THE GLOBAL PICTURE

Eros International Plc
Annual Report and Accounts 2011

EROS INTERNATIONAL

STRONG TRACK RECORD

UNPARALLELED MARKET POSITION

MULTIPLE GROWTH DRIVERS

ACTIVITIES AND OBJECTIVES

Eros International acquires and co-produces Indian film content and distributes it across theatres, home entertainment, television and new media worldwide.

Our objective is to continue to lead the development of the global Indian entertainment industry.

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HIGHLIGHTS

Financial Highlights

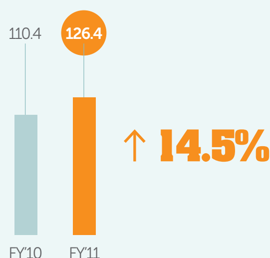
- Group turnover up **9.9%** to US$**164.6** million (2010: US$149.7 million)
- Gross Profit up **12.6%** to US$**76.6** million (2010: US$68.0 million)
- EBITDA up **14.5%** to US$**126.4** million (2010: US$110.4 million)
- Profit before tax up **12.6%** to US$**55.8** million (2010: US$49.5 million)
- Basic EPS up **5.8%** to **38.6** cents (2010: 36.5 cents)
- Net debt reduced by **30.2%** to US$**72.8** million (2010: US$104.3 million)
- Revenues in India grew by **12.6%** over last year to US$**108.3** million (2010: US$96.2 million)
- Revenues in Europe grew by **12.2%** over last year to US$**21.8** million (2010: US$19.4 million)
- Revenues in North America grew by **6.5%** over last year to US$**8.6** million (2010: US$8.1 million)
- Revenues in rest of the world remained flat at US$**25.9** million (2010: US$26.0 million)

Operational Highlights

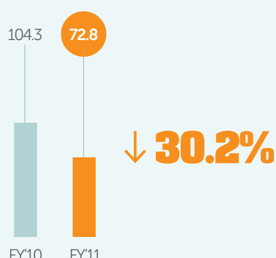
- Successful completion of the IPO of our Indian subsidiary on the Bombay Stock Exchange in October 2010, and raising net US$71.1 million
- Theatrical success of the portfolio of releases in the year notably Housefull, Golmaal 3, Endhiran, Veer and Dabangg. Five Eros films feature in the Top 10 box-office hits of the year published by boxofficeindia.com for calendar year 2010
- Strong Television syndication revenues especially within a rising Indian cable and satellite television market and the dubbed markets internationally
- Growth in Digital New Media and Ancillary revenues helped by higher music and mobile monetisation and further rollout of SVOD services across new platforms internationally, as well as EyeQube's VFX and production services
- Investment in content has increased to US$129.8 million (2010: US$81.5 million) securing strong visibility of our pipeline for 2012 and 2013 as well as acquiring select catalogues

Profit before tax
US$ million

EBITDA
US$ million



Net Debt
US$ million



OUR BUSINESS MODEL

5

Five out of the Top 10 Box Office Hits in 2010 were Eros films

4

Four out of the Top 10 Box Office Hits in 2009 were Eros films

Source: boxofficeindia.com

SOURCING CONTENT

The success of our business lies in our ability to leverage our relationships with the creative film industry and talent and acquire and co-produce compelling content. Each year we secure distribution or intellectual property rights to a diverse portfolio of over 75 films, mainly 10–20 mainstream Hindi and the rest regional language films such as Tamil, Marathi and Punjabi.

Over the years, we have consciously increased our focus on high and mid budget Hindi films because better production values and high profile stars attract larger audiences and higher appeal for television and digital licensing which allows us to utilise a pre-sale strategy to mitigate production risk.

27

Films dubbed or subtitled in 27 languages

DISTRIBUTION FORMATS

We distribute our new and library films using our in-house distribution platform across three major distribution channels mainly theatrical including multiplex chains and single screens, television syndication including satellite, cable and terrestrial; and digital new media and ancillary including music, mobile, DVD, IPTV, SVOD, in-flight, online and VFX production services; to generate diversified revenue streams.

50

Distribution to over 50 countries

DISTRIBUTION TERRITORIES

Our content is primarily distributed to the 1.2 billion people in India as well as audiences in over 50 countries internationally including the expatriate South Asian populations concentrated in countries such as the UK, USA, Canada, Dubai, South Africa, Australia and Singapore as well as markets that consume dubbed and subtitled Indian films such as Europe, South East Asia and the Middle East.

Acquisitions and co-production arrangements ensure access to top quality content

Typical acquisition arrangement

- Early acquisition of film at a negotiated price
- 15–20 year rights
- First position recoupment of entire minimum guarantee price, followed by all print and advertising costs, followed by a 20% fixed profit on all gross revenues and the remaining profit is shared in pre-agreed ratio

Typical co-production arrangement

- Pre-agree budget, star cast, script with co-producer
- Intellectual property rights in perpetuity
- Agree fixed production fee and over-budget cap
- First position recoupment of entire Investment, followed by all print and advertising costs, followed by a 20% fixed profit on all gross revenues and the remaining profit is shared in pre-agreed ratio

Ready.

Theatrical

We have a strong in-house global theatrical distribution network through our own offices in all the major markets in India such as Mumbai, Delhi, Punjab and Chennai and internationally in the UK, USA, Dubai, Singapore, Australia and Fiji. We have a 360 degree marketing capability within the Company that is integral to our distribution. Generally we secure substantial advances and minimum guarantees from several theatre chains as part of our de-risking strategy.

Television syndication

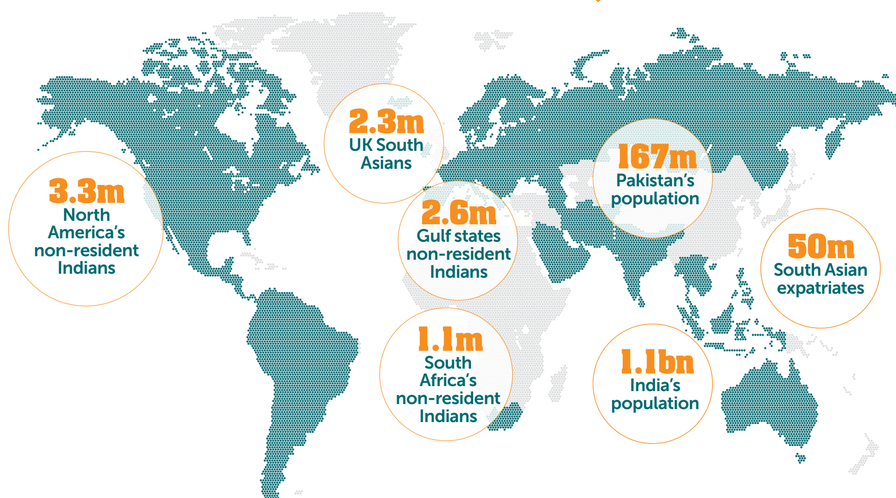
We directly or indirectly license our new and library content to all the major television networks in India such as Star, Sony, Zee and Colours as well as to networks in international and dubbed markets such as Channel 4, SABC, SBS and RTL. In the context of growing demand for premium television content, we have been successful in pre-selling a large proportion of the future slate to secure visibility of revenues that underwrite a significant part of slate costs.

Digital new media and ancillary

Digital new media has been a strong area of growth as music monetisation grows through digital avenues such as online and mobile. Our ad-monetised YouTube channels which have crossed a billion video views and our Comcast subscription VOD model is replicated on other cable platforms around the world. As consumption habits of consumers change, the digital arena is a major area of growth, focus and opportunity for the Company where we have unique advantages as a result of new releases and library content.

Music and music publishing

Strong performance driven by pre-sales of music rights within India continues to mitigate risk in the financing of film productions.



Source: FICCI-KPMG 2011

CHAIRMAN AND CEO'S STATEMENT

I am delighted to report that Eros has consistently delivered earnings growth for our shareholders since listing in 2006. This year has seen a 9.9% increase in revenues, 14.5% increase in EBITDA and 12.6% increase in profit before tax reflecting our growth and increased margins.

Consistent cash generation from business activities combined with the successful listing of the Indian subsidiary on the one hand as well as greater economies of scale have helped in maintaining downward pressure on costs that have resulted in a substantial 30.2% reduction in net debt therefore strengthening the overall balance sheet. Our unparalleled content and global distribution strategy built on a successful track record of over three decades is the foundation of our dominant market leadership position.

Key facts

- Content Capex increased to reflect pipeline in 2012/2013
- Indian IPO raised US$71.1 million net and was 29.9 times oversubscribed
- New markets such as China, South Korea and Taiwan

I am pleased to announce another year of excellent results for Eros International plc. During 2010/11, we improved our performance across all our main financial and operational benchmarks: increasing revenue, profits and margins; reducing net debt and materially increasing visibility of our future film slate and corresponding revenues.

One of the key highlights of the year was the strengthening of the balance sheet through the significantly successful flotation of our Indian subsidiary, Eros International Media Ltd, on the Bombay and National Stock Exchanges in India. The other initiative that greatly excites me is the opportunity presented by the digital space and the positive steps the Company has taken such as implementing a Digital Asset Management system for our content library which will support monetisation of the library via web, mobile and other new media platforms.

We reported pre-tax profits of US$55.8 million up 12.6% year-on-year, and US$126.4 million of EBITDA, a 14.5% rise on last year, on sales up 10% to US$164.6 million. We also generated cash from operations US$116.9 million and Net debt was reduced significantly from US$104.3 million to US$72.8 million.

I am particularly pleased that this is the fifth consecutive year of increased profits for Eros as a Stock Exchange listed company. This consistent track record of achievement has been during a period which has seen the global financial crisis and an uncertain global macro-economic environment and is testament to the strong fundamentals that the Company and its business is based upon.

The strong performance of a majority of our films in the box office demonstrates our ability to consistently pick winners. We have taken advantage of the buoyant television demand and secured significant pre-sales for our 2012 slate. Our films of 2010/11 have brought wide audience appeal and with a wide range in the genres such as musical romances, comedies and "larger than life" cinema, have thereby been rated very well on television and augurs well for their continued monetisation through the years. We have seen stronger revenues from music propelled by the digital growth and our cable SVOD services have internationally continued to give us a major competitive advantage. EyeQube, our VFX division is poised to leapfrog into the major league based on the quality of work it is able to produce. The major point to be highlighted is that we are not dependent on any particular format of distribution, any particular set of customers, any particular geography, or any particular film for our revenues. We truly have built a business model around monetising a portfolio of new and library content across diversified revenue streams in over 50 different countries around the world.

We are gearing up to invest further in new and library content which is a key driver for our growth. We are consciously moving our mix to more high profile Hindi films as they have a larger global appeal and sustainable long-term revenues from television and digital distribution channels. Through pre-sales we are able to integrate risk and maximise margins through effective use of our strong cash flows. Another area of focus is to expand into regional content beyond existing the Tamil, Marathi and Punjabi that we market and tap into incremental audience segments.

Since Eros listed on the Alternative Investment Market of the London Stock Exchange in 2006, Eros has invested over US$603.1 million in content. I am delighted to announce that we have recouped over 100% of this investment, with over US$164 million of content yet to be released. This underlines Eros' three decades of experience within the industry and clearly shows our focus on return of investment, our discipline in maintaining our portfolio strategy and ability to take advantage of our core competencies and sustain our leadership position.

Jyoli Deshpande, the Group CEO and Managing Director announced her sabbatical in December 2010 and subsequently stepped down from the Board in May 2011. Jyoli has been an integral part of the Group's growth and while we are sorry to see her move on, I wish her all the best for the future.

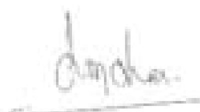
As Chairman and CEO of the Group I will continue to lead from the front while Vyay Ahuja will take over responsibility as COO.

Outlook

According to the 2011 Federation of Indian Chambers of Commerce & Industry ("FICCI") report* on the Indian media and entertainment industry which includes the film sector, the industry is set to grow by 14% a year. This is supported by other FICCI-identified trends such as: digital demand being underpinned by increased broadband penetration and the rollout of 3G, India's "Direct-To-Home" net subscriber base growing annually by 75%, increasing regionalisation in Indian media consumption and regulatory moves by the Indian government to make it mandatory to convert to digital infrastructure by 31 March 2015.

Eros is ideally positioned to exploit these macro trends within India as well as the growing demand for Indian films from new markets around the world using the size and quality of our library and our ability to distribute content globally and across many entertainment mediums. Our strong cash flows and balance sheet gives us a great competitive advantage to capture growth. We continue to grow our management team to support our growth and new initiatives and are well poised to consolidate our leadership position within the Indian film and entertainment industry. Eros aspires to build on its core strengths and be a dominant player in the Indian media and entertainment arena through a combination of organic and inorganic growth over a three to five year horizon.

We look positively to the year ahead with a strong slate enhanced by high profile films that augur a promising theatrical response, as well as revenues underpinned by strong television and music pre-sales with special emphasis on new digital media to showcase our content library on exciting new distribution channels not only in India but also in new markets around the world.



Kishore Lulla
Chairman and CEO

* "Hitting the High Notes" – FICCI-KPMG Indian Media and Entertainment Industry Report 2011.

STRONG TRACK RECORD

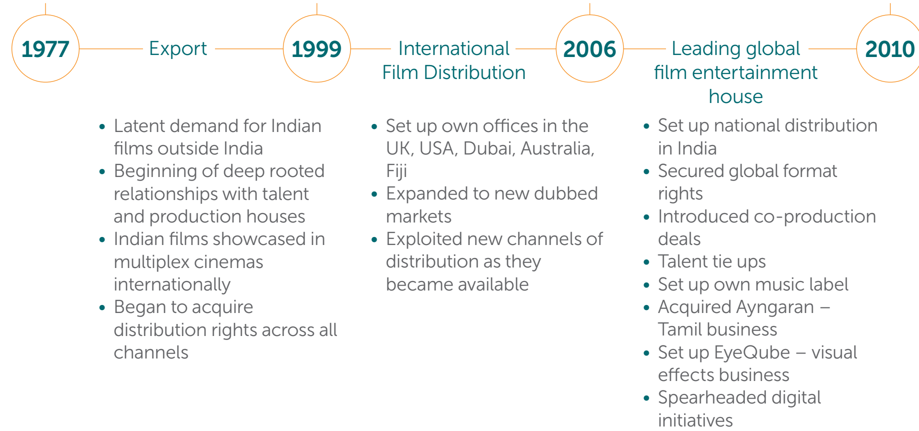
1. We lead the globalisation of Indian film entertainment

Eros founded by Arjan Lulla

B4U channels launched (24% stake)

AIM listing LSE

BSE/NSE listing of Indian subsidiary

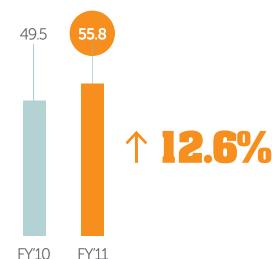


2. Experienced management team

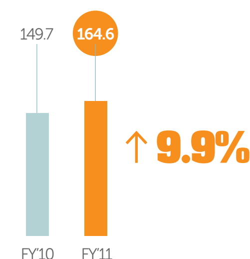
1. Nandu Ahuja – heads theatrical division in India
2. Ken Naz – heads North America/Canada and our Hollywood initiatives
3. Pranab Kapadia – heads Europe, Africa and also spearheads global television syndication
4. Surender Sadhwani – heads our Middle East operations
5. Ricky Ghai – spearheads our digital initiatives globally
6. Rajesh Bahl – operationally drives digital growth implementation within India
7. Kumar Ahuja – leads our international sales and new dubbed markets growth
8. Ram Mirchandani – Chief Creative Officer for development of film projects
9. Charles Darby – creatively spearheads EyeQube, our VFX facility
10. Rishika Lulla – drives corporate communications and strategy
11. Andrew Heffernan – Group Chief Financial Officer
12. Ajay Mavinkurve – Group Financial Controller
13. Kamal Jain – Chief Financial Officer of our Indian listed Company
14. Jamie Kirkwood – Head of Corporate Communications, Investor Relations and Special Projects

3. Strong financial return

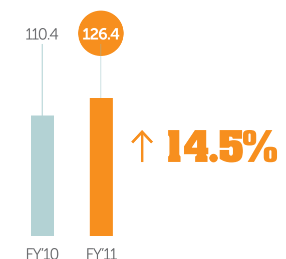
Profit before tax
US$ million



Revenue
US$ million



EBITDA
US$ million

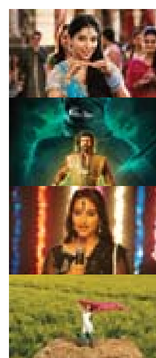


UNPARALLELED MARKET POSITION

1. We have the largest multi-format Indian film library

Over 2,100 Films

- Hindi, Tamil and regional language films
- Over 75 films added to the library each year
- Box Office hits continually enhancing library value
- Allow value to be unlocked from new markets, including dubbing films in different languages
- Sustainable revenues after initial theatrical release from television and digital new media formats
- Unique differentiator and competitive advantage



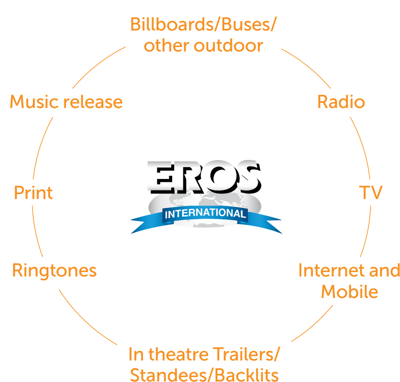
Ready.

Rana.

Dabangg.

Tera Mera Ki Rishta.

2. Unparalled global distribution network for Indian films



US$56.9 million
Global theatrical revenues

US$60.6 million
Global television revenues

US$47.1 million
Global digital and ancillary revenues

3. A preferred partner for talent

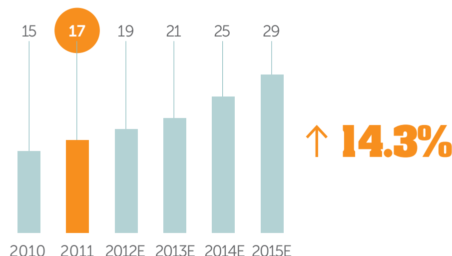
Desi Boyz.

We have developed mutually advantageous and long-standing partnerships with creative talent such as stars, writers, directors and production banners over three decades. This has been critical in our ability to maintain leadership position even in the wake of competition or tough economic climate.

MULTIPLE GROWTH DRIVERS

1. Indian media and entertainment industry revenues*,†,¶

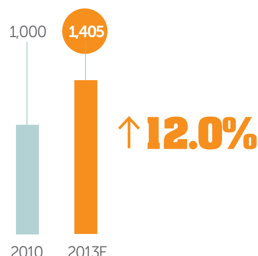
Revenue
US$ billion



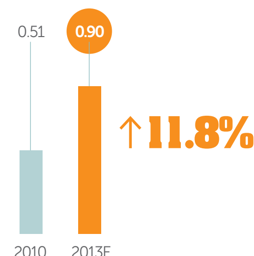
2. Filmed entertainment industry*,†

In 2010, film entertainment constituted 13.0%, or US$1.9 billion, of the total revenues in the Indian M&E sector according to the FICCI Report 2011, and is expected to grow to US$3 billion by 2015, implying a 9.7% CAGR fuelled by multiplex screen growth, tickets sold and ticket price growth.

Number of multiplex screens

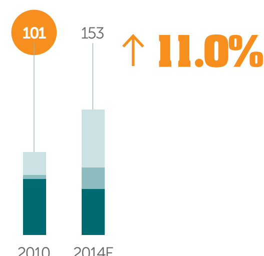


Ticket price growth
US$ million



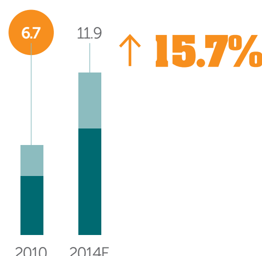
3. Television industry fuelling demand for content*,†,¶

Pay TV subscriber base (million)



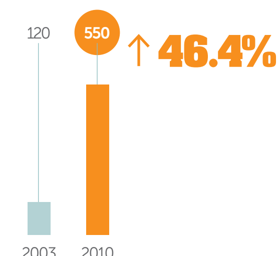
Analogue
Digital
Direct-to-home

TV industry size
US$ billion



Subscription revenues
Advertisement revenues

Number of TV channels



* Source: PWC, FICCI-KMPG 2009, FICCI-KPMG 2010 "Back in the Spotlight," ResearchOnIndia 2010 "Multiplex and Single Screen Cinemas – India (part II)" Wall Street research, Marche Du Film 2010 "Focus 2010".

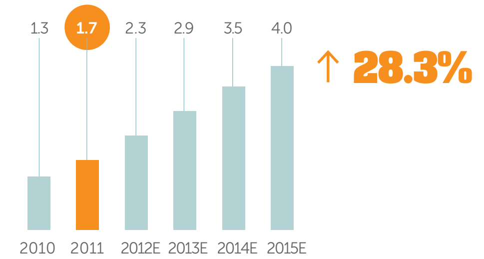
† Converted from INR to USD at rate of Rs44.6/US$.

¶ Includes television, print, film, radio, music, out of home, animation/VFX, gaming and digital advertising.

MULTIPLE
GROWTH DRIVERS

4. Digital new media trends globally*

Region	TV households	Internet users	Mobile
Global	1.2 billion	1.9 billion	5.3 billion mobile subscribers
US	116 million	245 million	293 million mobile phones
India	134 million	81 million	771 million mobile phones & 548 million active mobile subscribers



With the advancement of devices such as mobile phones and tablets and proliferation of high speed internet, the importance of digital download for media products such as film, television and music has increased dramatically. Within India, the number of individuals utilising advanced electronic devices and internet connectivity is rapidly developing and expected to grow with the increase in disposable income. Such factors have created a large new market for digital on-demand and mobile value added services.

5. Music*,†

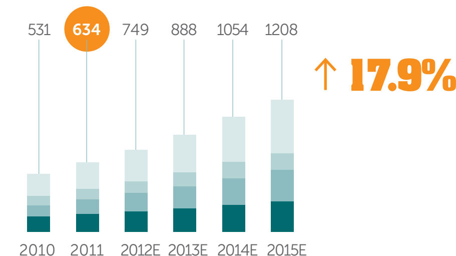
2010 Indian music industry distribution

- Digital 49%
- Physical 37%
- Radio and Television 8%
- Public Performance 6%

2010 total revenue: US$191.2 million

6. Size of global animation and VFX industry*,†,¶

US$ billion



↑ 17.9%

- Animation services
- Animated product creation
- VFX
- Post-production

* Source: FICCI Report 2011.

† Converted from INR to USD at rate of Rs44.6/US$.

¶ Alongside music, the Indian animation and VFX industry is growing rapidly as Indian companies in this sector have won Indian and international mandates. The VFX industry is expected to grow to $1.2 billion in 2015, implying a five year CAGR of 17.9%, according to the FICCI Report 2011.

DELIVERING AGAINST OUR STRATEGY

CAPITALISING ON GROWTH MARKETS

14%

Media and Entertainment market growth

DIVERSIFIED REVENUE STREAMS

34.6%

Revenues from theatrical

PORTFOLIO STRATEGY

77

Films released

LEVERAGING OUR STRONG DISTRIBUTION NETWORK

50+

Countries

PLANNING FOR THE FUTURE

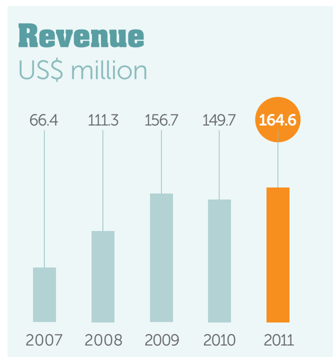
50%

Over 50% of Eros' entire library has been digitalised

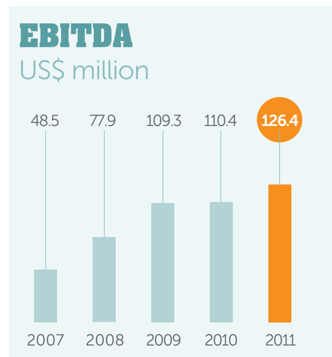
Achievements		Priorities 2012
• Our move into the Indian market in 2005 coincided with the growth of the Indian Media and Entertainment market which is now forecast by FICCI-KPMG to grow at a 14% CAGR through 2015 to reach INR1.3 trillion • The acquisition of Ayngaran in 2007 came at a time when the regionalisation of the Indian film content market was starting to grow	• As India and the rest of the world have adopted new technologies to consume content our multi-format library has allowed us to exploit the opportunities	• Increased investment in the film slate to exploit buoyant demand in India • Higher profile for EyeQube, Eros' visual effects studio, via input to Eros' produced films and Hollywood releases • Digitisation of Eros' movie library over 50% completed
• Strong theatrical revenues led by the global successes of films such as Housefull, Anjaana Anjaani and overseas releases such as "Dabangg" • High visibility of television revenues underpinned by pre-selling contracts e.g. licensing deals with Star Network and Zee Entertainment in June and October 2010 • Thriving music revenues, especially digital music. Eros entered into a strategic alliance with T-Series to distribute the Company's future Hindi music slate. Music revenues continue to underwrite 10–15% of film costs	• EyeQube contributed to two prestigious Hollywood releases as well as working on effects for Eros' productions "RA One" and "Desi Boyz"; two high profile Eros films scheduled for release in 2012 • New Media growth continues to be a significant opportunity for Eros. As well as SVOD deals with Time Warner and Comcast, Eros has achieved its one billionth view on YouTube milestone, making Eros the 34th most visited YouTube site globally • In 2011, 33.3% of revenues came from theatrical, 34.9% from television and 31.8% from digital and home entertainment	• Exploitation of the high growth rates expected from India, and its Media & Entertainment sector • Focus on increased visibility of revenues via television, VOD, SVOD and music pre-sale agreements • Focus on increased revenue from new technology platforms such as Eros internet portals and mobiles • A higher profile for and contribution by EyeQube as its state-of-the-art special effects are viewed by consumers in Hollywood and Indian film releases
• Pre-selling of theatrical releases, to television networks, to maximise revenue visibility • Increased investment in the film slate to maximise returns in 2012 and 2013 from strong demand for Indian entertainment in India and internationally	• Digitisation of Eros' movie library to ensure the maximum monetisation of the catalogue and enable the full roll out of content across 3G, 4G, and Mobile TV technologies	• Greater number of higher budget theatrical releases • Continued pre-selling of releases to television • Further digitisation of movie library
• Eros distributes content in over 50 countries with new territories opened in South Korea and Taiwan. Additionally we released films during 2011 in over 27 different languages • Over 40 non-Hindi language films released during the year, exploiting the increasing demand for regional language films such as Tamil and Marathi • Process of digitising Eros' entire movie library has begun to fulfil demand for digital content across multiple platforms	• Revenues were boosted by "overseas-only" releases such as "Dabangg" and "Endhiran". The release of "Endhiran" in Tamil and Telugu achieved box office takings in excess of US$13.3 million • In 2010, Eros films represented 5 out of the top 10 biggest grossing films of the year	• Focus on further moves into regional Indian film content • Targetting of new territories
• More pre-selling agreements signed with television networks providing greater visibility of revenues and a higher underwriting of costs • Strength and mix of film slate enhanced increasing visibility over releases and returns	• Increased digitisation of the library allowing maximum monetisation of the catalogue and enable the full roll out of content across new technology platforms • Three new regions opened, enabling an increased international distribution of films	• Acquisition of additional libraries • Continued new release slate visibility

KEY PERFORMANCE INDICATORS

FINANCIAL INDICATORS

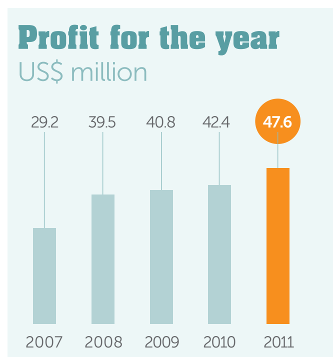


Growth in revenue is a measure of how we are growing our business. Our goal is to achieve year-on-year growth. In addition our focus has been on increasing our market share and growing our new product revenues through the DAM initiative to digitise our licencing. Gross profit as a percentage of revenue is a measure of our profitability. We seek to maximise our gross margin through operational excellence in all aspects of our business.

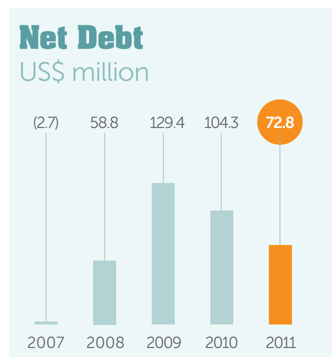


Earnings before interest, tax, depreciation, and amortisation ("EBITDA"). It is a non-GAAP metric that is measured exactly as stated. All interest, tax, depreciation and amortisation entries in the income statement are reversed out from the bottom-line net income. It purports to measure cash earnings without accrual accounting, cancelling tax-jurisdiction effects, and cancelling the effects of different capital structures.

Earnings per share ("EPS") is the amount of earnings attributable to each share in issue. Adjusted EPS excludes exceptional items and prior year tax which enables period-on-period comparisons to be made of our performance. We aim to achieve growth in adjusted EPS year-on-year.



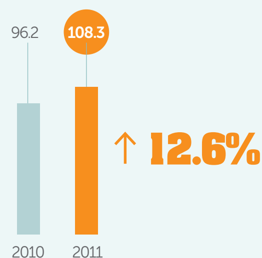
Often referred to as the bottom line, net profit is calculated by subtracting a company's total expenses from total revenue, thus showing what the company has earned (or lost) in a given period of time (usually one year).



A measure of a company's ability to repay all debt if it were called immediately. It is calculated by adding short-term and long-term debt and subtracting all cash and cash equivalents. Many investors use net debt in making investment decisions, as it gives them an idea of a company's financial health and its level of leverage/ gearing compared to liquid assets.

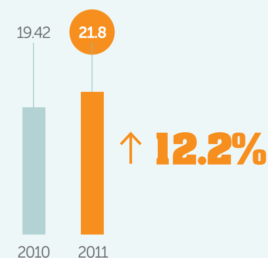
GEOGRAPHICAL INDICATORS*

India Revenue
US$ million



India revenue has benefited by the growth of the multiplexes from 1,000 screens in 2010, expected to grow to 1,405 by 2013, coupled with the continued growth of India's middle class, which now measures over 350 million people.

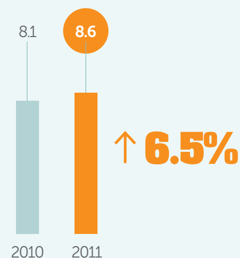
Europe Revenue
US$ million



European revenues continue to grow based on the large Indian diasporas and the increased acceptance of Indian film content and its attraction to European audiences.

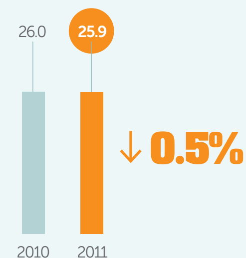
Full House.

North America Revenue US$ million



Digital growth and the increased appreciation of "Bollywood" content has led to significantly better performance of films in the US market.

ROW Revenue
US$ million



New markets such as South Korea and Taiwan should have an impact on the growth of this market in the near future.

* Source: 2011 KPMG FICCI report.

OPERATING REVIEW
SOURCING CONTENT

Our business model is built around securing content through co-productions, acquisitions or output deals and monetising the content through our global distribution network across multiple channels along with our library of over 2,100 films.

Anjaana Anjaani (above), Love Aaj Kal (right), Zindagi Na Milenge Dobara (bottom).

De Dana Dan (top), Yuvraaj (bottom).

Investment in content

Since 2006 when Eros listed on AIM, the Company has invested US$603.1 million in content advances. Content capital expenditure this year has increased due to pipeline visibility and the acquisition of co-production deals. Content capex has increased to US$129.8 million (2010: US$81.5 million) with net cash flow from operations before interest and taxes of US$116.9 million. Of the investment of US$603.1 million, film content of US$439.6 million has been released with US$453.4 million flowing back following exploitation. The US$439.6 million of released content equates to 334 film releases as well as catalogue investments in line with the Group's portfolio approach strategy.

Apart from the films (right), the Group also has a slate of regional films in Marathi and Punjabi as well as Tamil films through its 51% subsidiary Ayngaran and some smaller scale Hindi releases.

Our in-house creative team also directly develops film ideas and contracts with writers and directors for development purposes. When we originate a film concept internally, we then approach appropriate banners for co-production. Regardless of whether a film will be acquired or co-produced, we determine the likely value to us of the rights to be acquired for each film based on a variety of factors, including the stars cast, director, composer, script, estimated budget, genre, track record of the production house, our relationship with the talent and historical results from comparable films.

Our primary focus is on sourcing a diversified portfolio of films expected to generate commercial success. Our model of acquiring or co-producing films rather than having significant in-house production capability allows us to work on more than one production with key talent simultaneously, since the producer or co-producer takes the lead on the time intensive process of production, allowing us to build our film slate more rapidly.

Content pipeline

Eros has full visibility of its film slate for 2012 as well as 2013. Some of the major releases are showcased below:

Film name	Star Cast/ (Director)	Production House	Release date	Status
Ready	Salman Khan, Asin	T-Series	June 2011	Completed
Always Kabhi Kabhi	Ali Fazal, Zoa Morani	Red Chillies Entertainment	June 2011	Completed
Murder 2	Emraan Hashmi, Yana Gupta	Vishesh Films	July 2011	Completed
Zindagi Na Milenge Dobara	Hrithik Roshan. Farhan Akhtar	Excel Entertainment	July 2011	Completed
Mausam	Shahid Kapur, Sonam (Pankaj Kapur)	Cinergy/ Vistaar Religare	September 2011	Completed
BOL	Atif Aslam, Iman Ali	Shoman Productions	August 2011	Completed
Rockstar	Ranbir Kapoor (Imtiaz Ali) Music A R Rehman	Ashtavinayak Films	TBA 2011	Post production
RA. One	Shahrukh Khan, Kareena Kapoor (Anubhav Sinha)	Red Chillies Entertainment	October 2011	Post production
Desi Boyz	Akshay Kumar, John Abraham, Deepika (Rohit Dhavan)	Next Gen	November 2011	Post production
Agent Vinod	Saif Ali Khan, Kareena Kapoor (Sriram Raghavan)	Illuminati Films	December 2011	Principal photography
Rana (Tamil)	Rajnikanth, Deepika Padukone	Harra Pictures/ Next Gen	FY 13	Pre-Production
Cocktail	Saif Ali Khan, Deepika Padukone	Illuminati Films	FY 13	Pre-Production
Kunal Kohli untitled	Shahid Kapur, Priyanka Chopra	Next Gen Films	FY 13	Pre-Production

OPERATING REVIEW
GLOBAL DISTRIBUTION

THEATRICAL

This year's strong financial performance was underpinned by the box office success of "Housefull", "Dabangg" and "Golmaal 3". Dabangg ranked as No.1 in the Hindi box office charts this year, with Golmaal 3 at 2, Housefull at 4 and Veer at 9*. Regional success was led by the Tamil blockbuster film Endhiran which set new box office records.

Dabangg (above), Chalo Dilli (right), Golmaal 3 (bottom).

* www.boxofficeindia.com

US$ (FY 2011)
56.9 million
Theatrical revenue

	2011 US$'000	2010 US$'000	Change US$'000	Change %
India	108,339	96,221	12,118	12.6
Europe	21,787	19,420	2,367	12.2
North America	8,617	8,094	523	6.5
Rest of World	25,870	25,9 94	(124)	(0.5)
Total	164,613	149,729	14,884	9.9

Eros released a total of 77 films during the year of which a majority were regional language films. However, the focus of the company has been to consciously shift to a mix of A category films with well-known star cast and directors with a popular theme having mass audience appeal.

The Indian theatrical market has seen growth in both multiplex and single screen theatres with the number of digital screens overtaking physical print distribution thereby creating high margin revenue increases. The increased availability of screens has seen a trend towards wide releases and therefore a greater skew towards opening box office weekend (can be as high as 70%) as a percentage of total box office revenue across the run of a film.

High-budget films are increasingly being released in over 2,000 screens and medium budget in over 1,000 screens and with at least 70% of those screens being digital, with cost of reaching out to those digital screens not greater than US$350 per screen, the incremental revenues from digital theatrical growth is significant and an important trend.

The revenue model in India continues to be revenue share from multiplexes based on a pre-agreed share and minimum guarantee advances from single screen chains.

The main theatrical markets outside India such as UK, USA/Canada, Dubai, South Africa, Australia, Fiji and Singapore are being serviced through our own distribution offices in these places, a unique distinction which no Indian film company in our space has been able to replicate.

This also allows us to leverage our 360 degree marketing strength globally which is an integral part of our distribution strategy as we believe that while markets are global, audiences are local. We tailor campaigns to the market and to the film, utilising brand-tie-ups, outdoor, television, print, in-cinema, radio, mobile and online mediums to promote and generate momentum building up to the theatrical release of the film, which we believe gives our Company a big competitive edge.

Outlook

Following on from the successful IPO of its Indian subsidiary, Eros International Media Ltd, in October 2010, Eros has continued to enhance the strength and mix of its film slate giving it full visibility over releases for the next two years as well as augmenting the catalogue. It is envisaged that the 2011/12 film slate will include an increased number of "blockbuster" releases such as "Ready", "Murder 2", "Zindagi Na Milenge Dobara", "Mausam", "Rockstar", "Desi Boyz", "Agent Vinod", and "RA One" to name a few. Our recent marketing efforts at the Cannes Film Festival are expected to open a few new markets for these films such as Taiwan and China which will then potentially unlock the value of the film library in those markets in the future.

OPERATING REVIEW GLOBAL DISTRIBUTION

TELEVISION

2010/11 was another successful year for television syndication. Revenues increased with a significant amount of Eros' visible film slate already pre-sold.

Koffee with Karan (above), 3 Idiots (right), Yamla Pagla Deewana (bottom).

3 Idiots.

US$ (FY 2011)
60.6 million
Television revenue

TRPs of Films in 2009	
Ghajini	4.79
Bhool Bhulaiyaa	**4.39**
Singh is King	3.27
Rab ne Bana Di Jodi	3.11
Chandni Chowk to China	3.11
Blue	3.05
Welcome	2.94
Bhoothnath	**2.85**
Jab We Met	2.40
Vivaah	2.16

TRPs of Films in 2010	
3 Idiots	**10.88**
Dabangg	**9.19**
Ajab Prem Ki Ghazab Kahani	**7.45**
Khatta Meetha	4.82
All the Best	4.23
Housefull	**4.00**
De Dana Dan	**3.97**
Wanted	**3.95**
Veer	**3.55**
Athithi Tum Kab Jaoge	3.32

Note: Films that Eros was associated with have been highlighted in bold.
Source: FICCI-KPMG 2011 "Hitting the High Notes".

Revenues came from new and existing deals to be shown on Star, Zee TV, Sony and other television broadcasters in India as well as dubbed and subtitled markets internationally. Internationally, we syndicate to 50 channels such as TV3 in Malaysia, SABC in South Africa and E-Vision in Dubai and the Ayngaran Tamil television network in Europe has also been increasing its subscriptions. Eros has also been able to syndicate its content through television channels for viewing by non-South Asians, opening up new markets such as Russia, Ghana, Korea and Taiwan where Eros has been able to increase its revenues through licence deals.

Eros and the television networks continue to benefit from a virtuous circle of collaboration. The networks are achieving increasingly high ratings from their broadcasting of premium movie content. Five out of the top 10 films with highest television ratings points in 2010 calendar year were Eros films. Furthermore, having a strong slate of films strengthens the cable carriage deals for networks which drive significant revenues for them. The networks' ability to monetise content with advertisers and to market the films to audiences is optimised when there is an early tie-up with distributors. This makes agreements with Eros extremely appealing given the size and quality of Eros' film slate. In turn, Eros is able to achieve high levels of pre-sales of new releases and catalogue content providing a high visibility of future television revenues. This visibility plays a vital role in mitigating Eros' overall risk profile.

Outlook

We believe that the increasing television audience in India creates new opportunities for us to license our film content, and creates even wider audience recognition of the Eros name and film products. The value of licence fees that television networks are prepared to pay for licensing television rights has seen a steep increase due to a highly competitive television market boosted by pay TV and subscription growth and ever-increasing demand for premium content, therefore covering a significant percentage of film costs.

The visibility of television earnings is clear due to the strength of the future pipeline of films. Eros' strategy of successfully pre-selling films to television networks for future broadcast will continue to mitigate the Company's overall risk profile.

Almost 40% of the Company's 2012 slate cost has been covered by television and music licensing pre-sales contracts.

OPERATING REVIEW
GLOBAL DISTRIBUTION

DIGITAL NEW MEDIA AND ANCILLARY

In addition to our theatrical and television distribution networks, we have a global network for the distribution of our content across digital and traditional formats.

We distribute content which consists of full length films, music videos and clips, through both physical formats (DVD and VCD) and digital formats (VOD, SVOD, DTH, online).

Chalo Dilli (above), Game (right), Yamla Pagla Deewana (bottom).

US$ (FY 2011)
47.1 million
Digital and Home revenue

Digital distribution

Our digital distribution platform is primarily comprised of SVOD, IPTV, mobile and online services. In North America, we have a relationship with International Networks, a subsidiary of Comcast, to provide an exclusive SVOD service called "Bollywood Hits On Demand". The service is now carried on Cox, Rogers, Cablevison and Time Warner. Elsewhere internationally, we provide content to OnDemand for VOD services it provides in the UK and the Middle East, as well as various other platforms such as Singtel.

Our ad-monetised Eros channel on YouTube has received over one billion video views since it launched in 2008, and now achieves over 70 million a month.

We are also one of the largest licensors of Indian film entertainment to a number of key airlines, including Air India, Jet Airways, British Airways, Delta, Emirates and Kingfisher. We license content to IPTV networks around the world such as Netflix, Hulu, Vudu and Aksh.

Physical distribution

We distribute and license content throughout the world on Blu-ray and DVDs, through major retail chains (such as Wal-Mart, Asda and Planet-M) and internet platforms such as Amazon, as well as supplying local wholesalers and retailers. We also license third party distributors internationally to provide content dubbed into local languages for consumption by non-south Asian audiences. In India we also engage in corporate bundling sales for DVDs.

Music

Music is integral to our films, and we not only have an Eros music label to directly monetise the music revenues but also create third party licences for the same. The major music revenues are derived from mobile rights, MP3 tracks, sold via third party platforms such as iTunes and Napster, as well as streaming services such as Spotify and Radio digital streaming, physical CDs and publishing/master rights licensing to radio and television channels in India, music synchronization rights and royalties from public performance.

As part of our focus on expanding our music publishing revenues, Eros Music Publishing Limited has signed reciprocal agreements with EMI Music Publishing Ltd, or EMI, where EMI acts as the exclusive sub-publisher for us outside of South Asia, and we represent EMI's catalogue as exclusive sub-publisher of such catalogue within India. These agreements are aimed to maximise both parties' music publishing revenues in the two different markets. Through the relationship with EMI, we have entered into notable synchronisation licenses for the NBC US comedy series Outsourced, where a number of music tracks have been utilised, and in Caminho Das Indias produced by TV Globo in Brazil, which used an Eros music track as its theme song.

VFX

In response to the increased use of animation and visual special effects in films made both within and outside of India, in 2007 we formed EyeQube, a VFX studio headquartered in Mumbai in collaboration with internationally renowned Charles Darby. EyeQube offers services that cover the entire life cycle of VFX, from the initial development, production planning and supervision services to the final delivery of the VFX shots.

EyeQube permits us to create high-end visual effects for our own co-productions as well as Hollywood productions. Among recent projects, EyeQube is working with Red Chillies Entertainment on the high profile film Ra.One, the much-awaited Diwali release of 2011/12. Additionally, EyeQube's reach has extended to regional language films, including the hugely anticipated release of Rajnikant's Rana.

Outlook

We believe the rise of internet services in India will be heavily influenced by the availability of mobile broadband.

The growth in broadband and 3G technology also indicates a growing market to consume music as well as film content. Eros is currently pioneering an online strategy to launch India's first multi-platform model which will enable consumers around the world to access old, new and original exclusive content. We will work to replicate the Comcast model SVOD service on other platforms and markets around the world.

We expect to add to our monetising YouTube service in the near future. We intend to add an additional layer of pay per view and premium content subscription services, where we will participate as a major content partner.

We have invested in DAM (Digital Asset Management) a system for digitising, storing, cataloguing, retrieving, encoding, transcoding and publishing our content centrally to any platform in the world. Monetising existing content through digital platforms worldwide and creating original short form film based content for digital distribution worldwide will be a major area of focus for the Company.

FINANCIAL REVIEW
GROUP FINANCIAL PERFORMANCE

12.6%
Profit before tax

Revenue

	2011 US$'000	2010 US$'000	Change US$'000	Change %
India	108,339	96,221	12,118	12.6
Europe	21,787	19,420	2,367	12.2
North America	8,617	8,094	523	6.5
Rest of World	25,870	25,994	(124)	(0.5)
Total	164,613	149,729	14,884	9.9

(Based on customer location).

Devdas.

Revenue was US$164.6 million for the year ended 31 March 2011 compared to US$149.7 million in 2010, an increase of US$14.9 million, or 9.9%. This increase was primarily due to an increase in revenues from India of 12.6% and Europe 12.2% which can be principally attributed to a combination of increased revenues from theatrical and television. The theatrical revenues grew by US$6.7 million to US$56.9 million, compared to US$50.2 million in 2010. This reflected the success of Golmaal 3 and Housefull, wider screening distribution in India and a solid distribution from the remaining releases. Television revenues grew by 14.5% from US$52.9 million in 2010 to US$60.6 million in 2011 as a result of strong demand in India and in dubbed markets. Digital and ancillary revenues remained flat overall with revenues of US$47.1 million compared to US$46.6 million in 2010. Within these revenues music, VFX and production services performed well and we continue to see a move from physical to digital. We also had a slight increase in sale and licensing proceeds from television syndication of our films and VFX production services.

Cost of sales

Cost of sales was US$88.0 million for the year ended March 31 2011 compared to US$81.7 million in 2010, an increase of US$6.3 million, or 7.7%. The increase in costs of sales reflects an increase in film amortisation costs as well as higher print costs as we increased the number of screens to which we distributed films.

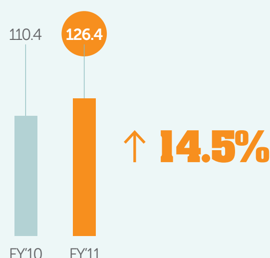
US$
164.6 million
Revenue

Gross profit

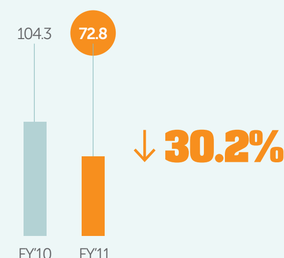
Gross profit was US$76.6 million for the year ended 31 March 2011 compared to US$68.0 million in 2010, an increase of US$8.6 million, or 12.6% reflecting primarily the increase in sales offset by the lower increase in cost of sales. As a percentage of Revenue, the gross profit margin increased by 46.5% compared to 45.4% in 2010 as margins improved due to more usage of digital prints and marketing tie ups with retail brands and the higher major TV revenues.

Profit before tax
US$ million

EBITDA
US$ million



Net Debt
US$ million



Administrative Costs
Administrative costs were US$19.2 million for the year ended 31 March 2011 as compared to US$16.2 million in 2010, an increase of US$3.0 million, or 19%, which was driven by additional salary costs as Eros further strengthened its management team and associated support and office costs. As a percentage of revenue, administrative costs were 11.7% for the year ended March 31, 2011 as compared to 10.8% in 2010.

Net finance costs
Net finance costs for the year ended March 31, 2011 were US$1.6 million compared to US$2.3 million in 2010, a decrease of US$0.7 million, or 30.4%. The decrease reflected an increase in interest receivables as a result of additional funds on deposit following the Indian IPO.

Income tax expense
Income tax expense for the year ended 31 March 2011 was US$8.2 million compared to US$7.2 million in 2010, an increase of US$1.0 million, or 13.9%. The effective tax rate was 14.8% for the year ended 31 March 2011 as compared to 14.4% in 2010 reflecting the increase in the amount of taxes due within India for 2011.

Non-controlling interest
The non-controlling interest increased from US$0.1 million to US$2.7 million. This increase was due to the 2.8 % non-controlling interests of the Indian subsidiary due to the IPO of the subsidiary during the year.

Earnings per share
Basic earnings per share ("EPS") increased by 5.8 cents to 38.6 cents (2010: 36.5 cents) reflecting the increase in profit attributable to the shareholders of Eros.

Cash flow
Cash flow from operations was US$116.9 million compared to US$121.3 million in 2010. The decrease was principally due to US$10.5 million adverse movement in working capital due to a reduction in trade payables. Net cash used in investing activities rose US$58.9 million principally reflecting an increase in content span of US$48.3 million and property plant and equipment of US$9.3 million. The movement reflect the change in the mix of the future film slate, some catalogue acquisition and the purchase of head office space in India. The above changes together with net proceeds of US$71.1 million from the successful IPO of our Indian subsidiary meant that net debt was reduced from US$104.3 million to US$72.8 million.

Personnel
The number of personnel now employed by the Group over the year averaged 349 against 395 in the prior year. Employee costs rose 2% during the year reflecting from US$10.3 million to US$10.5 million. Our strengthening of the senior management offset by the staff count reduction principally relating to EyeQube.

PRINCIPAL RISKS AND UNCERTAINTIES

The Board is ultimately responsible for the Group's system of internal control and for monitoring its effectiveness.

The Group's overall controls and procedures are reviewed on a regular basis and as the Group continues to expand, this will form part of an ongoing process. The aim of this process is to ensure that the Company has a robust framework that can manage the risks within the business and provide reasonable assurance against material loss or misstatement. An internal audit function exists and there is an ongoing process of review and discussion of findings with the Board and Audit Committee.

INTERNAL RISKS

We may fail to source film content through acquisitions, co-productions or own productions

We earn revenues by exploiting Indian film content that we produce, co-produce or acquire from third parties, and then distribute through various distribution channels. Our ability to successfully complete our own productions, to enter into co-productions and to acquire content depends on our ability to maintain existing relationships, and form new ones, with creative talent and other industry participants. In particular, the pool of creative talent in India is limited and, as a result, there is significant competition to secure the services of actors, directors and producers, among others. This, in turn, can cause the cost of contracting such creative talent, and hence the cost of film content, to increase as market participants offer higher fees to creative talent to secure their services. We believe maintaining existing relationships is key to enabling us to continue to secure content and to exploit such content in the future.

We depend on our relationships with theatre operators and other industry participants to exploit our film content

We generate revenues from the exploitation of film content in various distribution channels through agreements with commercial theatre operators, in particular multiplex operators, and with retailers, television operators, telecommunications companies and others. Our failure to maintain these relationships, or to establish and capitalise on new relationships, could harm our business or prevent our business from growing.

Delays, cost overruns, cancellation or abandonment of the completion or release of films may have an adverse effect on our business

There are substantial financial risks relating to the production, completion and release of feature films. 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 completion of a production. Where a film we have contracted to acquire from a third party experiences delays or fails to complete, we may not recover any advance monies paid in relation to the proposed acquisition. Where we enter into co-productions, while we typically seek to put in place contractually capped budgets that are pre-agreed with our co-producer, given the importance of ongoing relationships in our industry, longer-term commercial considerations may in certain circumstances override strict contractual rights, and we may feel obliged to fund cost over-runs where there is no contractual obligation requiring us to do so.

Piracy of our content may adversely impact our revenues and business
Our business is highly dependent on maintenance of intellectual property rights in the entertainment products and services we create. Piracy of media products, including digital and internet piracy and the sale of counterfeit consumer products, may decrease revenue received from the exploitation of our products. Consumer awareness of illegally accessed content and the consequences of piracy is lower in India than it is in Western countries and the move to digital formats has facilitated high-quality piracy in particular through the internet and cable television.

EXTERNAL RISKS

The general economic downturn is affecting Gross Domestic Product ("GDP") growth in India
Recent turmoil in the financial markets has adversely affected economic activity in India and other regions of the world in which we do business. In India, global economic conditions have resulted in a slowdown in the expansion of multiplex screens across India, leading to lower than anticipated box office revenues from film releases.

Our performance is linked to the stability of policies, including taxation policy, and the political situation in India
Any political instability in India may adversely affect the Indian securities markets in general, which could also adversely affect the trading price of our Equity Shares. The rate of economic liberalisation could change, and specific laws and policies affecting companies in the media and entertainment sector, foreign investment, currency exchange rates and other matters affecting investment in our securities could change as well. A significant change in India's economic liberalisation and deregulation policies could disrupt business and economic conditions in India and thereby affect our business.

Fluctuation in foreign currencies may have an adverse effect on our results of operations
Contracts for our film content may be denominated in multiple currencies. Any fluctuation in the value of the these currencies, which may include the US Dollar, the UK Pound or any other currency.

EFFECTIVE SUSTAINED DIRECTION

CORPORATE RESPONSIBILITY

Kambakkht Ishq.

Responsibility

The Executive Directors ensure that the Group's philosophy on Corporate Responsibility is known to all staff and actively encourages its support by employees across the Group. The Group ensures that it is compliant with all legislation, including environmental legislation, in those countries in which it operates.

Environment

The Board is aware of the Group's environmental impact and therefore seeks both to minimise adverse effects and to enhance positive effects of the impact on the environment. The Group is committed to a responsible and forward-looking approach to environmental issues with focus on digital cinema thereby reducing the cost of production of multiple prints.

Employees

The Directors believe that the Group's employees are a source of competitive advantage. The Directors recognise that continued and sustained improvement in the performance of the Group depends on its ability to attract, motivate and retain employees of the highest calibre. The Group is committed to the principle of equal opportunity in employment. It seeks to ensure that no employee or applicant is treated less favourably on the grounds of gender, marital status, race, colour, nationality, ethnic or national origin, religion, disability or sexual orientation nor is disadvantaged by conditions or requirements, including age limits, which cannot be justified objectively. Entry into, and progression within, the Group are solely determined by the application of job criteria, personal aptitude and competence. These policies have worked effectively throughout the period.

It is the Group's policy to apply best practice in the employment of disabled people. Full and fair consideration is given to every application for employment from disabled persons whose aptitude and skills can be utilised in the business and to their training and career development. This includes, wherever possible, the retraining and retention of staff who become disabled during their employment. All staff are informed of matters concerning their interest as employees and the financial and economic factors affecting the business. Established management communication channels have been supplemented by direct presentations to staff by Directors to explain developments of particular significance.

Employees are encouraged to own shares in the Company, and 28 (2010: 28) employees are currently shareholders and there are an additional 148 (2010: 153) employees of the Eros International Media Limited who are interested in that company's shares through its ESOP Plan.

Charitable contributions

During the year the Group made charitable donations of US$16,440 (2010: US$nil). There were no political donations made during the year.

Health and safety

It is a primary concern of the Board that the Company manages its activities in such a manner as to ensure that the health and safety of its employees, contractors and the general public is not compromised. As part of this process the Company employs specialist accredited advisers to advise on all Health and Safety matters relating to the Group.

Veer.

Business ethics

The Board recognises the importance of the Company's responsibilities as an ethical employer and views matters in which the Company interacts with the community both socially and economically as the responsibility of the whole Board. Following the enactment of the Bribery Act 2010, the Company intends to implement a suitable policy to further demonstrate its commitment to business ethics.

Our core values

Kindness
Our actions always reflect consideration and compassion for other living beings

Integrity
We are honest in our interactions with others and live by strong moral principles

Respect
We recognise the Divine in every living being and treat them as such

Care
We care about one another, our friends and family and the environment in which we live

Gratitude
We are appreciative of and thankful for all that we have in our world

Courage
As well as being brave we are committed to enduring in the face of challenge

Belief
We believe in ourselves and our ability to change our world

Lulla foundation

During the year the Group has made charitable donations to the Lulla Foundation (UK registered charity number 1131141) of which Kishore Lulla is a trustee. The Lulla Foundation's aims are to provide a high quality learning and teaching support for targeted communities currently caught in cycles of poverty so that they can have real opportunities to change their personal futures and their communities.

Through the development of knowledge, skills and understanding of the world, as well as a core set of values, individuals will be empowered to become thoughtful, reflective and responsible citizens who contribute positively to their community. This educational process will help students, schools and communities to become self sustaining.

Current plans for delivering these aims is through working with local government schools – which cater for the poorest children and communities. Plans are being developed for:

- Setting up educational facilities for students between 2 and 16
- Working closely with parents to help them take an active interest in their children's education
- Working with School management Committees to enable them to monitor the work of the school
- Basic medical care for the community

This core set up will be replicated in a number of states in India to help achieve the Foundation's aims.

BOARD OF DIRECTORS

1.

2.

3.

4.

5.

1. Kishore Lulla
49 years, is our Chairman and Chief Executive Officer
He graduated with a bachelor's degree in Arts from Mumbai University. He has over 20 years of experience in the media and film industry. He is a member of the British Academy of Film and Television Arts and Young Presidents' Organisation and is also a board member of the University of California, Los Angeles ("UCLA"). 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. As Executive Chairman of Eros, he has been instrumental in spearheading the growth of Eros International Plc and expanding their presence in UK, USA, Dubai, Australia, Fiji and other international markets.

2. Vijay Ahuja
54 years, is our Chief Operating Officer
He holds a bachelor's degree in commerce from Mumbai University. He co-founded Eros International Plc's UK business in 1988 and has since played an important role 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 for Eros, such as Singapore, Malaysia, Indonesia and Hong Kong.

3. Sunil Lulla
46 years, is our Executive Vice Chairman
He graduated with a bachelor's degree in commerce from Mumbai University. He has over 20 years of experience in the business and has been instrumental in developing the Eros India Group. He has valuable relationships with the talent within the Indian film industry and has been instrumental in our Company's expansion into India distribution as well as home entertainment and music. He has led our Group's growth within India for many years.

4. Naresh Chandra,
76 years, is our Senior Non-Executive Director
He graduated with a masters' degree in science from Allahabad University. A former civil servant, he joined the Indian Administrative Services in 1956 and has served as Chief Secretary in the State of Rajasthan, Commonwealth Secretariat Advisor on Export Industrialisation and Policy in Colombo (Sri Lanka), Advisor to the Government of Jammu and Kashmir, and successively Secretary to the Ministries of Water Resources, Defence, Home and Justice in the Government of India ("GOI"). In December 1990, he became Cabinet Secretary, the highest post in the Indian civil service. In 1992, he was appointed Senior Advisor to the Prime Minister of India. He has served as 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 GOI in 2007. He has been honoured with the Padma Vibhushan, a high civilian award, by the GOI in 2007. He is a director of various companies, including Vedanta Resources plc.

5. Dilip Thakkar,
74 years, is a Non-Executive Director
Is a practising Chartered Accountant since 1961 and brings to the Board significant financial experience. He is a senior partner of M/S Jayantilal Thakkar and Company and a member of the Institute of Chartered Accountants in India. In 1986 he was appointed by the RBI as a member of the Indian Advisory Board for HSBC Bank and the British Bank of the Middle East for a period of eight years. He is the former President of the Bombay Chartered Accountants' Society and was then Chairman of its International Taxation Committee. He also has a degree in Commerce and Law from Mumbai University.

REPORT OF THE DIRECTORS

Principal Activity

Eros International plc is a global player in the rapidly expanding Indian media and entertainment arena which is growing at over 13% CAGR and slated to cross US$24 billion by 2014 (source: KPMG).

Being vertically integrated means that Eros not only produces and commissions film projects similar to the way in which Hollywood studios operate but also globally distributes and exploits films across all formats including cinemas, digital and home entertainment and television syndication.

Business review and future developments

A review of the business is contained within the Chairman and CEO's statement and the operating review. A review of the key performance indicators is contained within the financial review.

Directors

The Directors of the Company during the year and their interests in the shares of the Company as at 31 March 2011 and 31 March 2010 were as follows:

	Ordinary shares of 10p each		Percentage shareholding
	2011	2010	at 2011
Kishore Lulla*	**Up to 81,650,657**	Up to 81,650,657	70.3
Jyoti Deshpande†	**231,005**	231,005	0.2
Vijay Ahuja*	**Up to 78,866,959**	Up to 78,866,959	67.91
Sunil Lulla*	**Up to 81,650,657**	Up to 81,650,657	70.3
Dilip Thakkar	**–**	–	–
Naresh Chandra	**–**	–	–

* Vijay Ahuja's, Kishore Lulla's and Sunil Lulla's interests in shares are by virtue of them being potential beneficiaries of discretionary trusts which hold shares in the Company.

† Jyoti Deshpande resigned as a Director on 28 May 2011.

Financial risk management

The financial risks faced by the Group, together with how they are managed are dealt with within the Corporate Governance section and within note 22 to the financial statements.

Corporate responsibility

The Company approach to employee involvement, social responsibility, ethical behaviour, health and safety and diversity are shown within the corporate responsibility section on page 30.

Policy on supplier payments

The Company aims to pay all its suppliers within a reasonable period of their invoices being received and approved, provided that the supplier has performed in accordance with the relevant terms and conditions. At 31 March 2011, the number of day's credit taken for purchases and services by the Company was 44 days (2010: 40 days).

Charitable and political contributions

During the year the Group made charitable donations of US$16,440 (2010: US$nil). There were no political donations during the year.

Insurance of Company officers

The Company has maintained insurance throughout the year for its Directors and officers against the consequences of actions brought against them in relation to their duties for the Group.

Going concern

Having made enquires the Directors have a reasonable expectation that the Company has sufficient resources to continue in operational existence for the foreseeable future. For this reason, they continue to adopt the going concern basis in preparing the accounts.

Statement of Directors' responsibilities for the financial statements

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

Isle of Man Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors have elected to prepare the Group financial statements under IFRS as adopted by the EU and applicable law and have elected to prepare the parent company financial statements in accordance with United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice). The financial statements are required by law to give a true and fair view of the state of affairs of the Group and Company and of the income of the Group for that period. In preparing these financial statements, the Directors are required to:

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

The Directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Group and to enable them to ensure that the financial statements comply with the Isle of Man Companies Acts 1931 to 2004. They are also responsible for safeguarding the assets of the Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

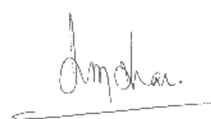
In so far as the Directors are aware:

- there is no relevant audit information of which the Group's auditors are unaware; and
- the Directors have taken all steps that they ought to have taken to make themselves aware of any relevant audit information and to establish that the auditors are aware of that information.

The Directors are responsible for the maintenance and integrity of the corporate and financial information included on the company's website. Legislation in the Isle of Man and United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Auditor

Grant Thornton resigned as auditor during the year and Grant Thornton UK LLP were appointed in accordance with section 12/D of the Companies Act 1982. A resolution proposing reappointment of Grant Thornton UK LLP as auditor of the Company will be proposed at the Annual General Meeting.



Kishore Lulla
Chairman and Chief Executive Officer
On behalf of the Board
31 May 2011

REMUNERATION REPORT

The Remuneration Committee established by the Board comprises two Non-Executive Directors, Naresh Chandra and Dilip Thakkar. The Remuneration committee reviews the performance of Executive Directors and senior executives and sets the scale and structure of their remuneration and the basis of their service agreements with due regard to the interests of shareholders.

As an AIM listed company the Directors' Remuneration Report Regulations 2002 do not formally apply. However, the following information is disclosed voluntarily.

Remuneration policy

In determining the scale and structure of its awards the Committee also takes account of the need to offer a competitive remuneration structure to maintain the high calibre of the Executive Board and senior Group employees. Taking account of the position of the Group, the competitive environment and the potential growth of the Group the Committee believes that an overall compensation policy with a strong performance-related element is a prerequisite.

The main components of Executive Directors' Remuneration, which can be mirrored with senior executives are basic salary, annual salary, bonus and share options.

In relation to all the three main strands of remuneration the Committee reviews the structure on an annual basis and takes account of individual performance, external market data and reports provided by advisors.

The remuneration of Non-Executive Directors is set by the Board as a whole, taking account of input from advisors.

Directors service contracts

All of the Executive Directors have letters of appointment with the Company and subsidiary company service agreements which were entered into on 27 June 2006. Under the terms of the letters of appointment, each Director receives a fee of £60,000 per annum. The service agreements with Executive Directors provide for the contract to be terminable by either party on 12 months prior notice. The contracts allow for 25 days per annum paid holidays and allow for private medical insurance.

The Non-Executive Directors have both entered into letters of appointment with the Company, which now provide them with annual fees of £50,000. The appointments are for an initial period of one year and thereafter are terminable on three months' notice.

The remuneration of each of the Directors for the year ended 31 March 2011 is set out below:

	Salary US$'000	Fees US$'000	Benefits US$'000	2011 Total US$'000	2010 Total US$'000
Kishore Lulla	**664**	**94**	**13**	**771**	859
Vijay Ahuja	**297**	**94**	**8**	**399**	401
Jyoti Deshpande	**336**	**94**	**2**	**432**	633
Sunil Lulla	**396**	**94**	**87**	**577**	490
Dilip Thakkar	**–**	**67**	**–**	**67**	61
Naresh Chandra	**–**	**106**	**–**	**106**	61
Total	**1,693**	**549**	**110**	**2,352**	2,505

Benefits comprise of medical health insurance.

As at 31 March 2011 the following Director had options over shares in the Company as set out below:

Director	Date of grant	Exercise price	Period exercisable in normal circumstances	Number
Jyoti Deshpande	21 June 2006	£1.760	June 2006 to June 2016	68,782

In addition Jyoti Deshpande also held options in the Group's subsidiary undertaking Eros International Media Limited as set out below:

Director	Date of grant	Exercise price	Period exercisable in normal circumstances	Number
Jyoti Deshpande	27 December 2009	INR 75	December 2009 to December 2013	713,950

CORPORATE GOVERNANCE

Statement by the Directors on compliance with the Code of Best Practice

As an AIM listed company, Eros International Plc is not required to comply with the provisions of the Combined Code on Corporate Governance published by the Financial Reporting Council that applies to Companies with a full London Stock Exchange listing. However, the Directors acknowledge the importance and value of good corporate governance procedures and have selected those elements of the Combined Code that they consider relevant and appropriate to the Group taking account of its size and structure.

Corporate governance policy

The Board's overriding requirement when looking at what principles to apply to good governance are that the Company be run in the long-term interest of the shareholders. In order to do this, the Company needs to effectively manage relationships with its employees, suppliers and customers and behave in an ethical manner with regard to the environment and society as a whole.

The Board and its committees

At 31 March 2011, the Board consisted of four Executive Directors and two Non-Executive Directors. Naresh Chandra is the Senior Non-Executive Director. The two Non-Executive Directors have confirmed that they have been throughout the year, and continue to be, independent of the management of the Group and free from any business or other relationship that could materially interfere with the exercise of their independent judgement.

The Board operates both formally, through Board and Committee meetings, and informally, through regular contact amongst Directors and senior executives. The Board is supplied in a timely manner with information in a form and a quality appropriate to enable it to discharge its duties. There is a schedule of matters that are specifically reserved to the Board for its decision, including approval of interim and annual results, dividend policy, approval of circulars and listing particulars, matters relating to share capital, approval of major capital expenditure and investments. Jyoti Deshpande, one of the four executives has resigned from the Board as at 28 May 2011.

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

The Board formally approves the appointment of all new Directors. All Directors are required to submit themselves for re-election at the first Annual General Meeting following their appointment and subsequent to this at the Annual General Meeting on a rotational basis, which ensures that each Director is submitted for re-election approximately every three years.

The Chairman of the audit committee is Dilip Thakkar with Naresh Chandra being the other independent member. The Audit Committee operates under terms of reference agreed with the Board and will normally meet up to three times a year to consider amongst other matters:

- The preliminary announcement of the annual results, to review the year's results and the audit findings.
- Internal risk management and controls and to consider progress reports on such matters.
- The half-year results and the scope of the full year audit and associated considerations.
- In carrying out its operations that Committee particularly focuses on;
  - major judgemental areas;
  - accounting policies and practices; and
  - compliance with accounting standards, the AIM rules of the London Stock Exchange and legal requirements.

The effectiveness of the internal control system is under constant review and a formal assessment is ongoing. The Internal Audit function presently covers a significant part of the Group's business and is being extended. A new rights database and accounting system is currently being implemented with an expectation that implementation will commence in August 2011.

The Audit Committee also undertakes a formal assessment of the auditor's independence each year. Based on information supplied by the auditor and from its own assessment of the fees for audit and non-audit work for the Group in the year, the Committee has concluded that the nature and extent of the non-audit fees do not present a threat to the external auditor's independence.

In addition the Committee has approved the auditor's terms of engagement, the scope of the work and the process for the full audit. Based on written reports presented to the Audit Committee, the Committee has reviewed with the auditor the findings of their work and confirmed that all significant matters have been satisfactorily resolved.

During the year the Remuneration Committee comprised Naresh Chandra and Dilip Thakkar. The Committee meets periodically as required and is responsible for overseeing the policy regarding executive remuneration and for approving the remuneration packages for the Group's Executive Directors. It is also responsible for reviewing incentive schemes for the Group as a whole. Kishore Lulla as Executive Chairman, although not a member of the Committee, may attend meetings and provide input on proposals relating to other Executive Directors and other senior executives. He does not attend when the Committee discusses matters relating to him.

Board and Committee meeting attendance

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

	Board	Audit	Remuneration
Number of meetings			
Kishore Lulla	4	–	2
Vijay Ahuja	4	–	–
Jyoti Deshpande	4	–	–
Sunil Lulla	3	–	–
Dilip Thakkar	4	4	2
Naresh Chandra	3	3	2

Shareholder communication

The Company seeks to clearly communicate the plans they are pursuing and the likely financial and wider consequences of those plans. These goals and plans have been set out in the Chairman and CEO's Statement and the Operating Review and Financial Review. In addition, the Company seeks to regularly update shareholders through stock exchange announcements (RNS) and wider press releases on its activities. The Group has recently started to send out Shareholder's Bulletins and is exploring other ways of keeping interested parties informed of its progress.

The Executive Directors regularly meet with institutional shareholders to discuss the Company's performance and future prospects. Comments made and views communicated by the institutional shareholders at these meetings together with feedback from the Company's advisors are reported back to the Board so that it can understand any shareholder issues.

Principal risks and uncertainties

See pages 28 and 29.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF EROS INTERNATIONAL PLC

We have audited the Group and Parent Company financial statements of Eros International Plc for the year ended 31 March 2011 which comprise the Group and Parent Company statements of financial position, the Group and Parent Company statements of comprehensive income, the Group and Parent Company statements of cash flow, the Group and Parent Company statements of changes in equity and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards ("IFRS's") as adopted by the European Union.

This report is made solely to the Company's members, as a body, in accordance with Section 15 of the Companies Act 1982. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of Directors and auditors

As explained more fully in the Directors' responsibilities statement, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's ("APB's") Ethical Standards for Auditors.

Scope of the audit of the financial statements

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

Opinion on financial statements

In our opinion:

- the financial statements give a true and fair view of the state of the Group's and of the Parent Company's affairs as at 31 March 2011 and of the Group's and the Parent Company's profit for the year then ended;
- the Group financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union;
- the Parent Company financial statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice;
- the financial statements have been properly prepared in accordance with the requirements of the Isle of Man Companies Acts 1931 to 2004; and
- the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Separate opinion in relation to IFRSs as issued by the IASB

As explained in Note 1 to the principal accounting policies, the Group in addition to complying with its legal obligation to apply IFRSs as adopted by the European Union, has also applied IFRSs as issued by the International Accounting Standards Board ("IASB").

In our opinion the Group Financial Statements comply with IFRSs as issued by the IASB.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Isle of Man Companies Acts 1931 to 2004 requires us to report to you if, in our opinion:

- proper books of account have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of Directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Grant Thornton UK LLP
Chartered Accountants, Registered Auditors
Melton Street, Euston Square
London NW1 2EP

31 May 2011

CONSOLIDATED INCOME STATEMENT
For the year ended 31 March 2011

(US$'000)	Note	Year ended 31 March 2011	Year ended 31 March 2010
Revenue	1	**164,613**	149,729
Cost of sales		**(88,017)**	(81,710)
Gross profit		**76,596**	68,019
Administrative costs		**(19,225)**	(16,157)
Operating profit		**57,371**	51,862
Financing costs	4	**(3,570)**	(3,696)
Finance income	4	**1,986**	1,387
Net finance costs	4	**(1,584)**	(2,309)
Impairment of available-for-sale financial assets	13	**–**	(6)
Profit before tax		**55,787**	49,547
Income tax expense	5	**(8,237)**	(7,152)
Profit for the year		**47,550**	42,395
Attributable to:			
Owners of the parent		**44,796**	42,323
Non-controlling interest		**2,754**	72
		47,550	42,395
Earnings per share (cents)			
Basic earnings per share	8	**38.6**	36.5
Diluted earnings per share	8	**38.1**	36.1

CONSOLIDATED STATEMENT OF OTHER COMPREHENSIVE INCOME

(US$'000)	Note	Year ended 31 March 2011	Year ended 31 March 2010
Profit for the year		**47,550**	42,395
Revaluation of freehold buildings		**(67)**	–
Movement in fair value of available-for-sale securities	13	**(3,045)**	1,181
Exchange differences on translating foreign operations		**376**	3,991
Change in fair value of financial derivatives		**549**	773
Total comprehensive income for the period		**45,363**	48,340
Attributable to owners of Eros International Plc		**42,605**	48,268

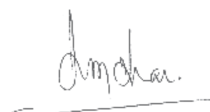
The accompanying account policies and notes form an integral part of these financial statements.

STATEMENT OF CONSOLIDATED FINANCIAL POSITION

At 31 March 2011

(US$'000)	Note	As at 31 March 2011	2010
ASSETS			
Non-current assets			
Property, plant and equipment	9	**14,075**	5,433
Goodwill	10	**1,878**	1,878
Intangible assets – trade name	10	**14,000**	14,000
Intangible assets – content	11	**421,901**	349,228
Intangible assets – others	12	**698**	692
Available-for-sale investments	13	**25,556**	26,581
Deferred tax assets	7	**265**	111
		478,373	397,923
Current assets			
Inventories	15	**1,561**	1,794
Trade and other receivables	16	**57,659**	54,795
Current tax receivable		**6,081**	3,452
Cash and cash equivalents	18	**126,167**	87,613
		191,468	147,654
Total assets		**669,841**	545,577
LIABILITIES			
Current liabilities			
Trade and other payables	17	**23,197**	28,397
Short-term borrowings	19	**49,611**	40,478
Derivative financial instruments	22	**4,579**	5,128
Current tax payable		**429**	363
		77,816	74,366
Non-current liabilities			
Long-term borrowings	19	**149,310**	151,441
Deferred tax	7	**17,340**	12,581
		166,650	164,022
Total liabilities		**244,466**	238,388
Net assets		**425,375**	307,189
EQUITY			
Equity attributable to equity holders of the parent			
Share capital	21	**21,349**	21,349
Share premium		**128,296**	128,296
Translation reserve		**102**	(270)
Reverse acquisition reserve		**(22,752)**	(22,752)
Other reserves		**56,893**	6,817
Retained earnings		**205,745**	171,549
		389,633	304,989
Non-controlling interest		**35,742**	2,200
Total equity		**425,375**	307,189

The consolidated financial statements were approved by the Board on 31 May 2011 and are signed on its behalf by:



Kishore Lulla

Company registration no 116107C

The accompanying accounting policies and notes form an integral part of these financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 March 2011

(US$'000)	Note	2011	2010
		Year ended 31 March	
Cash flow from operating activities			
Profit before tax		**55,787**	49,547
Adjustments for:			
Depreciation	9	**928**	1,030
Share-based payment	3	**927**	309
Amortisation of intangibles		**68,114**	57,464
Non-cash items		**–**	1,114
Net finance charge	4	**1,584**	2,309
Impairment of available-for-sale financial assets		**–**	6
Movement in trade and other receivables		**(2,618)**	5,049
Movement in inventories		**248**	335
Movement in trade payables		**(7,873)**	3,990
(Profit)/loss on sale of property, plant and equipment		**(193)**	110
Cash generated from operations		**116,904**	121,263
Interest paid		**(9,906)**	(9,757)
Income taxes paid		**(6,337)**	(3,230)
Net cash from operating activities		**100,661**	108,276
Cash flows from investing activities			
Purchase of property, plant and equipment		**(9,964)**	(683)
Proceeds from disposal of property, plant and equipment		**784**	85
Purchase of intangible film rights and related contents		**(129,806)**	(81,464)
Purchase of intangible assets others		**(268)**	(58)
(Purchase)/sale of available-for-sale financial assets		**(2,020)**	2
Interest received		**1,942**	1,387
Net cash used in investing activities		**(139,332)**	(80,731)
Cash flows from financing activities			
Net proceeds from issue of share capital by subsidiary		**71,063**	–
Payment/(repayment) of short-term borrowings		**8,613**	(20,901)
Proceeds/(repayment) from long-term borrowings		**(2,233)**	24,186
Net cash from financing activities		**77,443**	3,285
Net increase in cash and cash equivalents		**38,772**	30,830
Effects of exchange rate changes on cash and cash equivalents		**(218)**	971
Cash and cash equivalents at beginning of year		**87,613**	55,812
Cash and cash equivalents at end of year	18	**126,167**	87,613

The accompanying principal accounting policies and notes form an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 March 2011

(US$'000)	Share capital	Share premium account	Translation reserve	Retained earnings	Reverse acquisition reserve	Other reserves	Total	Non-controlling interest	Total equity
Balance at 31 March 2010	21,349	128,296	(270)	171,549	(22,752)	6,817	304,989	2,200	307,189
Revaluation of land	–	–	–	–	–	(67)	(67)	–	(67)
Revaluation of investments	–	–	–	–	–	(3,045)	(3,045)	–	(3,045)
Hedging reserves	–	–	–	–	–	549	549	–	549
Currency translation	–	–	372	–	–	–	372	4	376
Other comprehensive income	**–**	**–**	**372**	**–**	**–**	**(2,563)**	**(2,191)**	**4**	**(2,187)**
Profit for the year	–	–	–	44,796	–	–	44,796	2,754	47,550
Total comprehensive income for the period	**–**	**–**	**372**	**44,796**	**–**	**(2,563)**	**42,605**	**2,758**	**45,363**
Shares issued by subsidiaries	–	–	–	(11,527)	–	52,639	41,112	30,784	71,896
Share-based payment	–	–	–	927	–	–	927	–	927
Balance at 31 March 2011	**21,349**	**128,296**	**102**	**205,745**	**(22,752)**	**56,893**	**389,633**	**35,742**	**425,375**
Balance at 31 March 2009	21,210	127,321	(4,261)	128,917	(22,752)	4,863	255,298	2,128	257,426
Revaluation of available-for-sale investments	–	–	–	–	–	1,181	1,181	–	1,181
Hedging reserves	–	–	–	–	–	773	773	–	773
Currency translation	–	–	3,991	–	–	–	3,991	–	3,991
Other comprehensive income	**–**	**–**	**3,991**	**–**	**–**	**1,954**	**5,945**	**–**	**5,945**
Profit for the year	–	–	–	42,323	–	–	42,323	72	42,395
Total comprehensive income for the period	**–**	**–**	**3,991**	**42,323**	**–**	**1,954**	**48,268**	**72**	**48,340**
Shares issued	139	975	–	–	–	–	1,114	–	1,114
Share-based payment	–	–	–	309	–	–	309	–	309
Balance at 31 March 2010	21,349	128,296	(270)	171,549	(22,752)	6,817	304,989	2,200	307,189

The accompanying account polices and notes form an integral part of these financial statements.

PRINCIPAL ACCOUNTING POLICIES

1 Nature of operations, general information and basis of preparation
Eros International Plc ("Eros") and its subsidiaries' (the "Group") principal activities include the acquisition, co-production and distribution of Indian films and related content which have been discussed earlier in the Operating and Financial Reviews. Eros is the Group's ultimate Parent Company. It is incorporated and domiciled in the Isle of Man. The address of Eros' registered office is Fort Anne, Douglas Isle of Man IM1 5PD. Eros' shares are listed on the Alternative Investment Market ("AIM") of the London Stock Exchange (ticker EROS:LN).

The consolidated financial statements of the Group and the Group's interest in jointly controlled entities have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("ISAB") and adopted by the European Union and the Isle of Man Companies Acts 1931 to 2004. The financial statements have been prepared under the historical cost convention on a going concern basis, with the exception of certain non-current assets and financial derivatives both of which are carried at fair value in accordance with the Group's Accounting Policies.

The Group's accounting policies as set out below have been applied consistently throughout the Group to all the periods presented, unless otherwise stated. The presentational currency of the Group is US Dollars ("US$") as this is the currency that the majority of its funding and transactions are denominated in. The Company's functional currency has significantly changed to Indian Rupees ("INR") with increase in operations of its Indian subsidiary. However the Company's major financial liabilities are borrowed in US$ as also the Company is listed on the AIM exchange with foreign investments in equity by financial institutional investors. The Company therefore continues to use its presentational currency as US$.

IFRS 8 Operating Segments requires disclosure of information about the Group's operating segments and also about the Group's businesses and the geographical area in which it operates. The Board has reviewed the operating segments for the purpose of meeting the requirement of IFRS 8 and has combined the business into a single operating segment being Filmed Entertainment. This has been explained further in 3.3 below.

The financial statements for the year ended 31 March 2011 were approved for issue by the Board of Directors on 31 May 2011.

2 Going concern
The Directors acknowledge the latest guidance issued by the Financial Reporting Council in October 2009: "Going Concern and Liquidity Risk: Guidance for Directors of UK Companies 2009".

The Group's activities, together with the factors likely to affect its future development are set out in the Business and Financial Review.

The Group meets its day to day working capital requirements and funds its investment on content through a variety of banking arrangements and cash generated from operations. Under the terms of the banking arrangements the Group is able to draw down in the local currencies of its operating businesses. The amounts drawn by currency at 31 March 2011 are shown in note 22 to the accounts.

The facilities are subject to individual covenants which vary but include provisions such as a fixed charge over certain assets, total available facilities against balance sheet value, net debt against EBITDA, and a negative pledge. The Group is now cash generating and is in full compliance with its existing bank facility covenant arrangements. As at 31 March 2011 the Group had US$126.2 million of cash, US$72.8 million of net debt and undrawn amounts under the facility of US$26.1 million.

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

3 Summary of accounting policies
3.1 Overall considerations
The significant accounting policies that have been used in the preparation of these consolidated financial statements are summarised below. Financial statements are subject to the application of significant accounting estimates and judgements. These are summarised in note 27.

3 Summary of accounting policies continued

3.2 Basis of consolidation

In respect of the combination of Eros and Eros Worldwide FZ LLC the principles of reverse acquisition accounting have been applied with Eros Worldwide FZ LLC identified as the acquirer. Under the principles of reverse acquisitions, the cost of the acquisition is measured at the fair value of the notional number of equity instruments that would have been issued by the subsidiaries to the parent in order to provide the resulting 100% ownership in Eros Worldwide FZ LLC. The net assets of the parent are restated to fair value in the consolidated financial statements and the goodwill (if any) is calculated based on the difference between the cost of acquisition and the restated net assets of the parent.

The share capital and premium reported in the consolidated balance sheet is required to be that of the legal parent. However, it is also a requirement that the total of the issued equity instruments of the consolidated Group should reflect that of the legal subsidiaries plus the cost of the acquisition. To achieve this, a reverse acquisition reserve is created, being the difference between the required total of the Group's equity instruments and the reported equity of the legal parent. The reported consolidated retained earnings are the consolidated retained earnings of the legal subsidiaries plus those of the legal parent subsequent to the reverse combination, plus the retained earnings of Eros Worldwide FZ LLC at the date of the business combination.

The Group financial statements consolidate those of the Company and all of its subsidiary undertakings drawn up to the balance sheet date. Subsidiaries are entities over which the Group has the power to control the financial and operating policies so as to obtain benefits from its activities taking account of the provisions of IAS 27 Consolidated and Separate Financial Statements. Due to the nature of the Group's activities, whereby it will enter in co-productions and other arrangements in order to source film content which sometimes involves the set up of special purpose entities for individual film productions, it evaluates these arrangements also in the context of SIC-12 Consolidation – Special Purpose Entities and consolidates such entities where appropriate. The Group obtains and exercises control through voting rights.

Unrealised gains on transactions between the Group and its subsidiaries are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Amounts reported in the financial statements of subsidiaries have been adjusted where necessary to ensure consistency with the accounting policies adopted by the Group.

Business combinations are dealt with by the purchase method. The purchase method involves the recognition at fair value of all identifiable assets and liabilities, including contingent liabilities of the subsidiary, at the acquisition date, regardless of whether or not they were recorded in the financial statements of the subsidiary prior to acquisition. On initial recognition, the assets and liabilities of the subsidiary are included in the consolidated balance sheet at their fair values, which are also used as the bases for subsequent measurement in accordance with the Group accounting policies. Goodwill is stated after separating out identifiable intangible assets. Goodwill represents the excess of acquisition cost over the fair value of the Group's share of the identifiable net assets of the acquired subsidiary at the date of acquisition.

3.3 Segment reporting

IFRS 8 requires operating segments to be identified on the same basis as is used internally for the review of performance and allocation of resources by the Group Chief Executive. Provided certain quantitative and qualitative criteria are fulfilled, IFRS 8 permits the aggregation of these components into reportable segments for the purposes of disclosure in the Group's financial statements. In assessing the Group's reportable segments, the Directors have had regard to the similar economic characteristics of certain operating segments, their similar client base, the similar nature of their products or services and their long-term margins, amongst other factors. The Board has reviewed the operating segments. The revenues of films are earned over various formats. However all such formats are functional activities of filmed entertainment and these activities take place on an integrated basis. The management team primarily monitors performance based on individual films or catalogues and resources are allocated on this basis. Certain resources such as publicity and advertising, and the cost of a film are also reviewed globally. The senior executive team review the financial information on an integrated basis for the Group as a whole, with respective heads of business who are geographically located and in accordance with IFRS 8, the Company will be providing only a geographical split as it considers that all activities fall within one segment of business which is filmed entertainment. This is a change to previous periods where segmental information has been provided geographically and split between Theatrical, Television and Digital and New Media. As of 31 March 2011, Eros had one operating segments engaging in filmed entertainment. Although this is a change in accounting policy, the Group have not presented a third statement of financial position given the information is unchanged from the previously published financial statements.

Eros has identified four geographic areas, consisting of its main geographic areas (India, US and Europe), together with the rest of the world.

Corporate assets which are not directly attributable to the business activities of any operating segment are not allocated.

3 Summary of accounting policies continued

3.4 Revenue

Revenue is recognised, net of sales taxes, when persuasive evidence of an arrangement exists, the fees are fixed or determinable, the product or service is available for delivery and collectability is reasonably assured. The Group considers the terms of each arrangement to determine the appropriate accounting treatment.

The following additional criteria apply in respect of various revenue streams within filmed entertainment:

- Theatrical – Revenue is stated at the minimum guarantee due, where applicable, plus the declared Group's share of box office receipts in excess of the minimum guarantee.
- Television syndication – License fees received in advance which do not meet all the above criteria are included in deferred income until the above criteria is met.
- Digital and home entertainment – DVD, CD and video distribution revenue is recognised on the date the product is delivered or if licensed the date the revenue is contracted or declared. Provision is made for returns where applicable. New media revenues are recognised at the earlier of when the content is accessed or declared. Other revenues include visual effects, production and other fees for services rendered by the Group and overhead recharges, which are recognised in the period in which they are earned. Digital and other new media revenues are recognised at the earlier of when the content is accessed or declared.

Interest income is reported on an accruals basis. Dividends received are recognised at the time of their distribution.

3.5 Goodwill

Goodwill represents the excess of the consideration transferred in a business combination over the fair value of the Group's share of the identifiable net assets acquired. Goodwill is carried at cost less accumulated impairment losses. Negative goodwill is recognised immediately after acquisition in the income statement.

3.6 Intangible assets

Non-current intangible assets acquired by the Group are stated at cost less accumulated amortisation less impairment except those acquired as part of a business combination, which are shown at fair value at the date of acquisition less accumulated amortisation. The trade name is considered to have an indefinite life and is held at cost less impairment.

Content

Investments in films and associated rights, including acquired rights and distribution advances in respect of completed films, are stated at cost less amortisation less provision for impairment. Costs include production costs, overhead and capitalised interest costs net of any amounts received from third party investors. A charge is made to write down the cost of completed rights over the estimated useful lives except where the asset is not yet available for exploitation. The average life of assets in accordance with management's estimate is the lesser of 10 years or the remaining life of the content rights. The amortisation charge is recognised in the income statement within cost of sales. The determination of useful life is based upon management's judgement and includes assumptions on the timing and future estimated revenues to be generated by these assets – see further details in note 27.3.

Trade name

"Eros" the trade name is considered to have an indefinite economic life because of the institutional nature of the corporate brand name, its proven ability to maintain market leadership and the Group's commitment to develop and enhance its value. The carrying value is reviewed at least annually for impairment and adjusted to recoverable amount if required.

Subsequent expenditure

Expenditure on capitalised intangible assets subsequent to the original expenditure is included only when it increases the future economic benefits embodied in the specific asset to which it relates.

Internally generated assets

An internally generated intangible asset arising from the Group's development activities that is expected to be completed is recognised only if all the following criteria are met:

- an asset is created that can be identified (such as software and new processes);
- it is probable that the asset created will generate future economic benefits; and
- the development cost can be measured reliably.

When these criteria are met and there are appropriate resources to complete development, the expenditure is capitalised at cost. Where these criteria are not met development expenditure is recognised as an expense in the period in which it is incurred. Internally generated intangible assets are amortised over their useful economic life from the date that they start generating future economic benefits on a straight-line basis over three years. The amortisation charge is recognised within cost of sales.

3 Summary of accounting policies continued

3.7 Impairment testing of goodwill, other intangible assets and property, plant and equipment

For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). As a result, some assets are tested individually for impairment and some are tested at cash-generating unit level. Goodwill is allocated to those cash-generating units that are expected to benefit from synergies of the related business combination and represent the lowest level within the Group at which management monitors the related cash flows.

Goodwill, other individual assets or cash-generating units that include goodwill, other intangible assets with an indefinite useful life, and those intangible assets not yet available for use are tested for impairment at least annually. All other individual assets or cash-generating units are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

An impairment loss is recognised for the amount by which the asset's or cash-generating unit's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of fair value, reflecting market conditions less costs to sell, and value in use based on an internal discounted cash flow evaluation. Impairment losses recognised for cash-generating units, to which goodwill has been allocated, are credited initially to the carrying amount of goodwill. Any remaining impairment loss is charged pro rata to the other assets in the cash-generating unit. In accordance with IAS 36 Impairment of Assets, film content costs are stated at the lower of unamortised cost or estimated fair value on a catalogue basis as the nature of the Group's business, the contracts it has in place and the markets it operates in do not yet make an ongoing individual film evaluation feasible with reasonable certainty. With the exception of goodwill, all assets are subsequently reassessed for indications that an impairment loss previously recognised may no longer exist.

3.8 Property, plant and equipment

Property, plant and equipment are stated at historical cost less accumulated depreciation and impairment. Land and freehold buildings are shown at fair value, based on periodic but at least three separate valuations by an external independent valuer, less subsequent depreciation for freehold buildings. Any accumulated depreciation at the date of revaluation is eliminated against the gross carrying amount of the asset and the net amount is restated to the revalued amount. Increases in the carrying amount arising on revaluation of freehold land and buildings are credited to other reserves in shareholders' equity. Decreases that offset previous increases are charged against other reserves.

Depreciation is provided to write off the cost of all property, plant and equipment to their residual value over their expected useful lives calculated on the historical cost of the assets at the following rates:

	Rate of depreciation % straight-line per annum
Land and building	2–10
Furniture, fixtures and equipment	15–20
Vehicles, plant and machinery	15–40

Material residual value estimates are updated as required, but at least annually, whether or not the asset is revalued.

3.9 Inventories

Inventories are valued at the lower of cost and net realisable value. Cost is defined as follows;

- Finished goods – at purchase price, including appropriate labour costs and other overheads.
- Raw materials – at purchase price.

Purchase price is assigned using a weighted average basis. Net realisable value is defined as anticipated selling price or anticipated revenue less cost to completion.

3.10 Cash and cash equivalents

Cash and cash equivalents include cash in hand, deposits held at call with banks, other short-term highly liquid investments which are readily convertible into known amounts of cash and are subject to insignificant risk of changes in value and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities on the balance sheet.

3 Summary of accounting policies continued

3.11 Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost with any difference between the proceeds (net of transaction costs) and the redemption value recognised in the income statement within finance costs over the period of the borrowings using the effective interest method. Finance costs in respect of film productions and other assets which take a substantial period of time to get ready for use or exploitation are capitalised as part of the asset.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the balance sheet date.

3.12 Financial assets

Financial assets are divided into the following categories:

- Loans and receivables.
- Available-for-sale financial assets.

Financial assets are assigned to the different categories by management on initial recognition, depending on the purpose for which they were acquired. The designation of financial assets is re-evaluated at every reporting date at which a choice of classification or accounting treatment is available.

All financial assets are recognised when the Group becomes a party to the contractual provisions of the instrument. Financial assets are initially recognised at fair value plus transaction costs. Where the range of values arrived at do not allow a fair value to be stated with reasonable certainty the financial assets were stated at cost.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Trade receivables are classified as loans and receivables. Loans and receivables are measured subsequent to initial recognition at amortised cost using the effective interest method, less provision for impairment. Any change in their value through impairment or reversal of impairment is recognised in the income statement.

Provision against trade receivables is made when there is objective evidence that the Group will not be able to collect all amounts due to it in accordance with the original terms of those receivables. The amount of the write down is determined as the difference between the asset's carrying amount and the present value of estimated future cash flows.

Available-for-sale financial assets

Available-for-sale financial assets include non-derivative financial assets that are either designated as such or do not qualify for inclusion in any of the other categories of financial assets. All financial assets within this category are measured subsequently at fair value, with changes in value recognised in other comprehensive income. Gains and losses arising from investments classified as available-for-sale are recognised in the income statement when they are sold or when the investment is impaired.

In the case of impairment of available-for-sale assets, any loss previously recognised in other comprehensive income is transferred to the income statement. Impairment losses recognised in the income statement on equity instruments are not reversed through the income statement. Impairment losses recognised previously on debt securities are reversed through the income statement when the increase can be related objectively to an event occurring after the impairment loss was recognised in the income statement.

The fair value of financial instruments traded in active markets (such as trading and available-for-sale securities) is based on quoted market prices at the balance sheet date. The quoted market price used for financial assets held by the Group is the current bid price.

The fair values of financial instruments that are not traded in an active market are determined by using valuation techniques. The Group uses its judgement to select a variety of methods and make assumptions that are mainly based on market conditions existing at each balance sheet date. The Group has used discounted cash flow analysis for various available-for-sale financial assets that are not traded in active markets.

An assessment for impairment is undertaken at least at each balance sheet date.

A financial asset is derecognised only where the contractual rights to the cash flows from the asset expire or the financial asset is transferred and that transfer qualifies for derecognition. A financial asset is transferred if the contractual rights to receive the cash flows of the asset have been transferred or the Group retains the contractual rights to receive the cash flows of the asset but assumes a contractual obligation to pay the cash flows to one or more recipients. A financial asset that is transferred qualifies for derecognition if the Group transfers substantially all the risks and rewards of ownership of the asset, or if the Group neither retains nor transfers substantially all the risks and rewards of ownership but does transfer control of that asset.

3 Summary of accounting policies continued

3.13 Financial liabilities

Financial liabilities are obligations to pay cash or other financial assets and are recognised when the Group becomes a party to the contractual provisions of the instrument. Financial liabilities are recorded initially at fair value, net of direct issue costs.

A financial liability is derecognised only when the obligation is extinguished, that is, when the obligation is discharged or cancelled or expires. Changes in liabilities' fair value that are reported in profit and loss are included in the income statement within finance costs or finance income.

3.14 Derivative financial instruments and hedging

The Group uses derivative financial instruments to reduce its exposure to interest rate movements. The Group does not hold or issue derivative financial instruments for financial trading purposes.

Derivative financial instruments are classified as held-for-trading and recognised in the balance sheet at fair value. Derivatives designated as hedging instruments are classified on inception as cash flow hedges, net investment hedges or fair value hedges.

Changes in the fair value of derivatives designated as cash flow hedges are recognised in equity, to the extent that they are deemed effective. Ineffective portions are immediately recognised in the income statement. When the hedged item affects profit or loss then the amounts deferred in equity are recycled to the income statement.

Changes in the fair value of any derivative instruments that do not qualify for hedge accounting are immediately recognised in the income statement.

3.15 Provisions

Provisions are recognised when the Group has a 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 obligations. Provisions are measured at the Directors' best estimate of the expenditure required to settle the obligations at the balance sheet date and are discounted to present value where the effect is material.

3.16 Leases

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments under such leases are charged to the income statement on a straight-line basis over the period of the lease.

3.17 Taxation

Taxation on profit and loss comprises current tax and deferred tax. Tax is recognised in the income statement except to the extent that it relates to items recognised directly in equity in which case it is recognised in equity.

Current tax is provided at amounts expected to be paid (or recovered) using the tax rates and laws that have been enacted or substantially enacted at the balance sheet date along with any adjustment relating to tax payable in previous years.

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. The following temporary differences are not provided for: the initial recognition of goodwill, of assets and liabilities that affect neither accounting nor taxable profit other than in a business combination and differences relating to investments in subsidiaries to the extent that they will probably not reverse. Deferred income tax is provided at amounts expected to be paid (or recovered) using the tax rates and laws that have been enacted or substantially enacted at the balance sheet date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled in the appropriate territory.

3.18 Employee benefits

The Group operates defined contribution pension plans, healthcare and insurance plans on behalf of its employees. The amounts due are all expensed as they fall due.

In accordance with IFRS 2 Share-based Payments, the fair value of shares or options granted is recognised as personnel costs with a corresponding increase in equity. The fair value is measured at the grant date and spread over the period during which the recipient becomes unconditionally entitled to payment unless forfeited or surrendered.

The fair value of share options granted is measured using the Black-Scholes model, each taking into account the terms and conditions upon which the grants are made. The amount recognised as an expense is adjusted to reflect the best available estimate of the number of options that are expected to become exercisable. None of the Group plans feature any options for cash settlements.

Upon exercise of share options, the proceeds received net of any directly attributable transaction costs up to the nominal value of the shares is allocated to share capital with any excess being recorded as additional paid in capital.

3 Summary of accounting policies continued

3.19 Foreign currencies

Transactions in foreign currencies are translated at the exchange rate ruling at the date of the transaction. Monetary assets and liabilities in foreign currencies are translated at the rates of exchange ruling at the balance sheet date. Non-monetary items that are measured at historical cost in a foreign currency are translated at the exchange rate at the date of the transaction. Non-monetary items that are measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

Any exchange differences arising on the settlement of monetary items or on translating monetary items at rates different from those at which they were initially recorded are recognised in profit or loss in the period in which they arise. Translation of non-monetary items are recognised in other comprehensive income unless they relate to a gain or loss on that non-monetary item, in which case such gains and losses are recognised in the income statement.

The assets and liabilities in the financial statements of foreign subsidiaries and related goodwill are translated at the rate of exchange ruling at the balance sheet date. Income and expenses are translated at the actual rate. The exchange differences arising from the retranslation of the opening net investment in subsidiaries are taken directly to the "translation reserve" in equity. On disposal of a foreign operation the cumulative translation differences (including, if applicable, gains and losses on related hedges) are transferred to the income statement as part of the gain or loss on disposal.

Deferred income tax is recognised in respect of overseas subsidiaries except where the Group is able to control the timing of the reversal of the temporary difference and that the temporary difference will not reverse in the foreseeable future. Deferred income tax assets are recognised to the extent that it is probable that future taxable profit will be available against which temporary differences can be utilised.

3.20 Equity

Equity comprises the following components:

- Share capital – this represents the nominal value of equity shares.
- Share premium – this represents the excess over nominal value of the fair value of consideration received for equity shares, net of expenses of the share issue.
- Translation reserve – this represents the differences arising from translation of investments in overseas subsidiaries.
- Other reserves – this represents amounts arising from the changes in fair value of available-for-sale financial assets, property revaluations, merger reserve and derivative financial instruments.
- Reverse acquisition reserve – this represents the difference between the required total of the Group's equity instruments and the reported equity of the legal parent.
- Non-controlling interests – this represents amounts attributable to non-controlling as a result of their interests in subsidiary undertakings.

CONSOLIDATED NOTES TO THE FINANCIAL STATEMENTS

At 31 March 2011

1 Business segmental data

As explained in the Principal Accounting Policies, management generally identifies only one operating segment in the business, filmed entertainment. This single operating segment is monitored and strategic decisions are made on the basis of this segment alone. As a result only the geographic reporting analysis has been included in this note.

The breakdown of operational assets and liabilities and capital expenditure by segment has not been shown as it can only be provided as an arbitrary breakdown.

There were no significant non-cash expenses during the year except the impairment, loss on sale of assets, share-based incentives, depreciation and amortisation disclosed above and a share-based payment charge of 2011: US$927,000 (2010: US$309,000). One customer, television sales agent Dhrishti Creations Private Limited, accounted for 23% of the Group's revenues. No other customers accounted for more than 10% of the Group's revenues.

Geographic reporting

Eros has identified four geographic areas consisting of its three main geographic markets (India, North America, and Europe) as well as the rest of the world. Information revenues are presented based on the customers' location.

	Year ended 31 March	
Revenue	**2011 US$'000**	2010 US$'000
India	**108,339**	96,221
Europe	**21,787**	19,420
North America	**8,617**	8,094
Rest of the world	**25,870**	25,994
Total revenue	**164,613**	149,729
Cost of sales (excluding amortisation)	**(19,904)**	(24,246)
Gross profit (excluding amortisation)	**144,709**	125,483
Administrative expenses (excluding depreciation)	**(18,297)**	(15,127)
EBITDA	**126,412**	110,356

	31 March 2011			
	India US$'000	**North America US$'000**	**Europe US$'000**	**Rest of the World US$'000**
Segment assets	**254,383**	**1,759**	**152,273**	**261,426**

	31 March 2010			
	India US$'000	North America US$'000	Europe US$'000	Rest of the World US$'000
Segment assets	207,190	1,739	95,644	241,004

2 Additional information on administrative expenses

Auditor's remuneration:

	Year ended 31 March	
	2011 US$'000	2010 US$'000
Audit of the Group's annual accounts pursuant to legislation	**228**	177
Audit of Company's subsidiaries pursuant to legislation	**252**	163
Other services	**26**	6
Tax compliance and advisory services	**13**	38

In addition to the above US$182,400 in respect of fees in connection with the Indian initial public offering ('IPO") were accounted for within other reserves.

CONSOLIDATED NOTES TO THE FINANCIAL STATEMENTS CONTINUED

At 31 March 2011

2 Additional information on administrative expenses continued

Profit before tax is arrived at after the following being charged/(credited) to the income statement:

	Year ended 31 March	
	2011 US$'000	2010 US$'000
Depreciation of property, plant and equipment	**928**	1,030
(Profit)/loss on sale of property, plant and equipment	**(193)**	110
Amortisation of content assets and other intangible assets	**68,113**	57,464
Operating lease rentals	**1,895**	2,231
Foreign exchange gains	**(261)**	(408)

3 Personnel costs and average employee numbers

	Year ended 31 March	
	2011 Number	2010 Number
Annual average number of full time equivalent employees	**349**	395

	US$'000	US$'000
Salaries	**9,814**	9,426
Social security and other employment charges	**647**	609
Wages and expenses	**9,561**	10,015
Share-based compensation	**927**	309
Pension charges	**30**	29
Personnel costs	**11,418**	10,353

Directors' remuneration, which corresponds to key management, is disclosed within the remuneration report. In addition US$651,000 (2010: US$226,000) of the share-based compensation charge related to key management.

4 Finance charges and income

	Year ended 31 March	
	2011 US$'000	2010 US$'000
Interest expense on borrowings	**8,677**	8,962
Loss on financial instruments on measurement to fair value	**–**	176
Reclassification of gains on hedging previously recognised in other comprehensive income	**3,068**	3,086
Capitalised interest	**(8,175)**	(8,528)
	3,570	3,696
Less: Interest Received	**(1,986)**	(1,387)
	1,584	2,309

The capitalisation rate of interest was 6.0% (2010: 7.2%).

5 Income tax expense

	Year ended 31 March	
	2011 US$'000	2010 US$'000
Current tax expense	**3,632**	2,290
Deferred tax	**–**	–
Origination and reversal of temporary differences	**4,605**	4,862
Provision for income taxes	**8,237**	7,152

6 Reconciliation of tax charge

	Year ended 31 March 2011 US$'000	2010 US$'000
Results for the year	**55,787**	49,547
Isle of Man standard tax rate	**0%**	0%
Theoretical provision for income taxes based on Isle of Man standard tax rate		
Reconciliation of the theoretical and effective provision for current income taxes:		
Differences in tax rates	**4,840**	1,671
Expenses not deductible for tax purposes	**–**	–
Utilisation of tax losses	**(14)**	–
Other temporary differences	**275**	–
Adjustment in respect of prior periods	**(1,469)**	81
Foreign tax	**–**	538
Effective provision for current income taxes	**3,632**	2,290
Deferred tax	**4,605**	4,862
	8,237	7,152

7 Changes in deferred tax assets and liabilities

	Year ended 31 March 2011 US$'000	2010 US$'000
Opening balance of deferred tax liabilities	**(12,470)**	(6,704)
Effect on provision for income taxes	**(4,605)**	(5,766)
Closing balance of deferred tax liabilities	**(17,075)**	(12,470)

Deferred tax is calculated in full on all temporary differences under the liability method using the local tax rate of the country in which the timing difference occurs. Movements in specific deferred tax assets and liabilities during the year are shown below.

	Other temporary differences US$,000
At 31 March 2010	(12,470)
Foreign exchange translation	–
Recognised in the income statement	(4,605)
At 31 March 2011	**(17,075)**

Components of deferred tax assets and liabilities

	Year ended 31 March 2011 US$'000	2010 US$'000
Deferred tax assets		
Tax losses	**265**	111
Deferred tax liabilities		
Other	**(17,340)**	(12,581)
Deferred tax (liabilities)/assets	**(17,075)**	(12,470)

The deferred tax assets have been recognised on the basis of that there is sufficient certainty of profitability to utilise the available losses. "Other" deferred tax liabilities principally comprise temporary timing differences on investments in film content within India.

8 Earnings per share

	Year ended 31 March			
	2011		2010	
	Basic	Diluted	Basic	Diluted
Earnings (US$'000)				
Earnings attributable to the equity holders of the parent	**44,796**	**44,796**	42,323	42,323
Potential dilutive effect related to share-based compensation scheme in subsidiary undertaking	**–**	**(481)**	–	(412)
Adjusted earnings attributable to equity holders of the parent	**44,796**	**44,315**	42,323	41,911
Number of shares (in thousands)				
Weighted average number of shares	**116,134**	**116,134**	115,834	115,834
Potential dilutive effect related to share-based compensation scheme	**–**	**187**	–	187
Adjusted weighted average number of shares	**116,134**	**116,321**	115,834	116,021
Earnings per share (in US cents)				
Earnings attributable to the equity holders of the parent per share	**38.6**	**38.1**	36.5	36.1

9 Property, plant and equipment

	Land and building US$'000	Furniture, fittings and equipment US$'000	Vehicles US$'000	Plant and machinery US$'000	Total US$'000
Year ended 31 March 2011					
Opening net book amount	**2,271**	**1,012**	**594**	**1,556**	**5,433**
Exchange differences	**218**	**18**	**6**	**20**	**262**
Additions	**8,834**	**622**	**301**	**142**	**9,899**
Disposals	**(429)**	**–**	**(159)**	**(3)**	**(591)**
Depreciation charge	**(127)**	**(136)**	**(161)**	**(504)**	**(928)**
Closing net book amount	**10,767**	**1,516**	**581**	**1,211**	**14,075**
At 31 March 2011					
Cost or valuation	**11,764**	**2,742**	**1,693**	**5,027**	**21,226**
Accumulated depreciation	**(997)**	**(1,226)**	**(1,112)**	**(3,816)**	**(7,151)**
Net book amount	**10,767**	**1,516**	**581**	**1,211**	**14,075**

	Land and building US$'000	Furniture, fittings and equipment US$'000	Vehicles US$'000	Plant and machinery US$'000	Total US$'000
Year ended 31 March 2010					
Opening net book amount	2,033	1,052	692	1,886	5,663
Exchange differences	15	102	57	223	397
Additions	291	109	93	105	598
Disposals	–	(104)	(48)	(43)	(195)
Depreciation charge	(68)	(147)	(200)	(615)	(1,030)
Closing net book amount	2,271	1,012	594	1,556	5,433
At 31 March 2010					
Cost or valuation	2,712	2,102	1,386	4,865	11,065
Accumulated depreciation	(441)	(1,090)	(792)	(3,309)	(5,632)
Net book amount	2,271	1,012	594	1,556	5,433

10 Goodwill and trade name

	2010 US$'000	Additions US$'000	As of 31 March 2011 US$'000
Eros Network Limited – goodwill	1,878	–	**1,878**
Trade names	14,000	–	**14,000**
Net book value at 31 March 2011	15,878	–	**15,878**

	As of 31 March 2009	Business combinations US$'000	As of 31 March 2010 US$'000
Eros Network Limited – goodwill	1,878	–	1,878
Trade names	14,000	–	14,000
Net book value at 31 March 2010	15,878	–	15,878

Goodwill and trade name impairment testing
In accordance with Eros accounting policy, the carrying value of goodwill and the trade name are reviewed annually for impairment. The 2011 impairment review was undertaken as at 31 March 2011.

In the absence of any identified indicator of impairment, the test was performed on the basis of internal valuation. After this test Eros' management reached the conclusion that the recoverable values exceeded their carrying values. The recoverable amounts were determined on value in use calculations covering a two year detailed forecast followed by an extrapolation at the rates stated below.

"Eros" and the associated logos comprise the trade name of the Group.

The growth rate is based on reasonable estimates of the market growth rates, based on previous experience of the market in which the Group operates. Management has assumed that the profit margin will remain stable and in line with past experience. Eros' management believe that this is the best available input for forecasting. The growth rate used is 5%. An appropriate discount rate of 8% (2010: 7.6%) representing the Group's weighted average cost of capital has been applied to the projections.

11 Intangible content assets

	31 March 2011		
	Gross content assets US$'000	**Accumulated amortisation US$'000**	**Content assets US$'000**
Film productions	**170**	**–**	**170**
Film and content rights	**487,046**	**(228,680)**	**258,366**
Content advances	**163,365**	**–**	**163,365**
Non-current content assets	**650,581**	**(228,680)**	**421,901**

	31 March 2010		
	Gross content assets US$'000	Accumulated amortisation US$'000	Content assets US$'000
Film productions	7,878	–	7,878
Film and content rights	379,085	(160,841)	218,244
Content advances	123,106	–	123,106
Non-current content assets	510,069	(160,841)	349,228

11 Intangible content assets continued

Changes in the main content assets are as follows:

	Year ended 31 March	
	2011 US$'000	2010 US$'000
Film productions		
Opening balance	**7,878**	9,918
Additions	**1,297**	333
Changes in foreign currency translation	**(88)**	1,148
Transfer to film and content rights	**(8,917)**	(3,521)
Closing balance	**170**	7,878

	Year ended 31 March	
	2011 US$'000	2010 US$'000
Content advances		
Opening balance	**123,106**	147,010
Additions	**136,684**	79,393
Changes in foreign currency translation	**1,649**	9,009
Transfer to film and content rights	**(98,074)**	(112,306)
Closing balance	**163,365**	123,106

	Year ended 31 March	
	2011 US$'000	2010 US$'000
Film and content rights		
Opening balance	**218,244**	154,844
Amortisation	**(67,839)**	(57,156)
Changes in foreign currency translation	**970**	4,729
Transfer from other content assets	**106,991**	115,827
Closing balance	**258,366**	218,244

12 Other intangible assets

	31 March 2011		
	Gross US$'000	Accumulated amortisation US$'000	Net US$'000
Internally developed software	**1,971**	**(1,273)**	**698**

	31 March 2010		
	Gross US$'000	Accumulated amortisation US$'000	Net US$'000
Internally developed software	1,690	(998)	692

The changes in other intangible assets are as follows:

	Year ended 31 March	
	2011 US$'000	2010 US$'000
Opening balance	**692**	933
Additions during the year	**268**	58
Exchange movement	**13**	9
Amortisation	**(275)**	(308)
Closing balance	**698**	692

Other intangibles comprise internally generated software used within the Group's digital and home entertainment activities.

13 Available-for-sale financial assets

	As at 31 March	
	2011 US$'000	2010 US$'000
Triple Com Media Pvt. Limited	**458**	1,278
Valuable Technologies	**12,263**	14,488
LMB Holdings Limited	**10,815**	10,815
Valuable Innovations Private Limited	**2,020**	–
	25,556	26,581

The investment in Triple Com Media Pvt. Limited ("Triple Com") represents a 21% share of the issued share capital of that company. Triple Com is involved in the aggregation and syndication of television and cable media rights. Having considered the Group's position in respect of Board representation, involvement in policy decision making, inputs in respect of technical know-how, material contracts between the two parties and any interchange of staff or management the Directors have concluded that they do not exert any significant influence over Triple Com. Based on the management track record and anticipated growth the Directors are still confident about the investment. The Directors had reduced the carrying value to US$1,278,000 with a fair value adjustment of US$500,000 in the previous year and have recognised a further fair value adjustment in the current year of US$820,000, resulting in a carry forward value of US$458,000.

Acacia Investment Holdings Limited ("Acacia") is a dormant holding company and owns 24% of LMB Holdings Limited ("LMB") which through its subsidiaries operates two satellite television channels B4U Music and B4U Movies. The Group has no board representation, has no involvement in policy decision making, does not provide input in respect of technical knowhow and has no material contract with LMB or its subsidiaries. As a result the Board has concluded that they do not exert any significant influence over LMB or its subsidiaries. The Board have reviewed a valuation of the business based on available information, but due to the range of potential outcomes are unable to give, with reasonable certainty, a fair value. The investment is therefore stated at cost.

Eros acquired an interest in Valuable Technologies Limited ("Valuable") in April 2008. The company manages and operates a number of companies within media and entertainment, technology and infrastructure. These companies include UFO Moviez, the leading provider of digital projection solutions for cinemas in India, Boxtech which is involved with digital movie rentals and Impact whose business is theatrical ticketing and sales data Impact. Eros currently owns 7.14% of Valuable's equity. Based on an external valuation of Valuable the Directors have recognised a downward fair value adjustment in other comprehensive income in the carrying value of the investment of US$2,225,000.

In April 2010, Eros acquired a 1.27% interest in Valuable Innovations Private Limited at a total cost of US$2,020,000. The Directors are of the opinion that fair value at 31 March 2011 does not materially differ from this cost.

The Group adopted the amendment to IFRS 7 for financial instruments that are measured in the statement of financial position at fair value. The required disclosures of fair value measurements grouped into the following levels: Level 1 fair value measurements derived from unadjusted quoted prices in active markets for identical assets or liabilities; Level 2 fair value measurements derived from inputs, other than quoted prices included within level 1, that are observable for the asset or liability, either directly (as prices) or indirectly (derived from prices); and Level 3 fair value measurements derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data. At 31 March 2011, the Group had US$14,741,000 (2010: US$15,766,000) of financial assets grouped into Level 3. The carrying value of the Group's financial instruments approximates their fair value.

14 Operating leases

The minimum lease rentals to be paid under non-cancellable operating leases at 31 March 2011 are as follows:

	As at 31 March	
	2011 US$'000	2010 US$'000
Within one year	**1,915**	1,461
Within two to five years	**1,716**	2,151
	3,631	3,612

15 Inventories

	As at 31 March	
	2011 US$'000	2010 US$'000
Goods for resale	**1,371**	1,723
Raw materials	**190**	71
	1,561	1,794

During the year inventory of US$2,620,752 (2010: US$1,097,582) was recognised in profit and loss as an expense.

16 Trade and other receivables

	As at 31 March	
	2011 US$'000	2010 US$'000
Trade accounts receivable	**49,794**	49,283
Trade accounts receivable provision	**(221)**	(87)
Trade accounts receivable net	**49,573**	49,196
Other receivables	**7,285**	5,175
Prepaid charges	**801**	424
Trade accounts receivable and other	**57,659**	54,795

Some of the trade accounts receivable that have not been treated as write offs are past due as at the reporting date. The age of these financial assets past due is as follows:

	As at 31 March	
	2011 US$'000	2010 US$'000
Not more than three months	**963**	5,850
More than three months but not more than six months	**793**	208
More than six months but not more than one year	**1,201**	95
More than one year	**2,513**	769
	5,470	6,922

The movements in the trade receivable provisions is as follows:

	As at 31 March	
	2011 US$'000	2010 US$'000
At 1 April 2010	**87**	292
Utilisations	**–**	(254)
Provisions	**134**	49
At 31 March 2011	**221**	87

The carrying amount of trade and other receivables is considered a reasonable approximation of fair value.

17 Trade and other payables

	As at 31 March	
	2011 US$'000	2010 US$'000
Trade accounts payable	**15,134**	17,452
Accruals and other payables	**3,038**	9,510
Social security and other taxes payable	**5,025**	1,435
	23,197	28,397

The Group considers that the carrying amount of trade and other payables approximate their fair value.

18 Cash and cash equivalents

Cash and cash equivalents consist of cash on hand and balance with banks and investments in money market investments. Cash and cash equivalents included in the statement of cash flows comprise amounts in the statement of financial position.

	As at 31 March	
	2011 US$'000	2010 US$'000
Short-term investments	**33,268**	–
Cash at bank and in hand	**92,899**	87,613
	126,167	87,613

19 Borrowings and other financial liabilities

An analysis of long-term borrowings and other financial liabilities is shown in the table below.

	Nominal interest rate %	Maturity	**31 March 2011 US$'000**	31 March 2010 US$'000
Asset backed borrowings				
Term loan	LIBOR+5.5%	2015	**2,830**	–
Term loan	BPLR+5.5%	2012	**557**	–
Term loan	LIBOR+5.75%	2017	**3,376**	–
Term loan	BPLR	2012	**75**	–
Term loan	BPLR+1.25	2012	**135**	–
Asset loan	10–15%	2015	**1,247**	100
Term loan	BR+5.5%	2012	**5,131**	–
Term loan	BPLR	2012	**–**	6,167
Term loan	BPLR+2.75%	2012	**–**	4,712
Term loan	BPLR+2.255%	2010	**–**	5,559
Term loan	BPLR+2.26%	2010	**–**	4,130
Term loan	10–15%	2010	**–**	5
Term loan	10–15%	2012	**45**	45
			13,396	20,718
Unsecured borrowings				
US$100 million revolving facility	LIBOR+1.65%		**100,000**	100,000
US$25 million revolving facility	LIBOR+2.35%		**25,000**	25,000
US$20 million revolving facility	LIBOR+3%		**20,000**	20,000
			158,396	165,718
Nominal value of borrowings			**158,396**	165,718
Cumulative effect of unamortised costs			**(845)**	(1,487)
Instalments due within one year			**(8,241)**	(12,790)
Long-term borrowings			**149,310**	151,441

Bank prime lending rate ("BPLR") is the Indian equivalent to LIBOR. Asset backed borrowings are secured by fixed and floating charges over certain Group assets.

The US$100 million facility has been linked to a cash flow hedge whereby LIBOR is set at 3.52% until 2012. The US$100 million, US$25 million and US$20 million revolving facilities are subject to a negative pledge.

19 Borrowings and other financial liabilities continued

Analysis of short-term borrowings

	Nominal interest rate (%)	31 March 2011 US$'000	31 March 2010 US$'000
Asset backed borrowings			
Export credit and overdraft	LIBOR+1–2.5%	**26,825**	27,688
		26,825	27,688
Unsecured borrowings			
Commercial paper	11.95%	**4,506**	–
Book overdraft	BR+2%	**10,039**	–
Instalments due within one year on long-term borrowings		**8,241**	12,790
		49,611	40,478

Currency, maturity and nature of interest rate of the nominal value of borrowings

	2011 US$'000	%	2010 US$'000	%
Currency				
US Dollar	**154,195**	**77**	170,545	89
Indian Rupees	**44,726**	**23**	21,374	11
Total	**198,921**	**100**	191,919	100
Maturity				
Due before one year	**49,612**	**25**	40,478	21
Due between one and three years	**148,561**	**75**	149,811	79
Due between four and five years	**748**	**–**	1,630	–
Total	**198,921**	**100**	191,919	100
Nature of rates				
Fixed interest rate	**101,347**	**51**	100,000	52
Floating rate	**97,574**	**49**	91,919	48
Total	**198,921**	**100**	191,919	100

20 Share-based compensation plans

The compensation cost recognised with respect to all outstanding plans, which are all equity-settled instruments, is as follows:

	As at 31 March	
	2011 US$'000	2010 US$'000
The IPO Plan	**26**	26
The IPO India Plan	**901**	283
	927	309

20 Share-based compensation plans continued

This charge has been included in administrative costs in the income statement. The fair value per share for each grant of options and the assumptions used in the calculation are as follows:

Scheme	IPO Plan Jun 2006	IPO India Dec 2009	IPO India Aug 2010
Grant date	27/6/06	17/12/2009	12/8/2010
Option strike price	£1.76	£1.54	£1.47
Maturity (in years)	10	5.25	5.25
Expected term (in years)	5	4	4
Number of instruments granted	187,314	1,729,512	83,628
Share price	£1.724	£.79	£1.15
Expected volatility	25.0%	75%	60%
Risk free interest rate	4.78%	6.3%	6.5%
Expected dividend yield	0%	0%	0%
Fair value of the granted option at the grant date	**£0.626**	**£2.78**	**£2.73**

The expected volatility has been arrived at by taking the weighted average share price movements of three peer companies as neither entity shares were listed at the date of Grant.

The IPO Plan

The IPO Plan was provided to grant options to certain senior management involved with the initial public offering of the Company's shares on AIM. The performance criterion attached to the options was met when the Company's shares were accepted for trading on AIM. The options vest annually in one fifth tranches from 27 June 2007.

	2011		2010	
	Number of shares	**Weighted average exercise price £**	Number of shares	Weighted average exercise price £
Outstanding at 1 April	**187,314**	**1.76**	187,314	1.909
Granted	**–**	**–**	–	–
Lapsed	**–**	**–**	–	–
Forfeited by the option holder	**–**	**–**	–	–
Outstanding at 31 March	**187,314**	**1.76**	187,314	1.76
Exercisable at 31 March	**149,851**	**1.76**	112,389	1.76

The IPO India Plan

The Company's subsidiary Eros International Media Limited has instituted an employee share option scheme "ESOP 2009" (IPO India Plan) and eligible to employees and administered by the Compensation Committee of the Board of Directors of Eros International Media Limited. The terms and condition of the IPO India Plan is as follows:

	2011		2010	
	Number of shares of Eros International Media Ltd.	**Weighted average exercise price £**	Number of shares of Eros International Media Ltd.	Weighted average exercise price £
Outstanding at 1 April	**1,729,512**	**1.47**	–	
Granted during the year	**83,628**	**1.47**	1,729,512	1.47
Lapsed	**(79,216)**	**–**	–	–
Exercised	**–**	**–**	–	–
Outstanding at 31 March	**1,733,924**	**1.47**	1,729,512	1.47
Exercisable at 31 March	**330,059**	**1.47**	–	1.47

20 Share-based compensation plans continued

The exercise price of the options for an employee is based on factors such as seniority, tenure, criticality and performance of the employee, based on the above, the exercise price would be calculated at a discount of 0–50% on the fair share price which is derived through a valuation by an independent value, and will vest;

- 20% of the options shall vest on the completion of 12 months from the grant date.
- 20% of the options shall vest on the completion of 24 months from the grant date.
- 30% of the options shall vest on the completion of 36 months from the grant date.
- 30% of the options shall vest on the completion of 48 months from the grant date.

21 Issued share capital

	Number of shares	£'000
Authorised		
200,000,000 ordinary shares of 10p each ("ordinary shares") at 31 March 2011 and 31 March 2010	200,000,000	20,000

Allotted, called up and fully paid	Number of shares	US$'000
At 1 April 2010	116,133,758	21,349
As at 31 March 2011	**116,133,758**	**21,349**

Allotted, called up and fully paid	Number of shares	£'000
At 1 April 2009	115,277,997	21,210
Allotment of shares on 29 June 2009	117,303	19
Allotment of shares on 13 August 2009	738,458	120
As at 31 March 2010	116,133,758	21,349

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Company.

22 Financial instruments and risk management

The Group has established objectives concerning the holding and use of financial instruments. The underlying basis of these objectives is to manage the financial risks faced by the Group, which are discussed below.

Formal policies and guidelines have been set to achieve these objectives and they are implemented using the strategies set out below. The Group does not enter into speculative arrangements or trade in financial instruments and it is the Group's policies not to enter into complex financial instruments unless there are specific identified risks for which such instruments help mitigate uncertainties.

Capital risk management

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximising the return to stakeholders through the optimisation of the debt and equity balance. The capital structure of the Group consists of debt, which includes the borrowings disclosed in note 19, cash and cash equivalents and equity attributable to equity holders of the parent, comprising issued capital, reserves and retained earnings as disclosed in the consolidated statement of changes in equity and in notes 18 and 21.

Management of financial risk

Based on the operations of the Group throughout the world the Directors consider that the key financial risks that it faces are credit risk, currency risk, liquidity risk and interest rate risk. The policies adopted to deal with these risks and the strategies utilised to manage these risks by the use of financial instruments are set out below.

22 Financial instruments and risk management continued

Credit risk

The Group credit risk is principally attributable to its trade receivables, advances and cash balances. As a number of the Group's trading activities require third parties to report royalties this risk is not limited to the initial agreed sale or advance amounts. The amounts shown within the balance sheet in respect of trade receivables and advances are net of allowances for doubtful debts based upon objective evidence that the Group will not be able to collect all amounts due. Trading credit risk is managed on a country by country basis by the use of credit checks on new clients and individual credit limits, where appropriate, together with regular updates on any changes in the trading partner's situation. In a number of cases trading partners will be required to make advance payments or minimum guarantee payments before delivery of any goods. The Group reviews reports received from third parties and as a matter of course reserve the right within the contracts it enters into to request an independent third party audit of the reporting.

The credit risk on liquid funds and derivative financial instruments is limited because the counterparties are banks with high credit ratings assigned by international credit rating agencies.

The Group from time to time will have significant concentration of credit risk in relation to individual television syndication deals or music licences. This risk is mitigated by contractual terms which seek to stagger receipts and the release or airing of content. As at 31 March 2011 56% (2010: 52%) of debtors are represented by top five debtors. The maximum exposure to credit risk is that shown within the balance sheet.

Currency risk

The Group operates throughout the world with significant operations in India, the British Isles, the United States of America and the United Arab Emirates. As a result it faces both translation and transaction currency risks which are principally mitigated by matching foreign currency revenues and costs wherever possible.

The Group's major revenues are denominated in US Dollars, Indian Rupees and Sterling which are matched where possible to its costs so that these act as an automatic hedge against foreign currency exchange movements.

The Group has identified that it will need to utilise hedge transactions to mitigate any risks in movements between the US Dollar and the Indian Rupee and has adopted an agreed set of principles that will be used when entering into any such transactions.

As at the balance sheet date there were no outstanding forward foreign exchange contracts. The Group adopts a policy of borrowing where appropriate in the local currency as a hedge against translation risk. The table below shows the Group's net foreign currency monetary assets and liabilities position in the main foreign currencies as at the year end:

	At 31 March 2011		
	GBP US$ '000	INR US$ '000	Other US$ '000
Net balance	**10,276**	**67,169**	**48,252**

	At 31 March 2010		
	GBP US$ '000	INR US$ '000	Other US$ '000
Net balance	475	22,828	64,310

A uniform decrease of 10% in exchange rates against all foreign currencies in position as of 31 March 2011 would have a cumulated negative impact of US$7,789,555 on net income and on equity. An equal and opposite impact would be experienced in the event of an increase by a similar percentage.

Liquidity risk

The Group's objective of ensuring that adequate funding is in place is achieved by management of its working capital and agreed committed bank facilities. Management of working capital takes account of film release dates and payment terms agreed with customers.

At 31 March 2011 the Group had facilities available of US$225,059,000 (2010: US$215,979,000) and therefore had net undrawn amounts of US$26,138,000 (2010: US$24,060,000) available.

22 Financial instruments and risk management continued

Interest rate risk

The Board recognise the need to mitigate interest rate risk through the use of fixed and floating rates. The Group has fixed US$125 million of its borrowings by way of two interest rate swap contracts which expire in 2012 and 2017 and which represents 63% (2010: 52%) of the year end total Group borrowings.

A 1% increase in underlying bank rates would lead to an annual increased interest charge of US$994,000 (2010: US$911,000) an equal and opposite impact would be felt if rates fell by 1%.

Under the interest swap contracts, the Group agrees to exchange the difference between fixed and floating rate interest amounts calculated on agreed notional principal amount. Such contracts enable the Group to mitigate the risk of changing interest rates on the cash flow of issued variable rate debt. The fair value of interest swaps, all of which are in designated hedge accounting a relationship, at the reporting date is determined by discounted future cash flows using the rate curves at the reporting date and is shown below.

The cash flows on the hedges and underlying borrowings arise quarterly over the period of the hedges upon the fixed and US$ LIBOR rates.

	Average contract rate %	Notional principal amount US$ '000	Fair value of hedging instrument 2011 US$ '000	Fair value of hedging instrument 2010 US$ '000
Cash flow hedge	3.52	100,000	(4,405)	(5,128)
Cash flow hedge	3.69	25,000	(174)	–
Total		125,000	(4,579)	(5,128)

The ineffective portion of changes in fair value of cash flow hedges recognised in the income statement during the year was US$125,000 (2010: US$176,000). The effective portion of changes in fair value of cash flow hedges in designated hedge accounting relationships was US$4,579,000 (2010: US$4,882,000) and has been recognised directly in other comprehensive income. The interest swaps and the interest payments on the designated loan occur simultaneously and the amount deferred in equity is recognised in the Income statement over the period that the floating rate interest on debt payments impacts the income statement.

The Group has in place cash pooling arrangements to ensure that it minimises interest paid on short-term borrowings and overdrafts, whilst allowing net surplus funds to be invested in interest bearing accounts.

Deposit balances are invested in the money market, or with financial institutions on maturing terms from within 24 hours up to a period of three months with interest earned based on the relevant national inter-bank rates available at the time of investing.

The working capital borrowings interest rates are all based on the national inter-bank rates.

23 Contractual obligations and commitments

Eros' material contractual obligations are made up of contracts related to content commitments. Operating lease commitments are disclosed in note 14.

	Total as at 31 March 2011 US$'000	31 March 2011 obligations fall due in			Total as at 31 March 2010 US$'000
		2012 US$'000	2013–2016 US$'000	After 2016 US$'000	
Contractual content commitments	**158,443**	121,101	37,342	–	113,898

The Company also has certain contractual arrangements in relation to certain contractual content commitments that would require the Company to make payments or provide funding if certain circumstances occur ("contingent guarantees"). The Company expects that these contingent guarantees totalling US$53,031,000 (2010: US$53,350,000), which are included within the Contractual content commitments above, will form due in line with the time frame above.

24 Contingent liabilities

There are no material ongoing litigations at 31 March 2011.

25 Related party transactions

	Details of transaction	Movement in year US$'000	Asset/ (liability) US$'000
Red Bridge Limited	Professional fees	322	(322)
550 County Avenue	Rent	132	(410)
Deposits	Deposits and Fees	37	771
Line Cross Limited	Rent	498	(126)
Lulla family	Rent	193	(21)

550 County Avenue, Red Bridge Limited and Line Cross Limited are related entities as they are owned by a discretionary trust in which some of the Directors are potential beneficiaries. Rent paid to the Lulla family relates to various properties owned by them utilised by the Group in India. The leases entered into in respect of the properties rented from 550 County Avenue, Line Cross Limited and the Lulla family are at market rates.

During the year the Group entered into arm's length transactions with certain special purpose entities that had been incorporated to produce films within the United Kingdom.

26 Major consolidated entities

	Date	Country of incorporation	% of voting rights held
Eros Network Limited	June 2006	UK	100
Eros International Limited	June 2006	UK	100
Eros International USA Inc	June 2006	USA	100
Eros Music Publishing Limited	June 2006	UK	100
Eros Worldwide FZ LLC	June 2006	UAE	100
Eros International Media Limited	June 2006	India	78.1
Eros International Films Pvt. Limited	June 2006	India	100
Eros Pacific Limited	June 2006	Fiji	100
Eros Australia Pty Limited	June 2006	Australia	100
Big Screen Entertainment Pvt. Limited	January 2007	India	64.6
Ayngaran International Limited	October 2007	IOM	51
Ayngaran International UK Limited	October 2007	UK	51
Ayngaran International Media Pvt. Limited	October 2007	India	51
Acacia Investments Holdings Limited	April 2008	BVI	100
EyeQube Studios Pvt. Limited	January 2008	India	100
Belvedere Holdings Pte. Ltd	March 2010	Singapore	100
Eros International Pte Ltd	August 2010	Singapore	100
Ayngaran Anak Media Pvt. Limited	October 2008	India	36.4

All of the companies were involved with the acquisition, production and distribution of film content and associated media. All the companies are indirectly owned with the exception of Eros Network Limited and Eros Worldwide FZ LLC.

27 Significant accounting estimates and judgements and adopted IFRS not yet applied

Estimates and judgements are evaluated on a regular basis and are based on historical experience and other factors, such as expectations of future events that are believed to be reasonable under the present circumstances.

The Group makes estimates and assumptions concerning the future. These estimates, by definition, will rarely equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the financial year are highlighted below:

27.1 Goodwill

The Group tests annually whether goodwill has suffered impairment, in accordance with its accounting policy. The recoverable amount of cash-generating units has been determined based on value in use calculations. These calculations require estimates to be made which are based on management assumptions however in the event that there is an unforeseen event which materially affects these assumptions it could lead to a write down of goodwill.

27 Significant accounting estimates and judgements and adopted IFRS not yet applied continued

27.2 Basis of consolidation

In respect of the combination of undertakings coming together to form the Group judgement is required to establish which entity is the acquiring entity. In the event that it is judged that an alternative entity were to be the acquiring entity then there may be material balance sheet adjustments. Further, the Group evaluates arrangements with special purpose vehicles in the context of SIC-12 and IAS 27 to establish how transactions with such entities should be accounted for. An alternative judgement to that reached by the Group may result in material balance sheet and income statement adjustments.

27.3 Intangible assets

The Group is required to identify and assess the useful life of intangible assets and determine their income generating life. Judgement is required in determining this and then providing an amortisation rate to match this life as well as considering the recoverability or conversion of advances made in respect of securing film content or the services of talent associated with film production.

Accounting for the film content requires management's judgement as it relates to total revenues to be received and costs to be incurred throughout the life of each film or its licence period, whichever is the shorter. These judgements are used to determine the amortisation of capitalised film content costs. The Group uses a stepped method of amortisation on first release film content writing off more in year one which recognises initial income flows and then the balance over a period of up to nine years. In the case of film content that is acquired by the Group after its initial exploitation, commonly referred to as catalogue, amortisation is spread evenly over the lesser of 10 years or the licence period. Management bases the policy 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. Management regularly reviews, and revises when necessary, its estimates, which may result in a change in the rate of amortisation and/or a write down of the asset to fair value.

In the case of the trade name, stated at US$14 million, the Group has not amortised the asset as the marketing and brand promotion is such that the Group considers it not to have a finite income generating life.

The Group tests annually whether intangible assets have suffered any impairment, in accordance with the accounting policy. These calculations require judgements and estimates to be made, and, as with Goodwill, in the event of an unforeseen event these judgements and assumptions would need to be revised and the value of the intangible assets could be affected. There may be instances where the useful life of an asset is shortened to reflect the uncertainty of its estimated income generating life. This is particularly the case when acquiring assets in markets that the Group has not previously exploited.

27.4 Valuation of available for sale financial assets

The Group follows the guidance of IAS 39 to determine, where possible, the fair value of it's available-for-sale financial assets. This determination requires significant judgement. In making this judgement, the Group evaluates, among other factors, the duration and extent to which the fair value of an investment is less or more than its cost; the financial health of and near-term business outlook for the investee, including factors such as industry and sector performance, changes in technology and operational and financing cash flow.

27.5 Income taxes and deferred taxation

The Group is subject to income taxes in various jurisdictions. Judgement is required in determining the worldwide provision for income taxes. During the normal course of business there are many transactions and calculations for which the ultimate tax determination is uncertain.

Judgement is also used when determining whether the Group should recognise a deferred tax asset, based on whether management consider there is sufficient certainty in future earnings to justify the carry forward of assets created by tax losses.

Where the ultimate outcome is different than that which was initially recorded there will be an impact on the income tax and deferred tax provisions.

27.6 Share-based payments

The Group is required to measure the fair value of equity settled transactions with employees at the grant date of the equity instruments. The fair value is determined by principally using the Black-Scholes model which requires assumptions regarding interest free rates, share price volatility and the expected life of an employee equity instrument. The basis and assumptions used in these calculations are disclosed within note 20.

27 Significant accounting estimates and judgements and adopted IFRS not yet applied continued

27.7 Standards, interpretations and amendments to published standards that are not yet effective

At the date of authorisation of these financial statements, the following Standards and Interpretations, which have not been applied in these financial statements, were in issue but not yet effective:

- IFRS 9 Financial Instruments (effective 1 January 2013).
- IFRS 10 Consolidated Financial Statements (effective 1 January 2013).
- IFRS 11 Joint Arrangements (effective 1 January 2013).
- IFRS 12 Disclosure of Interests in Other Entities (effective 1 January 2013).
- IFRS 13 Fair Value Measurement (effective 1 January 2013).
- IAS 27 (Revised), Separate Financial Statements (effective 1 January 2013).
- IAS 28 (Revised), Investments in Associates and Joint Ventures (effective 1 January 2013).
- Disclosures – Transfers of Financial Assets – Amendments to IFRS 7 (effective 1 July 2011).
- Deferred Tax: Recovery of Underlying Assets – Amendments to IAS 12 Income Taxes (effective 1 January 2012).
- Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters – Amendments to IFRS 1 First-time Adoption of International Financial Reporting Standards (effective 1 July 2011).

The Group does not consider that these standards and interpretations will have a significant impact on the financial statements of the Group except for additional disclosures when the relevant standards come into effect for periods commencing on or after 1 April 2011.

In the current year, the following Standards and Interpretations issued became effective:

- IAS 27 Consolidated and Separate Financial Statements (Revised 2008).
- Amendment to IAS 39 Financial Instruments: Recognition and Measurement – Eligible Hedged Items.
- Improvements to IFRSs 2009.
- IFRS 3 Business Combinations (Revised 2008).
- Improvements to IFRS issued May 2010.

The adoption of these Standards and Interpretations has not led to any changes in the Group's accounting policies.

28 Post balance sheet events

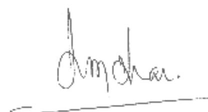
On 28 May 2011 Jyoti Deshpande stepped down from the Board of the Company and its subsidiaries.

COMPANY BALANCE SHEET
AT 2011

(US$'000)	Note	2011	2010
Fixed assets			
Investments	1	**56,689**	56,689
Current assets			
Debtors	2	**124,271**	120,644
Cash at bank and in hand		**297**	107
		124,568	120,751
Creditors: amounts falling due within one year	3	**(1,067)**	(465)
Net current assets		**123,501**	120,286
Total assets less current liabilities		**180,190**	176,975
Capital and reserves			
Called up share capital	4	**21,349**	21,349
Share premium account	5	**128,296**	128,296
Profit and loss account	5	**20,082**	16,867
Merger reserve	5	**10,463**	10,463
Shareholders' funds		**180,190**	176,975

The financial statements were approved by the Board of Directors on 31 May 2011.

Company number 116107C



Kishore Lulla
Chairman and CEO

COMPANY ACCOUNTING POLICIES

Basis of preparation

As used in the financial statements and accompanying notes, the term "Company" refers to Eros International Plc. The separate financial statements of the Company are presented as required by the Isle of Man Companies Acts 1931 to 2004. As permitted by the Act, the separate financial statements have been prepared under the historical cost convention and in accordance with applicable United Kingdom accounting standards. Under Section 3(5)(b)(ii) of the Companies Act 1982 the Company is exempt from the requirement to present its own profit and loss account.

The following describes the main accounting policies which have been consistently applied.

Revenue recognition

Interest income is recorded on an accruals basis. Dividends received are recognised at the time of their distribution.

Investments in subsidiaries

Investments in subsidiaries are stated in the Company's balance sheet at cost less provisions for impairment.

Share-based payments

The fair value of shares or options granted is recognised as an employee expense with a corresponding increase in equity. The fair value is measured at the grant date and spread over the period during which the recipient becomes unconditionally entitled to payment.

The fair value of share options granted is measured using the Black-Scholes model, each taking into account the terms and conditions upon which the grants are made.

The amount recognised as an expense is adjusted to reflect the actual number of shares or options that vest.

COMPANY NOTES TO THE FINANCIAL STATEMENTS

1 Investments

	Trade investments US$'000	Subsidiary undertakings US$'000	Total US$'000
Cost			
At 1 April 2010	12,807	43,882	56,689
Additions	–	–	–
At 31 March 2011	**–**	**–**	**–**
	12,807	43,882	56,689

2 Debtors

	2011 US$'000	2010 US$'000
Amounts due from Group undertakings	**124,025**	120,604
Other debtors	**246**	40
	124,271	120,644

3 Creditors: amounts falling due within one year

	2011 US$'000	2010 US$'000
Trade creditors	**1,017**	449
Accruals and deferred income	**50**	16
	1,067	465

4 Called up share capital

See note 21 within the notes to the consolidated financial statements.

5 Share premium and reserves

	Merger reserve US$'000	Share capital US$'000	Share premium US$'000	Profit and loss account US$'000	Total US$'000
At 1 April 2010	10,463	21,349	128,296	16,867	176,975
Profit for the year	–	–	–	3,215	3,215
At 31 March 2011	**10,463**	**21,349**	**128,296**	**20,082**	**180,190**

	Merger reserve US$'000	Share capital US$'000	Share premium US$'000	Profit and loss account US$'000	Total US$'000
At 1 April 2009	10,463	21,210	127,321	14,486	173,480
Profit for the year	–	–	–	2,381	2,381
Issue of new shares	–	139	975	–	1,114
At 31 March 2010	10,463	21,349	128,296	16,867	176,975

6 Reconciliation of movement in shareholders funds

	2011 US$'000	2010 US$'000
Profit for the financial year	**3,215**	2,381
Share-based payment	**–**	–
	3,215	2,381
Issue of new shares	**–**	139
Premium on issue of shares (net of expenses)	**–**	975
Net increase in shareholders' funds	**–**	3,495
Shareholders' funds at 1 April 2010	**176,975**	173,480
Shareholders' funds at 31 March 2011	**180,190**	176,975

7 Contingent liabilities

As at 31 March 2011 the Company had no contingent liabilities with the exception of guarantees provided to subsidiary undertakings totalling US$218,131,000 (2010: US$205,623,000).

8 Related party transactions

The Company has related party transactions with its subsidiaries by virtue of its status as Parent Company of the Group.

The Company has taken the available exemption in FRS8 from disclosing transactions with fellow 100%-held subsidiaries of the Eros International Plc group of companies. Details of transactions entered into with other subsidiary undertakings are shown in note 25 of the Consolidated Financial Statements.

Red Bridge Limited was paid fees of £200,000 towards professional services.

COMPANY INFORMATION

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116107C

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IM1 5PD

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Vijay Ahuja
Sunil Lulla
Dilip Thakkar (Non-Executive Director)
Naresh Chandra (Non-Executive Director)

Honorary Life President:
Arjan Lulla

Company Secretary:
Richard Vanderplank

Auditor:
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