Number | INE416L01017 |
| viii. Corporate Identification Number (CIN) | L99999MH1994PLC080502 |

The Company paid within the prescribed time, the following fees:

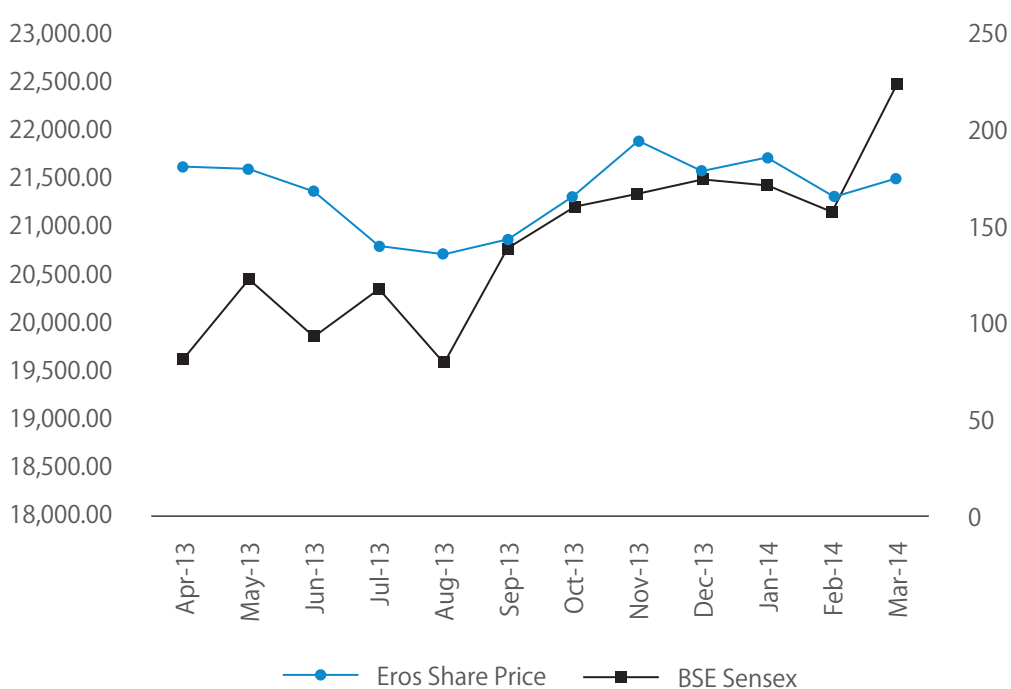
- The annual listing fees for the financial year 2014-2015 to BSE Limited (BSE) and National Stock Exchange of India Limited (NSE).
- The annual custodial fees for the financial year 2014-2015 to National Securities Depository Limited (NSDL) and Central Depository Service (India) Limited (CDSL).

MARKET PRICE DATA

The equity shares of the Company are listed on the BSE Limited and National Stock Exchange of India Limited. The monthly high and low share prices on both the exchanges for a period starting from 1 April, 2013 to 31 March, 2014 are as below:

| Month | BSE Limited (BSE) | | | National Stock Exchange of India Limited (NSE) | | |
|--------|-------------------|---------------|-----------|--|---------------|-----------|
| | High Price (₹) | Low Price (₹) | Volume | High Price (₹) | Low Price (₹) | Volume |
| Apr 13 | 180.40 | 167.00 | 1,377,256 | 180.60 | 166.65 | 2,244,651 |
| May 13 | 179.95 | 156.65 | 698,858 | 179.70 | 156.10 | 3,640,599 |
| Jun 13 | 168.00 | 126.35 | 1,161,806 | 169.00 | 126.25 | 3,590,156 |
| Jul 13 | 140.00 | 117.00 | 1,877,958 | 140.00 | 117.00 | 3,391,777 |
| Aug 13 | 136.00 | 106.50 | 1,428,994 | 146.80 | 106.75 | 2,797,244 |
| Sep 13 | 143.00 | 114.80 | 1,592,518 | 142.85 | 114.75 | 28,17,219 |
| Oct 13 | 164.16 | 133.75 | 1,407,920 | 164.40 | 134.00 | 3,712,814 |
| Nov 13 | 194.50 | 156.00 | 1,737,752 | 194.90 | 155.60 | 5,779,001 |
| Dec 13 | 178.40 | 154.90 | 1,576,900 | 178.90 | 154.85 | 4,538,969 |
| Jan 14 | 185.00 | 142.10 | 1,895,817 | 185.00 | 142.05 | 7,827,450 |
| Feb 14 | 166.00 | 136.50 | 1,278,335 | 165.50 | 137.20 | 4,816,037 |
| Mar 14 | 174.50 | 158.25 | 1,256,449 | 174.70 | 158.30 | 4,806,778 |

Performance in comparison to broad based indices



Corporate Governance *continued*

Performance in comparison to broad based indices



Distribution of Shareholding as on 31 March, 2014

| Shares Holding of Shares | No. of Shareholders | % to Total |
|--------------------------|---------------------|------------|
| 1-5000 | 36,369 | 99.33 |
| 5001-10000 | 106 | 0.29 |
| 10001-20000 | 51 | 0.14 |
| 20001-30000 | 28 | 0.08 |
| 30001-40000 | 13 | 0.03 |
| 40001-50000 | 7 | 0.02 |
| 50001-100000 | 15 | 0.04 |
| 100001 and above | 27 | 0.07 |
| Total | 36,616 | 100 |

Shareholding Pattern of the Company as on 31 March, 2014:

| Sr. | Category | No. of Shareholders | No. of shares | Voting Strength (In %) |
|-----|---|---------------------|---------------|------------------------|
| 1. | Shareholding of Promoter and Promoter Group | | | |
| a. | Indian | | | |
| 1. | Individuals/ Hindu Undivided Family | 4 | 7,000 | 0.01 |
| 2. | Bodies Corporate | 1 | 21,700,000 | 23.59 |
| 3. | Foreign Body Corporate | 1 | 47,126,290 | 51.24 |

| Sr. | Category | No. of Shareholders | No. of shares | Voting Strength (In %) |
|-----------|---|---------------------|-------------------|------------------------|
| 2. | Public Shareholding | | | |
| | a. Institutions | | | |
| 1. | Institutions (Mutual Funds/UTI) | 6 | 222,598 | 0.24 |
| 2. | Financial Institutions/ Banks | 3 | 58,976 | 0.064 |
| 3. | FII's | 41 | 11,805,269 | 12.84 |
| 4. | Insurance Companies | 1 | 8,06,646 | 0.88 |
| | b. Non-Institutions | | | |
| 1. | Bodies Corporate | 512 | 3,640,112 | 3.96 |
| 2. | Individual | | | |
| | i. Individual Shareholders holding nominal share capital up to ₹ 1 Lakh | 35,311 | 4,463,425 | 4.85 |
| | ii. Individual Shareholders holding nominal share capital in excess of ₹ 1 lakh | 32 | 641,867 | 0.70 |
| | c. Any other | | | |
| 1. | Clearing Member | 216 | 938,870 | 1.02 |
| 2. | Trust | 4 | 173 | 0.0 |
| 3. | NRI's (Repat) | 364 | 246,038 | 0.27 |
| 4. | NRI's (Non Repat) | 120 | 315,926 | 0.30 |
| | Total | 36,616 | 91,973,190 | 100 |

PLEDGE OF SHARES

No Pledge has been created over the Equity Shares held by the Promoters and/or Promoters Group Shareholders as on 31 March, 2014.

DEMATERIALISATION OF SHARES AND LIQUIDITY AS ON 31 MARCH, 2014

The securities of the Company are compulsory traded in dematerialised form and are available

for trading on both the depositories in India viz. National Securities Depository Limited (NSDL) and Central Depository Services (India) Limited (CDSL). Equity Shares of the Company representing 99.99% of the Company's Equity Share Capital are dematerialised as on 31 March, 2014 and the promoters holding of 74.84 % have been held in the dematerialised form as on 31 March, 2014.

Break up of shares in physical and demat form as on 31 March, 2014 is as follows:

| | Number of shares | % of Total Number of shares |
|------------------|-------------------|-----------------------------|
| Physical segment | 46 | 0.00 |
| Demat segment | | |
| • NSDL | 87,765,571 | 95.43 |
| • CDSL | 4,207,573 | 4.57 |
| Total | 91,973,190 | 100 |

Corporate Governance *continued*

The Company's Equity Shares are regularly traded on the BSE Limited and National Stock Exchange of India Limited, in dematerialised form.

Under the Depository system, the International Security Identification Number (ISIN) allotted to the Company's shares is INE416L01017.

OUTSTANDING ADRS/GDRS AND OTHER INSTRUMENTS

During the year under review, the Company did not issue any ADRs/GDRs/ other instruments, which are convertible into equity shares of the Company.

The Company has outstanding 1,397,682 stock options in force which carries entitlement of 1,397,682 equity shares of the Company, as and when exercised.

MEANS OF COMMUNICATION

The Company has always promptly reported to both the stock exchanges where the securities of the Company are listed, all the material information including declaration of quarterly, half yearly and annual financial results in the prescribed formats and through press releases.

Financial results are published in "Free Press Journal" and "Navshakti" as per the requirements of the Listing Agreement. The said results are also made available on Company's website www.erosintl.com. We organise an earnings call with analysts and investors shortly after the day of the results announcement.

Address for Investor Correspondence

For any assistance regarding dematerialization of shares, share transfers, transmissions, change of address, non-receipt of dividend or any other query relating to shares, and please write to:

LINK INTIME INDIA PRIVATE LIMITED

Unit – Eros International Media Limited
C-13 Pannalal Silk Mills Compound, L.B.S. Marg,
Bhandup (West),
Mumbai 400 078
Tel: +91 (22) 25946970
Fax: + (91 22) 25946969
Email: rnt.helpdesk@linkintime.co.in
Web: www.linkintime.co.in

FOR GENERAL CORRESPONDENCE

Company Secretary & Compliance Officer

Eros International Media Limited

Registered Office:

201, Kailash Plaza, Plot No. A-12,
Opp Laxmi Industrial Estate, Link Rd,
Andheri (West),
Mumbai – 400 053

Corporate Office:

901/902, Supreme Chambers,
Off. Veera Desai Road, Andheri
(West), Mumbai- 400 053
Tel: + (91 22) 66021500
Fax: + (91 22) 66021540
Email: compliance.officer@erosintl.com
Web: www.erosintl.com

DECLARATION AFFIRMING COMPLIANCE OF CODE OF CONDUCT

To the best of my knowledge and belief, I hereby affirm that all the Board Members and Senior Management Personnel of the Company have fully complied with the provisions of the code of conduct as laid down by the Company for Directors and Senior Management Personnel during the financial year ended on 31 March 2014.

For and on behalf of the Board

Sunil Lulla

Executive Vice Chairman and Managing Director

Date : 29 May, 2014

Place : Mumbai

CERTIFICATE OF COMPLIANCE WITH THE CORPORATE GOVERNANCE REQUIREMENTS UNDER CLAUSE 49 OF THE LISTING AGREEMENT

To
The Members of
Eros International Media Limited

We have examined the compliance of conditions of corporate governance by Eros International Media Limited, for the year ended on 31 March 2014, as stipulated in clause 49 of the Listing Agreement of the said Company with stock exchanges.

The compliance of conditions of Corporate Governance is the responsibility of the management. Our examination was limited to procedures and implementation thereof, adopted by the Company for ensuring the compliance of the conditions of the Corporate Governance. It is neither an audit nor an expression of opinion on the financial statements of the Company.

In our opinion and to the best of our information and according to the explanations given to us, we certify that the Company has complied with the conditions of Corporate Governance as stipulated in the above mentioned Listing Agreement.

We further state that such compliance is neither an assurance as to the future viability of the Company nor the efficiency or effectiveness with which the management has conducted the affairs of the Company.

For **SG & Associates,**
Practicing Company Secretaries,
Sd/-
Suhas Ganpule,
(Proprietor)
M. No. 12122
C.P. No. 5722

Place: Mumbai
Date: 29 May, 2014

Corporate Governance *continued*

To

The Board of Directors

Eros International Media Limited

We hereby certify that in the preparation of the accounts for the year ended 31 March 2014,

- (a) We have reviewed Financial Statements and the Cash Flow Statement for the year and that to the best of our knowledge and belief:
 - (i) these statements do not contain any materially untrue statement or omit any material fact or contain statements that might be misleading;
 - (ii) these statements together present a true and fair view of the company's affairs and are in compliance with existing accounting standards, applicable laws and regulations.
- (b) To the best of our knowledge and belief, there are no transactions entered into by the Company during the year, which are fraudulent, illegal or in violation of the Company's code of conduct.
- (c) We accept responsibility for establishing and maintaining internal controls for financial reporting and that we have evaluated the effectiveness of the internal control systems of the Company pertaining to financial reporting and we have disclosed to the auditors and the Audit Committee, and further state that there were no deficiencies in the design or operation of such internal controls.
- (d) We have indicated to the auditors and the Audit Committee
 - (i) That there are no significant changes in internal controls over financial reporting during the year.
 - (ii) That there are no Significant changes in accounting policies during the year.
 - (iii) There have been no instances of significant fraud of which we have become aware and the involvement therein, if any of the management or an employee having a significant role in the company's internal control system over financial reporting.

Sd/-

Sunil Lulla

(Executive Vice Chairman & Managing Director)

Sd/-

Kamal Kumar Jain

(Group Chief Financial Officer (India))

Date : 29 May, 2014

Place : Mumbai



#FinancialStatements



Independent Auditors' Report

To the Members of Eros International Media Limited

REPORT ON THE FINANCIAL STATEMENTS

1. We have audited the accompanying financial statements of **Eros International Media Limited**, ("the Company"), which comprise the Balance Sheet as at 31 March 2014, and the Statement of Profit and Loss and Cash Flow Statement for the year then ended, and a summary of significant accounting policies and other explanatory information.

MANAGEMENT'S RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

2. The Company's management is responsible for the preparation of these financial statements that give a true and fair view of the financial position, financial performance and cash flows of the Company in accordance with the accounting principles generally accepted in India including the Accounting Standards notified under the Companies Act, 1956 ("the Act") read with the General Circular 15/2013 dated 13 September 2013 of the Ministry of Corporate Affairs in respect of Section 133 of the Companies Act, 2013. This responsibility includes the design, implementation and maintenance of internal control relevant to the preparation and presentation of the financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error.

AUDITORS' RESPONSIBILITY

3. Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with the Standards on Auditing issued by the Institute of Chartered Accountants of India. Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.
4. An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected

depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Company's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of the accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

5. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

OPINION

6. In our opinion and to the best of our information and according to the explanations given to us, the financial statements give the information required by the Act in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India:
 - i) in the case of the Balance Sheet, of the state of affairs of the Company as at 31 March 2014;
 - ii) in the case of Statement of Profit and Loss, of the profit for the year ended on that date; and
 - iii) in the case of the Cash Flow Statement, of the cash flows for the year ended on that date.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

7. As required by the Companies (Auditor's Report) Order, 2003 ("the Order") issued by the Central Government of India in terms of sub-section (4A) of Section 227 of the Act, we give in the Annexure a statement

Independent Auditors' Report

To the Members of Eros International Media Limited

on the matters specified in paragraphs 4 and 5 of the Order.

8. As required by Section 227(3) of the Act, we report that:

a. we have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purpose of our audit;

b. in our opinion, proper books of account as required by law have been kept by the Company so far as appears from our examination of those books;

c. the financial statements dealt with by this report are in agreement with the books of account;

d. in our opinion, the financial statements comply with the Accounting Standards notified under the Companies Act, 1956 read with the General Circular 15/2013 dated 13 September 2013 of the Ministry of

Corporate Affairs in respect of Section 133 of the Companies Act, 2013; and

e. on the basis of written representations received from the directors, as on 31 March 2014 and taken on record by the Board of Directors, none of the directors is disqualified as on 31 March 2014 from being appointed as a director in terms of clause (g) of sub-section (1) of Section 274 of the Act.

For **Walker Chandiok & Co LLP**

(formerly known as Walker, Chandiok & Co)

Chartered Accountants

Firm Registration No.: 001076N

per **Khushroo B. Panthaky**

Partner

Membership No.: F - 42423

Place : Mumbai

Date : 29 May 2014

Annexure to the Independent Auditors' Report

of even date to the members of Eros International Media Limited on the financial statements for the year ended 31 March 2014

Based on the audit procedures performed for the purpose of reporting a true and fair view on the financial statements of the Company and taking into consideration the information and explanations given to us and the books of account and other records examined by us in the normal course of audit, we report that:

(i) (a) The Company has maintained proper records showing full particulars, including quantitative details and situation of fixed assets.

(b) The fixed assets have been physically verified by the management during the year and no material discrepancies were noticed on such verification. In our opinion, the

frequency of verification of the fixed assets is reasonable having regard to the size of the Company and the nature of its assets.

(c) In our opinion, a substantial part of fixed assets has not been disposed of during the year.

(ii) (a) The management has conducted physical verification of inventory at reasonable intervals during the year.

(b) The procedures of physical verification of inventory followed by the management are reasonable and adequate in relation to the size of the Company and the nature of its business.

Annexure to the Independent Auditors' Report (Contd.)

of even date to the members of Eros International Media Limited on the financial statements for the year ended 31 March 2014

- (c) The Company is maintaining proper records of inventory and no material discrepancies between physical inventory and book records were noticed on physical verification.
- (iii) (a) The Company has granted unsecured loans to six parties covered in the register maintained under Section 301 of the Act. The maximum amount outstanding during the year is ₹ 5,141.79 lacs and the year-end balance is ₹ 3,775.52 lacs.
- (b) In respect of interest free loans granted, the principal amounts are repayable on demand, hence, we are unable to comment as to whether the terms and conditions are prejudicial to the interest of the Company.
- (c) In respect of interest free loans granted, the principal amounts are repayable on demand and since the repayment of such loans has not been demanded, in our opinion, receipt of the principal amount is regular.
- (d) There is no overdue amount in respect of loans granted to such companies or firms.
- (e) The Company has taken unsecured loans from parties covered in the register maintained under Section 301 of the Act. The maximum amount outstanding during the year is ₹ 3,456.12 lacs and the year-end balance is ₹ 1,256.17 lacs.
- (f) In our opinion, for interest bearing loans, though terms of repayment have not been stipulated, rate of interest are not *prima facie*, prejudicial to the interest of the Company. In respect of interest free loans taken, the principal amounts are repayable on demand, hence, we are unable to comment as to whether the terms and conditions are prejudicial to the interest of the Company.
- (g) In respect of loans taken, the principal amounts are repayable on demand and since the repayment of such loans has not been demanded, in our opinion, payment of the principal amount is regular.
- (iv) In our opinion, certain items purchased are of a specialized nature for which suitable alternative sources do not exist for obtaining comparative quotations. However, there is an adequate internal control system commensurate with the size of the Company and the nature of its business for purchase of content, related consumables and for the sale of fixed assets, services and film rights. During the course of our audit, no major weakness has been noticed in the internal control system in respect of these areas.
- (v) (a) In our opinion, the particulars of all contracts or arrangements that need to be entered into the register maintained under Section 301 of the Act have been so entered.
- (b) Owing to the unique and specialized nature of the items involved and in the absence of any comparable prices, we are unable to comment as to whether the transactions made in pursuance of such contracts or arrangements have been made at the prevailing market prices at the relevant time.
- (vi) The Company has not accepted any deposits from the public within the meaning of Sections 58A and 58AA of the Act and the Companies (Acceptance of Deposits) Rules, 1975. Accordingly, the provisions of clause 4(vi) of the Order are not applicable.
- (vii) In our opinion, the Company has an internal audit system commensurate with its size and the nature of its business.
- (viii) To the best of our knowledge and belief, the Central Government has not prescribed maintenance of cost records under clause (d) of sub-section (1) of Section 209 of the Act, in respect of Company's products or services. Accordingly, the provisions of clause 4(viii) of the Order are not applicable.

Annexure to the Independent Auditors' Report (Contd.)

of even date to the members of Eros International Media Limited on the financial statements for the year ended 31 March 2014

- (ix) (a) *Except for undisputed dues in respect of sales tax, income tax and service tax, the Company is generally regular in depositing undisputed statutory dues including provident fund, profession tax, investor education and protection fund, employees' state insurance, wealth tax, custom duty, excise duty, cess and other material statutory dues, as applicable, with the appropriate authorities. Undisputed amounts which were outstanding at the year-end for a period of more than six months from the date they became payable are as follows:*

| Name of the statute | Nature of the dues | Amount (₹ in lacs) | Period to which the amount relates | Due Date | Date of Payment |
|---------------------------------------|---|--------------------|------------------------------------|---------------|-----------------|
| Maharashtra Value Added Tax Act, 2002 | Sales tax on sale/ lease of copyrights* | 2,566.02 | Financial Year 2006-07 to 2011-12 | Various dates | Unpaid |
| Finance Act, 1994 | Service Tax** | 152.51 | Financial Year 2010-2011 | Various dates | Unpaid |
| Income tax Act, 1961 | Tax deducted at source | 0.29 | Financial Year 2013-2014 | Various dates | Unpaid |

*The Company is of the opinion that there are no grounds for levying VAT on film distribution activity and the levy has been challenged by the entire film fraternity. This amount is inclusive of all unpaid VAT amounts, including those on theatrical distribution, which have not been provided for by the Company.

**The Finance Act 2010 levied service tax on temporary transfer of copyright in the period 1 July 2010 to 30 June 2012. In 2011, the Company filed a writ petition in Mumbai High Court challenging the constitutionality and the legality of this entry and received ad-interim protection and accordingly, no amounts were provided for by the Company for the period 1 April 2011 to 30 June 2012.

- (b) The dues outstanding in respect of sales-tax, income-tax, custom duty, wealth-tax, excise duty, cess on account of any dispute, are as follows:

| Name of the statute | Nature of the dues | Amount (₹ in lacs) | Period to which the amount relates | Forum where dispute is pending |
|-----------------------------|--------------------|--------------------|------------------------------------|---|
| Income tax Act, 1961 | Income tax | 53.04 | Assessment Year 2002-03 to 2004-05 | Appellate Tribunal |
| Income tax Act, 1961 | Income tax | 146.92 | Assessment Year 2010-11 | Rectification application u/s 154 to Assistant Commissioner |
| Central Sales Tax Act, 1944 | Sales tax | 0.16 | Financial Year 2004-05 | Deputy Commissioner of Sales tax (Appeals) |
| Bombay Sales Tax Act, 1959 | Sales tax | 71.51 | Financial Year 2004-05 | Deputy Commissioner of Sales tax (Appeals) |

Annexure to the Independent Auditors' Report (Contd.)

of even date to the members of Eros International Media Limited on the financial statements for the year ended 31 March 2014

- | | |
|---|--|
| <p>(x) The Company has no accumulated losses at the end of the financial year and it has not incurred cash losses in the current and the immediately preceding financial year.</p> <p>(xi) The Company has not defaulted in repayment of dues to any bank or financial institution during the year. The Company did not have any outstanding debentures during the year.</p> <p>(xii) The Company has not granted any loans and advances on the basis of security by way of pledge of shares, debentures and other securities. Accordingly, the provisions of clause 4(xii) of the Order are not applicable.</p> <p>(xiii) The Company is not a chit fund or a nidhi/ mutual benefit fund/ society. Accordingly, provisions of clause 4(xiii) of the Order are not applicable.</p> <p>(xiv) The Company is not dealing or trading in shares, securities, debentures and other investments. Accordingly, the provisions of clause 4(xiv) of the Order are not applicable.</p> <p>(xv) In our opinion, the terms and conditions on which the Company has given guarantee for loans taken by others from banks are not, <i>prima facie</i>, prejudicial to the interest of the Company.</p> <p>(xvi) In our opinion, the Company has applied the term loans for the purpose for which these loans were obtained.</p> <p>(xvii) In our opinion, no funds raised on short-term basis have been used for long-term investment by the Company.</p> | <p>(xviii) During the year, the Company has not made any preferential allotment of shares to parties or companies covered in the register maintained under Section 301 of the Act. Accordingly, the provisions of clause 4(xviii) of the Order are not applicable.</p> <p>(xix) The Company has neither issued nor had any outstanding debentures during the year. Accordingly, the provisions of clause 4(xix) of the Order are not applicable.</p> <p>(xx) The Company has not raised any money by public issues during the year. Accordingly, the provisions of clause 4(xx) of the Order are not applicable.</p> <p>(xxi) Based upon the audit procedures performed for the purpose of reporting the true and fair view of the financial statements and as per the information and explanations given by the management, no material fraud on or by the Company has been noticed or reported during the period covered by our audit.</p> <p>For Walker Chandiok & Co LLP (formerly known as Walker, Chandiok & Co) Chartered Accountants Firm Registration No.: 001076N</p> <p>per Khushroo B. Panthaky Partner Membership No.: F - 42423</p> <p>Place : Mumbai Date : 29 May 2014</p> |
|---|--|

Balance sheet

as at 31 March 2014

₹ in lacs

| | Notes | As at 31 March 2014 | As at 31 March 2013 |
|--------------------------------|-------|------------------------|------------------------|
| EQUITY AND LIABILITIES | | | |
| Shareholders' funds | | | |
| Share capital | 3 | 9,197 | 9,192 |
| Reserves and surplus | 4 | 80,104 | 68,419 |
| | | 89,301 | 77,611 |
| Non-current liabilities | | | |
| Long-term borrowings | 5 | 9,732 | 13,009 |
| Deferred tax liabilities (net) | 6 | 20,519 | 15,563 |
| Other long-term liabilities | 7 | 130 | 113 |
| Long-term provisions | 8 | 143 | 113 |
| | | 30,524 | 28,798 |
| Current liabilities | | | |
| Short-term borrowings | 9 | 28,629 | 25,402 |
| Trade payables | | 3,698 | 4,374 |
| Other current liabilities | 10 | 13,100 | 10,384 |
| Short-term provisions | 11 | 2,505 | 1,250 |
| | | 47,932 | 41,410 |
| Total | | 167,757 | 147,819 |
| ASSETS | | | |
| Non-current assets | | | |
| Fixed assets | | | |
| Tangible assets | 12 | 4,412 | 4,851 |
| Intangible assets | 13 | 66,999 | 56,115 |
| Content advances | 13 | 46,845 | 40,793 |
| Non-current investments | 14 | 2,042 | 2,041 |
| Long-term loans and advances | 15 | 1,711 | 1,557 |
| Other non-current assets | 16 | 8,785 | 5,517 |
| | | 130,794 | 110,874 |
| Current assets | | | |
| Current investments | 14 | - | 20 |
| Inventories | 17 | 122 | 609 |
| Trade receivables | 18 | 17,275 | 15,132 |
| Cash and bank balances | 19 | 15,145 | 17,044 |
| Short-term loans and advances | 15 | 3,893 | 3,133 |
| Other current assets | 20 | 528 | 1,007 |
| | | 36,963 | 36,945 |
| Total | | 167,757 | 147,819 |

Notes 1 to 41 form an integral part of these financial statements

This is the Balance sheet referred to in our report of even date

For **Walker Chandiok & Co LLP**
(formerly known as Walker, Chandiok & Co)

Chartered Accountants

Khushroo B. Panthaky
Partner
Membership No: F - 42423

For and on behalf of Board of directors

Sunil Lulla
Executive Vice Chairman
and Managing Director

Jyoti Deshpande
Executive Director

Kamal Jain
Group Chief Financial
Officer (India)

Dimple Mehta
Company Secretary
and Compliance Officer

Place : Mumbai
Date : 29 May 2014

Place : Mumbai
Date : 29 May 2014

Statement of Profit and Loss

for the year ended 31 March 2014

₹ in lacs

| | Notes | Year ended 31 March 2014 | Year ended 31 March 2013 |
|---------------------------------------|-------|-----------------------------|-----------------------------|
| REVENUE | | | |
| Revenue from operations (net) | 22 | 85,712 | 92,531 |
| Other income | 23 | 217 | 791 |
| Total revenue | | 85,929 | 93,322 |
| EXPENSES | | | |
| Purchases/ operating expenses | 24 | 57,279 | 67,567 |
| Changes in inventories | 25 | 487 | (86) |
| Employee benefit expense | 26 | 2,514 | 2,303 |
| Finance costs | 27 | 3,271 | 939 |
| Depreciation and amortisation expense | 28 | 476 | 569 |
| Other expenses | 29 | 3,388 | 4,128 |
| Total expenses | | 67,415 | 75,420 |
| Profit before tax | | 18,514 | 17,902 |
| TAX EXPENSE | | | |
| Current tax | | 3,940 | 3,584 |
| Deferred tax | | 4,955 | 5,197 |
| Minimum alternate tax credit | | (1,312) | (2,588) |
| (Excess) provision of earlier years | | (436) | - |
| | | 7,147 | 6,193 |
| Profit after tax for the year | | 11,367 | 11,709 |
| Earnings per share | | | |
| | 30 | | |
| Basic (in ₹) | | 12.36 | 12.75 |
| Diluted (in ₹) | | 12.31 | 12.74 |

Notes 1 to 41 form an integral part of these financial statements

This is the Statement of Profit and Loss referred to in our report of even date

For **Walker Chandiok & Co LLP**
(formerly known as Walker, Chandiok & Co)

Chartered Accountants

Khushroo B. Panthaky
Partner
Membership No: F - 42423

For and on behalf of Board of directors

Sunil Lulla
Executive Vice Chairman
and Managing Director

Jyoti Deshpande
Executive Director

Kamal Jain
Group Chief Financial
Officer (India)

Dimple Mehta
Company Secretary
and Compliance Officer

Place : Mumbai
Date : 29 May 2014

Place : Mumbai
Date : 29 May 2014

Cash Flow Statement

for the year ended 31 March 2014

₹ in lacs

| | Year ended 31 March 2014 | Year ended 31 March 2013 |
|---|-----------------------------|-----------------------------|
| CASH FLOW FROM OPERATING ACTIVITIES | | |
| Profit before tax | 18,514 | 17,902 |
| Non-cash adjustments to reconcile Profit before tax to net cash flows | | |
| Depreciation and amortisation | 40,139 | 41,884 |
| Trade receivables written off | 498 | 151 |
| Sundry balances written back | (25) | (23) |
| Content advances written off | 100 | 484 |
| Provision for doubtful trade receivables | 42 | - |
| Provision for doubtful advances | 269 | - |
| Finance costs (net) | 3,271 | 939 |
| Provision for employee benefits | 43 | 50 |
| Interest income | - | (17) |
| Loss on sale of tangible assets (net) | 4 | 8 |
| Net gain on sale of current investments | (3) | (286) |
| Expense on employee stock option scheme | 235 | 289 |
| Dividend received | - | (225) |
| Unrealised foreign exchange (loss) | (1,011) | (780) |
| Operating profit before working capital changes | 62,076 | 60,376 |
| Movements in working capital: | | |
| Increase in other long term liabilities | - | 6 |
| (Decrease) in trade payables | (651) | (4,496) |
| Increase/ (Decrease) in other current liabilities | 358 | (5,639) |
| (Decrease)/ increase in short-term provisions | (100) | 190 |
| Decrease/ (increase) in inventories | 487 | (86) |
| (Increase) in trade receivables | (2,910) | (2,405) |
| (Increase) in short-term loans and advances | 1 | (1,134) |
| Decrease/ (increase) in other current assets | 281 | (387) |
| (Increase) in long-term loans and advances | - | (83) |
| (Increase) in other non current assets | (277) | (273) |
| Cash generated from operations | 59,265 | 46,069 |
| Taxes paid (net) | (3,585) | (4,512) |
| Net cash generated from operating activities (A) | 55,680 | 41,557 |

Cash Flow Statement

for the year ended 31 March 2014

₹ in lacs

| | Year ended 31 March 2014 | Year ended 31 March 2013 |
|---|-----------------------------|-----------------------------|
| Cash flow from investing activities | | |
| Purchase of tangible assets | (27) | (74) |
| Purchase of intangible film rights and related content | (58,316) | (61,053) |
| Deposits with banks (net) | 11,008 | 3,835 |
| Refund of deposits made/ advances granted | 59 | - |
| Proceeds from sale of fixed assets | 7 | 2 |
| Long-term investments made | (1) | - |
| Proceeds from sale of current investments | 23 | 4,616 |
| Dividend received | - | 225 |
| Net cash used in investing activities (B) | (47,247) | (52,449) |
| Cash flows from financing activities | | |
| Proceeds from issue of equity shares (net) | 51 | 232 |
| Repayments of long-term borrowings (net) | (3,150) | (5,202) |
| Proceeds from long-term borrowings | 2,957 | 7,731 |
| Proceeds from short-term borrowings | 2,500 | - |
| Repayment of short-term borrowings | (833) | - |
| Net change in other short-term borrowings | 1,780 | 1,315 |
| Interest income | - | 17 |
| Finance charges (net) | (2,628) | (619) |
| Dividend paid | (1) | (1,599) |
| Net cash generated from financing activities (C) | 676 | 1,875 |
| Net increase/(decrease) in cash and cash equivalents (A + B + C) | 9,109 | (9,017) |
| Cash and cash equivalents at the beginning of the year | 5,075 | 14,092 |
| Cash and cash equivalents at the end of the year | 14,184 | 5,075 |

Notes 1 to 41 form an integral part of these financial statements

- This is the Cash Flow statement referred to in our report of even date
- The Cash flow statement has been prepared under indirect method as set in Accounting Standard - 3 'Cash Flow Statement' as notified under Companies Act, 1956
- Previous year figures have been regrouped, wherever necessary, to conform to this year classification

For **Walker Chandiok & Co LLP**
(formerly known as Walker, Chandiok & Co)

Chartered Accountants

Khushroo B. Panthaky
Partner
Membership No: F - 42423

For and on behalf of Board of directors

Sunil Lulla
Executive Vice Chairman
and Managing Director

Jyoti Deshpande
Executive Director

Kamal Jain
Group Chief Financial
Officer (India)

Dimple Mehta
Company Secretary
and Compliance Officer

Place : Mumbai
Date : 29 May 2014

Place : Mumbai
Date : 29 May 2014

Significant accounting policies

and explanatory notes to the financial statements

NOTE 1 : CORPORATE INFORMATION

Eros International Media Limited (the 'Company') was incorporated in India, under the Companies Act, 1956. The Company is a global player within the Indian media and entertainment industry and is primarily engaged in the business of film production, exploitation and distribution. It operates on a vertically integrated studio model controlling content as well as distribution and exploitation across multiple formats globally, including cinema, digital, home entertainment and television syndication. Its shares are listed on leading stock exchanges in India (BSE Scrip Code: 533261; NSE Scrip Code: EROSMEDIA).

NOTE 2 : SIGNIFICANT ACCOUNTING POLICIES AND NOTES TO ACCOUNTS

I. Basis of preparation

The Company is engaged in the business of sourcing Indian film content either through acquisition, co-production or production of such films, and subsequently exploiting and distributing such films in India through music release, theatrical distribution, DVD and VCD release, television licensing and new media distribution avenues such as cable or DTH licensing; and trading and exporting overseas rights to its parent Eros Worldwide FZ LLC.

The Company's financial statements which have been prepared under historical cost convention on the accrual basis of accounting, are in accordance with the applicable requirements of the Companies Act, 1956 and Companies Act 2013, to the extent applicable and comply in all material aspects with the accounting principles generally accepted in India including the Accounting Standards notified under the Companies Act, 1956 read with the General Circular 15/2013 dated 13 September 2013 of the Ministry of Corporate Affairs in respect of Section 133 of the Companies Act, 2013, to the extent applicable.

The accounting policies have been consistently applied unless otherwise stated.

All assets and liabilities have been classified as current or non-current as per the Company's normal operating cycle and other criteria set out in the Schedule VI to the Act. The Company considers 12 months to be its normal operating cycle.

II. Use of estimates

The preparation of the financial statements in conformity with generally accepted accounting principles ('GAAP') requires management to make estimates and assumptions that affect the reported amount of assets and liabilities, revenues and expenses, as well as disclosure of contingent liabilities on the date of the financial statements. Key estimates made by the Company in preparing these financial statements include useful lives of assets as well as utilization of economic benefits from these assets, accrual of expenses, recoverability of trade receivables, minimum alternate tax credits and deferred tax assets as well as assumptions for valuation of employee benefits and stock options. Management believes that the estimates made in the preparation of financial statements are prudent and reasonable. Actual results may differ from those estimates. Any revision to accounting estimates is recognized prospectively, in the period in which revisions are made.

III. Significant accounting policies

(a) Revenue recognition

- Theatrical sales: Revenue from theatrical distribution is recognized on exhibition of films. In case of distribution through theatres, revenue is recognized on the basis of box office reports received from various exhibitors. Contracted minimum guarantees are recognized on theatrical release.
- Sale of film rights: Sale of rights is recognized on effective delivery of materials to customers as per terms of the sale agreements. Sale of overseas rights is recognized on assignment of such rights, as per pre-agreed transfer pricing norms.

Significant accounting policies

and explanatory notes to the financial statements

- Sale of satellite rights and physical home entertainment products: Revenue is accounted on delivery to customers, as per contracted terms. Digital and other new media revenues are recognized at the earlier of when the content is accessed or if licensed, the date the revenue is contracted or declared.
 - Production fee: Revenue from production fee is recognized on the basis of services rendered at relevant stages of production of the film, in accordance with terms of agreement.
- (b) Other income
- Dividend income is recognised when the right to receive dividend is established.
 - Interest income is recognized on a time proportion basis taking into account the amount outstanding and the rate applicable.
 - On disposal of current investments, the difference between the carrying amount and the disposal proceeds is recognized in the Statement of Profit and Loss.
- (c) Fixed assets and depreciation
- Fixed assets are stated at acquisition cost less accumulated depreciation and impairment losses, if any. Acquisition cost includes purchase cost (net of available credits) and all incidental expenses to bring the asset to their present location and condition. Subsequent expenditure related to an item of fixed asset is added to its book value only if it increase the future benefits from the existing asset beyond its previously assessed standard of performance.
- Depreciation is provided under written down value method at the rates and in the manner prescribed under Schedule XIV to the Companies Act, 1956. Assets costing less than ₹ 5,000 each, are depreciated in full, in the year of purchase.
- (d) Intangible assets and amortisation
- Investment in film and associated rights are recorded at their acquisition costs less accumulated amortisation and impairment losses, if any. Cost includes acquisition and production cost, subsequent overflows of such cost, direct overhead cost, capitalized foreign currency exchange differences and capitalised interest. When ready for exploitation, advances granted to secure rights are transferred to film rights. These rights are amortised over the estimated useful lives, writing off more in year one which recognizes initial income flows and then the balance over a period of up to nine years, or the remaining life of the content rights, whichever is less. Amortization of film rights is presented under 'purchases/ operating expenses'.
- In the case of film content that is acquired after its initial exploitation, commonly referred to as catalogue rights, amortization is spread evenly over the lower of ten years or the license period. Management's estimate is based upon factors such as historical performance of similar films, the star power of the lead actors and actresses and once released actual results of each film.
- The management regularly reviews, and revises when necessary, its estimates, which

Significant accounting policies

and explanatory notes to the financial statements

- may result in a change in the rate of amortization and/or a write down of the asset to the recoverable amount.
- Other intangible assets are carried at acquisition costs less accumulated amortization, which is provided under written down value method at the rates and in the manner prescribed under Schedule XIV to the Companies Act, 1956.
- (e) **Borrowing costs**
- General and specific borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale. All other borrowing costs are recognised in Statement of Profit and Loss in the period in which they are incurred.
- (f) **Content advances**
- Advances are paid to producers/ owners of films and artists, in terms of the agreements entered into with them, for acquisition of associated rights. All advances are reviewed by the management periodically, considering facts of each case, to determine recoverability. These advances are transferred to film rights at the point of exploitation.
- (g) **Investments**
- Investments that are readily realisable and intended to be held for not more than a year are classified as current investments. All other investments are classified as long-term investments.
 - Current investments are carried at lower of cost and fair value determined on an individual investment basis.
 - Long-term investments are carried at cost. However, provision for diminution in the value of investments, if any, is made to recognize a decline, other than temporary in nature.
- (h) **Inventories**
- Inventories are stated at the lower of cost and net realizable value. Cost is computed as follows:
- Raw prints and tapes on purchase cost at a moving weighted average basis.
 - Home entertainment products, at actual cost, including replication cost.
 - Inventories related to films under production are stated at acquisition and production cost plus relevant overhead cost and capitalized interest net of any amounts received from third party investors.
- (i) **Impairment of assets**
- Assessment is done at each Balance Sheet date as to whether there is any indication that an asset may be impaired. For the purpose of assessing impairment, the smallest identifiable group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows from other assets or groups of assets, is considered as a cash generating unit. If any such indication exists, an estimate of the recoverable amount of the asset/cash generating unit is made. Assets whose carrying value exceeds their recoverable amount are written down to the recoverable amount. Recoverable amount is higher of an asset's or cash generating unit's net selling price and its value in use. Value in

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use is the present value of estimated future cash flows expected to arise from the continuing use of an asset and from its disposal at the end of its useful life. Assessment is also done at each Balance Sheet date as to whether there is any indication that an impairment loss recognised for an asset in prior accounting periods may no longer exist or may have decreased.

(j) Provisions and contingencies

- Provisions are recognized when there is present legal or constructive obligation as a result of a past event and it is more likely than not that an outflow of resources will be required to settle the obligation. Provisions are measured at the management's best estimate of the outflow required to settle the obligations at the Balance Sheet date.
- The Company does not recognize a contingent liability but discloses its existence in the financial statements unless the possibility of an outflow is remote. Contingent liabilities are disclosed when:
 - there is a possible obligation arising from past events, the existence of which will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Company; or
 - a present obligation that arises from past events where it is either not probable that an outflow of resources will be required to settle or a reliable estimate of the amount cannot be made.

(k) Employee benefits

● Defined contribution plan

Provident fund: The Company's contributions paid or payable during the year to the provident fund and employee's state insurance corporation are recognized in the Statement of Profit and Loss. This fund is administered by the respective Government authorities, and the Company has no further obligation beyond making its contribution, which is expensed in the year to which it pertains.

● Defined benefit plan

Gratuity: The Company's liability towards gratuity is determined using the projected unit credit method which considers each period of service as giving rise to an additional unit of benefit entitlement and measures each unit separately to build up the final obligation. The cost for past services is recognized on a straight line basis over the average period until the amended benefits become vested. Actuarial gains and losses are recognized immediately in the Statement of Profit and Loss as income or expense. Obligation is measured at the present value of estimated future cash flows using a discounted rate that is determined by reference to market yields at the Balance Sheet date on Government bonds where the currency and terms of the Government bonds are consistent with the currency and estimated terms of the defined benefit obligation.

Compensated absences:

Accumulated compensated absences are expected to be availed or encashed within 12 months from the end of the

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year and are treated as short-term employee benefits. The obligation towards the same is measured at the expected cost of accumulating compensated absences as the additional amount expected to be paid as a result of the unused entitlement as at the year end.

- **Employee stock option compensation**

Stock options granted by the Company are accounted using intrinsic value method as prescribed by the Securities and Exchange Board of India (Employee Stock Option Scheme and Employee Stock Purchase Scheme) Guidelines, 1999. Intrinsic value of the option being excess of market value of the underlying share immediately prior to date of grant over its exercise price is recognised as deferred employee compensation with a credit to employee stock option outstanding account. Deferred employee compensation is charged to Statement of Profit and Loss on straight line basis over the vesting period of the option. The options that lapse are reversed by a credit to employee compensation expense, equal to the amortised portion of value of lapsed option and credit to deferred employee compensation expense equal to the unamortised portion of lapsed option.

(l) **Leases**

The Company has evaluated all existing leases as 'Operating leases'. Aggregate of lease rentals payable under non-cancellable operating lease arrangements (over the initial and subsequent periods of lease) are charged to the Statement of Profit and Loss on a straight-line basis over

the non-cancellable period of the lease.

(m) **Foreign currency transactions**

Transactions in foreign currencies are accounted at exchange rates prevalent on the date of the transaction. Foreign currency monetary assets and liabilities at the period end are translated using the exchange rates prevailing at the end of the period. All exchange differences are recognized in the Statement of Profit and Loss. Non-monetary foreign currency items are recorded using the exchange rates that existed when the values were determined and accordingly investments in shares of foreign subsidiaries are denominated in Indian currency at the rate of exchange prevailing at the time when the original investments are made.

The reporting currency of the Company is Indian Rupee (₹).

(n) **Taxes on income**

Income tax expense comprises current income tax and deferred tax.

- **Current taxes**

Provision for current income-tax is recognized in accordance with the provisions of Indian Income tax Act, 1961, and rules made thereunder, and recorded at the end of each reporting period based on the amount expected to be paid to the tax authorities in accordance with the taxation laws prevailing in the respective jurisdictions.

Current tax assets and current tax liabilities are offset when there is a legally enforceable right to set-off the recognised amounts and there is an intention to settle the asset and the liability on a net basis.

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- **Deferred taxes**

Deferred tax assets and liabilities are recognized for the future tax consequences attributable to timing differences that result between the profits offered for income taxes and the profits as per the financial statements. Deferred tax assets and liabilities are measured using the tax rates and the tax laws that have been enacted or substantively enacted at the balance sheet date. The effect of a change in tax rates on deferred tax assets and liabilities is recognized in the period that includes the enactment date.

Deferred tax assets are recognized only to the extent there is reasonable certainty that the assets can be realized in the future, however, where there is unabsorbed depreciation or carried forward loss under taxation laws, deferred tax assets are recognized only if there is virtual certainty, supported by convincing evidence of recognition of such assets. Deferred tax assets are reassessed for the appropriateness of their respective carrying values at each balance sheet date.

Deferred tax assets and deferred tax liabilities are offset when there is a legally enforceable right to set off assets against liabilities representing current tax and where the deferred tax assets and the deferred tax liabilities relate to taxes on income levied by the same governing taxation laws.

- **Minimum Alternative Tax ('MAT')**

Minimum alternate tax (MAT) paid in a year is charged to the Statement of Profit and

Loss as current tax. MAT credit entitlement is recognised as an asset only when and to the extent there is convincing evidence that the Company will pay normal income tax during the specified period, which is the period for which MAT credit is allowed to be carried forward. Such asset is reviewed at each Balance Sheet date and the carrying amount of the MAT credit asset is written down to the extent there is no longer a convincing evidence to the effect that the Company will pay normal income tax during the specified period.

(o) **Earnings per share**

Basic earnings per share is calculated by dividing the net profit for the period attributable to equity shareholders by the weighted average number of equity shares outstanding during the period.

For the purpose of calculating diluted earnings per share, the net profit for the period attributable to equity shareholders and the weighted average number of shares outstanding during the period are adjusted for the effects of all dilutive potential equity shares. The number of equity shares and potentially dilutive equity shares are adjusted for bonus shares as appropriate. The dilutive potential equity shares are adjusted for the proceeds receivable, had the shares been issued at fair value. Dilutive potential equity shares are deemed converted as of the beginning of the period, unless issued at a later date.

(p) **Cash and cash equivalents**

Cash and cash equivalents include cash on hand and deposits held at call with banks. Cash credits are shown within borrowings in current liabilities on the Balance sheet.

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Amounts ₹ in lacs

| | As at 31 March 2014 | | As at 31 March 2013 | |
|---|---------------------|---------|---------------------|---------|
| | Number | Amounts | Number | Amounts |
| NOTE 3 : SHARE CAPITAL | | | | |
| Authorised share capital | | | | |
| Equity shares of ₹ 10 each | 125,000,000 | 12,500 | 125,000,000 | 12,500 |
| | 125,000,000 | 12,500 | 125,000,000 | 12,500 |
| Issued, subscribed and fully paid up | | | | |
| Equity shares of ₹ 10 each | 91,973,190 | 9,197 | 91,921,340 | 9,192 |
| Total | 91,973,190 | 9,197 | 91,921,340 | 9,192 |
| a) Reconciliation of paid up share capital (Equity Shares) | | | | |
| Balance at the beginning of the year | 91,921,340 | 9,192 | 91,736,857 | 9,174 |
| Add: Shares issued during the year | 51,850 | 5 | 184,483 | 18 |
| Balance at the end of the year | 91,973,190 | 9,197 | 91,921,340 | 9,192 |

During the year, the Company has issued total 51,850 shares (2013: 184,483) on exercise of options granted under the employees stock option plan (ESOP) wherein part consideration was received in the form of employees services.

b) Shares held by holding company, ultimate holding company, subsidiaries / associates of holding company or ultimate holding company

Amounts ₹ in lacs

| | As at 31 March 2014 | | As at 31 March 2013 | |
|--|---------------------|---------|---------------------|---------|
| | Number | Amounts | Number | Amounts |
| Equity shares of ₹ 10 each | | | | |
| Eros Worldwide FZ LLC - the holding Company | 47,126,290 | 4,713 | 47,126,290 | 4,713 |
| Eros Digital Private Limited - the fellow subsidiary | 21,700,000 | 2,170 | 21,700,000 | 2,170 |

c) Shareholders holding more than 5% of the shares

| | As at 31 March 2014 | | As at 31 March 2013 | |
|--|---------------------|-----------|---------------------|-----------|
| | Number | % holding | Number | % holding |
| Equity shares of ₹ 10 each | | | | |
| Eros Worldwide FZ LLC - the holding Company | 47,126,290 | 51.24% | 47,126,290 | 51.27% |
| Eros Digital Private Limited - the fellow subsidiary | 21,700,000 | 23.59% | 21,700,000 | 23.61% |

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d) Details of bonus shares issued during the last 5 years

In 2009-10, 66,306,500 equity shares were allotted as fully paid up bonus shares by capitalization of the surplus in the Statement of Profit and Loss account of the Company.

e) Details of employee stock options issued during the last 5 years

During the period of five years immediately preceding the reporting date, the Company has issued total 566,190 shares (2013: 514,340) on exercise of options granted under the employees stock option plan (ESOP) wherein part consideration was received in the form of employee services.

f) Rights, preferences, restrictions of Equity Shares

The Company has only one class of equity shares having par value of ₹ 10 per share. Every holder is entitled to one vote per share. The dividend, if any, proposed by the Board of Directors and approved by the Shareholders in the Annual General Meeting is paid in Indian rupees.

In the event of liquidation of the Company, the holders of equity shares will be entitled to receive remaining assets of the Company, after distribution of all amounts. The distribution will be in proportion to the number of equity shares held by the shareholders.

Amounts ₹ in lacs

| | As at 31 March 2014 | As at 31 March 2013 |
|--|------------------------|------------------------|
| NOTE 4 : RESERVES AND SURPLUS | | |
| Securities premium | | |
| Balance at the beginning of the year | 30,909 | 30,605 |
| Add : Additions made during the year | 46 | 214 |
| Add : Transfer from share option outstanding account | 40 | 90 |
| Balance at the end of the year | 30,995 | 30,909 |
| Share options outstanding account | | |
| Balance at the beginning of the year | 389 | 190 |
| Less : Transfer to securities premium account | (40) | (90) |
| Add : Deferred stock compensation expense | 235 | 292 |
| Less : Written back to Statement of Profit and Loss during the year | - | (3) |
| Balance at the end of the year | 584 | 389 |
| General reserve | | |
| Balance at the beginning of the year | 586 | - |
| Add : Additions made during the year (amount transferred from surplus balance in the Statement of Profit and loss) | - | 586 |
| Balance at the end of the year | 586 | 586 |

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Amounts ₹ in lacs

| | As at 31 March 2014 | As at 31 March 2013 |
|---|------------------------|------------------------|
| NOTE 4 : RESERVES AND SURPLUS (CONTD.) | | |
| Surplus in the Statement of profit and loss | | |
| Balance at the beginning of the year | 36,535 | 27,013 |
| Add : Net profit for the year | 11,367 | 11,709 |
| Less : Appropriations | | |
| Interim equity dividend (amount per share ₹ Nil (previous year ₹ 1.50)) | - | (1,377) |
| Tax on interim equity dividend | - | (224) |
| Transfer to general reserve | - | (586) |
| Add : Excess provision for dividend distribution tax reversed | 37 | - |
| Balance at the end of the year | 47,939 | 36,535 |
| Total | 80,104 | 68,419 |

Amounts ₹ in lacs

| | As at 31 March 2014 | As at 31 March 2013 |
|---|------------------------|------------------------|
| NOTE 5 : LONG-TERM BORROWINGS | | |
| Secured | | |
| Term loan from banks* | 14,728 | 14,892 |
| Car loans# | 7 | 18 |
| | 14,735 | 14,910 |
| Less : Current maturities disclosed under other current liabilities (refer note 10) | 5,003 | 1,901 |
| Total | 9,732 | 13,009 |

* Term loans from banks carry an interest rate between 8.25% - 16.00% are secured by pari passu first charge on the DVD/ satellite Rights acquired for the domestic market, actionable claims, revenue and receivables arising on sales of the rights and negatives of films. Term loans are further secured by

- Equitable mortgage of Company's immovable property situated at Mumbai, India;
- Amounts held as margin money;
- Corporate guarantee of Eros International PLC, the ultimate holding company;
- Residual value of equipments and vehicles; and
- Existing rights of hindi films.

Car loans are secured by hypothecation of vehicles acquired there against.

Loans are repayable in monthly/ quarterly instalments over a period of 2 - 5 years.

Note : There is no default, continuing or otherwise as at the balance sheet date, in repayment of any of the above loans.

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Amounts ₹ in lacs

| | As at 31 March 2014 | As at 31 March 2013 |
|--|------------------------|------------------------|
| NOTE 6 : DEFERRED TAX LIABILITIES (NET) | | |
| Deferred tax liability on | | |
| Depreciation on tangible assets | 187 | 124 |
| Amortisation of intangible assets | 21,295 | 16,268 |
| Total | 21,482 | 16,392 |
| Deferred tax asset on | | |
| Employee benefits | 112 | 96 |
| Statutory payables | 491 | 468 |
| Others | 360 | 265 |
| Total | 963 | 829 |
| Deferred tax liability (net) | 20,519 | 15,563 |

Amounts ₹ in lacs

| | As at 31 March 2014 | As at 31 March 2013 |
|---|------------------------|------------------------|
| NOTE 7 : OTHER LONG-TERM LIABILITIES | | |
| Trade payables (refer note 33) | 94 | 85 |
| Security deposits received | 36 | 28 |
| Total | 130 | 113 |

Amounts ₹ in lacs

| | As at 31 March 2014 | As at 31 March 2013 |
|--|------------------------|------------------------|
| NOTE 8 : LONG-TERM PROVISIONS | | |
| Provision for gratuity (refer note 31) | 143 | 113 |
| Total | 143 | 113 |

Amounts ₹ in lacs

| | As at 31 March 2014 | As at 31 March 2013 |
|--|------------------------|------------------------|
| NOTE 9 : SHORT-TERM BORROWINGS | | |
| Repayable on demand | | |
| Secured | 14,510 | 16,400 |
| Unsecured | 13,711 | 9,000 |
| Loans from related parties (refer note 33) | 408 | 2 |
| Total | 28,629 | 25,402 |

Short term borrowings include:

Cash credit, secured by way of hypothecation of stock and receivables relating to domestic rights operations along with first pari passu charge on current assets.

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Bills discounted, secured by document of title to goods and accepted hundies with first pari passu charge on current assets.

Packing credit, secured by hypothecation of films and film rights with first pari passu charge on current assets

Short term loans are further secured by:

- Equitable mortgage of Company's immovable property situated at Mumbai, India;
- Amount held as margin money;
- Corporate guarantee of Eros International PLC, the ultimate holding company;
- Residual value of equipments; and
- Existing rights of hindi films.

Note : There is no default, continuing or otherwise as at the balance sheet date, in repayment of any of the above loans.

| | Amounts ₹ in lacs | |
|---|------------------------|------------------------|
| | As at 31 March 2014 | As at 31 March 2013 |
| NOTE 10 : OTHER CURRENT LIABILITIES | | |
| Advances from customers | 5,529 | 5,733 |
| Current maturities of long term debt (refer note 5) | 5,003 | 1,901 |
| Interest accrued but not due on borrowings | 70 | 225 |
| Unclaimed dividend | 1 | 2 |
| Duties and taxes payable | 1,581 | 1,638 |
| Other payables | 916 | 873 |
| Book overdraft | - | 12 |
| Total | 13,100 | 10,384 |

| | Amounts ₹ in lacs | |
|--|------------------------|------------------------|
| | As at 31 March 2014 | As at 31 March 2013 |
| NOTE 11 : SHORT-TERM PROVISIONS | | |
| Provision for employee benefits: | | |
| Compensated absences | 53 | 70 |
| Gratuity (refer note 31) | 31 | 18 |
| Bonus | 104 | 187 |
| Provision for tax | 2,317 | 975 |
| Total | 2,505 | 1,250 |

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Amounts ₹ in lacs

| | Buildings | Furniture and fixtures | Motor Vehicles | Office equipment | Data processing equipment | Studio equipment | Total |
|------------------------------------|--------------|------------------------|----------------|------------------|---------------------------|------------------|--------------|
| NOTE 12 : TANGIBLE ASSETS | | | | | | | |
| Gross block | | | | | | | |
| Balance as at 1 April 2012 | 4,108 | 576 | 383 | 105 | 234 | 1,480 | 6,886 |
| Additions | - | - | 10 | 2 | 198 | 14 | 224 |
| Adjustments/ disposals | - | (4) | (6) | (15) | (10) | - | (35) |
| Balance as at 31 March 2013 | 4,108 | 572 | 387 | 92 | 422 | 1,494 | 7,075 |
| Additions | - | - | - | 11 | 15 | - | 26 |
| Adjustments/ disposals | - | (1) | (44) | (4) | (6) | (3) | (58) |
| Balance as at 31 March 2014 | 4,108 | 571 | 343 | 99 | 431 | 1,491 | 7,043 |
| Accumulated depreciation | | | | | | | |
| Balance as at 1 April 2012 | 245 | 180 | 248 | 46 | 171 | 818 | 1,708 |
| Depreciation charge | 193 | 72 | 37 | 8 | 97 | 133 | 540 |
| Adjustments/ disposals | - | (3) | (5) | (8) | (8) | - | (24) |
| Balance as at 31 March 2013 | 438 | 249 | 280 | 46 | 260 | 951 | 2,224 |
| Depreciation charge | 183 | 58 | 26 | 7 | 69 | 110 | 453 |
| Adjustments/ disposals | - | (0) | (36) | (1) | (6) | (3) | (46) |
| Balance as at 31 March 2014 | 621 | 307 | 270 | 52 | 323 | 1,058 | 2,631 |
| Net block | | | | | | | |
| Balance as at 31 March 2013 | 3,670 | 323 | 107 | 46 | 162 | 543 | 4,851 |
| Balance as at 31 March 2014 | 3,487 | 264 | 73 | 47 | 108 | 433 | 4,412 |

Amounts ₹ in lacs

| | Film Rights | Website development | Software | Total | Content advances |
|------------------------------------|----------------|---------------------|----------|----------------|------------------|
| NOTE 13 : INTANGIBLE ASSETS | | | | | |
| Gross block | | | | | |
| Balance as at 1 April 2012 | 140,696 | 151 | 150 | 140,997 | 40,336 |
| Additions | 59,158 | - | - | 59,158 | 75,771 |
| Adjustments | - | - | (150) | (150) | (75,314) |
| Balance as at 31 March 2013 | 199,854 | 151 | - | 200,005 | 40,793 |
| Additions* | 50,570 | - | - | 50,570 | 65,613 |
| Adjustments | - | - | - | - | (59,461) |
| Amount written off | - | - | - | - | (100) |
| Balance as at 31 March 2014 | 250,424 | 151 | - | 250,575 | 46,845 |
| Accumulated amortisation | | | | | |
| Balance as at 1 April 2012 | 102,541 | 5 | - | 102,546 | |
| Amortisation charge | 41,315 | 29 | - | 41,344 | |
| Balance as at 31 March 2013 | 143,856 | 34 | - | 143,890 | |
| Amortisation charge | 39,663 | 23 | - | 39,686 | |
| Balance as at 31 March 2014 | 183,519 | 57 | - | 183,576 | |
| Net block | | | | | |
| Balance as at 31 March 2013 | 55,998 | 117 | - | 56,115 | 40,793 |
| Balance as at 31 March 2014 | 66,905 | 94 | - | 66,999 | 46,845 |

*The Company has adopted the option to amortize exchange differences pertaining to long term foreign currency monetary items up to 31 March 2020 given under paragraph 46 of Accounting Standard 11. Net foreign exchange aggregating to ₹ 135 lacs has been capitalized to the Intangible assets during the year, out of which the Company has charged an amount of ₹ 81 lacs to the Statement of Profit and Loss as per the amortization policy of the Company.

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Amounts ₹ in lacs

| | As at 31 March 2014 | | As at 31 March 2013 | |
|---|---------------------|-------------|---------------------|-------------|
| | Current | Non-current | Current | Non-current |
| NOTE 14 : INVESTMENTS | | | | |
| Non-trade (valued at cost) | | | | |
| Equity shares in subsidiary companies (unquoted) | | | | |
| Eros International Films Private Limited | | | | |
| 19,930,300 (Previous Year 19,930,300) equity shares of ₹ 10 each, fully paid-up | - | 1,993 | - | 1,993 |
| Eros Animation Private Limited | | | | |
| 9,300 (Previous Year Nil) equity shares of ₹ 10 each, fully paid-up | - | 1 | - | - |
| Copsale Limited | | | | |
| 105,000 (Previous Year 105,000) equity shares of USD 1 each, fully paid-up | - | 45 | - | 45 |
| Big Screen Entertainment Private Limited | | | | |
| 6,400 (Previous Year 6,400) equity shares of ₹ 10 each, fully paid-up | - | 1 | - | 1 |
| EyeQube Studios Private Limited | | | | |
| 9,999 (Previous Year 9,999) equity shares of ₹ 10 each, fully paid-up | - | 1 | - | 1 |
| EM Publishing Private Limited | | | | |
| 9,900 (Previous Year 9,900) equity shares of ₹ 10 each, fully paid-up | - | 1 | - | 1 |
| Digicine Pte Limited | | | | |
| 100 (Previous Year 100) equity shares of USD 1 each, fully paid-up | - | 0 | - | 0 |
| Investment in mutual funds (unlisted but quoted) | | | | |
| Birla Sun Life Dynamic Bond Fund-Retail Plan-Growth | | | | |
| | - | - | 20 | - |
| Total | - | 2,042 | 20 | 2,041 |

Amounts ₹ in lacs

| | As at 31 March 2014 | | As at 31 March 2013 | |
|---|---------------------|------------|---------------------|------------|
| | Long-term | Short-term | Long-term | Short-term |
| NOTE 15 : LOANS AND ADVANCES | | | | |
| Unsecured, considered good | | | | |
| Security deposits | 30 | 100 | 19 | 313 |
| Amounts due from related parties (refer note 33) | 293 | 877 | 114 | 1,863 |

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Amounts ₹ in lacs

| | As at 31 March 2014 | | As at 31 March 2013 | |
|--|---------------------|--------------|---------------------|--------------|
| | Long-term | Short-term | Long-term | Short-term |
| NOTE 15 : LOANS AND ADVANCES (CONTD.) | | | | |
| Advances recoverable in cash or kind or for value to be received | | | | |
| Considered good | 1,388 | 2,611 | 1,424 | 627 |
| Considered doubtful | 65 | - | - | - |
| Less : Provisions for doubtful advances | (65) | - | - | - |
| | 1,388 | 2,611 | 1,424 | 627 |
| Other loans and advances | | | | |
| - Loans to employees | - | 305 | - | 330 |
| Total | 1,711 | 3,893 | 1,557 | 3,133 |

Amounts ₹ in lacs

| | As at 31 March 2014 | As at 31 March 2013 |
|--|------------------------|------------------------|
| NOTE 16 : OTHER NON-CURRENT ASSETS | | |
| MAT credit recoverable | 7,005 | 5,244 |
| Income tax | 376 | - |
| Balances with statutory authorities | 854 | - |
| Bank deposits with maturity of more than twelve months | 550 | 273 |
| Total | 8,785 | 5,517 |

Amounts ₹ in lacs

| | As at 31 March 2014 | As at 31 March 2013 |
|------------------------------|------------------------|------------------------|
| NOTE 17 : INVENTORIES | | |
| Films under production | - | 460 |
| VCD/ DVD/ Audio CDs | 122 | 149 |
| Total | 122 | 609 |

Amounts ₹ in lacs

| | As at 31 March 2014 | As at 31 March 2013 |
|--|------------------------|------------------------|
| NOTE 18 : TRADE RECEIVABLES | | |
| Outstanding for a period exceeding six months from the date due for payment | | |
| Unsecured, considered good | 2,429 | 3,532 |
| Unsecured, considered doubtful | 42 | 151 |
| | 2,471 | 3,683 |
| Less : Provision for doubtful receivables | 42 | 151 |
| | 2,429 | 3,532 |

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Amounts ₹ in lacs

| | As at 31 March 2014 | As at 31 March 2013 |
|---|------------------------|------------------------|
| NOTE 18 : TRADE RECEIVABLES (CONTD.) | | |
| Other debts | | |
| Unsecured, considered good | | |
| Dues from related parties (refer note 33) | 8,629 | 9,882 |
| Dues from others | 6,217 | 1,718 |
| | 14,846 | 11,600 |
| Total | 17,275 | 15,132 |

Amounts ₹ in lacs

| | As at 31 March 2014 | As at 31 March 2013 |
|---|------------------------|------------------------|
| NOTE 19 : CASH AND BANK BALANCES | | |
| Cash and cash equivalents | | |
| a. Cash on hand | 13 | 30 |
| b. Balances with banks* | 14,171 | 5,045 |
| | 14,184 | 5,075 |
| Other bank balances | | |
| Unpaid dividend account | 1 | 2 |
| Bank deposits with : | | |
| maturity less than 12 months | 178 | 11,353 |
| maturity more than twelve months | - | 273 |
| Margin money accounts with : | | |
| maturity less than 12 months | 782 | 614 |
| maturity more than twelve months | 550 | - |
| | 1,511 | 12,242 |
| Less : disclosed under other non-current assets | (550) | (273) |
| Total | 15,145 | 17,044 |

* Balances with banks include amount held in current accounts ₹ 1,672 lacs (2013 : ₹ 1,841 lacs), as cheques on hand ₹ 12,498 lacs (2013 : ₹ 2,090 lacs) and in deposit accounts with maturity upto 3 months ₹ 1 lac (2013 : ₹ 1, 114 lacs).

Amounts ₹ in lacs

| | As at 31 March 2014 | As at 31 March 2013 |
|---------------------------------------|------------------------|------------------------|
| NOTE 20 : OTHER CURRENT ASSETS | | |
| Prepaid expenses | 234 | 334 |
| Unbilled revenue | 191 | 371 |
| Accrued interest | 103 | 302 |
| Total | 528 | 1,007 |

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Amounts ₹ in lacs

| | As at 31 March 2014 | As at 31 March 2013 |
|--|------------------------|------------------------|
|--|------------------------|------------------------|

NOTE 21 : CONTINGENT LIABILITIES AND COMMITMENTS (TO THE EXTENT NOT PROVIDED FOR)

| (a) Contingent liabilities | | |
|---|--------------|---------------|
| (i) Claims against the Company not acknowledged as debt | | |
| Sales tax claims disputed by the Company | 72 | 72 |
| Maharashtra VAT and Central sales tax on theatrical sales | 1,365 | 1,355 |
| Income tax liability that may arise in respect of matters in appeal | 53 | 53 |
| Legal claims against the Company | - | 3,413 |
| Bills of exchange with recourse, accepted but not due | 5,799 | 5,798 |
| (ii) Guarantees | | |
| Guarantee given in favor of various government authorities | 86 | 25 |
| Guarantees given on behalf of others | 2,500 | - |
| | 9,875 | 10,716 |

Notes:

- In addition, the Company is liable to pay service tax on temporary transfer of copyright in the period 1 July 2010 to 30 June 2012. The Company filed a writ petition in Mumbai High Court challenging the constitutionality and the legality of this entry and received ad-interim protection and accordingly, no amounts were provided for by the Company for the period 1 April 2011 to 30 June 2012.
- It is not practicable for the Company to estimate the timings of cash outflows, if any, in respect of the above, pending resolution of the respective proceedings.
- Guarantee has been given by the Company to a film producer under co-production agreement for financing the release of an upcoming film.
- The Company does not expect any reimbursements in respect of the above contingent liabilities.

Amounts ₹ in lacs

| | As at 31 March 2014 | As at 31 March 2013 |
|---|------------------------|------------------------|
| (b) Commitments | | |
| Estimated amount of contracts remaining to be executed on capital account | 54,928 | 82,165 |
| | 54,928 | 82,165 |
| Total | 64,803 | 92,881 |

Significant accounting policies

and explanatory notes to the financial statements

Amounts ₹ in lacs

| | Year ended 31 March 2014 | Year ended 31 March 2013 |
|---|-----------------------------|-----------------------------|
| NOTE 22 : REVENUE FROM OPERATIONS (NET) | | |
| Revenue from distribution and exhibition of film and other rights | 82,706 | 90,840 |
| Revenue from services | 3,006 | 1,691 |
| Total | 85,712 | 92,531 |

Amounts ₹ in lacs

| | Year ended 31 March 2014 | Year ended 31 March 2013 |
|---|-----------------------------|-----------------------------|
| NOTE 23 : OTHER INCOME | | |
| Interest income | - | 17 |
| Gain on sale of current investments | 3 | 286 |
| Dividend received from subsidiary company | - | 225 |
| Other non-operating income | 214 | 263 |
| Total | 217 | 791 |

Amounts ₹ in lacs

| | Year ended 31 March 2014 | Year ended 31 March 2013 |
|--|-----------------------------|-----------------------------|
| NOTE 24 : PURCHASES/ OPERATING EXPENSES | | |
| Amortisation of film rights (refer note 13) | 39,663 | 41,315 |
| Film rights cost | 8,891 | 16,155 |
| Print and digital distribution cost | 2,182 | 2,309 |
| Selling and distribution expenses | 5,488 | 6,813 |
| Processing and other direct cost | 501 | 225 |
| Shipping, packing and forwarding expenses | 257 | 300 |
| Home entertainment products related cost | 297 | 450 |
| Total | 57,279 | 67,567 |

Significant accounting policies

and explanatory notes to the financial statements

Amounts ₹ in lacs

| | Year ended 31 March 2014 | Year ended 31 March 2013 |
|---|-----------------------------|-----------------------------|
| NOTE : 25 CHANGES IN INVENTORIES | | |
| Opening stock | | |
| - Finished goods | 149 | 523 |
| - Films under production | 460 | - |
| | 609 | 523 |
| Closing stock | | |
| - Finished goods | 122 | 149 |
| - Films under production | - | 460 |
| | 122 | 609 |
| Total | (487) | 86 |

Amounts ₹ in lacs

| | Year ended 31 March 2014 | Year ended 31 March 2013 |
|---|-----------------------------|-----------------------------|
| NOTE : 26 EMPLOYEE BENEFIT EXPENSE | | |
| Salaries and bonus | 2,113 | 1,845 |
| Contribution to provident and other funds (refer note 31) | 89 | 85 |
| Gratuity expense (refer note 31) | 46 | 50 |
| Employee stock option compensation (refer note 31) | 235 | 289 |
| Staff welfare expenses | 31 | 34 |
| Total | 2,514 | 2,303 |

Amounts ₹ in lacs

| | Year ended 31 March 2014 | Year ended 31 March 2013 |
|--------------------------------|-----------------------------|-----------------------------|
| NOTE : 27 FINANCE COSTS | | |
| Interest expense | 3,520 | 1,918 |
| Other borrowing costs | 257 | 144 |
| | 3,777 | 2,062 |
| Less : Interest received | 506 | 1,123 |
| Total | 3,271 | 939 |

Amounts ₹ in lacs

| | Year ended 31 March 2014 | Year ended 31 March 2013 |
|--|-----------------------------|-----------------------------|
| NOTE : 28 DEPRECIATION AND AMORTISATION EXPENSE | | |
| Depreciation on tangible assets (refer note 12) | 453 | 540 |
| Amortisation of intangible assets (refer note 13) | 23 | 29 |
| Total | 476 | 569 |

Significant accounting policies

and explanatory notes to the financial statements

Amounts ₹ in lacs

| | Year ended 31 March 2014 | Year ended 31 March 2013 |
|---|-----------------------------|-----------------------------|
| NOTE 29 : OTHER EXPENSES | | |
| Power and fuel | 62 | 67 |
| Rent | 175 | 203 |
| Repairs and maintenance | 133 | 144 |
| Insurance | 68 | 41 |
| Rates and taxes | 75 | 3 |
| Legal and professional | 959 | 1,283 |
| Payments to auditors (refer note 38) | 49 | 58 |
| Provision for doubtful receivables | 42 | - |
| Provision for doubtful advances | 269 | - |
| Communication expenses | 56 | 284 |
| Travelling and conveyance | 204 | 393 |
| Content advances written off (refer note 13) | 100 | 484 |
| Loss on disposal of fixed assets | 4 | 8 |
| Trade receivables written off | 498 | 151 |
| Net loss on foreign currency transactions and translation | 415 | 22 |
| Miscellaneous expenses | 279 | 987 |
| Total | 3,388 | 4,128 |

Amounts ₹ in lacs

| | Year ended 31 March 2014 | Year ended 31 March 2013 |
|--|-----------------------------|-----------------------------|
| NOTE 30 : EARNINGS PER SHARE | | |
| a) Computation of net profit for the year | | |
| Profit after tax attributable to equity shareholders | 11,367 | 11,709 |
| b) Computation of number of shares for Basic Earnings per share | | |
| Weighted average number of equity shares | 91,932,420 | 91,806,230 |
| Total | 91,932,420 | 91,806,230 |
| c) Computation of number of shares for Diluted Earnings per share | | |
| Weighted average number of equity shares | 92,323,976 | 91,927,576 |
| Total | 92,323,976 | 91,927,576 |
| d) Nominal value of shares | ₹ 10 | 10 |
| e) Computation | | |
| Basic | ₹ 12.36 | 12.75 |
| Diluted | ₹ 12.31 | 12.74 |

Significant accounting policies

and explanatory notes to the financial statements

NOTE 31 : EMPLOYMENT BENEFITS

a) Gratuity

The following table set out the status of the gratuity plan as required under Accounting Standard (AS) - 15 Employee benefits and the reconciliation of opening and closing balances of the present value of the defined benefit obligation:

| | Amounts ₹ in lacs | |
|---|-----------------------------|-----------------------------|
| | Year ended 31 March 2014 | Year ended 31 March 2013 |
| I Change in projected benefit obligation | | |
| Liability at the beginning of the year | 131 | 81 |
| Interest cost | 11 | 7 |
| Current service cost | 21 | 16 |
| Benefits paid | (3) | - |
| Actuarial loss on obligations | 14 | 27 |
| Liability at the end of the year | 174 | 131 |
| Current portion | 31 | 18 |
| Non-current portion | 143 | 113 |
| II Recognised in Balance sheet | | |
| Liability at the end of the year | (174) | (131) |
| Difference | - | - |
| Amount recognized in Balance sheet | (174) | (131) |
| III Expense recognized in Statement of Profit and Loss | | |
| Current service cost | 21 | 16 |
| Interest cost | 11 | 7 |
| Actuarial (gain) / loss | 14 | 27 |
| Expense recognized in Statement of Profit and Loss | 46 | 50 |
| IV Assumptions used | | |
| Discount rate | 9.31% | 8.25% |
| Long-term rate of compensation increase | 10.00% | 6.00% |
| Attrition Rate | 2.00% | 2.00% |
| Expected average remaining working life | 17.00 | 15.34 |
| V Experience adjustment | | |
| Loss on plan liability | 5 | 21 |

The estimates of future salary increases, considered in actuarial valuation take into account inflation, seniority, promotion and other relevant factors, such as supply and demand in the employment market.

Significant accounting policies and explanatory notes to the financial statements

b) Compensated absences

The Company incurred ₹ 2,102,825 (Previous year ₹ 6,478,488) towards accrual for compensated absences during the year.

c) Provident fund

The Company contributed ₹ 8,634,095 (Previous year ₹ 8,189,879) to the provident fund plan and ₹ 307,156 (Previous year ₹ 317,383) to the Employee state insurance plan during the year.

d) Employee stock compensation (ESOP 2009 Scheme):

The Company has instituted Employees' Stock Option Plan "ESOP 2009" under which the stock options have been granted to employees. The scheme was approved by the shareholders at the Extra Ordinary General Meeting held on 17 December 2009.

The details of activity under the ESOP 2009 scheme are summarized below:

| Particulars | 31-Mar-14 | | 31-Mar-13 | |
|--|----------------|-------|----------------|------|
| | No. of options | WAEP* | No. of options | WAEP |
| Outstanding at the beginning of the year | 1,176,568 | 112 | 811,861 | 143 |
| Granted during the year | 300,000 | 150 | 571,160 | 75 |
| Lapsed during the year | (27,036) | 175 | (21,970) | 161 |
| Exercised during the year | (51,850) | 98 | (184,483) | 126 |
| Outstanding at the end of the year | 1,397,682 | 120 | 1,176,568 | 112 |
| Exercisable at the end of the year | 646,474 | 136 | 291,950 | 156 |

*WAEP denotes weighted average exercise price of the option

For the options exercised during the year, the weighted average share price at the exercise date was ₹ 98 per share (31 March 2013: ₹ 126 per share).

The range of exercise prices for the options outstanding at the end of the year was ₹ 75 to ₹ 175 (31 March 2013: ₹ 75 to ₹ 175).

The Company incurred ₹ 23,474,000 (Previous year ₹ 28,917,000) towards employees stock compensation plan during the year.

The weighted average fair value of stock options granted during the year was ₹ 55 (31 March 2013: ₹ 111.08). Black Scholes valuation model has been used for computing the weighted average fair value considering the following inputs:

| Particulars | Date of grant | | | |
|---|---------------|-----------|-----------|-----------|
| | 17-Dec-09 | 12-Aug-10 | 01-Jul-12 | 14-Oct-13 |
| Dividend yield (%) | Nil | Nil | Nil | Nil |
| Expected volatility | 75% | 60% | 44% | 35% |
| Risk free interest rate | 6.30% | 6.50% | 8.36% | 8.57% |
| Exercise price | 130 | 105 | 75 | 150 |
| Expected life of options granted in years | 5.25 | 5.25 | 5.50 | 4.50 |

The expected life of options is based on historical data and current expectations and is not necessarily indicative of exercise patterns that may occur. The expected volatility reflects the assumption that the historical volatility over a period similar to the life of the options is indicative of future trends, which may differ from the actual.

Significant accounting policies

and explanatory notes to the financial statements

The Company measures the cost of ESOP using intrinsic value method. Had the Company used the fair value model to determine compensation, its profit after tax and earnings per share as reported would have changed to amounts indicated below:

| | Amounts ₹ in lacs | |
|--|-----------------------------|-----------------------------|
| | Year ended 31 March 2014 | Year ended 31 March 2013 |
| Profit after tax attributable to equity shareholders | 11,367 | 11,709 |
| Add : ESOP cost using the intrinsic value method | 235 | 289 |
| Less : ESOP cost using the fair value method | 326 | 406 |
| Proforma profit after tax | 11,276 | 11,592 |
| Earnings per share | | |
| Basic | | |
| - As reported | ₹ 12.36 | 12.75 |
| - Proforma | ₹ 12.27 | 12.63 |
| Diluted | | |
| - As reported | ₹ 12.31 | 12.74 |
| - Proforma | ₹ 12.24 | 12.46 |

NOTE 32 : SEGMENT REPORTING

As permitted by paragraph 4 of Accounting Standard -17, 'Segment Reporting', if a single financial report contains both consolidated financial statements and separate financial statements of the parent, segment information needs to be presented only on the basis of consolidated financial statements. Accordingly, disclosures mandated by AS-17 have been made in the consolidated financial statements.

NOTE 33 : RELATED PARTY DISCLOSURES

a) Names of related parties

| Relationship | Name |
|--------------------------|---|
| Ultimate holding company | Eros International PLC |
| Holding company | Eros Worldwide FZ-LLC |
| Subsidiary companies | Eros International Films Private Limited Copsale Limited Big Screen Entertainment Private Limited EyeQube Studios Private Limited EM Publishing Private Limited Eros Animation Private Limited Digicine PTE Limited Ayngaran International Limited Ayngaran International UK Limited Ayngaran International Mauritius Limited Ayngaran International Media Private Limited Ayngaran Anak Media Private Limited |

Significant accounting policies

and explanatory notes to the financial statements

NOTE 33 : RELATED PARTY DISCLOSURES (CONTD.)

a) Names of related parties

| Relationship | Name |
|--|--|
| Fellow subsidiary companies | Eros Digital Private Limited Eros International Limited |
| Key management personnel (KMP) | Mr. Sunil Lulla – Executive Vice Chairman and Managing Director Mr. Kishore Lulla – Executive Director Ms. Jyoti Deshpande – Executive Director Mr. Vijay Ahuja – Executive Director Mr. Kamal Jain - Chief Financial Officer Ms. Dimple Mehta - Company Secretary and Compliance Officer |
| Relatives of KMP with whom transactions exist | Mrs. Manjula K Lulla (wife of Mr. Kishore Lulla) Mrs. Krishika Lulla (wife of Mr. Sunil Lulla) Mrs. Meena A. Lulla (Mother of Mr. Sunil Lulla) |
| Entities over which KMP exercise significant influence | Shivam Enterprises |

b) Transactions with related parties

| | Amounts ₹ in lacs | |
|--|-----------------------------|-----------------------------|
| | Year ended 31 March 2014 | Year ended 31 March 2013 |
| Sale of film rights | | |
| Eros Worldwide FZ LLC | 12,118 | 20,492 |
| EM Publishing Private Limited | 2 | 14 |
| Copsale Limited | - | 1,087 |
| Total | 12,120 | 21,593 |
| Sale of prints/VCD/DVD | | |
| Eros Worldwide FZ LLC | 696 | 1,591 |
| Total | 696 | 1,591 |
| Purchase of film rights | | |
| Eros International Films Private Limited | 155 | - |
| Total | 155 | - |
| Re-imbusement of administrative expense | | |
| Eros Worldwide FZ LLC | 320 | 790 |
| Eros International Films Private Limited | 12 | 12 |
| EyeQube Studios Private Limited | - | 16 |
| Total | 332 | 818 |
| Dividend received | | |
| EyeQube Studios Private Limited | - | 225 |
| Total | - | 225 |

Significant accounting policies

and explanatory notes to the financial statements

b) Transactions with related parties (Contd.)

| | Amounts ₹ in lacs | |
|--|-----------------------------|-----------------------------|
| | Year ended 31 March 2014 | Year ended 31 March 2013 |
| Dividend paid | | |
| Eros Worldwide FZ LLC | - | 707 |
| Eros Digital Private Limited | - | 326 |
| Total | - | 1,033 |
| Investment in | | |
| Eros Animation Private Limited | 1 | - |
| Total | 1 | - |
| Rent paid | | |
| Mr. Sunil Lulla | 36 | 36 |
| Mrs. Manjula K Lulla | 36 | 36 |
| Total | 72 | 72 |
| Re-imbusement given | | |
| Eros International Limited | - | 74 |
| Total | - | 74 |
| Interest received | | |
| EyeQube Studios Private Limited | - | 17 |
| Total | - | 17 |
| Interest paid | | |
| EyeQube Studios Private Limited | 5 | 20 |
| Eros Digital Private Limited | 35 | 1 |
| Total | 40 | 21 |
| Salary, commission and perquisites* to KMPS | 876 | 729 |
| Total | 876 | 729 |

* Perquisites to KMP have been valued as per Income tax Act, 1961 and rules framed thereunder or at actuals as the case may be.

* Excludes ₹ 214.77 lacs (Previous year ₹ 242.44 lacs) charged to Statement of Profit and loss on account of stock compensation for awards granted.

* The Company has appointed Mrs. Krishika Lulla as creative producer wef 1 January 2014 and accrued remuneration of ₹ 5 lacs per month, which has been approved by shareholders. Pending approval of the Central Government, the remuneration has not been paid.

Significant accounting policies

and explanatory notes to the financial statements

b) Transactions with related parties (Contd.)

| | Amounts ₹ in lacs | |
|--|-----------------------------|-----------------------------|
| | Year ended 31 March 2014 | Year ended 31 March 2013 |
| Content advances/ loan given | | |
| Eros International Limited | 255 | - |
| Eros International Films Private Limited | 810 | 3,167 |
| Ayngaran International Media Private Limited | 8 | 1,290 |
| EM Publishing Private Limited | 6 | - |
| Digicine PTE Limited | 24 | 8 |
| EyeQube Studios Private Limited | - | 174 |
| Total | 1,103 | 4,639 |
| Recovery of advances/ loans given | | |
| Eros International Films Private Limited | 239 | 3,263 |
| EyeQube Studios Private Limited | - | 438 |
| Eros International Limited | 255 | - |
| Ayngaran International Media Private Limited | 1,042 | 250 |
| Big Screen Entertainment Private Limited | - | 52 |
| Ms. Jyoti Deshpande | 49 | - |
| Mrs. Manjula Lulla | 6 | 2 |
| Total | 1,591 | 4,005 |
| Advances/ loans taken | | |
| Eros Worldwide FZ LLC | 25 | 86 |
| Eros Digital Private Limited | 335 | 325 |
| EyeQube Studios Private Limited | 80 | 486 |
| Total | 440 | 897 |
| Repayment of advances/ loans | | |
| Eros Worldwide FZ LLC | 1,821 | 6,565 |
| EyeQube Studios Private Limited | 47 | 486 |
| Eros Digital Private Limited | - | 325 |
| Total | 1,868 | 7,376 |
| Refund of deposits | | |
| Mr. Sunil Lulla | 23 | 30 |
| Total | 23 | 30 |

Significant accounting policies

and explanatory notes to the financial statements

c) Balances with related parties

| | Amounts ₹ in lacs | |
|---|-----------------------------|-----------------------------|
| | Year ended 31 March 2014 | Year ended 31 March 2013 |
| Trade balances due from | | |
| Eros Worldwide FZ LLC | 8,629 | 8,796 |
| Copsale Limited | - | 1,086 |
| Total | 8,629 | 9,882 |
| Trade balances/ advances due to | | |
| Eros International Limited | 94 | 85 |
| Big Screen Entertainment Private Limited | 330 | 331 |
| Eros Worldwide FZ LLC | 519 | 2,676 |
| EyeQube Studios Private Limited | 40 | 2 |
| Eros Digital Private Limited | 367 | 1 |
| Total | 1,350 | 3,095 |
| Content advances/ loans granted to | | |
| Eros International Films Private Limited | 2,875 | 2,303 |
| Total | 2,875 | 2,303 |
| Loans or advances due from | | |
| Shivam Enterprises | 39 | 39 |
| EM Publishing Private Limited | 26 | 19 |
| Ayngaran International Media Private Limited | 803 | 1,836 |
| Digicine Pte Limited | 32 | 8 |
| Total | 900 | 1,902 |
| Amounts due from KMPs or their relatives | | |
| Sunil Lulla (security deposit paid) | 179 | 202 |
| Mrs. Manjula Lulla | 75 | 75 |
| Ms. Jyoti Deshpande | - | 45 |
| Mr. Kamal Jain | 15 | - |
| Total | 269 | 322 |
| Amounts due to KMPs or their relatives | | |
| Mr. Sunil Lulla | 21 | 46 |
| Mr. Kishore Lulla | 5 | - |
| Mrs. Manjula Lulla | 13 | 6 |
| Ms. Jyoti Deshpande | 5 | - |
| Mrs. Krishika Lulla | 11 | - |
| Mrs. Meena Lulla | - | 2 |
| Total | 55 | 54 |

Significant accounting policies

and explanatory notes to the financial statements

NOTE 34 : UNHEDGED FOREIGN CURRENCY EXPOSURE AS AT THE REPORTING DATE

| Currency | Amount (in lacs) | | Exchange rate | | Balance as on (₹ in lacs) | |
|-------------------|------------------|---------------|---------------|---------------|---------------------------|---------------|
| | 31 March 2014 | 31 March 2013 | 31 March 2014 | 31 March 2013 | 31 March 2014 | 31 March 2013 |
| Receivable | | | | | | |
| USD | 173.15 | 185.30 | 60.10 | 54.39 | 10,406 | 10,078 |
| SGD | 0.17 | - | 47.73 | - | 8 | - |
| Payable | | | | | | |
| USD | 105.99 | 191.56 | 60.10 | 54.39 | 6,370 | 10,419 |
| Euro | 0.01 | 0.01 | 82.58 | 69.54 | 1 | 0.50 |

Amounts ₹ in lacs

| | Year ended 31 March 2014 | Year ended 31 March 2013 |
|--|-----------------------------|-----------------------------|
|--|-----------------------------|-----------------------------|

NOTE 35 : EARNINGS IN FOREIGN CURRENCY (ACCRUAL BASIS)

| | | |
|------------------------------------|---------------|---------------|
| Export value of goods on FOB basis | 17,352 | 23,439 |
| Total | 17,352 | 23,439 |

Amounts ₹ in lacs

| | Year ended 31 March 2014 | Year ended 31 March 2013 |
|--|-----------------------------|-----------------------------|
|--|-----------------------------|-----------------------------|

NOTE 36 : EXPENDITURE IN FOREIGN CURRENCY (ACCRUAL BASIS)

| | | |
|------------------------------------|------------|------------|
| Professional and consultation fees | - | 13 |
| Interest | 41 | 144 |
| Others | 184 | 324 |
| Total | 225 | 481 |

Amounts ₹ in lacs

| | Year ended 31 March 2014 | Year ended 31 March 2013 |
|--|-----------------------------|-----------------------------|
|--|-----------------------------|-----------------------------|

NOTE 37 : VALUE OF IMPORTS ON CIF BASIS (ACCRUAL BASIS)

| | | |
|---------------------------------|----------|--------------|
| Purchase of film/ serial rights | - | 1,714 |
| Purchase of beta tapes/ masters | - | 1 |
| Purchase of VCD/ DVD/ Audio CDs | - | 1 |
| Total | - | 1,716 |

Significant accounting policies

and explanatory notes to the financial statements

Amounts ₹ in lacs

| | Year ended 31 March 2014 | Year ended 31 March 2013 |
|---|-----------------------------|-----------------------------|
| NOTE 38 : AUDITORS' REMUNERATION | | |
| As auditor | | |
| Statutory audit | 29 | 29 |
| Limited review | 15 | 13 |
| Tax audit | 3 | 3 |
| Review of consolidated accounts | - | 11 |
| | 47 | 56 |
| In other capacity | | |
| Other services (certification fees) | 1 | 1 |
| | 1 | 1 |
| Reimbursement of expenses | 1 | 1 |
| Total | 49 | 58 |

NOTE 39

Based on the information available with the Company, there are no dues payable as at the year end to micro, small and medium enterprises as defined in The Micro, Small & Medium Enterprises Development Act, 2006. This information has been relied upon by the statutory auditors of the Company.

NOTE 40

The Company is engaged in the production and trading of film rights, which requires various types, qualities and quantities of raw materials and input in different denominations. Due to the multiplicity and complexity of items, it is not practicable to maintain quantitative record or continuous stock register, as the process of making films is not amenable to it. Hence, quantitative details are not maintained by the Company as is the practice generally followed by companies in the industry.

NOTE 41

Previous year figures have been regrouped/ reclassified, wherever required, to conform to current year classification.

For **Walker Chandiok & Co LLP**
(formerly known as Walker, Chandiok & Co)

Chartered Accountants

Khushroo B. Panthaky

Partner

Membership No: F - 42423

For and on behalf of Board of directors

Sunil Lulla

Executive Vice Chairman
and Managing Director

Jyoti Deshpande

Executive Director

Kamal Jain

Group Chief Financial
Officer (India)

Dimple Mehta

Company Secretary
and Compliance Officer

Place : Mumbai

Date : 29 May 2014

Place : Mumbai

Date : 29 May 2014

Financial Information of Subsidiaries pursuant to Sec 212 (8)

of the Companies Act, 1956 for the Financial Year Ended March 31 2014

| Sr. No. | Name of Subsidiary Company | Reporting Currency | Exchange Rate | Total no of Equity Shares | No of equity shares held by the Company | Extent of Holding | Capital | Reserves | Other Liabilities | Total Liabilities | Fixed Assets, Non Current and Current Assets | Investments other than in Subsidiaries | Investment in subsidiaries or step down subsidiaries | Total Assets | Turnover /Total Income | Profit Before Taxation | Provision for Taxation | Profit after Taxation | Interim Dividend Paid | Country |
|---------|--|--------------------|---------------|---------------------------|---|-------------------|---------|----------|-------------------|-------------------|--|--|--|--------------|------------------------|------------------------|------------------------|-----------------------|-----------------------|-----------------------|
| 1 | Eros International Films Private Limited | INR | 1.00 | 20,000,000 | 19,930,300 | 99.65% | 2,000 | 857 | 3,062 | 5,919 | 5,919 | - | 0 | 5,919 | 323 | 68 | 40 | 29 | - | India |
| 2 | Copsales Limited | USD | 50.87 | 105,000 | 105,000 | 100.00% | 45 | 23,364 | 13,047 | 36,456 | 36,456 | - | 0 | 36,456 | 20,888 | 5,116 | - | 5,116 | - | British Virgin Island |
| 3 | Bigscreen Entertainment Private Limited | INR | 1.00 | 10,000 | 6,400 | 64.00% | 1 | 185 | 284 | 470 | 470 | - | - | 470 | - | (2) | 0 | (2) | - | India |
| 4 | Eyeque Studios Private Limited | INR | 1.00 | 10,000 | 9,999 | 99.99% | 1 | 65 | 2 | 67 | 67 | - | - | 67 | 5 | (3) | - | (3) | - | India |
| 5 | Ayngaran International Limited (IOM) | USD | 50.87 | 100 | 51 | 51.00% | 0 | (411) | 12,221 | 11,810 | 11,807 | - | 3 | 11,810 | - | (71) | - | (71) | - | Isle of Man |
| 6 | Ayngaran International (Mauritius) Limited | USD | 50.87 | 7,350 | 7,350 | 100.00% | 3 | 2,165 | 13,231 | 15,399 | 15,396 | - | 2 | 15,398 | 154 | (630) | - | (630) | - | Mauritius |
| 7 | Ayngaran International (UK) Limited | GBP | 81.46 | 1 | 1 | 100.00% | 0 | (3,149) | 10,649 | 7,501 | 7,501 | - | - | 7,501 | 1,322 | (2,727) | - | (2,727) | - | United Kingdom |
| 8 | Ayngaran International Media Private Limited | INR | 1.00 | 21,900 | 21,900 | 100.00% | 2 | (510) | 4,265 | 3,758 | 3,748 | - | 10 | 3,758 | 1,186 | (188) | 173 | (361) | - | India |
| 9 | Ayngaran Anak Media Private Limited | INR | 1.00 | 200,000 | 102,000 | 51.00% | 20 | (3) | 48 | 65 | 65 | - | - | 65 | 62 | (5) | (1) | (3) | - | India |
| 10 | EM Publishing Private Limited | INR | 1.00 | 10,000 | 9,900 | 99.00% | 1 | 25 | 51 | 77 | 77 | - | - | 77 | 5 | 1 | 0 | 1 | - | India |
| 11 | Eros Animation Private Limited | INR | 1.00 | 10,000 | 10,000 | 100.00% | 1 | (1) | 0 | 0 | 0 | - | - | 0 | - | (0) | - | (0) | - | India |
| 12 | Digicne Pre Ltd | USD | 40.45 | 100 | 100 | 100.00% | 0 | 72 | 14,464 | 14,527 | 14,527 | - | - | 14,527 | 4,554 | 88 | 5 | 83 | - | Singapore |

Independent Auditors' Report

To the Board of Directors' of Eros International Media Limited

REPORT ON THE FINANCIAL STATEMENTS

1. We have audited the accompanying consolidated financial statements of Eros International Media Limited, ("the Company"), and its subsidiaries and step down subsidiaries, (hereinafter collectively referred to as the "Group"), which comprise the consolidated Balance Sheet as at 31 March 2014, and the consolidated Statement of Profit and Loss and consolidated Cash Flow Statement for the year then ended, and a summary of significant accounting policies and other explanatory information.

MANAGEMENT'S RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

2. The Company's management is responsible for the preparation of these financial statements that give a true and fair view of the financial position, financial performance and cash flows of the Group in accordance with the accounting principles generally accepted in India including the Accounting Standards notified under the Companies Act, 1956 ("the Act") read with the General Circular 15/2013 dated 13 September 2013 of the Ministry of Corporate Affairs in respect of Section 133 of the Companies Act, 2013. This responsibility includes the design, implementation and maintenance of internal control relevant to the preparation and presentation of the financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error.

AUDITORS' RESPONSIBILITY

3. Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with the Standards on Auditing issued by the Institute of Chartered Accountants of India. Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.
4. An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the company's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Company's internal control. An audit also includes evaluating the appropriateness

of accounting policies used and the reasonableness of the accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

5. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

OPINION

6. In our opinion and to the best of our information and according to the explanations given to us, and based on the consideration of the reports of the other auditors on the financial statements of the subsidiaries and step down subsidiaries, as noted below, the consolidated financial statements give the information required by the Act in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India:
 - i) in the case of the consolidated Balance Sheet, of the state of affairs of the Group as at 31 March 2014;
 - ii) in the case of consolidated Statement of Profit and Loss, of the profit for the year ended on that date; and
 - iii) in the case of the consolidated Cash Flow Statement, of the cash flows for the year ended on that date.

OTHER MATTER

7. We did not audit the financial statements of 11 subsidiaries and step down subsidiaries included in the consolidated financial statements, whose financial statements reflect total assets (after eliminating intra-group transactions) of ₹ 53,114.94 lacs as at 31 March 2014; total revenues (after eliminating intra-group transactions) of ₹ 27,880.50 lacs and net cash inflows amounting to ₹ 99.80 lacs. These financial statements have been audited by other auditors whose audit reports have been furnished to us by the management, and our audit opinion on the consolidated financial statements of the Group for the year then ended to the extent they relate to the financial statements not audited by us as stated in this paragraph is based solely on the audit reports of the other auditors. Our opinion is not qualified in respect of this matter.

For **Walker Chandiok & Co LLP**
(formerly known as Walker, Chandiok & Co)
Chartered Accountants
Firm Registration No.: 001076N

per **Khushroo B. Panthaky**
Partner
Membership No.: F - 42423

Place: Mumbai
Date: 29 May 2014

Consolidated Balance sheet

as at 31 March 2014

₹ in lacs

| | Notes | As at 31 March 2014 | As at 31 March 2013 |
|--------------------------------|-------|------------------------|------------------------|
| EQUITY AND LIABILITIES | | | |
| Shareholders' funds | | | |
| Share capital | 3 | 9,197 | 9,192 |
| Reserves and surplus | 4 | 111,665 | 89,457 |
| | | 120,862 | 98,649 |
| Minority Interest | | | |
| | | 127 | 769 |
| Non-current liabilities | | | |
| Long-term borrowings | 5 | 9,732 | 13,009 |
| Deferred tax liabilities (net) | 6 | 20,519 | 15,563 |
| Other long-term liabilities | 7 | 216 | 646 |
| Long-term provisions | 8 | 150 | 119 |
| | | 30,617 | 29,337 |
| Current liabilities | | | |
| Short-term borrowings | 9 | 28,588 | 25,400 |
| Trade payables | | 23,101 | 14,233 |
| Other current liabilities | 10 | 13,453 | 10,784 |
| Short-term provisions | 11 | 2,595 | 1,325 |
| | | 67,737 | 51,742 |
| Total | | 219,343 | 180,497 |
| ASSETS | | | |
| Non-current assets | | | |
| Fixed assets | | | |
| Tangible assets | 12 | 4,500 | 4,963 |
| Intangible assets | 13 | 99,583 | 74,264 |
| Content advances | 13 | 57,889 | 43,864 |
| Non-current investments | 14 | 800 | 800 |
| Deferred tax assets (net) | 6 | - | 216 |
| Long-term loans and advances | 15 | 1,772 | 2,512 |
| Other non current assets | 16 | 13,489 | 6,059 |
| | | 178,033 | 132,678 |
| Current assets | | | |
| Current investments | 14 | - | 20 |
| Inventories | 17 | 401 | 958 |
| Trade receivables | 18 | 20,527 | 21,497 |
| Cash and bank balances | 19 | 15,436 | 17,250 |
| Short-term loans and advances | 15 | 4,418 | 2,402 |
| Other current assets | 20 | 528 | 5,692 |
| | | 41,310 | 47,819 |
| Total | | 219,343 | 180,497 |

Notes 1 to 34 form an integral part of these financial statements

This is the Balance sheet referred to in our report of even date

For **Walker Chandiok & Co LLP**
(formerly known as Walker, Chandiok & Co)

Chartered Accountants

Khushroo B. Panthaky
Partner
Membership No: F - 42423

For and on behalf of Board of directors

Sunil Lulla
Executive Vice Chairman
and Managing Director

Jyoti Deshpande
Executive Director

Kamal Jain
Group Chief Financial
Officer (India)

Dimple Mehta
Company Secretary
and Compliance Officer

Place : Mumbai
Date : 29 May 2014

Place : Mumbai
Date : 29 May 2014

Consolidated Statement of Profit and Loss

for the year ended 31 March 2014

₹ in lacs

| | Notes | Year ended 31 March 2014 | Year ended 31 March 2013 |
|---|-------|-----------------------------|-----------------------------|
| REVENUE | | | |
| Revenue from operations (net) | 22 | 113,466 | 106,795 |
| Other income | 23 | 498 | 640 |
| Total revenue | | 113,964 | 107,435 |
| EXPENSES | | | |
| Purchases/ operating expenses | 24 | 76,768 | 76,578 |
| Changes in inventories | 25 | 557 | (255) |
| Employee benefit expense | 26 | 2,820 | 2,729 |
| Finance costs | 27 | 3,274 | 922 |
| Depreciation and amortisation expense | 28 | 502 | 645 |
| Other expenses | 29 | 3,346 | 5,116 |
| Total expenses | | 87,267 | 85,735 |
| Profit before tax | | 26,697 | 21,700 |
| TAX EXPENSE | | | |
| Current tax | | 3,957 | 3,588 |
| Deferred tax | | 5,172 | 5,124 |
| Minimum alternate tax credit | | (1,323) | (2,588) |
| (Excess) provision for earlier years | | (436) | (5) |
| | | 7,370 | 6,119 |
| Profit after tax for the year | | 19,327 | 15,581 |
| Minority interest | | (642) | 128 |
| Net profit after minority interest | | 19,969 | 15,453 |
| Earnings per share | 30 | | |
| Basic (in ₹) | | 21.72 | 16.83 |
| Diluted (in ₹) | | 21.63 | 16.81 |

Notes 1 to 34 form an integral part of these financial statements
This is the Statement of Profit and Loss referred to in our report of even date

For **Walker Chandiok & Co LLP**
(formerly known as Walker, Chandiok & Co)

Chartered Accountants

Khushroo B. Panthaky
Partner
Membership No: F - 42423

For and on behalf of Board of directors

Sunil Lulla
Executive Vice Chairman
and Managing Director

Jyoti Deshpande
Executive Director

Kamal Jain
Group Chief Financial
Officer (India)

Dimple Mehta
Company Secretary
and Compliance Officer

Place : Mumbai
Date : 29 May 2014

Place : Mumbai
Date : 29 May 2014

Consolidated Cash Flow Statement

for the year ended 31 March 2014

₹ in lacs

| | Year ended 31 March 2014 | Year ended 31 March 2013 |
|---|-----------------------------|-----------------------------|
| CASH FLOW FROM OPERATING ACTIVITIES | | |
| Profit before tax | 26,697 | 21,700 |
| Non-cash adjustments to reconcile profit before tax to net cash flows | | |
| Depreciation/ amortisation on assets | 46,506 | 47,562 |
| Loss on sale of fixed assets (net) | 4 | 219 |
| Sundry balances written back | (25) | (34) |
| Content advances written off | 100 | 540 |
| Provision for doubtful receivables | 42 | - |
| Trade receivables written off | 626 | 177 |
| Provision for doubtful advances | 269 | - |
| Finance costs | 3,274 | 922 |
| Employee stock option compensation | 235 | 289 |
| Interest income | (125) | (9) |
| Gain on sale of current investments | (3) | (286) |
| Provision for employee benefits | 44 | 49 |
| Unrealised foreign currency gain/ (loss) | (1,011) | (786) |
| Operating profit before working capital changes | 76,633 | 70,343 |
| Movements in working capital: | | |
| Decrease/ (increase) in trade payables | 8,893 | 2,733 |
| Decrease/ (increase) in other current liabilities | 391 | (5,925) |
| (Increase) in other long term liabilities | (439) | (180) |
| (Decrease)/ increase in short term provisions | (109) | 79 |
| Decrease in trade receivables | 75 | 2,770 |
| Decrease/ (increase) in inventories | 557 | (255) |
| Decrease/ (increase) in short-term loans and advances | (1,255) | 652 |
| Decrease/ (increase) in other current assets | 4,877 | (133) |
| Decrease/ (increase) in long-term advances | 945 | (607) |
| Decrease/ (increase) in other non-current assets | 264 | (121) |
| Cash generated from operations | 90,832 | 69,356 |
| Taxes paid (net) | (3,661) | (4,564) |
| Net cash generated from operating activities (A) | 87,171 | 64,792 |
| CASH FLOWS FROM INVESTING ACTIVITIES | | |
| Purchase of tangible assets | (28) | (74) |
| Purchase of intangible film rights and related content | (89,589) | (76,367) |
| Proceeds from sale of fixed assets | 10 | 71 |
| Deposits with banks (net) | 11,007 | 4,389 |
| Proceeds from sale of current investments | 23 | 4,616 |
| Net cash used in investing activities (B) | (78,577) | (67,365) |

Consolidated Cash Flow Statement

for the year ended 31 March 2014

₹ in lacs

| | Year ended 31 March 2014 | Year ended 31 March 2013 |
|---|-----------------------------|-----------------------------|
| CASH FLOWS FROM FINANCING ACTIVITIES | | |
| Proceeds from issue of equity shares (net) | 51 | 232 |
| Proceeds from long-term borrowings | 2,957 | 7,731 |
| Repayment of long-term borrowings | (3,163) | (5,223) |
| Proceeds from short-term borrowings | 2,500 | - |
| Repayment of short-term borrowings | (833) | - |
| Net change in other short-term borrowings | 1,742 | (6,880) |
| Finance costs | (2,698) | (596) |
| Interest received | 125 | 9 |
| Dividend paid on equity shares | (1) | (1,413) |
| Tax on equity dividend paid | - | (224) |
| Net cash generated/ (used) in financing activities (C) | 680 | (6,364) |
| Net increase / (decrease) in cash and cash equivalents (A+B+C) | 9,274 | (8,937) |
| Cash and cash equivalents at the beginning of the year | 5,281 | 13,680 |
| Effect of movement in exchange rate on consolidation of foreign subsidiaries | (80) | 538 |
| Cash and cash equivalents at the end of the year | 14,475 | 5,281 |

Notes 1 to 34 form an integral part of these financial statements

- This is the Cash Flow statement referred to in our report of even date
- The Cash flow statement has been prepared under indirect method as set in Accounting Standard - 3 'Cash Flow Statement' as notified under Companies Act, 1956
- Previous year figures have been regrouped, wherever necessary, to conform to this year classification

For **Walker Chandiok & Co LLP**
(formerly known as Walker, Chandiok & Co)
Chartered Accountants

Khushroo B. Panthaky
Partner
Membership No: F - 42423

Place : Mumbai
Date : 29 May 2014

For and on behalf of Board of directors

Sunil Lulla
Executive Vice Chairman
and Managing Director

Kamal Jain
Group Chief Financial
Officer (India)

Place : Mumbai
Date : 29 May 2014

Jyoti Deshpande
Executive Director

Dimple Mehta
Company Secretary
and Compliance Officer

Significant accounting policies

and other explanatory information

NOTE 1 : CORPORATE INFORMATION

Eros International Media Limited (the 'Company' or 'parent') was incorporated in India, under the Companies Act, 1956. The Company and its subsidiaries including step down subsidiaries (hereinafter collectively referred to as the "Group") is a global player within the Indian media and entertainment arena and is primarily engaged in the business of film production, exploitation and distribution. It operates on a vertically integrated studio model controlling content as well as distribution and exploitation across multiple formats globally, including cinema, digital, home entertainment and television syndication. Its shares are listed on leading stock exchanges in India (BSE Scrip Code: 533261; NSE Scrip Code: EROSMEDIA).

The Company is engaged in the business of sourcing Indian film content either through acquisition, co-production or production of such films, and subsequently exploiting and distributing such films in India through music release, theatrical distribution, DVD and VCD release, television licensing and new media distribution avenues such as cable or DTH licensing; and trading and exporting overseas rights to its parent Eros Worldwide FZ LLC. The Group also includes Ayngaran group of companies which is involved in the acquisition, production and distribution of Tamil films worldwide.

NOTE 2 :

(i) Basis of accounting and preparation of financial statements

The Company's consolidated financial statements which have been prepared under historical cost convention on the accrual basis of accounting, are in accordance with the applicable requirements of the Companies Act, 1956 and Companies Act, 2013, to the extent applicable and comply in all material aspects with the accounting principles generally accepted in India including the Accounting Standards notified under the Companies Act, 1956 read with the General Circular 15/2013 dated 13 September 2013 of the Ministry of Corporate Affairs in respect of Section 133 of the Companies Act, 2013, to the extent applicable.

The accounting policies have been consistently applied unless otherwise stated.

All assets and liabilities have been classified as current or non-current as per the Group's normal operating cycle and other criteria set out in the Schedule VI to the Act. The Group considers 12 months to be its normal operating cycle.

(ii) Use of estimates

The preparation of the financial statements in conformity with generally accepted accounting principles ('GAAP') requires management to make estimates and assumptions that affect the reported amount of assets and liabilities, revenues and expenses, as well as disclosure of contingent liabilities on the date of the financial statements. Key estimates made by the Company in preparing these financial statements include useful lives of assets as well as utilization of economic benefits from these assets, accrual of expenses, recoverability of trade receivables, minimum alternate tax credits and deferred tax assets as well as assumptions for valuation of employee benefits and stock options. Management believes that the estimates made in the preparation of financial statements are prudent and reasonable. Actual results may differ from those estimates. Any revision to accounting estimates is recognized prospectively, in the period in which revisions are made.

(iii) Principles of consolidation

The consolidated financial statements refer to those of the Group and have been prepared on the following basis:

- The financial statements of the Company and its subsidiaries including step down subsidiaries have been consolidated in accordance with Accounting standard 21 – 'Consolidated Financial statements' by adding, on a line by line basis, the book values of the items like assets, liabilities, income and expenses, after eliminating intra-group transactions and balances. Unrealised profits or losses, if any, from such intra-group transactions are eliminated in totality.

Significant accounting policies

and other explanatory information

- The financial statements have been prepared using uniform accounting policies for like transactions and other events in similar circumstances. The impact of change in accounting policies, if not material, has been ignored.
- Minority interest in the net assets of consolidated financial statements consists of the amount of equity attributable to the minority shareholders at the date on investment has been made by the Company in the subsidiary company and movements in their share of equity and reserves, subsequent to such date. Where accumulated losses attributable to the minority are in excess of equity, in the absence of the contractual obligation on the minorities, the same are accounted for by the parent.
- All entities in the Group follow a March 31 reporting year-end.
- Following is the list of entities consolidated under the Group:

| Sr. No. | Name of the Company | Country of Incorporation | Subsidiary with effect from date | % Holding as at 31 March 2014 |
|---------|--|--------------------------|----------------------------------|-------------------------------|
| 1 | Eros International Films Private Limited | India | March 31, 1997 | 99.65 |
| 2 | Copsale Limited | BritishVirgin Island | February 11, 1999 | 100.00 |
| 3 | Big Screen Entertainment Private Limited | India | January 17, 2007 | 64.00 |
| 4 | EyeQube Studios Private Limited | India | October 31, 2007 | 99.99 |
| 5 | EM Publishing Private Limited | India | March 25, 2009 | 99.00 |
| 6 | Eros Animation Private Limited | India | January 2, 2009 | 100.00 |
| 7 | Ayngaran International Limited (Isle of Man) | Isle of Man | October 1, 2007 | 51.00 |
| 8 | Ayngaran International UK Limited | United Kingdom | October 1, 2007 | 100.00 |
| 9 | Ayngaran Mauritius Limited | Mauritius | March 7, 2008 | 100.00 |
| 10 | Ayngaran International Media Private Limited | India | October 1, 2007 | 100.00 |
| 11 | Ayngaran Anak Media Private Limited | India | October 6, 2008 | 51.00 |
| 12 | Digicine Pte Limited | Singapore | March 30, 2012 | 100.00 |

Significant accounting policies

and other explanatory information

(iv) Significant accounting policies

Significant accounting policies and explanatory information to the Consolidated Financial Statements include notes involving only those items which are considered material to the financial statements of the Group as a whole. Materiality for the purpose is assessed in relation to the information contained in the Consolidated Financial Statements. Further, additional statutory information disclosed in the separate financial statements of the parent and subsidiaries having no bearing on the true and fair view of the Consolidated Financial Statements have not been disclosed in the Consolidated Financial Statements.

(a) Revenue recognition

- **Theatrical sales:** Revenue from theatrical distribution is recognized on exhibition of films. In case of distribution through theatres, revenue is recognized on the basis of box office reports received from various exhibitors. Contracted, minimum guarantees are recognized on theatrical release.
- **Sale of film rights:** Sale of rights is recognized on effective delivery of materials to customers as per terms of the sale agreements. Sale of overseas rights is recognized on assignment of such rights, as per pre-agreed transfer pricing norms.
- **Sale of satellite rights and physical home entertainment products:** Revenue is accounted on delivery to customers, as per contracted terms. Digital and other new media revenues are recognized at the earlier of when the content is accessed or if licensed, the date the revenue is contracted or declared.
- **Production fee:** Revenue from production fee is recognized on the basis of services rendered at relevant stages of production of the film, in accordance with terms of agreement.

(b) Other income

- Dividend income is recognised when the right to receive dividend is established.
- Interest income is recognized on a time proportion basis taking into account the amount outstanding and the rate applicable.
- On disposal of current investments, the difference between the carrying amount and the disposal proceeds is recognized in the Statement of Profit and Loss.

(c) Fixed assets and depreciation

- Fixed assets are stated at acquisition cost less accumulated depreciation and impairment losses, if any. Acquisition cost includes purchase cost (net of available credits) and all incidental expenses to bring the asset to their present location and condition. Subsequent expenditure related to an item of fixed asset is added to its book value only if it increase the future benefits from the existing asset beyond its previously assessed standard of performance.
- Depreciation is provided at the rates and in the manner prescribed under Schedule XIV in the Companies Act, 1956 for the Company and its domestic subsidiaries. In case of foreign subsidiaries the same is provided at the rates and in the manner prescribed under applicable local laws.

(d) Intangible assets and amortisation

- Investment in film and associated rights are recorded at their acquisition costs less accumulated amortisation and impairment losses, if any. Cost includes acquisition and production cost, subsequent overflows of such cost, direct overhead cost, capitalized foreign currency exchange differences and borrowing costs. When ready for exploitation, advances granted to secure rights are transferred to film rights. These rights are amortised

Significant accounting policies

and other explanatory information

over the estimated useful lives, writing off more in year one which recognizes initial income flows and then the balance over a period of up to nine years, or the remaining life of the content rights, whichever is less. Amortization of film rights is presented under 'purchases/operating expenses'.

In the case of film content that is acquired after its initial exploitation, commonly referred to as catalogue rights, amortization is spread evenly over the lower of ten years or the license period. Management's estimate is based upon factors such as historical performance of similar films, the star power of the lead actors and actresses and once released actual results of each film.

The management regularly reviews, and revises when necessary, its estimates, which may result in a change in the rate of amortization and/or a write down of the asset to the recoverable amount.

- Other intangible assets are carried at acquisition costs less accumulated amortization, which is provided under written down value method at the rates and in the manner prescribed under Schedule XIV to the Companies Act, 1956 for the Company and its domestic subsidiaries. In case foreign subsidiaries the same is provided at the rates and in the manner prescribed under applicable local laws.

(e) Borrowing costs

General and specific borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale. All other borrowing costs are recognised in Statement of Profit and Loss in the period in which they are incurred.

(f) Content advances

Advances are paid to producers/owners of films and artists, in terms of the agreements/arrangements entered into with them, for acquisition of associated rights. All advances are reviewed by the management periodically, considering facts of each case, to determine recoverability. These advances are transferred to film rights at the point of exploitation.

(g) Investments

- Investments that are readily realisable and intended to be held for not more than a year are classified as current investments. All other investments are classified as long-term investments.
- Current investments are carried at lower of cost and fair value determined on an individual investment basis.
- Long-term investments are carried at cost. However, provision for diminution in the value of investments, if any, is made to recognise a decline, other than temporary in nature

(h) Inventories

Inventories are stated at the lower of cost and net realizable value. Cost is computed as follows:

- Raw prints and tapes on purchase cost at a moving weighted average basis.
- Home entertainment products, at actual cost, including replication cost.
- Inventories related to films under production are stated at acquisition and production cost plus relevant overhead cost and capitalized interest net of any amounts received from third party investors.

(i) Impairment of assets

Assessment is done at each Balance Sheet date as to whether there is any indication that an asset may be impaired. For the purpose of assessing impairment, the smallest identifiable group of assets that

Significant accounting policies

and other explanatory information

generates cash inflows from continuing use that are largely independent of the cash inflows from other assets or groups of assets, is considered as a cash generating unit. If any such indication exists, an estimate of the recoverable amount of the asset/cash generating unit is made. Assets whose carrying value exceeds their recoverable amount are written down to the recoverable amount. Recoverable amount is higher of an asset's or cash generating unit's net selling price and its value in use. Value in use is the present value of estimated future cash flows expected to arise from the continuing use of an asset and from its disposal at the end of its useful life. Assessment is also done at each Balance Sheet date as to whether there is any indication that an impairment loss recognised for an asset in prior accounting periods may no longer exist or may have decreased.

(j) Provisions and contingencies

- Provisions are recognized when there is present legal or constructive obligation as a result of a past event and it is more likely than not that an outflow of resources will be required to settle the obligation. Provisions are measured at the management's best estimate of the outflow required to settle the obligations at the Balance Sheet date.
- The Group does not recognize a contingent liability but discloses its existence in the financial statements unless the possibility of an outflow is remote. Contingent liabilities are disclosed when:
 - there is a possible obligation arising from past events, the existence of which will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group; or

- a present obligation that arises from past events where it is either not probable that an outflow of resources will be required to settle or a reliable estimate of the amount cannot be made.

(k) Employee benefits

- Retirement benefit plans, pension schemes or defined contribution plans or funds are governed by the statutes of the countries in which subsidiaries are located. Contributions to the fund, future liability on actuarial valuation or liability on termination are charged to the Statement of Profit and Loss
- Provisions for compensated absences are recognised in accordance with the rules of the respective companies.
- **Stock based compensation**

Stock options granted by the parent company are accounted using intrinsic value method as prescribed by the Securities and Exchange Board of India (Employee Stock Option Scheme and Employee Stock Purchase Scheme) Guidelines, 1999. Intrinsic value of the option being excess of market value of the underlying share immediately prior to date of grant over its exercise price is recognised as deferred employee compensation with a credit to employee stock option outstanding account. The deferred employee compensation is charged to Statement of Profit and Loss on straight line basis over the vesting period of the option. The options that lapse are reversed by a credit to employee compensation expense, equal to the amortised portion of value of lapsed option and credit to deferred employee compensation expense equal to the unamortised portion of lapsed option.

Significant accounting policies

and other explanatory information

(l) Leases

The Group has evaluated all existing leases as 'Operating leases'. Aggregate of lease rentals payable under non-cancellable operating lease arrangements (over the initial and subsequent periods of lease) are charged to the Statement of Profit and Loss on a straight-line basis over the non-cancellable period of the lease.

(m) Foreign currency transactions

Transactions in foreign currencies are accounted at exchange rates prevalent on the date of the transaction. Foreign currency monetary assets and liabilities at the period end are translated using the exchange rates prevailing at the end of the period. All exchange differences are recognized in the Statement of Profit and Loss. Non-monetary foreign currency items are recorded using the exchange rates that existed when the values were determined.

All foreign subsidiaries have been classified as non-integral foreign operations. Accordingly, assets and liabilities, both monetary and non-monetary, are translated at the closing rate; income and expense items are translated at average exchange rates prevailing during the year and all resulting exchange differences are accumulated in a foreign currency translation reserve until the disposal of the net investment in the non-integral foreign operation.

The reporting currency of the parent company is Indian Rupee (₹).

(n) Taxes on income

Income tax expense comprises current income tax and deferred tax.

• Current taxes

Current tax is calculated and provided in accordance with the local tax regulations of individual companies.

Current tax assets and current tax liabilities are offset when there is a legally enforceable right to set-off the recognised amounts and there is an

intention to settle the asset and the liability on a net basis.

• Deferred taxes

Deferred tax assets and liabilities are recognized for the future tax consequences attributable to timing differences that result between the profits offered for income taxes and the profits as per the financial statements. Deferred tax assets and liabilities are measured using the tax rates and the tax laws that have been enacted or substantively enacted at the balance sheet date. The effect of a change in tax rates on deferred tax assets and liabilities is recognized in the period that includes the enactment date.

Deferred tax assets are recognized only to the extent there is reasonable certainty that the assets can be realized in the future, however, where there is unabsorbed depreciation or carried forward loss under taxation laws, deferred tax assets are recognized only if there is virtual certainty, supported by convincing evidence of recognition of such assets. Deferred tax assets are reassessed for the appropriateness of their respective carrying values at each balance sheet date.

Deferred tax assets and deferred tax liabilities are offset when there is a legally enforceable right to set off assets against liabilities representing current tax and where the deferred tax assets and the deferred tax liabilities relate to taxes on income levied by the same governing taxation laws.

• Minimum Alternative Tax ('MAT')

Minimum alternate tax (MAT) paid in a year is charged to the Statement of Profit and Loss as current tax. MAT credit entitlement is recognised as an asset only when and to the extent there is convincing

Significant accounting policies

and other explanatory information

evidence that the individual entity will pay normal income tax during the specified period, which is the period for which MAT credit is allowed to be carried forward. Such asset is reviewed at each Balance Sheet date and the carrying amount of the MAT credit asset is written down to the extent there is no longer a convincing evidence to the effect that the respective individual entity will pay normal income tax during the specified period.

(o) **Earnings per share**

Basic earnings per share is calculated by dividing the net profit for the period attributable to equity shareholders by the weighted average number of equity shares outstanding during the period.

For the purpose of calculating diluted earnings per share, the net

profit for the period attributable to equity shareholders and the weighted average number of shares outstanding during the period are adjusted for the effects of all dilutive potential equity shares. The number of equity shares and potentially dilutive equity shares are adjusted for bonus shares as appropriate. The dilutive potential equity shares are adjusted for the proceeds receivable, had the shares been issued at fair value. Dilutive potential equity shares are deemed converted as of the beginning of the period, unless issued at a later date.

(p) **Cash and cash equivalents**

Cash and cash equivalents include cash on hand, deposits held at call with banks. Cash credits are shown within borrowings in current liabilities on the Balance sheet.

Amounts ₹ in lacs

| | As at 31 March 2014 | | As at 31 March 2013 | |
|---|---------------------|---------|---------------------|---------|
| | Number | Amounts | Number | Amounts |
| NOTE 3 : SHARE CAPITAL | | | | |
| Authorised share capital | | | | |
| Equity shares of ₹ 10 each | 125,000,000 | 12,500 | 125,000,000 | 12,500 |
| | 125,000,000 | 12,500 | 125,000,000 | 12,500 |
| Issued, subscribed and fully paid up | | | | |
| Equity shares of ₹ 10 each | 91,973,190 | 9,197 | 91,921,340 | 9,192 |
| Total | 91,973,190 | 9,197 | 91,921,340 | 9,192 |
| a) Reconciliation of paid up share capital (Equity Shares) | | | | |
| Balance at the beginning of the year | 91,921,340 | 9,192 | 91,736,857 | 9,174 |
| Add : Shares issued during the year | 51,850 | 5 | 184,483 | 18 |
| Balance at the end of the year | 91,973,190 | 9,197 | 91,921,340 | 9,192 |

During the year, the Company has issued total 51,850 shares (2013: 184,483) on exercise of options granted under the employees stock option plan (ESOP) wherein part consideration was received in the form of employees services.

Summary of significant accounting policies

and explanatory notes to the consolidated financial statements

b) Shares held by holding company, ultimate holding company, subsidiaries / associates of holding company or ultimate holding company

Amounts ₹ in lacs

| | As at 31 March 2014 | | As at 31 March 2013 | |
|--|---------------------|---------|---------------------|---------|
| | Number | Amounts | Number | Amounts |
| Equity shares of ₹ 10 each | | | | |
| Eros Worldwide FZ LLC - the holding Company | 47,126,290 | 4,713 | 47,126,290 | 4,713 |
| Eros Digital Private Limited - the fellow subsidiary | 21,700,000 | 2,170 | 21,700,000 | 2,170 |

c) Shareholders holding more than 5% of the shares

| | As at 31 March 2014 | | As at 31 March 2013 | |
|--|---------------------|---------------------------|---------------------|---------------------------|
| | Number | % of holding in the class | Number | % of holding in the class |
| Equity shares of ₹ 10 each | | | | |
| Eros Worldwide FZ LLC - the holding Company | 47,126,290 | 51.24% | 47,126,290 | 51.27% |
| Eros Digital Private Limited - the fellow subsidiary | 21,700,000 | 23.59% | 21,700,000 | 23.61% |

d) Details of bonus shares issued during the last 5 years

In 2009-10, 66,306,500 equity shares were allotted as fully paid up bonus shares by capitalization of the surplus in the Statement of Profit and Loss account of the Company.

e) Details of employee stock options issued during the last 5 years

During the period of five years immediately preceding the reporting date, the Company issued total 566,190 shares (2013: 514,340) on exercise of options granted under the employees stock option plan (ESOP) wherein part consideration was received in the form of employee services.

f) Rights, preferences, restrictions of Equity Shares

The Company has only one class of equity shares having par value of ₹10 per share. Every holder is entitled to one vote per share. The dividend, if any, proposed by the Board of Directors and approved by the Shareholders in the Annual General Meeting is paid in Indian rupees.

In the event of liquidation of the Company, the holders of equity shares will be entitled to receive remaining assets of the Company, after distribution of all amounts. The distribution will be in proportion to the number of equity shares held by the shareholders.

Summary of significant accounting policies

and explanatory notes to the consolidated financial statements

Amounts ₹ in lacs

| | As at 31 March 2014 | As at 31 March 2013 |
|--|------------------------|------------------------|
| NOTE 4 : RESERVES AND SURPLUS | | |
| Securities premium | | |
| Balance at the beginning of the year | 30,909 | 30,605 |
| Add : Additions made during the year | 46 | 214 |
| Add : Transfer from share option outstanding account | 40 | 90 |
| Balance at the end of the year | 30,995 | 30,909 |
| Share options outstanding account | | |
| Balance at the beginning of the year | 389 | 190 |
| Less : Transfer to securities premium account | (40) | (90) |
| Add : Deferred stock compensation expense | 235 | 292 |
| Less : Written back to Statement of Profit and Loss during the year | - | (3) |
| Balance at the end of the year | 584 | 389 |
| Capital reserve | | |
| Balance at the beginning of the year | 56 | 56 |
| Add : Additions made during the year | - | - |
| Balance at the end of the year | 56 | 56 |
| General reserve | | |
| Balance at the beginning of the year | 586 | - |
| Add : Additions made during the year (amount transferred from surplus balance in the Statement of profit and loss) | - | 586 |
| Balance at the end of the year | 586 | 586 |
| Surplus in the Statement of profit and loss | | |
| Balance at the beginning of the year | 56,377 | 43,149 |
| Add : Net profit for the year | 19,969 | 15,453 |
| Less : Appropriations | | |
| Interim equity dividend (amount per share ₹ Nil (previous year ₹ 1.50)) | - | (1,415) |
| Tax on interim equity dividend | - | (224) |
| Transfer to general reserve | - | (586) |
| Add : Excess provision for dividend distribution tax reversed | 37 | - |
| Balance at the end of the year | 76,383 | 56,377 |
| Foreign currency translation reserve | | |
| Balance at the beginning of the year | 1,140 | 287 |
| Add : Additions made during the year | 1,921 | 853 |
| Balance at the end of the year | 3,061 | 1,140 |
| Total | 111,665 | 89,457 |

Summary of significant accounting policies

and explanatory notes to the consolidated financial statements

Amounts ₹ in lacs

| | As at 31 March 2014 | As at 31 March 2013 |
|---|------------------------|------------------------|
| NOTE 5 : LONG-TERM BORROWINGS | | |
| Secured | | |
| Term loan from banks* | 14,728 | 14,892 |
| Car loans# | 7 | 31 |
| | 14,735 | 14,923 |
| Less : Current maturities disclosed under other current liabilities (refer note 10) | 5,003 | 1,914 |
| Total | 9,732 | 13,009 |

* Term loans from banks carry an interest rate between 8.25% - 16.00% are secured by pari passu first charge on the DVD/ satellite Rights acquired for the domestic market, actionable claims, revenue and receivables arising on sales of the rights and negatives of films. Term loans are further secured by

- Equitable mortgage of Company's immovable property situated at Mumbai, India;
- Amounts held as margin money;
- Corporate guarantee of Eros International PLC, the ultimate holding company;
- Residual value of equipments and vehicles; and
- Existing rights of hindi films.

Car loans are secured by hypothecation of vehicles acquired there against.

Loans are repayable in monthly/ quarterly instalments over a period of 2 - 5 years.

Note : There is no default, continuing or otherwise as at the balance sheet date, in repayment of any of the above loans.

Summary of significant accounting policies

and explanatory notes to the consolidated financial statements

Amounts ₹ in lacs

| | As at 31 March 2014 | As at 31 March 2013 |
|--|------------------------|------------------------|
| NOTE 6 : DEFERRED TAX LIABILITIES (NET) | | |
| Deferred tax liability on | | |
| Depreciation on tangible assets | 187 | 124 |
| Amortisation of intangible assets | 21,295 | 16,268 |
| Total | 21,482 | 16,392 |
| Deferred tax asset on | | |
| Employee benefits | 112 | 96 |
| Statutory payables | 491 | 468 |
| Others | 360 | 265 |
| Total | 963 | 829 |
| Deferred tax liability (net) | 20,519 | 15,563 |
| Deferred tax assets (net) | | |
| Deferred tax asset on | | |
| Depreciation on tangible assets | - | 5 |
| Employee benefits | - | 2 |
| Others | - | 251 |
| Total | - | 258 |
| Deferred tax liability on | | |
| Amortisation of Intangible assets | - | 42 |
| Total | - | 42 |
| Deferred tax assets (net) | - | 216 |

Amounts ₹ in lacs

| | As at 31 March 2014 | As at 31 March 2013 |
|---|------------------------|------------------------|
| NOTE 7 : OTHER LONG-TERM LIABILITIES | | |
| Trade payables | 180 | 160 |
| Security deposits received | 36 | 486 |
| Total | 216 | 646 |

Amounts ₹ in lacs

| | As at 31 March 2014 | As at 31 March 2013 |
|--------------------------------------|------------------------|------------------------|
| NOTE 8 : LONG-TERM PROVISIONS | | |
| Provision for gratuity | 150 | 119 |
| Total | 150 | 119 |

Summary of significant accounting policies

and explanatory notes to the consolidated financial statements

Amounts ₹ in lacs

| | As at 31 March 2014 | As at 31 March 2013 |
|--|------------------------|------------------------|
| NOTE 9 : SHORT-TERM BORROWINGS | | |
| Repayable on demand | | |
| Secured | 14,510 | 16,400 |
| Unsecured | 13,711 | 9,000 |
| Loans from related parties (refer note 32) | 367 | - |
| Total | 28,588 | 25,400 |

Short term borrowings include:

Cash credit, secured by way of hypothecation of stock and receivables relating to domestic rights operations along with first pari passu charge on current assets.

Bills discounted, secured by document of title to goods and accepted hundies with first pari passu charge on current assets.

Packing credit, secured by hypothecation of films and film rights with first pari passu charge on current assets

Short term loans are further secured by:

- Equitable mortgage of Company's immovable property situated at Mumbai, India;
- Amount held as margin money;
- Corporate guarantee of Eros International PLC, the ultimate holding company;
- Residual value of equipments; and
- Existing rights of hindi films.

Note : There is no default, continuing or otherwise as at the balance sheet date, in repayment of any of the above loans.

Amounts ₹ in lacs

| | As at 31 March 2014 | As at 31 March 2013 |
|---|------------------------|------------------------|
| NOTE 10 : OTHER CURRENT LIABILITIES | | |
| Advances from customers | 5,545 | 5,762 |
| Current maturities of long term debt (refer note 5) | 5,003 | 1,914 |
| Interest accrued but not due on borrowings | 70 | 292 |
| Unclaimed dividend | 1 | 2 |
| Duties and taxes payable | 1,860 | 1,751 |
| Other payables | 968 | 1,039 |
| Book overdraft | 6 | 24 |
| Total | 13,453 | 10,784 |

Summary of significant accounting policies

and explanatory notes to the consolidated financial statements

Amounts ₹ in lacs

| | As at 31 March 2014 | As at 31 March 2013 |
|--|------------------------|------------------------|
| NOTE 11 : SHORT-TERM PROVISIONS | | |
| Provision for employee benefits : | | |
| Compensated absences | 54 | 70 |
| Gratuity | 31 | 18 |
| Bonus | 106 | 199 |
| Provision for tax | 2,404 | 1,038 |
| Total | 2,595 | 1,325 |

Amounts ₹ in lacs

| | Buildings | Furniture and fixtures | Motor Vehicles | Office equipment | Data processing equipment | Studio equipment | Total |
|---|--------------|---------------------------|-------------------|---------------------|---------------------------------|---------------------|--------------|
| NOTE 12 : TANGIBLE ASSETS | | | | | | | |
| Gross block | | | | | | | |
| Balance as at 1 April 2012 | 4,108 | 816 | 543 | 258 | 713 | 1,901 | 8,339 |
| Additions | - | - | 10 | 2 | 198 | 14 | 224 |
| Adjustments/ disposals | - | (183) | (6) | (72) | (445) | (294) | (1,000) |
| Foreign currency translation difference | - | 0 | 0 | 1 | 0 | - | 1 |
| Balance as at 31 March 2013 | 4,108 | 633 | 547 | 189 | 466 | 1,621 | 7,564 |
| Additions | - | - | - | 11 | 17 | - | 28 |
| Adjustments/ disposals | - | (1) | (44) | (4) | (6) | (3) | (58) |
| Foreign currency translation difference | - | 2 | 0 | 13 | 1 | - | 16 |
| Balance as at 31 March 2014 | 4,108 | 634 | 503 | 209 | 478 | 1,618 | 7,550 |
| Accumulated depreciation | | | | | | | |
| Balance as at 1 April 2012 | 245 | 319 | 326 | 139 | 567 | 1,102 | 2,698 |
| Depreciation charge | 193 | 82 | 58 | 25 | 109 | 146 | 613 |
| Adjustments/ disposals | - | (107) | (5) | (36) | (379) | (183) | (710) |
| Foreign currency translation difference | - | 0 | 0 | 0 | 0 | - | 0 |
| Balance as at 31 March 2013 | 438 | 294 | 379 | 128 | 297 | 1,065 | 2,601 |
| Depreciation charge | 183 | 62 | 42 | 10 | 70 | 111 | 478 |
| Adjustments/ disposals | - | (0) | (36) | (1) | (4) | (3) | (44) |
| Foreign currency translation difference | - | 1 | 0 | 13 | 1 | - | 15 |
| Balance as at 31 March 2014 | 621 | 357 | 385 | 150 | 364 | 1,173 | 3,050 |
| Net block | | | | | | | |
| Balance as at 31 March 2013 | 3,670 | 339 | 168 | 61 | 169 | 556 | 4,963 |
| Balance as at 31 March 2014 | 3,487 | 277 | 118 | 59 | 114 | 445 | 4,500 |

Summary of significant accounting policies

and explanatory notes to the consolidated financial statements

| | Amounts ₹ in lacs | | | | |
|---|-------------------|---------------------|----------|----------------|------------------|
| | Film Rights | Website development | Software | Total | Content advances |
| NOTE 13 : INTANGIBLE ASSETS | | | | | |
| Gross block | | | | | |
| Balance as at 1 April 2012 | 181,814 | 238 | 150 | 182,202 | 42,650 |
| Additions | 73,658 | - | - | 73,658 | 93,685 |
| Adjustments | - | - | (150) | (150) | (92,471) |
| Foreign currency translation difference | 2,297 | 1 | - | 2,298 | - |
| Balance as at 31 March 2013 | 257,769 | 239 | - | 258,008 | 43,864 |
| Additions* | 69,346 | - | - | 69,346 | 104,701 |
| Adjustments | - | - | - | - | (90,576) |
| Amounts written off | - | - | - | - | (100) |
| Foreign currency translation difference | 8,931 | 19 | - | 8,950 | - |
| Balance as at 31 March 2014 | 336,046 | 258 | - | 336,304 | 57,889 |
| Accumulated amortisation | | | | | |
| Balance as at 1 April 2012 | 134,728 | 86 | - | 134,814 | - |
| Amortisation charge | 46,917 | 32 | - | 46,949 | - |
| Adjustments | - | - | - | - | - |
| Foreign currency translation difference | 1,980 | 1 | - | 1,981 | - |
| Balance as at 31 March 2013 | 183,625 | 119 | - | 183,744 | - |
| Amortisation charge | 46,004 | 24 | - | 46,028 | - |
| Foreign currency translation difference | 6,931 | 18 | - | 6,949 | - |
| Balance as at 31 March 2014 | 236,560 | 161 | - | 236,721 | - |
| Net block | | | | | |
| Balance as at 31 March 2013 | 74,144 | 120 | - | 74,264 | 43,864 |
| Balance as at 31 March 2014 | 99,486 | 97 | - | 99,583 | 57,889 |

*The parent has adopted the option to amortize exchange differences pertaining to long term foreign currency monetary items up to 31 March 2020 as per paragraph 46 of Accounting Standard 11. Net foreign exchange aggregating to ₹ 135 lacs has been capitalized to the Intangible assets during the year, out of which the Company has charged an amount of ₹ 81 lacs to the Statement of Profit and Loss as per the amortization policy of the Company.

| | Amounts ₹ in lacs | | | |
|---|---------------------|-------------|---------------------|-------------|
| | As at 31 March 2014 | | As at 31 March 2013 | |
| | Current | Non-current | Current | Non-current |
| NOTE 14 : INVESTMENTS | | | | |
| Non-trade (valued at cost) | | | | |
| Equity shares in fellow subsidiary company (unquoted) | | | | |
| Eros Digital Private Limited | | | | |
| 20 (Previous Year 20) equity shares of ₹ 10 each, fully paid-up | - | 0 | - | 0 |
| Equity shares in other body corporates (unquoted) | | | | |
| Triple Com Media Private Limited | | | | |
| 200,000 (Previous Year 200,000) equity shares of ₹ 10 each, fully paid-up | - | 800 | - | 800 |
| Investment in mutual funds (unlisted but quoted) | | | | |
| Birla Sun Life Dynamic Bond Fund-Retail Plan-Growth | - | - | 20 | - |
| Total | - | 800 | 20 | 800 |

Summary of significant accounting policies

and explanatory notes to the consolidated financial statements

Amounts ₹ in lacs

| | As at 31 March 2014 | | As at 31 March 2013 | |
|--|---------------------|--------------|---------------------|--------------|
| | Long-term | Short-term | Long-term | Short-term |
| NOTE 15 : LOANS AND ADVANCES | | | | |
| Unsecured, considered good | | | | |
| Security deposits | 30 | 100 | 94 | 36 |
| Amounts due from related parties (refer note 32) | 310 | 15 | 57 | 277 |
| Advances recoverable in cash or kind or for value to be received | | | | |
| Considered good | 1,432 | 3,991 | 2,361 | 1,751 |
| Considered doubtful | 65 | - | - | - |
| Less: Provisions for doubtful advances | (65) | - | - | - |
| | 1,432 | 3,991 | 2,361 | 1,751 |
| Other loans and advances | | | | |
| - Loans to employees | - | 312 | - | 338 |
| Total | 1,772 | 4,418 | 2,512 | 2,402 |

Amounts ₹ in lacs

| | As at 31 March 2014 | As at 31 March 2013 |
|--|------------------------|------------------------|
| NOTE 16 : OTHER NON-CURRENT ASSETS | | |
| MAT credit recoverable | 7,016 | 5,245 |
| Income tax | 545 | - |
| Bank deposits with maturity of more than twelve months | 550 | 280 |
| Balances with statutory authorities | 854 | - |
| Advance for film co-production | 4,524 | 534 |
| Total | 13,489 | 6,059 |

Amounts ₹ in lacs

| | As at 31 March 2014 | As at 31 March 2013 |
|------------------------------|------------------------|------------------------|
| NOTE 17 : INVENTORIES | | |
| Films under production | 175 | 635 |
| VCD/ DVD/ Audio CDs | 226 | 323 |
| Total | 401 | 958 |

Summary of significant accounting policies

and explanatory notes to the consolidated financial statements

Amounts ₹ in lacs

| | As at 31 March 2014 | As at 31 March 2013 |
|--|------------------------|------------------------|
| NOTE 18 : TRADE RECEIVABLES | | |
| Outstanding for a period exceeding six months from the date due for payment | | |
| Unsecured, considered good | 5,238 | 1,413 |
| Considered doubtful | 42 | 151 |
| | 5,280 | 1,564 |
| Less : Provision for doubtful receivables | 42 | 151 |
| | 5,238 | 1,413 |
| Other debts | | |
| Unsecured, considered good | | |
| Dues from related parties (refer note 32) | 9,410 | 9,427 |
| Dues from others | 5,879 | 10,657 |
| | 15,289 | 20,084 |
| Total | 20,527 | 21,497 |

Amounts ₹ in lacs

| | As at 31 March 2014 | As at 31 March 2013 |
|---|------------------------|------------------------|
| NOTE 19 : CASH AND BANK BALANCES | | |
| Cash and cash equivalents | | |
| a. Cash on hand | 17 | 44 |
| b. Balances with banks* | 14,458 | 5,237 |
| | 14,475 | 5,281 |
| Other bank balances | | |
| Unpaid dividend account | 1 | 2 |
| Bank deposits with: | | |
| maturity less than 12 months | 178 | 11,353 |
| maturity more than twelve months | - | - |
| Margin money accounts with: | | |
| maturity less than 12 months | 782 | 614 |
| maturity more than twelve months | 550 | 280 |
| | 1,511 | 12,249 |
| Less : disclosed under other non-current assets | (550) | (280) |
| Total | 15,436 | 17,250 |

* Balances with banks include amount held in current accounts ₹ 1,959 lacs (2013 : ₹ 2,033 lacs), as cheques on hand ₹ 12,498 lacs (2013 : ₹ 2,090 lacs) and in deposit accounts with maturity upto 3 months ₹ 1 lac (2013 : ₹ 1, 114 lacs).

Summary of significant accounting policies

and explanatory notes to the consolidated financial statements

Amounts ₹ in lacs

| | As at 31 March 2014 | As at 31 March 2013 |
|---------------------------------------|------------------------|------------------------|
| NOTE 20 : OTHER CURRENT ASSETS | | |
| Prepaid expenses | 234 | 335 |
| Unbilled revenue | 191 | 371 |
| Accrued interest | 103 | 302 |
| Income tax | - | 87 |
| Advances against film production | - | 4,597 |
| Total | 528 | 5,692 |

Amounts ₹ in lacs

| | As at 31 March 2014 | As at 31 March 2013 |
|--|------------------------|------------------------|
| NOTE 21 : CONTINGENT LIABILITIES AND COMMITMENTS (TO THE EXTENT NOT PROVIDED FOR) | | |
| (a) Contingent liabilities | | |
| (i) Claims against the Company not acknowledged as debt | | |
| Sales tax claims disputed by the Company | 72 | 72 |
| Maharashtra VAT and Central sales tax on theatrical sales | 1,365 | 2,196 |
| Income tax liability that may arise in respect of matters in appeal | 53 | 53 |
| Legal claims against the Company | - | 3,550 |
| Bills of exchange with recourse, accepted but not due | 5,799 | 5,798 |
| (ii) Guarantees | | |
| Guarantee given in favor of various government authorities | 86 | 25 |
| Guarantees given on behalf of others | 2,500 | - |
| | 9,875 | 11,694 |

Notes:

- In addition, the Company is liable to pay service tax on temporary transfer of copyright in the period 1 July 2010 to 30 June 2012. The Company filed a writ petition in Mumbai High Court challenging the constitutionality and the legality of this entry and received ad-interim protection and accordingly, no amounts were provided for by the Company for the period 1 April 2011 to 30 June 2012.
- It is not practicable for the Company to estimate the timings of cash outflows, if any, in respect of the above, pending resolution of the respective proceedings.
- Guarantee has been given by the Company to a film producer under co-production agreement for financing the release of an upcoming film.
- The Company does not expect any reimbursements in respect of the above contingent liabilities.

Summary of significant accounting policies

and explanatory notes to the consolidated financial statements

Amounts ₹ in lacs

| | As at 31 March 2014 | As at 31 March 2013 |
|---|------------------------|------------------------|
| (b) Commitments | | |
| Estimated amount of contracts remaining to be executed on capital account | 59,457 | 82,165 |
| | 59,457 | 82,165 |
| Total | 69,332 | 93,859 |

Amounts ₹ in lacs

| | Year ended 31 March 2014 | Year ended 31 March 2013 |
|---|-----------------------------|-----------------------------|
| NOTE 22 : REVENUE FROM OPERATIONS (NET) | | |
| Revenue from distribution and exhibition of film and other rights | 110,460 | 105,104 |
| Revenue from services | 3,006 | 1,691 |
| Total | 113,466 | 106,795 |

Amounts ₹ in lacs

| | Year ended 31 March 2014 | Year ended 31 March 2013 |
|---|-----------------------------|-----------------------------|
| NOTE 23 : OTHER INCOME | | |
| Interest income | 125 | 9 |
| Gain on sale of current investments | 3 | 286 |
| Net gain on foreign currency transactions and translation | - | 25 |
| Other non-operating income | 370 | 320 |
| Total | 498 | 640 |

Amounts ₹ in lacs

| | Year ended 31 March 2014 | Year ended 31 March 2013 |
|---|-----------------------------|-----------------------------|
| NOTE 24 : PURCHASES/OPERATING EXPENSES | | |
| Amortisation of film rights (refer note 13) | 46,004 | 46,917 |
| Film rights cost | 21,330 | 18,814 |
| Print and digital distribution cost | 2,250 | 2,236 |
| Selling and distribution expenses | 5,499 | 6,813 |
| Processing and other direct cost | 1,031 | 293 |
| Shipping, packing and forwarding expenses | 298 | 352 |
| Home entertainment products related cost | 356 | 1,153 |
| Total | 76,768 | 76,578 |

Summary of significant accounting policies

and explanatory notes to the consolidated financial statements

Amounts ₹ in lacs

| | Year ended 31 March 2014 | Year ended 31 March 2013 |
|---|-----------------------------|-----------------------------|
| NOTE : 25 CHANGES IN INVENTORIES | | |
| Opening stock | | |
| - Finished goods | 323 | 703 |
| - Films under production | 635 | - |
| | 958 | 703 |
| Closing stock | | |
| - Finished goods | 226 | 323 |
| - Films under production | 175 | 635 |
| | 401 | 958 |
| Total | (557) | 255 |

Amounts ₹ in lacs

| | Year ended 31 March 2014 | Year ended 31 March 2013 |
|---|-----------------------------|-----------------------------|
| NOTE : 26 EMPLOYEE BENEFIT EXPENSE | | |
| Salaries and bonus | 2,395 | 2,266 |
| Contribution to provident and other funds | 107 | 86 |
| Gratuity expense | 46 | 50 |
| Employee stock option compensation | 235 | 289 |
| Staff welfare expenses | 37 | 38 |
| Total | 2,820 | 2,729 |

Amounts ₹ in lacs

| | Year ended 31 March 2014 | Year ended 31 March 2013 |
|--------------------------------|-----------------------------|-----------------------------|
| NOTE : 27 FINANCE COSTS | | |
| Interest expense | 3,520 | 1,913 |
| Other borrowing costs | 260 | 133 |
| | 3,780 | 2,046 |
| Less : Interest received | 506 | 1,124 |
| Total | 3,274 | 922 |

Amounts ₹ in lacs

| | Year ended 31 March 2014 | Year ended 31 March 2013 |
|--|-----------------------------|-----------------------------|
| NOTE : 28 DEPRECIATION AND AMORTISATION EXPENSE | | |
| Depreciation on tangible assets (refer note 12) | 478 | 613 |
| Amortisation of intangible assets (refer note 13) | 24 | 32 |
| Total | 502 | 645 |

Summary of significant accounting policies

and explanatory notes to the consolidated financial statements

Amounts ₹ in lacs

| | Year ended 31 March 2014 | Year ended 31 March 2013 |
|---|-----------------------------|-----------------------------|
| NOTE 29 : OTHER EXPENSES | | |
| Power and fuel | 69 | 86 |
| Rent | 222 | 296 |
| Repairs and maintenance | 141 | 180 |
| Insurance | 69 | 42 |
| Rates and taxes | 75 | 3 |
| Legal and professional | 970 | 1,346 |
| Payments to auditors (refer note 33) | 59 | 71 |
| Provision for doubtful receivables | 42 | - |
| Provision for doubtful advances | 269 | - |
| Communication expenses | 73 | 301 |
| Travelling and conveyance | 215 | 426 |
| Content advances written off (refer note 13) | 100 | 540 |
| Loss on disposal of fixed assets | 4 | 219 |
| Trade receivables written off | 626 | 177 |
| Net loss on foreign currency transactions and translation | 105 | 369 |
| Miscellaneous expenses | 307 | 1,060 |
| Total | 3,346 | 5,116 |

Amounts ₹ in lacs

| | Year ended 31 March 2014 | Year ended 31 March 2013 |
|--|-----------------------------|-----------------------------|
| NOTE 30 : EARNINGS PER SHARE | | |
| a) Computation of net profit for the year | | |
| Profit after tax attributable to equity shareholders | 19,969 | 15,453 |
| b) Computation of number of shares for Basic Earnings per share | | |
| Weighted average number of equity shares | 91,932,420 | 91,806,230 |
| Total | 91,932,420 | 91,806,230 |
| c) Computation of number of shares for Diluted Earnings per share | | |
| Weighted average number of equity shares | 92,323,976 | 91,927,576 |
| Total | 92,323,976 | 91,927,576 |
| d) Nominal value of shares | ₹ 10 | 10 |
| e) Computation | | |
| Basic | ₹ 21.72 | 16.83 |
| Diluted | ₹ 21.63 | 16.81 |

Summary of significant accounting policies

and explanatory notes to the consolidated financial statements

NOTE : 31 SEGMENT REPORTING

a. Primary segment information

The Group is solely engaged in the business of film production and exploitation. The entire operations are governed by same set of risks and returns and hence, have been considered as representing a single primary segment.

b. Secondary segment information

The principle geographic areas in which the Group operates based on the location of customers are 'Within India' and 'Outside India'.

| | Amounts ₹ in lacs | |
|---|-----------------------------|-----------------------------|
| | Year ended 31 March 2014 | Year ended 31 March 2013 |
| Revenue by geographical market | | |
| Outside India | 44,338 | 38,887 |
| Within India | 69,626 | 68,548 |
| | 113,964 | 107,435 |
| Carrying value of segment assets | | |
| Outside India | 58,698 | 40,857 |
| Within India | 153,084 | 134,179 |
| | 211,782 | 175,036 |

Note: Segment Assets exclude income tax assets.

NOTE 32 : RELATED PARTY DISCLOSURES

a) Names of related parties

| Relationship | Name |
|--|--|
| Ultimate holding company | Eros International PLC |
| Holding company | Eros Worldwide FZ-LLC |
| Fellow subsidiary companies | Eros Digital Private Limited Eros International Limited Eros Music Publishing Limited |
| Key management personnel (KMP) | Mr. Sunil Lulla – Executive Vice Chairman and Managing Director Mr. Kishore Lulla – Executive Director Ms. Jyoti Deshpande – Executive Director Mr. Vijay Ahuja – Executive Director Mr. Kamal Jain - Chief Financial Officer Ms. Dimple Mehta - Company Secretary and Compliance Officer |
| Relatives of KMP with whom transactions exist | Mrs. Manjula K Lulla (wife of Mr. Kishore Lulla) Mrs. Krishika Lulla (wife of Mr. Sunil Lulla) Mrs. Meena A. Lulla (mother of Mr. Sunil Lulla) |
| Entities over which KMP exercise significant influence | Shivam Enterprises |

Summary of significant accounting policies

and explanatory notes to the consolidated financial statements

b) Transactions with related parties

| | Amounts ₹ in lacs | |
|--|-----------------------------|-----------------------------|
| | Year ended 31 March 2014 | Year ended 31 March 2013 |
| Sale of film rights | | |
| Eros Worldwide FZ LLC | 29,099 | 29,561 |
| Eros International Limited | 23 | 19 |
| Eros Music Publishing Limited | - | 11 |
| Total | 29,122 | 29,591 |
| Sale of prints/VCD/DVD | | |
| Eros Worldwide FZ LLC | 696 | 1,591 |
| Total | 696 | 1,591 |
| Purchase of film rights | | |
| Eros Worldwide FZ LLC | 2,875 | 3,257 |
| Eros International Limited | 7,716 | 7,329 |
| Eros Music Publishing Limited | 3 | 6 |
| Total | 10,594 | 10,592 |
| Re-imbursment of administrative expense | | |
| Eros Worldwide FZ LLC | 320 | 790 |
| Eros International Limited | 724 | 235 |
| Total | 1,044 | 1,025 |
| Dividend Paid | | |
| Eros Worldwide FZ LLC | - | 707 |
| Eros Digital Private Limited | - | 326 |
| Total | - | 1,033 |
| Re-imbursment given | | |
| Eros International Limited | - | 74 |
| Total | - | 74 |
| Rent paid | | |
| Mr. Sunil Lulla | 36 | 36 |
| Mrs. Manjula K Lulla | 36 | 36 |
| Total | 72 | 72 |
| Interest paid | | |
| Eros Digital Private Limited | 35 | 1 |
| Total | 35 | 1 |
| Salary, commission and perquisites* to KMPs | | |
| Total | 876 | 729 |

Summary of significant accounting policies and explanatory notes to the consolidated financial statements

* Perquisites to KMP have been valued as per Income tax Act, 1961 and rules framed thereunder or at actuals as the case may be.

* Excludes ₹ 214.77 lacs (Previous year ₹ 242.44 lacs) charged to Statement of Profit and loss on account of stock compensation for awards granted.

* The Company has appointed Mrs. Krishika Lulla as creative producer w.e.f 1 January 2014 and accrued remuneration of ₹ 5 lacs per month, which has been approved by shareholders. Pending approval of the Central Government, the remuneration has not been paid.

| | Amounts ₹ in lacs | |
|--|-----------------------------|-----------------------------|
| | Year ended 31 March 2014 | Year ended 31 March 2013 |
| Content advances/ loan given | | |
| Eros International Limited | 255 | 16 |
| Eros Digital Private Limited | - | 0 |
| Total | 255 | 16 |
| Recovery of advances/ loans given | | |
| Eros International Limited | 255 | - |
| Eros Digital Private Limited | - | 1 |
| Ms. Jyoti Deshpande | 49 | - |
| Mrs. Manjulla Lulla | 6 | 2 |
| Total | 310 | 3 |
| Advances/ loans taken | | |
| Eros International Plc. | 469 | - |
| Eros Worldwide FZ LLC | 3,004 | 86 |
| Eros International Limited | 5,276 | 1 |
| Eros Digital Private Limited | 335 | 325 |
| Total | 9,084 | 412 |
| Repayment of advances/ loans | | |
| Eros International Plc. | 469 | 18 |
| Eros Worldwide FZ LLC | 3,945 | 6,569 |
| Eros International Limited | 677 | 207 |
| Eros Digital Private Limited | - | 325 |
| Total | 5,091 | 7,119 |
| Refund of deposits | | |
| Mr. Sunil Lulla | 23 | 30 |
| Total | 23 | 30 |

Summary of significant accounting policies

and explanatory notes to the consolidated financial statements

c) Balances with related parties

| | Amounts ₹ in lacs | |
|---|-----------------------------|-----------------------------|
| | Year ended 31 March 2014 | Year ended 31 March 2013 |
| Trade balances due from | | |
| Eros Worldwide FZ LLC | 9,320 | 9,420 |
| Eros International Limited | 90 | - |
| Eros Music Publishing Limited | - | 7 |
| Total | 9,410 | 9,427 |
| Trade balances due to | | |
| Eros Worldwide FZ LLC | 13,698 | 11,243 |
| Eros International Limited | 10,666 | 551 |
| Eros Music Publishing Limited | 22 | - |
| Eros Digital Private Limited | - | 1 |
| Total | 24,386 | 11,795 |
| Loans or advances due to | | |
| Eros International Limited | 94 | - |
| Eros Digital Private Limited | 367 | - |
| Total | 461 | - |
| Loans or advances due from | | |
| Eros International Limited | - | 895 |
| Shivam Enterprises | 57 | 57 |
| Total | 57 | 952 |
| Amounts due from KMPs or their relatives | | |
| Sunil Lulla (security deposit paid) | 179 | 202 |
| Mrs. Manjula Lulla | 75 | 75 |
| Ms. Jyoti Deshpande | - | 45 |
| Mr. Kamal Jain | 15 | - |
| Total | 269 | 322 |
| Amounts due to KMPs or their relatives | | |
| Mr. Sunil Lulla | 21 | 46 |
| Mr. Kishore Lulla | 5 | - |
| Ms. Jyoti Deshpande | 5 | - |
| Mrs. Krishika Lulla | 11 | - |
| Mrs. Manjula Lulla | 13 | 6 |
| Mrs. Meena Lulla | - | 2 |
| Total | 55 | 54 |

Summary of significant accounting policies

and explanatory notes to the consolidated financial statements

Amounts ₹ in lacs

| | Year ended 31 March 2014 | Year ended 31 March 2013 |
|--|-----------------------------|-----------------------------|
| NOTE 33 : AUDITORS' REMUNERATION* | | |
| As auditor | | |
| Statutory audit | 36 | 40 |
| Limited review | 15 | 12 |
| Tax audit | 4 | 4 |
| Review of consolidated accounts | - | 11 |
| | 55 | 68 |
| In other capacity | | |
| Other services (certification fees) | 3 | 3 |
| | 3 | 3 |
| Reimbursement of expenses | 1 | 1 |
| Total | 59 | 71 |

* refer note 29

NOTE 34

Previous year figures have been regrouped/ reclassified, wherever required, to conform to current year classification.

For **Walker Chandiok & Co LLP**
(formerly known as Walker, Chandiok & Co)

Chartered Accountants

Khushroo B. Panthaky
Partner
Membership No: F - 42423

Place : Mumbai
Date : 29 May 2014

For and on behalf of Board of directors

Sunil Lulla
Executive Vice Chairman
and Managing Director

Kamal Jain
Group Chief Financial
Officer (India)

Place : Mumbai
Date : 29 May 2014

Jyoti Deshpande
Executive Director

Dimple Mehta
Company Secretary
and Compliance Officer

Notice

Registered office: 201, Kailash Plaza, Plot no. A-12, Opp. Laxmi Industrial Estate, Link Road, Andheri West, Mumbai 400 053 Phone: 02266021500, Fax: 02266021540 Website: www.erosintl.com CIN: L99999MH1994PLC080502 email-id: compliance.officer@erosintl.com

NOTICE is hereby given that the Twentieth Annual General Meeting of the Members of Eros International Media Limited will be held on Thursday, the 25th day of September, 2014 at 2.30 p.m. at 'The Classique Club', New Link Road, Andheri (West), Mumbai 400 053, to transact the following business:

ORDINARY BUSINESS:

1. To receive, consider and adopt the audited financial statements of the Company for the year ended 31 March, 2014, together with the Reports of the Board of Directors and Auditors thereon.
2. To re-appoint a Director in place of Mr. Kishore Lulla (DIN 02303295), who retires by rotation at this Annual General meeting and being eligible, has offered himself for re-appointment.
3. To reappoint Auditors and fix their remuneration and in this regard to consider and if thought fit, to pass, with or without modification(s), the following resolution as an Ordinary Resolution:

"RESOLVED THAT pursuant to Section 139 and other applicable provisions of the Companies Act, 2013 and the Rules framed thereunder, as amended from time to time, M/s. Walker Chandiook & Co LLP, Chartered Accountants, (Firm Registration No.001076N), be and is hereby re-appointed as Statutory Auditors of the Company to hold office from the conclusion of this Annual General Meeting (AGM) till the conclusion of 23rd Annual General Meeting to be held in the year 2017 (subject to ratification of their appointment at every AGM), at such remuneration plus service tax, out of pocket expenses etc., as may be mutually agreed between the Board of Directors of the Company and the Auditors."

SPECIAL BUSINESS:

4. To consider and if thought fit, to pass with or without modification(s), the following resolution as an Ordinary Resolution:

"RESOLVED THAT pursuant to the provisions of Section 149, 152, Schedule IV and other applicable provisions, if any, of the Companies Act, 2013 read with Companies (Appointment and Qualification of Directors) Rules, 2014 and Clause 49 of the Listing Agreement (including any statutory modification(s) or re-enactment thereof for the time being in force), Mr. Naresh Chandra (DIN 00015833), Director of

the Company in respect of whom the Company has received a notice in writing from a member proposing his candidature for the office of Director as per Section 160 of the Companies Act 2013, be and is hereby appointed as an Independent Director of the Company to hold office upto five (5) consecutive years till the conclusion of Annual General Meeting of the Company to be held in the calendar year 2019."

5. To consider and if thought fit, to pass with or without modification(s), the following resolution as an Ordinary Resolution:

"RESOLVED THAT pursuant to the provisions of Section 149, 152, Schedule IV and other applicable provisions, if any, of the Companies Act, 2013 read with Companies (Appointment and Qualification of Directors) Rules, 2014 and Clause 49 of the Listing Agreement (including any statutory modification(s) or re-enactment thereof for the time being in force), Mr. Dharendra Swarup (DIN 02878434), Director of the Company in respect of whom the Company has received a notice in writing from a member proposing his candidature for the office of Director as per Section 160 of the Companies Act 2013, be and is hereby appointed as an Independent Director of the Company to hold office upto five (5) consecutive years till the conclusion of Annual General Meeting of the Company to be held in the calendar year 2019."

6. To consider and if thought fit, to pass with or without modification(s), the following resolution as an Ordinary Resolution:

"RESOLVED THAT pursuant to the provisions of Section 149, 152, Schedule IV and other applicable provisions, if any, of the Companies Act, 2013 read with Companies (Appointment and Qualification of Directors) Rules, 2014 and Clause 49 of the Listing Agreement (including any statutory modification(s) or re-enactment thereof for the time being in force), Dr. Shankar Nath Acharya (DIN 00033242), Director of the Company in respect of whom the Company has received a notice in writing from a member proposing his candidature for the office of Director as per Section 160 of the Companies Act 2013, be and is hereby appointed as an Independent Director of the Company to hold office upto five (5) consecutive years till the conclusion of Annual General Meeting of the Company to be held in the calendar year 2019."

7. To consider and if thought fit, to pass with or without modification(s), the following resolution as Special Resolution:

Notice *continued*

“RESOLVED THAT pursuant to the provisions of Section 196, 197, 203, Schedule V and other applicable provisions, if any, of the Companies Act, 2013 read with Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014, (including any statutory modification(s) or re-enactment thereof for the time being in force), approval of the Company be and is hereby accorded for payment of remuneration and commission to Mr. Kishore Lulla (DIN 02303295) as the Executive Director of the Company for a period of three (3) years commencing from 1 November, 2014 till 31 October, 2017 as set out below:

Terms of Remuneration:-

- i. Salary:- Salary of ₹ 800,000/- (Rupees Eight Lakhs only) per month. (With an Annual increment of 10% on salary, payable at the Commencement of every Financial Year).
- ii. Commission:- Commission upto 1% of the net profits of the Company as calculated under Section 198 and such other applicable provisions, if any, of the Companies Act, 2013, as may be determined by the Board of Directors from time to time.
- iii. Company's contribution to the Provident Fund and Super Annuation Fund and payment of Gratuity shall be as per rules of the Company.
- iv. Benefits, Perquisites and Allowances.
 - a. Travelling Allowance: The Company shall bear all travelling expenses, including boarding and lodging, as per the rules of the Company during domestic and overseas business trips.
 - b. Accommodation Allowance: Rent-free furnished accommodation owned, leased or rented by the Company and reimbursement of Utility expenses at accommodation such as electricity, gas, water, payments to servants, etc.
 - c. Medical Allowance: All expenses on medical including hospitalisation, diagnostic checks, periodic health checks incurred by Director and his family, will be borne by the Company at actual cost.
 - d. Club fees: Fees of Clubs subject to maximum of two clubs. This will include admission and life membership fees.
- e. All expenses relating to telephone at residence, mobile bills, PDA Charges and all other expenses incurred for the purpose of business of the Company shall be reimbursed by the Company at actual cost.
- f. Other benefits/Expenses as per the Company's policy, from time to time.

RESOLVED FURTHER THAT in the event of there being loss or inadequacy of profits for any financial year, the aforesaid remuneration payable to Mr. Kishore Lulla, Executive Director shall be the minimum remuneration payable to him in terms of the provisions of Schedule V of the Companies Act, 2013.

“RESOLVED FURTHER THAT the Board of Directors of the Company be and are hereby authorized to alter and/or vary the terms and conditions of the said appointment and/or enhance, enlarge, alter or vary the scope and quantum of remuneration, perquisites, benefits and amenities payable to Mr. Kishore Lulla in the light of further progress of the Company which shall be in accordance with the prescribed provisions of the Companies Act, 2013 and the rules made thereunder (including any statutory modification(s) or re-enactment thereof, for the time being in force).”

“RESOLVED FURTHER THAT the Board of Directors of the Company be and are hereby authorized to settle any question, difficulty or doubt, that may arise in giving effect to this resolution, do all such acts, deeds, matters and things as may be necessary and sign and execute all documents or writings as may be necessary, proper or expedient for the purpose of giving effect to this resolution and for matters concerned therewith or incidental thereto.”

8. To consider and if thought fit, to pass with or without modification(s), the following resolution as Special Resolution:

“RESOLVED THAT in supersession of resolution passed by the shareholders on December 1, 2009 under Section 293(1)(d) of the Companies Act, 1956 and subject to the provisions of Section 180(1)(c), 180(2) and other applicable provisions and Rules, if any, of the Companies Act, 2013, any amendments/enactments/re-enactments thereof, consent of the Company be and is hereby accorded to the Board

of Directors of the Company (hereinafter referred to as the "Board" and which term shall be deemed to include any duly authorised committee(s) thereof, for the time being exercising the powers conferred by the Board by this resolution) for borrowing from time to time and in any manner, any sum or sums of money upon such terms and conditions and with or without security as the Board may in its absolute discretion think fit, notwithstanding that the money to be borrowed together with the money already borrowed by the Company will exceed the aggregate of its paid-up share capital and free reserves, apart from the temporary loans obtained or to be obtained from time to time from the Company's Bankers/ Lenders in the ordinary course of business, provided however that the sums so borrowed and remaining outstanding on account of principal amount shall not, at any time, exceed ₹ 2,000 crores (Rupees Two Thousand Crores only)."

"RESOLVED FURTHER THAT the Board of Directors be and is hereby authorised to take such actions and steps, including delegation of authority, as may be necessary and to settle all matters arising out of and incidental thereto; and to sign and to execute deeds, applications, documents and writings that may be required, on behalf of the Company and generally to do all such acts, deeds, matters and things as may be necessary, proper, expedient or incidental for giving effect to this resolution."

"RESOLVED FURTHER THAT all such actions, deeds, matters or things undertaken, entered into or issued in relation to borrowings prior to the date of this resolution but since the notification of the relevant rules issued under the Companies Act, 2013, be and are hereby ratified and approved (including to the extent that any agreements or documents have been entered into or issued or any expenses have been incurred or any payments have been made or accepted on behalf of the Company in this relation), subject to any further modification, supplement or novation as may be approved by the Board or any duly constituted committee thereof, and accordingly entered into on behalf of the Company."

9. To consider and if thought fit, to pass with or without modification(s), the following resolution as a Special Resolution:

"RESOLVED THAT pursuant to the provisions of Section 180(1)(a) and all other applicable provisions if any of the Companies Act, 2013 or any other law for the time being in force (including any

statutory modification or amendment thereto or re-enactment thereof), the consent of the members be and is hereby accorded to the Board of Directors of the Company (hereinafter referred to as the "Board" which term shall be deemed to include any committee thereof) to create such charges, mortgages and hypothecations in addition to the existing charges, mortgages and hypothecations already created by the Company, on such moveable and immoveable properties, both present and future, and in such manner as the Board may deem fit, together with power to take over the substantial assets of the Company in certain events in favour of banks/financial institutions, other investing agencies and trustees for the holders of debentures/bonds/ other instruments to secure rupee/foreign currency loans and/or the issue of debentures (hereinafter collectively referred to as "Loans") provided that the total amount of Loans together with interest thereon, additional interest, compound interest, liquidated damages, charges, expenses and all other monies payable by the Company in respect of the said Loans for which the charge is to be created or already created, shall not, at any time exceed ₹ 2,000 crores (Rupees Two Thousand Crores only)."

"RESOLVED FURTHER THAT for the purpose of giving effect to the above resolution, the Board or any of its duly constituted committee be and is hereby authorised to do all such acts, deeds and things as it may in its absolute discretion may deem fit, necessary, proper or desirable and to settle any question, difficulty, doubt that may arise in respect of the charge/mortgage aforesaid and further to do all such acts, deeds and things and to execute all documents and writings as may be necessary, proper, desirable or expedient to give effect to this resolution."

"RESOLVED FURTHER THAT all such actions, deeds, matters or things undertaken, entered into or issued in relation to creation of charges, mortgages and hypothecations already created by the Company, on such moveable and immoveable properties, both present and future, prior to the date of this resolution but since the notification of the relevant rules issued under the Companies Act, 2013, be and are hereby ratified and approved (including to the extent that any agreements or documents have been entered into or issued or any expenses have been incurred or any payments have been made or accepted on behalf of the Company in this relation), subject to any further modification, supplement or novation as may

Notice *continued*

be approved by the Board or any duly constituted committee thereof, and accordingly entered into or created on behalf of the Company."

10. To consider and if thought fit, to pass with or without modification(s), the following resolution as a Special Resolution:

"RESOLVED THAT pursuant to Section 23, 42, 71 and all other enabling provisions of the Companies Act, 2013, the Securities and Exchange Board of India (Issue and Listing of Debt Securities) Regulations, 2008, as amended (the **"SEBI ILDS Regulations"**), the Memorandum and Articles of Association of the Company, the Listing Agreement, and the other statutes, rules, regulations, guidelines, notifications, circulars, clarifications, etc, prescribed by the Government of India (including, without limitation, the Ministry of Finance and the Ministry of Corporate Affairs), the Securities and Exchange Board of India (**"SEBI"**), the Reserve Bank of India (**"RBI"**), the Indian stock exchanges (the **"Stock Exchanges"**) and/or any other competent regulatory authority, as amended from time to time and to the extent applicable in each case, and subject to the approvals, consents, permissions and sanctions issued by (as well as the terms of any such approvals, consents, permissions and sanctions as may be issued by) competent regulatory authorities in this behalf, the consent of the members be and is hereby accorded to the Board of Directors of the Company (hereinafter referred to as the **"Board"** which term shall be deemed to include any committee thereof) to create, issue, offer and allot, on a private placement basis, with or without a green shoe or over-allotment option, in one or more tranches, taxable debentures each in the nature of secured redeemable non-convertible debentures (the **"Securities"**) to be listed on one or more Stock Exchange(s) in India, to any eligible investors through issue of requisite offer documents, for an aggregate amount not exceeding ₹ 750 crores (Rupees Seven

Hundred and Fifty Crores only) in such manner, terms and conditions as may be determined by the Board in its absolute discretion."

"RESOLVED FURTHER THAT subject to applicable law, the Board be and is hereby authorized to delegate all or any of the powers herein conferred, to any one or more Directors of the Company or to a duly constituted committee of the Board, or to the extent relevant, to the Company Secretary, to give effect to this Resolution."

"RESOLVED FURTHER THAT all such actions, deeds, matters or things undertaken, entered into or issued in relation to the proposed issuance of the Securities prior to the date of this resolution but since the notification of the relevant rules issued under the Companies Act, 2013, be and are hereby ratified and approved (including to the extent that any agreements or documents have been entered into or issued or any expenses have been incurred or any payments have been made or accepted on behalf of the Company in this relation), subject to any further modification, supplement or novation as may be approved by the Board or any duly constituted committee thereof, and accordingly entered into or issued on behalf of the Company."

By Order of the Board of Directors
For **Eros International Media Limited**

Dimple Mehta

Company Secretary & Compliance Officer

Place : Mumbai

Date : August 14, 2014

NOTES

1. A MEMBER ENTITLED TO ATTEND AND VOTE AT THE ANNUAL GENERAL MEETING IS ENTITLED TO APPOINT A PROXY TO ATTEND AND VOTE INSTEAD OF HIMSELF AND SUCH PROXY NEED NOT BE A MEMBER OF THE COMPANY. A person shall not act as Proxy for more than Fifty (50) members and holding in the aggregate not more than ten percent of the total share capital of the Company carrying voting rights. A person holding more than 10 percent of the total share capital of the Company carrying voting rights may appoint a single person as proxy and such person shall not act as proxy for any other person or shareholder.
2. The instrument appointing the proxy (as per the format provided hereinafter), in order to be effective, should be duly stamped, completed and signed and deposited at the Registered Office of the Company not less than 48 hours before the commencement of the meeting.
3. MEMBER/PROXY SHOULD BRING THE ATTENDANCE SLIP SENT HEREWITH, DULY FILLED IN, FOR ATTENDING THE MEETING.
4. The Statement pursuant to Section 102 of the Companies Act, 2013, which sets out details relating to Special Business at the meeting, is annexed hereto.
5. The Register of Members and Share Transfer Books of the Company will remain closed from Friday, 29 August, 2014 till Friday, 5 September, 2014 (both days inclusive).
6. Corporate Members are requested to send in advance duly certified copy of the Board Resolution/ Power of Attorney authorizing their representatives to attend the annual general meeting.
7. Members are requested to notify immediately any change in Address, Signature and / or Bank details, in respect to their physical holdings, to the Registrar & Share Transfer Agent of the Company and to their respective Depository Participant in case of shares held in electronic mode.
8. Members must quote their Folio No./ Demat Account No. and contact details such as e-mail address, contact no. etc in all their correspondence with the Company/ Registrar & Transfer Agent.
9. SEBI has mandated the submission of Permanent Account Number (PAN) by every participant in securities markets. Members holding shares in electronic form are, therefore, requested to submit the PAN to their Depository Participants with whom they are maintaining their demat accounts. Members holding shares in physical form can submit their PAN details to the Registrar and Transfer Agent/ the Company.
10. Relevant documents referred to in this Notice and the statement pursuant to Section 102 of the Companies Act, 2013 shall be open for inspection at the Corporate Office of the Company during business hours on all days except Saturdays, Sundays and Public Holidays upto the date of the Annual General Meeting.
11. Every Member entitled to vote at the Annual General Meeting of the Company can inspect the proxies lodged at the Company at any time during the business hours of the Company during the period beginning twenty four hours before the time fixed for the commencement of the Annual General Meeting and ending on the conclusion of the meeting. However, a prior notice of not less than three (3) days in writing of the intentions to inspect the proxies lodged shall be required to be provided to the Company.
12. The Company has designated an exclusive email ID compliance.officer@erosintl.com for redressal of shareholders complaints/grievances. For any investor related queries, you are requested to please write to us at the above email id.
13. Members who have not received / encashed the Interim Dividend declared earlier, are requested to claim the amount by writing to rnt.helpdesk@linkintime.co.in or compliance.officer@erosintl.com
14. In terms of applicable provisions of the new Companies Act, 2013 and rules thereto, the Company has obtained email addresses of its Members and have given an advance opportunity to every Member to register their email address and changes therein from time to time with the Company for service of communications /documents (including Notice of General Meetings, Audited Financial Statements, Directors' Report, Auditors' Report and all other documents) through electronic mode.

Although Company has given opportunity for registration of email addresses and has already obtained email addresses from its members, the Company once again requests its Members, who have so far not registered, to register their e-mail address (es) and changes therein from time to time, through any of the following manner:

Notice *continued*

- i. Email Intimation: By sending an email mentioning the Name(s) and Folio Number/ Client ID and DP ID to the Registrar and Transfer Agent at rnt.helpdesk@linkintime.co.in or compliance.officer@erosintl.com
 - ii. Written communication: By sending written communication addressed to the Company Secretary and Compliance Officer at the Corporate Office of the Company or to the Registrar and Transfer Agent of the Company at M/s Link Intime India Private Limited, Unit – Eros International Media Limited, C-13 Pannalal Silk Mills Compound, L.B.S. Marg, Bhandup (West), Mumbai 400 078.
15. Details under Clause 49 of the Listing Agreement with the Stock Exchange in respect of the Directors seeking appointment/re-appointment at the Annual General Meeting, forms integral part of the Notice. The Directors have furnished the requisite declarations for their appointment/re-appointment(s).
16. Electronic copy of the Notice convening the 20th Annual General meeting of the Company, the Annual Report alongwith the process of e-voting and the Attendance Slip, Proxy Form and Ballot form are being sent to the members whose email Ids are registered with the Company /Depository Participants for communication purposes unless any member has requested for a physical copy of the same. For Members who have not registered their email addresses, physical copies of the Notice convening the 20th Annual General meeting of the Company, the Annual Report alongwith the process of e-voting and the Attendance Slip, Proxy Form and Ballot form are being sent in the permitted mode.
17. Members may also note that the Notice of the 20th Annual General Meeting and the Annual Report 2014 will also be available on the Company's website www.erosintl.com for download. The physical copies of the aforesaid documents will also be available at the Company's Corporate Office for inspection during normal business hours on working days. Even after registering for e-communication, members are entitled to receive such communication in physical form, upon making a request for the same, by post free of cost. For any communication, the shareholders may also send requests to compliance.officer@erosintl.com

18. Details of the Director seeking re-appointment at this Annual General Meeting pursuant to Clause 49 of the Listing Agreement.

| | |
|--|--|
| Name | Mr. Kishore Lulla |
| DIN | 02303295 |
| Designation | Executive Director |
| Date of Birth | 4 September, 1961 |
| Date of Appointment | 28 September, 2009 |
| Qualifications | Bachelor of Arts, Mumbai University |
| Profile | <p>Mr. Kishore Lulla, an Art graduate from Mumbai University, has over 30 years of vast experience in the Media and Film Industry. He is associated with the Company in his capacity as an "Executive Director" of the Company, since 28 September, 2009. Currently, he is a Member of the British Academy of Film and Television Arts and Young Presidents' Organisation and also a board member of the School of film at the University of California, Los Angeles ("UCLA").</p> <p>As an Executive Chairman of EROS International group, Mr. Kishore Lulla has been instrumental in spearheading its growth and expanding the presence of Eros Group in UK, USA, Dubai, Australia, FIJI and other international markets.</p> <p>He has been honoured at the Asian Business Awards 2007 and the Indian Film Academy Awards 2007 for his contribution in taking Indian cinema global.</p> |
| Directorships held in other companies | <p>Eros International Plc (IOM)</p> <p>Eros International Ltd (UK)</p> <p>Eros Network Ltd (UK)</p> <p>Eros International USA Inc</p> <p>Eros Australia Pty Ltd</p> |
| Memberships/Chairmanships of Committees of other companies | Nil |
| Number of shares held in the Company | Nil |
| Number of Stock Options | No stock options are granted to Mr. Kishore Lulla |

19. In compliance with the provisions of Section 108 of the Act and the Rules framed thereunder, the Members are provided with the facility to cast their vote electronically, through the e-voting services provided by CDSL, on all resolutions set forth in this Notice.

Notice *continued*

20. The instructions for e-voting are as under:

A. In case of member receiving e-mail

- i. The e-voting period begins on Friday, 19 September, 2014 (9.00 a.m. IST) and ends on Saturday, 20 September, 2014 (6.00 p.m. IST). During this period shareholders' of the Company, holding shares either in physical form or in dematerialized form, as on the cut-off date 22 August, 2014, may cast their vote electronically. The e-voting module shall be disabled by CDSL for voting thereafter.
- ii. The shareholders should log on to the e-voting website www.evotingindia.com during the voting period
- iii. Click on "Shareholders" tab.
- iv. Now Enter your User ID
 - a. For CDSL: 16 digits beneficiary ID,
 - b. For NSDL: 8 Character DP ID followed by 8 Digits Client ID,
 - c. Members holding shares in Physical Form should enter Folio Number registered with the Company.
 - v. Next enter the Image Verification as displayed and Click on Login.
 - vi. If you are holding shares in demat form and had logged on to www.evotingindia.com and voted on an earlier voting of any company, then your existing password is to be used.
 - vii. If you are a first time user follow the steps given below:

For Members holding shares in Demat Form and Physical Form

| | |
|---------------|--|
| PAN * | Enter your 10 digit alpha-numeric *PAN issued by Income Tax Department (Applicable for both demat shareholders as well as physical shareholders) <ul style="list-style-type: none"> ● Members who have not updated their PAN with the Company/Depository Participant are requested to use the first two letters of their name and the last 8 digits of the demat account/ folio number in the PAN field. ● In case the folio number is less than 8 digits enter the applicable number of 0's before the number after the first two characters of the name in CAPITAL letters. Eg. If your name is Ramesh Kumar with folio number 100 then enter RA00000100 in the PAN field. |
| DOB # | Enter the Date of Birth as recorded in your demat account or in the company records for the said demat account. |
| Dividend Bank | Enter the Dividend Bank Details as recorded in your demat account or in the company records for the said demat account or folio. |
| Details # | # Please enter the DOB or Dividend Bank Details in order to login. If the details are not recorded with the depository or company please enter the number of shares held by you as on the cut off date in the Dividend Bank details field. |

- viii. After entering these details appropriately, click on "SUBMIT" tab.
- ix. Members holding shares in physical form will then directly reach the Company selection screen. However, members holding shares in demat form will now reach 'Password Creation' menu wherein they are required to mandatorily enter their login password in the new password field. Kindly note that this password is to be also used by the demat holders for voting for resolutions of any other company on which they are eligible to vote, provided that company opts for e-voting through CDSL platform. It is strongly recommended not to share your password with any other person and take utmost care to keep your password confidential.
- x. For Members holding shares in physical form, the details can be used only for e-voting on the resolutions contained in this Notice.

- xi. Click on the EVSN for EROS International Media Limited on which you choose to vote.
 - xii. On the voting page, you will see "RESOLUTION DESCRIPTION" and against the same the option "YES/NO" for voting. Select the option YES or NO as desired. The option YES implies that you assent to the Resolution and option NO implies that you dissent to the Resolution.
 - xiii. Click on the "RESOLUTIONS FILE LINK" if you wish to view the entire Resolution details.
 - xiv. After selecting the resolution you have decided to vote on, click on "SUBMIT". A confirmation box will be displayed. If you wish to confirm your vote, click on "OK", else to change your vote, click on "CANCEL" and accordingly modify your vote.
 - xv. Once you "CONFIRM" your vote on the resolution, you will not be allowed to modify your vote.
 - xvi. You can also take out print of the voting done by you by clicking on "Click here to print" option on the Voting page.
 - xvii. If Demat account holder has forgotten the same password then Enter the User ID and the image verification code and click on Forgot Password & enter the details as prompted by the system.
 - xviii. Note for Non – Individual Shareholders and Custodians
 - Non-Individual shareholders (i.e. other than Individuals, HUF, NRI etc.) and Custodian are required to log on to www.evotingindia.com and register themselves as Corporates.
 - A scanned copy of the Registration Form bearing the stamp and sign of the entity should be emailed to helpdesk.evoting@cdslindia.com.
 - After receiving the login details they have to create a compliance user should be created using the admin login and password. The Compliance user would be able to link the account(s) for which they wish to vote on.
 - The list of accounts should be mailed to helpdesk.evoting@cdslindia.com and on approval of the accounts they would be able to cast their vote.
 - A scanned copy of the Board Resolution and Power of Attorney (POA) which they have issued in favour of the Custodian, if any, should be uploaded in PDF format in the system for the scrutinizer to verify the same.
 - xix. In case you have any queries or issues regarding e-voting, you may refer the Frequently Asked Questions ("FAQs") and e-voting manual available at www.evotingindia.com under help section or write an email to helpdesk.evoting@cdslindia.com.
- B. In case of members receiving the physical copy**
- a. Please follow all steps from sl. no. (i) to sl. no. (i) above to cast vote.
 - b. The e-voting period begins on Friday, 19 September, 2014 (9.00 a.m. IST) and ends on Saturday, 20 September, 2014 (6.00 p.m. IST). During this period shareholders' of the Company, holding shares either in physical form or in dematerialized form, as on the cut-off date 22 August, 2014, may cast their vote electronically. The e-voting module shall be disabled by CDSL for voting thereafter. Once the vote on a resolution is cast by the Member, he shall not be allowed to change it subsequently.
 - c. In case you have any queries or issues regarding e-voting, you may refer the Frequently Asked Questions ("FAQs") and e-voting manual available at www.evotingindia.com under help section or write an email to helpdesk.evoting@cdslindia.com or rnt.helpdesk@linkintime.com
- C. Other Instructions:**
- i. The voting rights of Members shall be in proportion to their shares of the paid up equity share capital of the Company as on 22 August, 2014.
 - ii. M/s. Bankim Mehta & Associates, Practising Company Secretary (ACS No. 18248, COP-8959), has been appointed as the Scrutinizer to scrutinize the e-voting process (including the Ballot Form received from the Members who do not have access to the e-voting process) in a fair and transparent manner.
 - iii. The Scrutinizer shall, within a period not exceeding three working days from the conclusion of the e-voting period, unblock the votes in the presence of at least two witnesses not in the employment of the Company and

Notice *continued*

make a Scrutinizer's Report of the Votes cast in favour or against, if any, forthwith to the Chairman of the Company.

- iv. Members who do not have access to e-voting facility may send duly completed Ballot Form (enclosed with the Annual Report) so as to reach the Scrutinizer, M/s. Bankim Mehta & Associates, Practising Company Secretary (ACS No. 18248, COP- 8959), at the Corporate Office of the Company not later than Saturday, 20 September, 2014 (6.00 p.m. IST) Ballot forms received after this date will be treated as invalid.

A Member can opt for only mode of voting i.e. either through e-voting or by Ballot. If a member casts votes by both modes, then voting done through e-voting shall be treated as final.

- v. The results declared along with the Scrutinizer's Report shall be placed on the Company's

website www.erosintl.com and on the website of CDSL within two days of the passing of the resolutions at the 20th Annual General Meeting of the Company on 25 September, 2014 and communicated to the BSE Limited and National Stock Exchange of India Limited, where the shares of the Company are listed.

By Order of the Board of Directors
For **Eros International Media Limited**

Dimple Mehta

Company Secretary & Compliance Officer

Place : Mumbai

Date : 14 August, 2014

CIN: L99999MH1994PLC080502

Registered office:

201, Kailash Plaza,
Plot No. A-12,
Opp. Laxmi Industrial Estate,
Link Road, Andheri West,
Mumbai 400 053

Corporate Office:

901/902, Supreme Chambers,
Off. Veera Desai Road,
Andheri West, Mumbai 400 053

Tel: +91 22 66021500

Email: compliance.officer@erosintl.com

Registrar and Share Transfer Agent:

M/s. Link Intime India Private limited
Unit: Eros International Media Limited
C-13, Pannalal Silk Mills Compound
L. B. S. Marg, Bhandup (W),
Mumbai 400 078
Tel: +91 22 25946970

Email: evelin.subalatha@linkintime.co.in
rnt.helpdesk@linkintime.co.in

EXPLANATORY STATEMENT

(Pursuant to Section 102 of the Companies Act, 2013)

As required by Section 102 of the Companies Act, 2013 (Act), the following explanatory statement sets out all material facts relating to the business mentioned under Item Nos. 3 to 10 of the accompanying Notice:

Item No. 3:

This explanatory statement is provided though strictly not required as per Section 102 of the Act.

Walker, Chandiook & Co. Chartered Accountants (Firm Registration No. 001076N) were appointed as the statutory auditors of the Company for the financial year 2013-2014 at the Annual General Meeting (AGM) of the Company held on 28 August, 2013. Walker, Chandiook & Co converted itself into a Limited Liability Partnership (LLP) under the provisions of the Limited Liability Partnership Act, 2008 and is now known as Walker Chandiook & Co LLP with effect from 25 March, 2014. In terms of the Ministry of Corporate Affairs, Government of India, General Circular No. 9/2013 dated April 30, 2013, if a firm of Chartered Accountants, being an auditor in a company under the Companies Act, 1956, is converted into an LLP, then such an LLP would be deemed to be the auditor of the said company. The Board of Directors of the Company has taken due note of this change. Accordingly, the audit of the Company for financial year 2013-2014 was conducted by Walker Chandiook & Co LLP.

Walker Chandiook & Co LLP has been the Auditors of the Company since 29 September, 2007 and has completed a term of seven (7) years. As per the provisions of Section 139 of the Companies Act, 2013, the audit firm, if appointed as Statutory Auditors may hold office for two terms of five years each. As required under the Act, they can maximum hold the office for another term of three years only.

In view of the above, Walker Chandiook & Co LLP, being eligible for re-appointment and based on the recommendation of the Audit Committee, the Board of Directors have, at its meeting held on 29 May, 2014, proposed the appointment of Walker Chandiook & Co LLP as the statutory auditors of the Company for a period of three years to hold office from the conclusion of this AGM till the conclusion of the 23rd AGM of the Company to be held in the year 2017 (subject to ratification of their appointment at every AGM).

The Statutory Auditors have submitted necessary declarations and willingness and consent letter and eligibility certificate to be appointed as such.

The Board recommends the Resolution at item no. 3 for approval of the Members.

None of the Directors or Key Managerial personnel (KMPs) or relatives of directors and KMPs is concerned or interested in the Resolution at Item No. 3 of the accompanying Notice.

Item Nos. 4 to 6:

Pursuant to the provisions of Clause 49 of the Listing Agreements entered into with Stock Exchanges, the Company had appointed Mr. Naresh Chandra, Mr. Dharendra Swarup and Dr. Shankar Nath Acharya, as Independent Directors at various times, in compliance with the requirements of the clause.

Pursuant to the provisions of Section 149 of the Act, which came into effect from 1 April, 2014, every listed public company is required to have atleast one-third of the total number of directors as independent directors, who are not liable to retire by rotation.

Mr. Naresh Chandra, Mr. Dharendra Swarup and Dr. Shankar Nath Acharya, non-executive directors of the Company, have given declaration to the Board that they meet the criteria of independence as provided under Section 149(6) of the Act. In the opinion of the Board, each of these directors fulfil the conditions specified in the Act and the Rules framed thereunder for appointment as Independent Director and they are independent of the management.

The Company has received the proposal for candidature of each of the Independent Directors from the Members of the Company in terms of Section 160 of the Companies Act, 2013.

All the above Directors of the Company have submitted the declaration of independence as required under Section 149(6) of the Companies Act, 2013 and have also consented to act as a Director and confirmed that they are not disqualified to act as a Director as required under the Companies Act, 2013. Necessary forms and declarations to this effect are submitted to the Company by each Independent Director.

Notice *continued*

The details of each of the proposed Independent Directors alongwith their profiles are mentioned below for perusal of the Members:

| | |
|---------------------------------------|---|
| (i) Name | Mr. Naresh Chandra |
| DIN | 00015833 |
| Designation | Chairman and Non Executive Independent Director |
| Qualification | Masters' degree in Science from Allahabad University |
| Date of Birth | 1 August, 1934 |
| Profile | <p>Mr. Naresh Chandra is our Non-Executive Chairman and Independent Director since 28 September, 2009. He graduated with a masters' degree in science from Allahabad University. Mr. Chandra, former civil servant, joined the Indian Administrative Services in 1956 and served as Chief Secretary in the State of Rajasthan, Commonwealth Secretariat Adviser on Export Industrialisation and Policy in Colombo (Sri Lanka), Adviser to the Government of Jammu and Kashmir; and successively Secretary to the Crucial Ministries of Water Resources, Defence, Home and Justice in the Federal Indian Government.</p> <p>In December 1990, he became Cabinet Secretary, the highest post in the Indian civil service. In 1992, he was appointed Senior Adviser to the Prime Minister of India. He was the Governor of the state of Gujarat in 1995-1996 and Ambassador of India to the United States of America in 1996-2001. He has also chaired the Committee on Corporate Audit and Governance, the Committee on Private Companies and Limited Companies Partnerships and the Committee on Civil Aviation Policy, for the Government of India. He has been honoured with the Padma Vibhushan, a high civilian award, by the Government of India in 2007. He is a director of various companies, as stated below.</p> |
| Directorships held in other companies | <ul style="list-style-type: none"> ● Bajaj Holdings & Investment Limited ● Balrampur Chini Mills Limited ● Electro Steel Castings Limited ● Avtec Limited ● Cairn India Limited ● G4S Corporate Services (India) Private Limited ● Gammon Infrastructure Projects Limited ● Bajaj Auto Limited ● Bajaj Finserv Limited ● Emergent Ventures India Private Limited ● Eros International Plc ● Sesa Sterlite Limited |

| | |
|---|--|
| Memberships/Chairmanships of Committees of other companies (includes only Audit Committee and Shareholders/Investors Grievance Committee) | <ul style="list-style-type: none"> ● Member of Audit committee of Cairn India Limited ● Member of Shareholders / Investor Grievance and Audit committee of Bajaj Auto Limited ● Member of Audit committee of Bajaj Holding & Investment Limited ● Member of Audit committee of Bajaj Finserve Limited ● Member of Audit committee of Electrosteel Casting Limited ● Member of Audit committee of Gammon Infrastructure Project Limited ● Chairman and Member of Audit Committee of Eros International Plc. ● Chairman of Audit Committee of Emergent Ventures India Private Limited ● Member of Audit Committee of Sesa Sterlite Limited ● Member of Stakeholder Relationship Committee of Sesa Sterlite Limited |
| Number of shares held in the Company | Nil |
| Interest of Directors/KMPs in re-appointment | Except for Mr. Naresh Chandra himself, none of the other Directors / KMPs or their relatives are concerned or interested in Item No. 4 above |

| | |
|------------------|--|
| (ii) Name | Mr. Dharendra Swarup |
| DIN | 02878434 |
| Designation | Non Executive Independent Director |
| Qualification | <ul style="list-style-type: none"> ● Fellow Member of Institute of Public Auditors of India ● Post Graduate degree in Humanities |
| Date of Birth | 5 December, 1944 |
| Profile | <p>Mr. Dharendra Swarup is a Government certified Public Accountant and a Fellow Member of the Institute of Public Auditors of India, and has a post graduate degree in humanities. He was a member of the Board of the SEBI, and a member of the Permanent High-level Committee on Financial Markets between July 2005 and December 2009. A former civil servant, he retired as Secretary, Ministry of Finance, Government of India in 2005, and has approximately 45 years' experience in finance, budgeting, audit, public policy, public investments, project appraisal, evaluation of schemes and programmes of the Government of India. He has also served as Chairman of the Pension Funds Regulatory Authority between 2005 and 2009, Chief of the Budget Bureau of the Government of India between 2000 and 2005.</p> <p>Mr. Swarup was involved in the drafting of the Fiscal Responsibility and Budget Management Act, 2003, and the fiscal rule made thereunder, and has been associated with the International Monetary Fund between 1993 and 2007, and has been Vice-Chairman of the International Network on Financial Education, Organisation for Economic Co-operation and Development between 2007 and 2009. He has a rich experience in finance sector.</p> |

Notice *continued*

| | |
|---|--|
| Directorships held in other companies | <ul style="list-style-type: none"> PTC India Limited United Stock Exchange of India Limited |
| Memberships/Chairmanships of Committees of other companies (includes only Audit Committee and Shareholders/Investors Grievance Committee) | <ul style="list-style-type: none"> Member of Audit Committee of PTC India Limited Chairman and Member of Audit Committee of United Stock Exchange of India Limited |
| Number of shares held in the Company | Nil |
| Interest of Directors/KMPs in re-appointment | Except for Mr. Dharendra Swarup himself, none of the other Directors / KMPs or their relatives are concerned or interested in Item No. 5 above |

(iii) Name **Dr. Shankar Nath Acharya**

| | |
|---------------------------------------|--|
| DIN | 00033242 |
| Designation | Non Executive Independent Director |
| Qualification | <ul style="list-style-type: none"> Bachelors' degree in politics, philosophy and economics from Oxford University Ph. D in economics from Harvard University |
| Date of Birth | 21 October, 1945 |
| Profile | <p>Dr. Shankar Nath Acharya, completed his graduation in politics, philosophy and economy from Oxford University in 1967 and earned Ph.D. (Economics) from Harvard University in 1972.</p> <p>Starting his career with World Bank, Washington D.C ("Bank") in 1971, he held several senior positions in the Bank. Mr. Acharya was also appointed as Director of World Development Report Team in 1979 and was then associated with the Bank as "Research Adviser".</p> <p>After his stint with the World Bank for more than a decade, he returned back to India. He served as Economic Adviser to the Union Finance Ministry and he was then appointed as Chief Economic Adviser to the Government of India and was deeply involved in the economic reforms from 1993 to 2001.</p> <p>He has enormous experience in the field of economics and finance. He held several positions, such as,</p> <ul style="list-style-type: none"> Served as Honorary Professor at the Indian Council for Research on International Economic Relations (ICRIER). Served as Chief Economic Adviser, Ministry of Finance, Government of India. Member of Securities and Exchange Board of India (SEBI). Member of Twelfth Finance Commission. Member of the National Security Advisory Board. <p>He has authored 8 books and numerous scholarly articles on economics and serves on the governing bodies of several national research organisations.</p> <p>He serves on the Board of some listed companies and also acts as Chairman and Member of various Committees.</p> |
| Directorships held in other companies | <ul style="list-style-type: none"> Kotak Mahindra Bank Limited The South Asia Institute for Research & Policy (Private) Limited, Sri Lanka |

| | |
|---|--|
| Memberships/Chairmanships of Committees of other companies (includes only Audit Committee and Shareholders/Investors Grievance Committee) | Chairman of Audit Committee of Kotak Mahindra Bank Limited |
| Number of shares held in the Company | Nil |
| Interest of Directors/KMPs in re-appointment | Except for Dr. Shankar Nath Acharya himself, none of the other Directors / KMPs or their relatives are concerned or interested in Item No. 6 above |

In compliance with the provisions of Section 149 read with Schedule IV of the Act, the appointment of these directors as Independent Directors is now being placed before the Members for their approval.

Your Directors recommend the above appointment for approval of the Members.

Item No. 7:

Mr. Kishore Lulla, is Executive Director of the Company. His experience has been valuable for our Company's growth and expansion in India and overseas. The shareholders of the Company vide Postal Ballot approval dated 29 December, 2011 had approved the payment of remuneration to Mr. Kishore Lulla as an Executive Director of the Company for a period of three years with effect from 1 November, 2011. As the term of payment to Mr. Kishore Lulla as an Executive Director in the Company, would be expiring on 31 October, 2014, the Board of Directors of the Company at their meeting held on 29 May, 2014 has, subject to the approval of the Shareholders, has agreed to pay the remuneration to Mr. Kishore Lulla as an Executive Director of the Company for another period of three years w.e.f. 1 November, 2014 at such remuneration as recommended by the Nomination and Remuneration Committee of the Board and approved by the Board.

The material terms of the payment of remuneration to Mr. Kishore Lulla as Executive Director are as follows:-

Terms of Remuneration:-

- i. Salary:- Salary of ₹ 800,000/- (Rupees Eight lakhs only) per month. (With an Annual increment of 10% on salary, payable at the Commencement of every Financial Year).

- ii. Commission:- Commission upto 1% of the net profits of the Company as calculated under Section 198 and such other applicable provisions, if any, of the Companies Act, 2013, as may be determined by the Board of Directors from time to time.
- iii. Company's contribution to the Provident Fund and Super Annuation Fund and payment of Gratuity shall be as per rules of the Company.
- iv. Benefits, Perquisites and allowances:-
 - a. Travelling Allowance: The Company shall bear all travelling expenses, including boarding and lodging, as per the rules of the Company during domestic and overseas business trips.
 - b. Accommodation Allowance: Rent-free furnished accommodation owned, leased or rented by the Company and reimbursement of Utility expenses at accommodation such as electricity, gas, water, payments to servants, etc.
 - c. Medical Allowance: All expenses on medical including hospitalisation, diagnostic checks, periodic health checks incurred by Director and his family, will be borne by the Company at actual cost.
 - d. Club fees: Fees of Clubs subject to maximum of two clubs. This will include admission and life membership fees.
 - e. All expenses relating to telephone at residence, mobile bills, PDA Charges and all other expenses incurred for the purpose of business of the Company shall be reimbursed by the Company at actual cost.
 - f. Other benefits/Expenses as per the Company's policy, from time to time.

Notice *continued*

Except for Mr. Kishore Lulla himself, Mr. Sunil Lulla, being brother of Mr. Kishore Lulla and Mr. Vijay Ahuja, being co-brother of Mr. Kishore Lulla, none of the Directors, Key Managerial Personnel or their relatives are concerned or interested in Item No. 7 above.

Item No. 8:

Under the erstwhile Section 293(1)(d) of the Companies Act, 1956, the Board of Directors of a Company could, with the consent of the shareholders obtained by an Ordinary Resolution, borrow monies, apart from temporary loans obtained from the Company's Bankers in the ordinary course of business, in excess of the aggregate of paid up capital and free reserves of the Company, that is to say, reserves not set apart for any specific purpose.

The shareholders of the Company, had accorded their consent to Board of Directors vide their resolution dated 1 December, 2009 for borrowing upto ₹ 1,000 crores or the aggregate of the paid up capital and free reserves of the Company, that is to say, reserves not set apart for any specific purpose at the relevant time, whichever is higher.

Under the provisions of Section 180(1)(C) of the Act, the above powers can be exercised by the Board only with the consent of the shareholders obtained by a Special Resolution. Further, as per the Circular dated 25 March, 2014 issued by the Ministry of Corporate Affairs, the Ordinary Resolution earlier passed under Section 293(1)(d) of the Companies Act, 1956 will remain valid for a period of one year from the date of notification of Section 180 of the Act. As such, it is necessary to obtain fresh approval of the shareholders by means of a special resolution, to ratify and approve the borrowings made prior to the date of this resolution.

It is proposed to increase the borrowing limits to enable the Directors to borrow monies, provided that the total amount so borrowed by the Board shall not at any time exceed ₹ 2,000 crores and in terms of Section 180(1)(c) it is necessary to obtain fresh approval of the shareholders by means of a Special Resolution.

The Board recommends the Resolution at Item no. 8 of the Notice for approval of the shareholders by a Special Resolution.

None of the Directors and Key Managerial Personnel of the Company or their respective relatives are concerned or interested in the Resolution mentioned at Item no. 8 of the Notice.

Item No. 9:

Under the erstwhile Section 293(1)(a) of the Companies Act, 1956, the Board of Directors of a Company could, with

the consent of the shareholders obtained by an Ordinary Resolution, create charge/mortgage/hypothecation on the Company's assets, both present and future, in favour of the lenders/trustees for the holders of debentures/bonds, to secure the repayment of monies borrowed by the Company (including temporary loans obtained from the Company's bankers in the ordinary course of business).

Under the provisions of Section 180 (1)(a) of the Act, the above powers can be exercised by the Board only with the consent of the shareholders obtained by a Special resolution. As such, it is necessary to obtain fresh approval of the shareholders by means of a Special Resolution, to enable the Board of Directors of the Company to create charge/mortgage/hypothecation on the Company's assets, both present and future, in favour of the lenders/trustees for the holders of debentures/bonds, to secure the repayment of monies borrowed by the Company (including temporary loans obtained from the Company's bankers in the ordinary course of business) and also to ratify and approve the charge/mortgages/hypothecation created prior to the date of this resolution.

The proposed borrowings of the Company may, if necessary, be secured by way of charge/mortgage/hypothecation on the Company's assets in favour of the lenders/holders of securities/Trustees for the holders of the said securities as mentioned in the Resolution at Item No. 9. As the documents to be executed between the lenders/security holders/trustees for the holders of the said securities and the Company may contain provisions to take over substantial assets of the company in certain events, it is necessary to pass a special resolution under Section 180(1)(a) of the Act, for creation of charges/mortgages/hypothecations in addition to charges/mortgages/hypothecations already created, for an amount not exceeding ₹ 2,000 crores.

The Board recommends the Resolution at Item No. 9 of the Notice for approval of the shareholders by a Special Resolution.

None of the Directors and Key Managerial Personnel of the Company or their respective relatives are concerned or interested in the Resolution mentioned at Item no. 9 of the Notice.

Item No. 10:

As per Section 42 of the Companies Act, 2013 ("the Act") read with the Companies (Prospectus and Allotment of Securities) Rules, 2014, a company offering or making an invitation to subscribe to Non-convertible Debentures ("NCDs") on a private placement basis, is required to obtain the prior approval of the Shareholders by way of

a Special Resolution. Such an approval by way of special resolution can be obtained once a year for all the offers and invitations made for such NCDs during the year.

However, in terms of recent amendment of Ministry of Corporate Affairs dated June 30, 2014, allowing the Companies to make an offer or invitation for non convertible debentures and that the approval of the shareholders may be obtained within six months from the date of commencement of new rules of Companies Act, 2013.

Accordingly, the Board of Directors of the Company vide their resolution passed on August 14, 2014 had approved the offer / invitation to be sent to eligible investors for subscription of secured, redeemable, taxable Non convertible Debentures on private placement basis upto an aggregate amount of ₹ 750 crores, being within the overall borrowing limits of the Company, subject to ratification by the shareholders in terms of the above mentioned circular.

Hence, the approval of the Members is being sought by way of a Special Resolution under Sections 42 of the Act read with the Rules made there under and MCA notification dated June 30, 2014, to approve and ratify the offer /invitations made by the Company, if any, for subscriptions for secured, redeemable, taxable NCDs on a private placement basis up to an aggregate amount of ₹ 750 crores, within the overall borrowing limits of the Company, as approved by the Members from time to time.

The Directors recommend the Resolution at Item No. 10 of the accompanying Notice, for the approval of the Members of the Company.

None of the Directors and Key Managerial Personnel of the Company or their respective relatives is concerned or interested in the passing of the Resolution at Item No. 10 of the Notice.

By Order of the Board of Directors
For **Eros International Media Limited**

Dimple Mehta

Company Secretary & Compliance Officer

Place : Mumbai

Date : 14 August, 2014

Registered Office:

201, Kailash Plaza,
Plot No. A-12,
Opp. Laxmi Industrial Estate,
Link Road, Andheri West,
Mumbai 400 053

Corporate Office:

901/902, Supreme Chambers,
Off. Veera Desai Road,
Andheri West, Mumbai 400 053

Tel: +91 22 66021500

Email: compliance.officer@erosintl.com

Registrar and Share Transfer Agent:

M/s. Link Intime India Private limited
Unit: Eros International Media Limited
C-13, Pannalal Silk Mills Compound
L. B. S. Marg, Bhandup (W),
Mumbai 400 078

Tel: +91 22 25946970

Email: evelin.subalatha@linkintime.co.in
rnt.helpdesk@linkintime.co.in



CIN: L99999MH1994PLC080502

Registered Office Address: 201, Kailash Plaza, Plot No.A-12, Opp. Laxmi Industrial Estate, Link Road, Andheri (West), Mumbai-400 053 Phone: 91 22 66021500 Fax: 91 22 66021540 Email: compliance.officer@erosintl.com Website: www.erosintl.com

Attendance Slip

(To be presented at the entrance of the meeting hall)

20th Annual General Meeting on Thursday, 25th September, 2014 at 2.30 p.m.
At 'The Classique Club' New Link Road, Andheri (West), Mumbai - 400 053

Folio No. DP ID No. Client ID No.

Name of the Member Signature

Name of the Proxyholder..... Signature

1. Only Member/proxyholder can attend the Meeting.
2. Member/Proxyholder should bring his/her copy of the Annual Report for reference at the Meeting.



Proxy form

[Pursuant to section 105(6) of the Companies Act, 2013 and Rule 19(3) of the Companies (Management and Administration) Rules, 2014]

CIN : L99999MH1994PLC080502
Name of the Company : EROS INTERNATIONAL MEDIA LIMITED
Registered office : 201, Kailash Plaza, Plot no. A-12, Opp. Laxmi Industrial Estate, Link Road, Andheri West, Mumbai – 400 053

Name of the Member (s) :
Registered address :
E-mail ID :
Folio No/ Client ID :
DP ID :

I/We, being the member(s) of _____ shares of Eros International Media Limited, hereby appoint:-

1. of having email id or failing him
2. of having email id or failing him
3. of having email id or failing him

And whose signature(s) are appended below as my/our proxy to attend and vote (on a poll) for me/us and on my/our behalf at the 20th Annual General Meeting of the Company, to be held on the Thursday, 25th September, 2014 at 2.30 p.m. at 'The Classique Club' New Link Road, Andheri (West), Mumbai - 400 053 and at any adjournment thereof in respect of such resolutions as are indicated below:

**I wish my above proxy to vote in the manner as indicated in the box below:



| Resolutions | Optional | |
|--|----------|---------|
| | For | Against |
| 1. Consider and adopt the audited financial statements as at 31 March, 2014 together with the Report of Directors and Auditors thereon | | |
| 2. Reappointment of Mr. Kishore Lulla who retires by rotation | | |
| 3. Reappointment of Auditors and fixing their remuneration | | |
| 4. Appointment of Mr. Naresh Chandra as an Independent Director | | |
| 5. Appointment of Mr. Dharendra Swarup as an Independent Director | | |
| 6. Appointment of Dr. Shankar Nath Acharya as an Independent Director | | |
| 7. Payment of remuneration to Mr. Kishore Lulla, Executive Director | | |
| 8. Increase in borrowing limits of the Company upto ₹ 2,000 crores | | |
| 9. Creation of Charges on the movable and immoveable properties of the Company, both present and future, in respect of borrowings | | |
| 10. Offer and issue of Non-Convertible Debentures under Private Placement upto ₹ 750 crores | | |



Signed this day of 2014



Signature of shareholder

.....
Signature of first proxy holder

.....
Signature of second proxy holder

.....
Signature of third proxy holder

Note:

- 1) **This form of proxy in order to be effective should be duly completed and deposited at the Registered Office of the Company, not less than 48 hours before the commencement of the Meeting.**
- 2) **A Proxy need not be a member of the Company.**
- 3) A person can act as a proxy on behalf of members not exceeding fifty and holding in the aggregate not more than 10% of the total share capital of the company carrying voting rights. A member holding more than 10% of the total share capital of the Company carrying voting rights may appoint a single person as proxy and such person shall not act as a proxy for any other person or shareholder.
- 4) ****This is optional.** Please put a 'X' in the appropriate column against the resolutions indicated in the Box. If you leave the 'For' or 'Against' column blank against any or all the resolutions, your Proxy will be entitled to vote in the manner as he/she thinks appropriate.
- 5) Appointing a proxy does not prevent a member from attending the meeting in person if he so wishes.
- 6) In the case of jointholders, the signature of any one holder will be sufficient, but names of all the jointholders should be stated.

#Corporate Information

BOARD OF DIRECTORS

Mr. Naresh Chandra

Non Executive Chairman & Independent Director

Mr. Sunil Lulla

Executive Vice Chairman & Managing Director

Mr. Kishore Lulla

Executive Director

Mr. Dharendra Swarup

Independent Director

Dr. Shankar Nath Acharya

Independent Director

Ms. Jyoti Deshpande

Executive Director

Mr. Vijay Ahuja

Executive Director

GROUP CHIEF FINANCIAL OFFICER (INDIA)

Mr. Kamal Kumar Jain

COMPANY SECRETARY & COMPLIANCE OFFICER

Ms. Dimple Mehta

STATUTORY AUDITORS

M/s. Walker Chandiok & Co LLP

Chartered Accountants

CIN

L99999MH1994PLC080502

REGISTERED OFFICE

201, Kailash Plaza
Plot No.A-12, Opp. Laxmi Industrial Estate
Link Road, Andheri West
Mumbai – 400 053

CORPORATE OFFICE

901/902, Supreme Chambers
Off. Veera Desai Road, Andheri West
Mumbai – 400 053

INVESTORS RELATION CONTACT

Tel: +91 22 66021500
Fax: +91 22 66021540
Email: compliance.officer@erosint.com
Website: www.erosintl.com

REGISTRAR & SHARE TRANSFER AGENT

M/s. Link Intime India Private Limited
Unit – Eros International Media Limited
C-13, Pannalal Silk Mills Compound
L. B. S. Marg, Bhandup (W)
Mumbai – 400 078

Tel: +91 22 2594 6970
Email: rnt.helpdesk@linkintime.co.in

Want movie gratification
hollywood rocks # i want my movie
lockbuster # bolly flick @ let the show
india bowing movies # for private viewing
going for greater @ fast forward
showing @ next change # coming attraction
red carpet @ world premiere # mega
action now @ light camera action
gimme hbo # chart toppers @ hit
movie on the go # cool flick
worldwide release @ box office
official trailer @ movie on my phone
digital excellence # my private screen
hide # must watch @ must see
bollywood anywhere @ movie
redefined # somebody get the popcorn @ eros

REGISTERED OFFICE

Eros International Media Limited

CIN: L99999MH1994PLC080502

201, Kailash Plaza, Plot No. A-12, Opposite Laxmi Industrial Estate, Link Road, Andheri (W), Mumbai - 400 053.

Tel: + (91 22) 66021500 Fax: + (91 22) 66021540