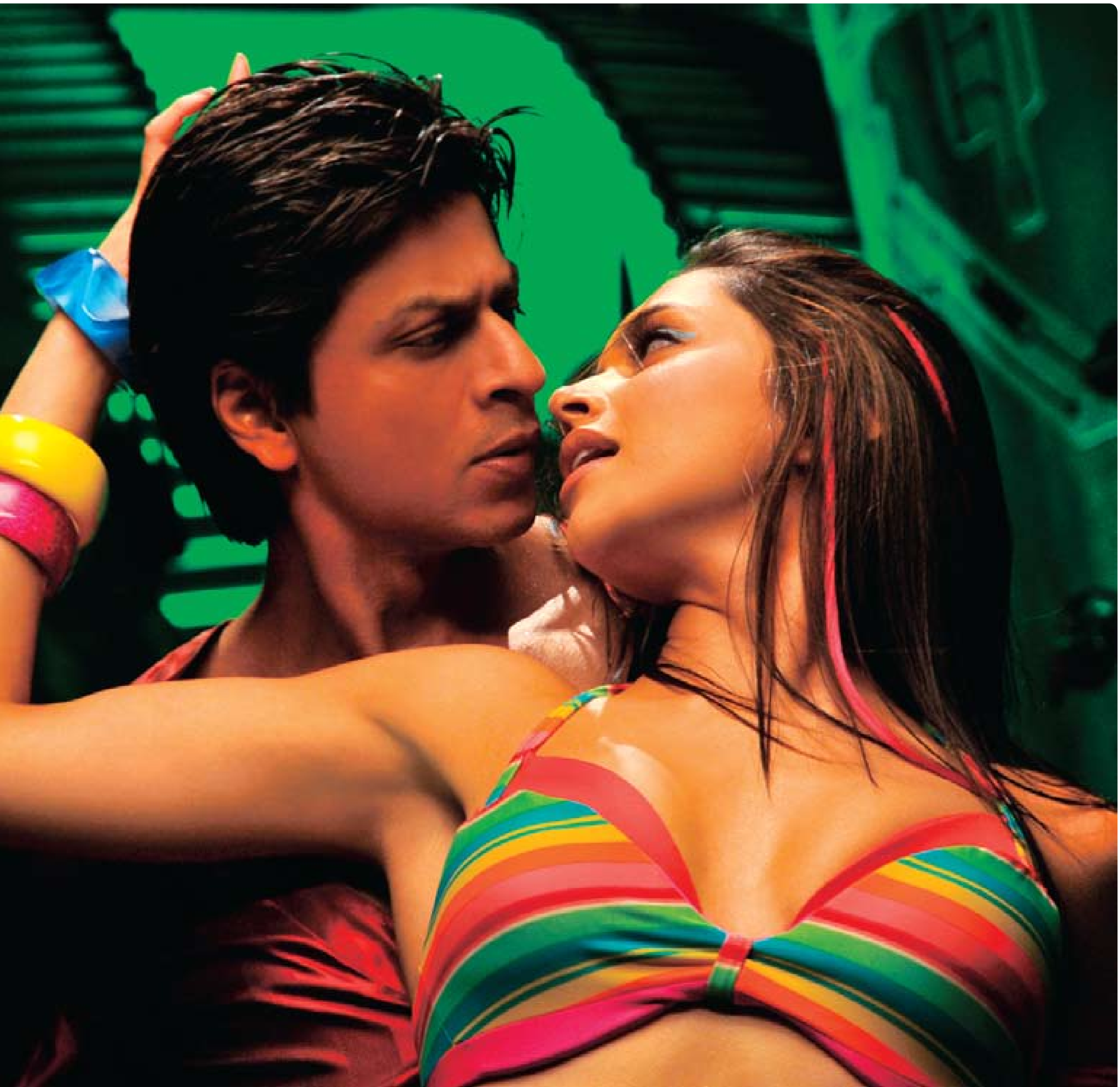
Eros International Plc
Annual Report and Accounts 2009

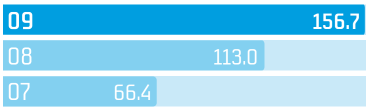
Contents

Eros, a global player in the rapidly expanding Indian media and entertainment arena



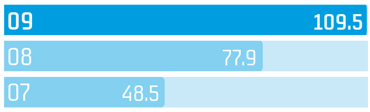
Highlights

Revenue US$m

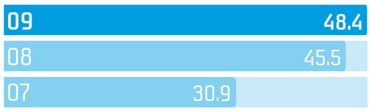


Gross Profit US$m

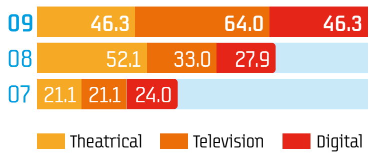
EBITDA US$m



Profit Before Tax US$m



Segmental Revenue US$m



Financial Highlights

- Group turnover up 38.7% to US$156.7 million (2008: US$113.0 million).
- Gross Profit up 13.4% to US$71.5 million (2008: US$63.0 million).
- EBITDA up 41% to US$109.5 million (2008: US$77.9 million).
- Profit before tax up 7% to US$48.4 million (2008: US$45.5 million).
- Basic EPS up 5% to 35.1 cents (2008: 33.5 cents).

Operating Highlights and Growth Drivers

Global Distribution Network

Theatrical

- Revenues fell marginally from US$52.1 million to US$46.3 million although on a constant currency basis the business showed strong growth.
- 70 films were released in 2009 out of which 24 were released globally including Tamil and other regional films (2008: 52 films released in total).

Television

- Revenues from television syndication grew 94% to US$64.0 million (2008: US$33.0 million).
- Revenue base further strengthened with new and ongoing television syndication deals with Star, Sony, INX, Viacom, Sahara, B4U and Zee as well as other aggregators.
- Strong growth internationally for dubbed, subtitled and original versions including German, Russian, Arabic and 24 different languages.

Digital New Media and Home Entertainment

- Revenues from New Media grew by 69% to US$46.2million (2008: US$27.7 million).
- This was driven by a combination of growth in subscription video on demand deals with Comcast, Cablevision and other cable platforms, IPTV, mobile deals, DTH and internet platforms.
- Eros partner channel on YouTube crossed over 100 million video views (www.youtube.com/erosentertainment).
- Digital Music revenues continued to grow strongly with 11 Hindi music titles in the year.
- EyeQube visual effects studios made a significant contribution with three projects.

Content Pipeline

- Full visibility of film release slate for 2010 and 2011 and rapidly declining content capex underpin a positive outlook.
- Over 50% of the revenues generated from catalogue and regional content.
- Content capex for 2009 US$129.7 million (2008: US$170.2 million).

Eros at a Glance

Eros International Plc is a global player in the rapidly expanding Indian media and entertainment arena which is set to grow at 12.5% CAGR* over the next five years and slated to cross US$22 billion* by 2013 at current exchange rates.

*Source: KPMG

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

Established in 1977, Eros has over three decades of market leadership in creating a global platform for Indian cinema. The Company has a deeply entrenched distribution network that spans across 50 countries and has offices in India, UK, USA, Dubai, Australia, Fiji, Isle of Man and more recently Singapore. Eros has built a successful business model by combining the release of a portfolio of over 70 new films every year with the exploitation of a valuable film library of over 1,900 film titles, making it undisputedly one of the largest content owners in the business.

Key strengths

- Strong global brand founded on a long history of success
- Valuable and extensive content library
- Unique and well developed global distribution network
- Vertically integrated studio model
- Management experience and track record

Integrated studio model

Sourcing content	Global distribution	Joint ventures/ Alliances
Content Library	Theatrical Distribution	Comcast SVOD
Acquisitions/ Output deals	Television Syndication	EyeQube VFX
Co-productions/ Productions	Digital New Media/ Home Entertainment	Ayngaran Tamil
Regional Content	Music Record Label and Publishing	Hollywood Alliances

Chairman and Chief Executive's statement
Kishore Lulla

"I am proud that Eros has been consistently able to deliver strong results three years in a row since it became the first Indian entertainment company to list on the AIM market in 2006. The Company has built on its strengths and leveraged its competitive advantage to scale up the business significantly."

I am delighted that Eros International has delivered strong revenue and profit growth for the third successive year, building on our core competency of content and distribution. Against a backdrop of an uncertain macro economic environment and adverse currency movements caused by the significant depreciation of the Indian Rupee to the US Dollar, with over 60% of the Group's turnover coming from India, the underlying business has produced a very robust performance. The Company will continue to build its content portfolio and distribution network while focusing on cash conversion, effective management of costs and reducing net debt.

The Group turnover went up by 38.7% to US$156.0 million in spite of a significant part of the Company's top line revenues being eroded by the translation into US Dollars which reflects the strong growth in the underlying business. The gross profit went up 13.4% to US$71.5 million. The EBITDA rose by 41% to US$109.5 million reflecting the growth in margins driven by regional content distribution and catalogue sales. The profit before tax went up 7% to US$48.4 million. Almost 70% of the cost of sales is the content amortisation which continues to be written down as per the policy but the foreign exchange movement resulted in a disproportionately less bottom line when translated to US Dollars. I am proud to say that the catalogue and regional content generated over 50% of the Group's revenues and this is a key differentiator from all our peers. With these results in fairly tough times and a strong release slate and rapidly declining capex requirement, the management is confident of delivering strong and consistent growth in the years to come.

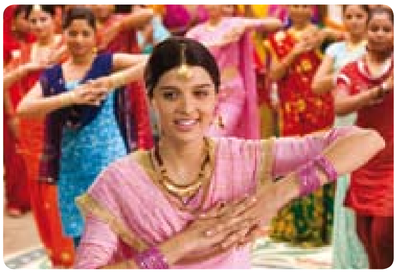
The three main divisions performed to expectations with global theatrical

revenues at US$46.3 million in spite of deferment of four major releases and the currency devaluation. Television Syndication revenues exceeded expectations by delivering a 94% growth at US$64 million and Digital New Media and Home Entertainment revenues grew by a 60% at US$46.2 million.

With a large slate of global releases planned for 2009-10 like "Kambakkth Ishq", "Love Aaj Kal", "Aladin", "De Dhana Dhan" and "Veer", whose production costs are already substantially funded, the Company expects to generate healthy cash flows and reduce net debt over the next 12 months. The committed slate for 2010-2011 is also substantially funded and the content capex has declined from US$170.2 million in 2008 to US$129.7 million in 2009 and we expect it to further decline in 2010.

Following the successful conclusion of talks with the national multiplex chains, the Company's Indian box office revenues are expected to benefit from certainty over revenue sharing terms for the next two years. The Company has also set up its own distribution offices in all key centres known as circuits in India including Mumbai, Delhi, Punjab, Eastern circuit and Tamil Nadu which account for over 80% of the theatrical business activity from India. This should improve margins by giving Eros greater control over the distribution process while reducing commissions paid to sub distributors. As a way forward, advances will be collected directly from

Kishore Lulla added: "Eros is poised to take the lead in further consolidating its market position in the current economic climate, given the Company's size, scale and liquidity. We will achieve this through a combination of strategic alliances and targeted synergistic EBITDA enhancing acquisitions funded through internal cash generation as well as a potential Indian listing."



the exhibitor chains instead of sub-distributors in these main territories.

The Company is building on its core competency of Indian content and distribution and will continue to expand into regional Indian languages like Tamil, Punjabi and Marathi where it has identified a profitable niche. A Marathi film, "Me Shivaji Raje Bhosale Boltoy" released by the Company in April 2009 went on to become the highest grossing Marathi film in history at over US$4 million. Further Marathi and Punjabi projects are under way along with the Tamil slate.

Catalogue exploitation across formats and developing new markets generate high EBITDA margins and profitable growth for the Company and will continue to remain a competitive advantage for Eros. The Company will continue to acquire music and other catalogues to augment its strong library and drive its digital and television syndication model globally.

Music Catalogue and Publishing will remain a key focus for the Company, including physical and digital distribution as a record company as well as signing up artists and managing their publishing. To this end, the joint venture with Universal in India for developing music talent should gain momentum in the year. Eros has also signed a sub-publishing deal with EMI for South America.

Video on Demand (VOD), Subscription Video on Demand (SVOD) and New Media are important growth drivers for the business and the Company has taken a major lead in other digital formats such as DTH, IPTV and mobile, establishing distribution across a number of major cable and other platforms around the world with tailor-made content offerings.

With a three-year track record on AIM since 2006, the Company is now exploring plans to shift to the main list, the London Stock Exchange and also exploring plans for a listing in India although none of its expansion plans depend upon such a listing.

Outlook

The major investment over the last three years in content acquisition secured for the Company much of its initial aims at the time of our IPO in 2006. The maintenance capex required for committed projects for the next two years is falling in relation to previous years. Furthermore, the Company expects future expansion to be self funded from the strong cash generative nature of the business as well as with the US$100 million five year syndicated financing facility signed with Citigroup in 2008. Citi has also provided a further US$20 million three year facility to the Group which matures in 2012. Overall, the Company expects net debt to fall over the coming 12 months driven by a combination of decreased capex and increased cash generation from the release of fully funded films.

The Board continues to actively explore options for a listing in India as a base for accelerating its expansion opportunities within India and increasing and widening its investor base.

The Company expects revenues to continue to expand both in India and internationally but with a continued bias towards India. As was announced in March 2009 the 25% depreciation of the Indian Rupee against the US Dollar, principally between October 2008 and March 2009, continues to adversely impact US Dollar reported earnings. However, the underlying growth in Indian Rupee revenues continues very much as anticipated and the recent appreciation of the Indian Rupee since 31 March 2009, if sustained, will enhance earnings in 2010 in US Dollars and on a constant currency basis the underlying business continues to demonstrate strong growth.

While the global economic climate remains uncertain, Eros has made significant strategic progress during the last 36 months and enters 2009-10 with a very strong confirmed release slate, much enhanced visibility in terms of TV syndication and is confident of delivering consistent growth and earnings next year.

Market Overview

Number of Multiplex screens

13	1,405
12	1,254
11	1,120
10	1,000
09	850
08	747
07	520
06	410
05	340

Size of the Indian Television industry (US$ billion)

13	6.63	3.25	9.88
12	5.59	2.54	8.13
11	4.79	2.35	7.14
10	4.15	2.03	6.18
09	3.65	1.84	5.49
08	3.30	1.72	5.02
07	2.93	1.48	4.41
06	2.55	1.26	3.81
05	2.33	1.08	3.41

Pay DTH subscriber base (million)

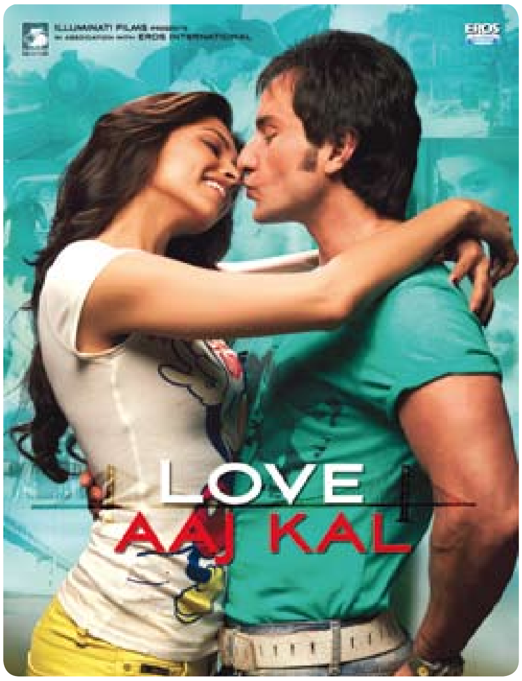
13	28
12	26
11	23
10	20
09	16
08	10
07	4
06	3
05	1

Indian entertainment and media sector (US$billion) Source: KPMG

2008	2009	2010	2011	2012	2013
12.2	13.1	14.5	16.5	19.0	22.0

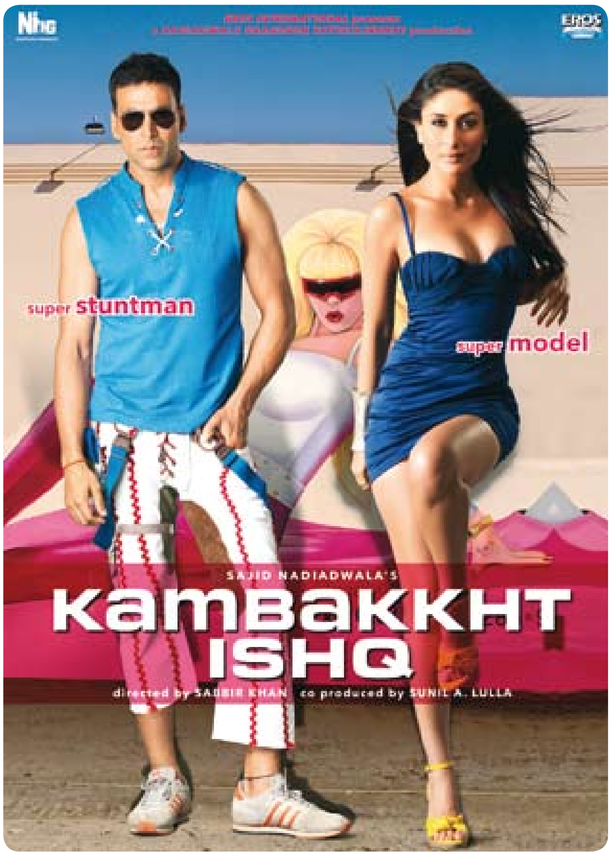
Operating Review
Content production, acquisition & output deals

2010 Major Release Slate (list not exhaustive)



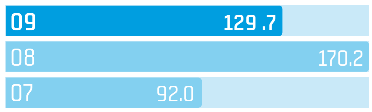
Love Aaj Kal

Aladin



Kambakkht Ishq

Declining capex US$m

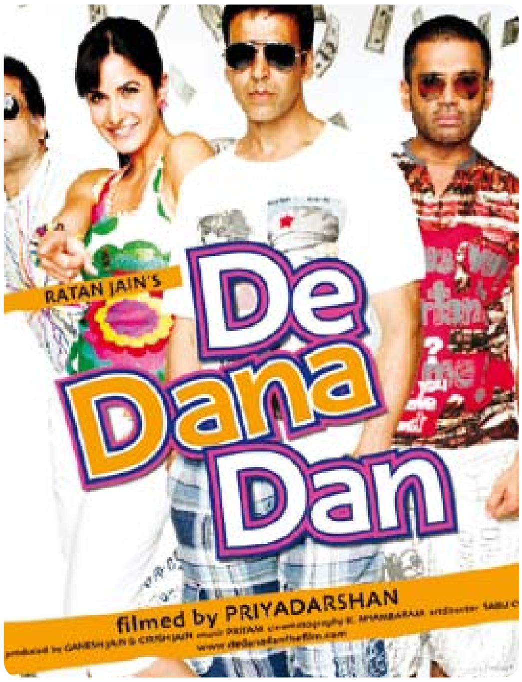


The talent, content and output deals locked in by the Company in 2006 gave the Company a valuable three year release slate and visibility. Importantly the deals agreed have insulated Eros from the rise in content costs between 2007 and 2009 as new players entered the market. The content capex peaked in 2008 at US$170.2 million and came down in 2009 to US$129.7 million.

The Company has consciously moved up the value chain to a co-production model where it secures content at the cost of production.

In 2009 the Company had two co-productions while in 2010 this is expected to rise to at least 10 co-productions which are planned for global release. Thereafter, for 2011 the aim is to co-produce at least 12 films annually. This gives the

Veer



De Dana Dan

Company greater control over costs, quality, scale and mix of films as well as visibility and control over release dates with the benefits over the intellectual property in perpetuity. Also, co-production reduces the time from commencement to project completion from about two years to 12-18 months, and provides consequential benefits to cash flow and working capital management.

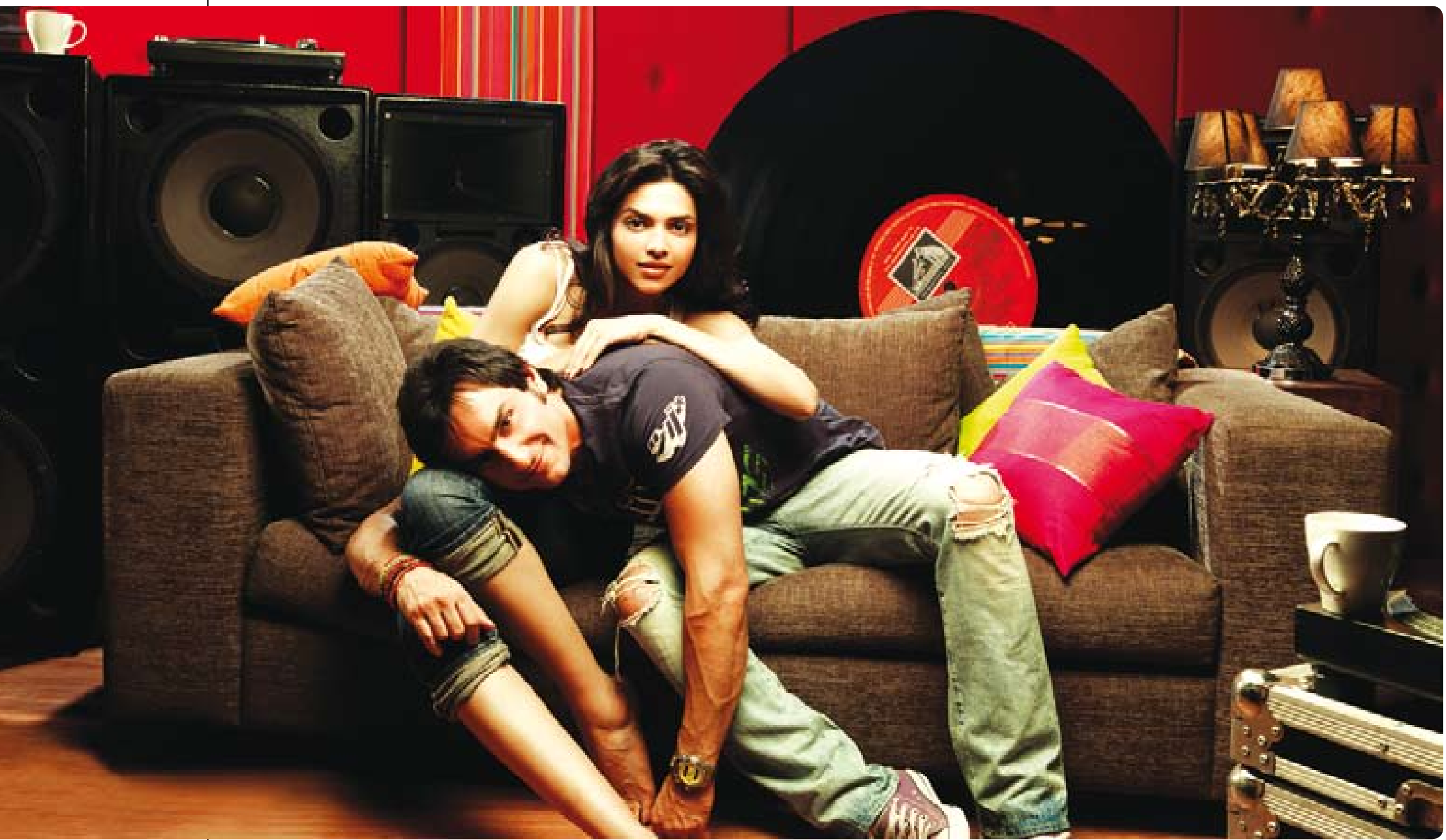
Apart from the above major releases, the Company will release at least 10 other niche films during the course of the year as well as releasing regional language films including Marathi, Punjabi and Tamil. A Marathi film, "Me Shivaji Raje Bhosale Boltoy" released by the Company in April 2009 went on to become the highest grossing Marathi film in history at over US$4 million.

Ayngaran, our Tamil film subsidiary, will have a release slate of at least five to six Tamil films globally and over 20 films internationally which have already been committed.

2011 Major Release Slate (list not exhaustive)

Film	Star Cast	Production/Acquisition	Genre	Status
Housefull	Akshay Kumar, Deepika Padukone	Co-production with Sajid Nadiadwala	Romantic comedy	Principal photography commenced
Untitled directed by Siddharth Anand	Ranbir Kapoor, Priyanka Chopra	Co-production with Sajid Nadiadwala	Romance	Principal photography October 2009
Agent Vinod	Saif Ali Khan, Kareena Kapoor	Co-production with Illuminati Films	Stylised romantic action franchise	Pre-production
Khatta Meetha	Akshay Kumar, directed by Priyadarshan	Co-production with Hari Om Productions	Romantic comedy	Principal photography October 2009
Untitled	Shahrukh Khan	Red Chillies Entertainment	Romantic musical	Pre-production
Untitled	Hritik Roshan	Production	Romantic drama	Scripting
Untitled	Sanjay Dutt	Co-production with Sanjay Dutt productions	Action thriller	Scripting

Operating Review continued
Eros Global Distribution



Theatrical Distribution

Sector
Despite the uncertain macro economic backdrop, the Indian entertainment sector is continuing to demonstrate remarkable resilience, delivering double digit growth and is now estimated by KPMG to be worth US$13.1 billion. With KPMG forecasting growth of 12.5% for the next five years, the Indian media and entertainment sector would be worth over US$22 billion in 2013. The filmed entertainment sector grew at over 13% in 2008, giving revenues of US$2.4 billion. Reflecting the current economic conditions, growth forecasts for the next five years have been revised downwards to 9.1%, but this still means that the sector will be worth over US$3.6 billion annually by 2013.

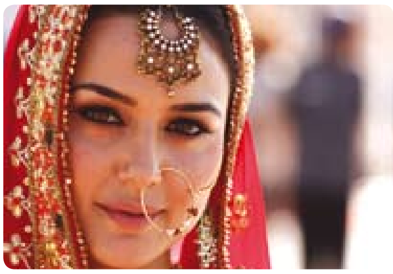
While 2007 produced a large number of hits, 2008-09 had relatively fewer hits across the board. Notwithstanding that, the Diwali and Christmas releases in the second half of the year did exceptional business breaking the previous year's records, which demonstrates that the box office is growing.

Size and scale
The Company released 70 films in 2009 out of which 24 were released globally compared to 52 releases last year. There were no breakout successes this year which was the general industry trend with the exception of two or three films overall, while in 2007-08 the Company had five out of the top 10 releases, which demonstrates the portfolio approach of the Company.

The deferment of big releases like Kambakkth Ishq, Love Aaj Kal and Aladin adversely impacted the worldwide theatrical revenues of the Company which fell to US$46.3 million (2008: US$52.1 million). This was, however, also impacted significantly by the translation into US Dollars in a year when the Indian Rupee had significantly devalued against the US Dollar. In spite of the above and as India constitutes over 60% of Group turnover, the Indian box office revenues grew by 3.8% on a constant currency basis.

National multiplex chains
Having reached an amicable resolution with the six national multiplex chains in India on revenue sharing terms and control over distribution strategy, the Company expects to benefit from the ultimate

Television syndication



release of these titles. The new terms, which are valid for two years, guarantee a minimum of 50% of revenues for the first week and potentially a further upside of 2.5% in the event that the films cross a certain threshold of business.

Own worldwide distribution network

The Company has historically operated a model of using sub-distributors in the six main circuits in India and collecting advances from them in return for commission. The Company has since set up its own distribution offices in Mumbai, Delhi, Punjab, Eastern circuit and Tamil Nadu, which covers over 80% of the Indian market, and gives the Company greater control over the distribution process. While saving on the sub-distributor commission and collecting advances directly from the exhibitor chains, this gives a significant competitive advantage to the Company in securing as well as distributing content with a strong Indian distribution set up as well as its own offices in UK, USA, Canada, Dubai, Singapore, Australia and Fiji for the main international markets.

The emerging markets of South East Asia, Europe, South America and the Middle East continue to grow. With the phenomenal success of Slumdog Millionaire, there is a growing interest for Indian films from many new markets. The Company has been consistently releasing films in Pakistan which is a growing market for films.

Sector

Growth estimates for the Indian television sector have been revised downwards by KPMG but still remain at an impressive growth rate of 14.5% CAGR over the next five years, making it the highest growing segment within the Indian media and entertainment sector.

Against a backdrop of the rapidly growing US$5.6 billion Indian television sector and regulatory reforms that have further attracted giants like Reliance, Viacom, Inx, NDTV-NBC, UTV-Disney to join the likes of established players like Zee, Sony, Star and Sahara, the Indian television sector is going through an intensely competitive phase which is further driving the demand for content creating large opportunities for the Group's content syndication. There is also a growing demand for regional content from major players in the market.

The syndication model, which allows different networks to share telecasts, has made the content affordable to networks while the content owners benefit from wider distribution rather than licensing to one player. This model has also attracted new aggregators who aggregate content from major studios and syndicate on their behalf.

Dubbed markets

The demand for Indian films from established markets Germany, Russia, Poland, Arabic countries, Romania, Indonesia, Thailand and new markets like Brazil, Chile, and Mexico has continued to thrive. On the back of the success of Slumdog Millionaire, the Company saw interest from new markets and new buyers in existing markets. The dubbed and subtitled rights syndication in 24 different languages continue to be a major area of growth with high EBITDA margins.

Accelerated growth

The Company had pre-sold a large number of films released during the year, which delivers certainty over revenues. Dubbed markets continued to perform well which resulted in revenues from TV syndication being up by 94% to US$64 million (2008: US$33 million).

Despite the uncertain macro economic backdrop, the Indian entertainment sector is continuing to demonstrate remarkable resilience, delivering double digit growth and is now estimated by KPMG to be worth over US$12 billion and slated to grow to US$22 billion by 2013.

Operating Review continued
Digital New Media and Digital Distribution

Digital New Media is a growing division for the Company and continues to unlock the value of the Eros catalogue.

VOD/SVOD
The subscription video on demand services on Comcast and Cablevision continued to grow and the Company expanded similar services to other cable networks in USA/Canada and Europe.

Internet
The Eros Google YouTube partner channels gained phenomenal popularity based on the content provided and crossed 100 million video views propelling it towards a significant advertising monetisation threshold. The Eros channel is now ranked in the Top 100 YouTube partner channels. The Company has presence through partner channels on MSN, Yahoo, AOL and such other major platforms.

DTH
The Company licensed films to all major DTH operators in India such as Dish, Tata Sky, Reliance Big and Airtel which gives it an additional window of monetisation prior to the film being broadcast on pay TV channels. The number of DTH homes in India is expected to grow from 10 million in 2008 to 28 million homes by 2013 as per the KPMG 2009 Industry Report.

Music
Music revenues cover Physical CD sales, Digital downloads and ringtones, which is the fastest growing revenue stream, plus public performance, radio and television airplay revenues. The Company experienced early interest from new markets such as South America where one of its music tracks “Beedi” from the film Omkara was licensed by TV Globo as the title track for its latest big soap opera “Caminho das Indias”. On the back of this, the Company has

licensed a compilation of tracks to EMI Brazil and also struck a sub-publishing deal with EMI for South and Central America.

Music publishing
The Company has set up a Publishing division to sign up writers, composers and other artists and administer worldwide publishing for a commission. The Music Publishing industry in India is less evolved than in the developed markets and writers have not previously been able to secure the benefits of their creative work through their share of publishing revenues from the various societies. The Company is also considering potential music catalogue acquisitions.

Joint venture with Universal India
The Company has set up a joint venture with Universal in India to undertake a search for new singing-performing talent; which is the first time such a search has been undertaken in India. The joint venture will offer artist management as well as album production of albums with crossover potential by tapping into Universal’s international talent roster.

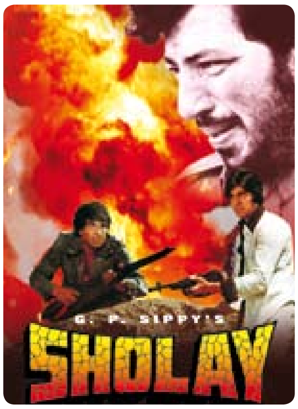
Digital mobile
Revenues continued to grow as further titles were delivered to Hungama mobile under Eros’ output deal.

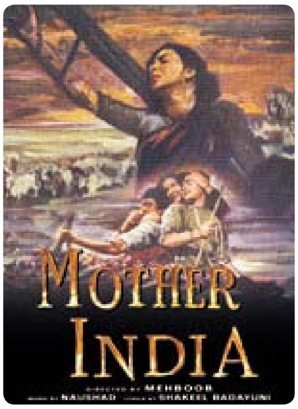
Home entertainment
Distribution of physical DVDs with partners such as Walmart and Best Buy have seen rising revenues and volumes although we have witnessed price point deflation. Blu Ray is the winner of the battle over the future format of DVD’s and the Company has already released two titles on the Blu Ray format. With falling prices of Blu Ray players, the Company intends to release at least 25-50 further titles as a combination of new and catalogue in Blu Ray format in the current year.

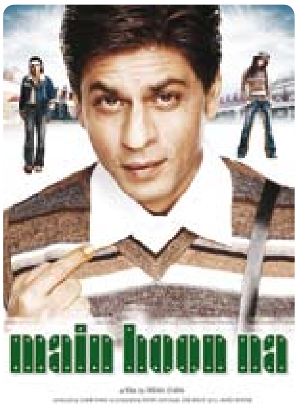
EyeQube
Our visual effects studio worked to full capacity during the year on three major productions – Drona, Aladin and Veer and also provided production planning services to several shows.

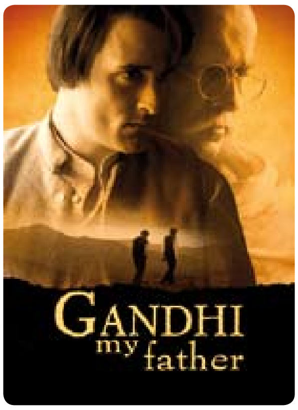
Revenues from New Media up 69% to US$46.2 million (2008: US$27.7 million).

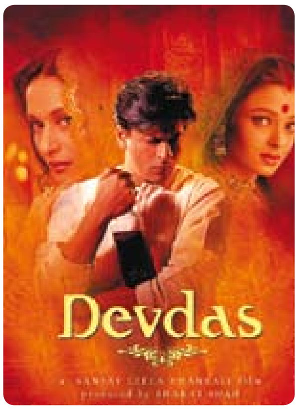
Valuable Eros library of 1,900 films

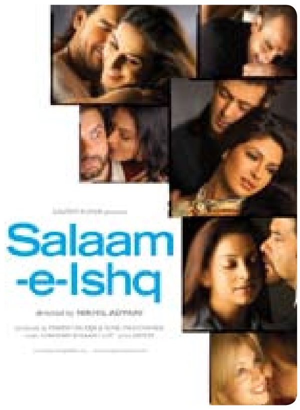


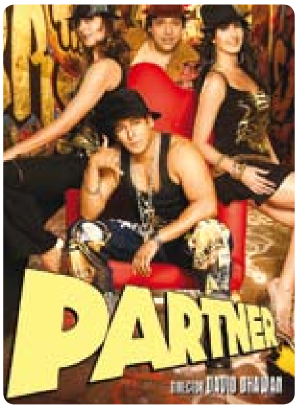


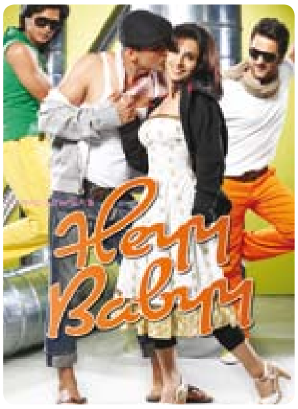


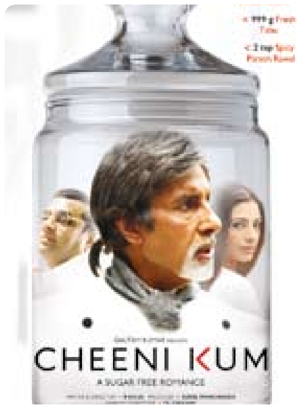


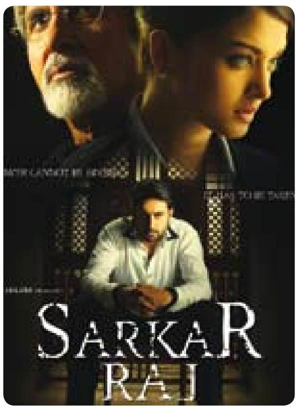


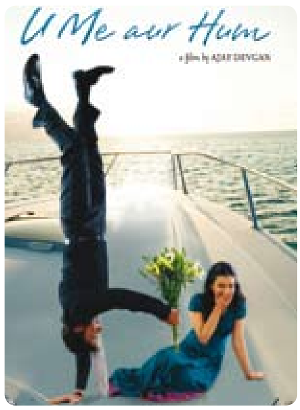












Operating Review continued
Joint Ventures

'Khwaish' city created by EyeQube for Aladin

Through the years the Company has struck key alliances that have strategically contributed to its growth and expansion.

Ayngaran
Eros acquired 51% of the Ayngaran business in October 2007. Ayngaran are market leaders in the Tamil filmed entertainment arena operating on a model similar to Eros which involves sourcing content through co-productions or acquisitions and distributing worldwide across formats through its extensive worldwide distribution network. Ayngaran also has a valuable catalogue of over 600 films.

EyeQube
Eros set up a state-of-the-art visual effects facility in Mumbai of which internationally renowned VFX expert Charles Darby is the Creative Director. Since inception 18 months ago, EyeQube now employs over 150 people who are trained on the various aspects of VFX. EyeQube has now completed the much awaited Aladin which will be released later this year and is also working on Veer and other projects operating on full capacity.

B4U
Eros continues to hold 24% stake in the B4U group, the leading premium Bollywood movie and music channels operating globally. The channels beam in cable and satellite networks in India, UK, Europe, USA, Middle East, Africa, Australia and South East Asia.

International networks (Comcast subsidiary)
The alliance with Comcast continues to grow stronger. The joint venture has launched the very successful Bollywood Hits on Demand subscription video service not only on Comcast but also on Cablevision RCN. The service is soon to be rolled out on other cable networks in the United States.

Hollywood alliances
Eros has set up a joint venture with Universal Music in India to tap new talent and give them a music as well as film platform to showcase their talents. This has never been done before and also there is the potential to explore mixing of the new Indian talent with Universal's international artists to create music of wider appeal.

The other alliances such as with Sony Pictures for Indian film co-productions and the Lionsgate for Hollywood into India are in various stages of development.

Financial Review

Eros' business

Eros International is one of the world's leading vertically integrated studios in the rapidly growing Indian media and entertainment sector.

The Company is the first Indian media entertainment company to be listed on AIM, LSE and has diversified assets and worldwide offices across five continents in over 50 countries including throughout India, UK, USA, UAE, Singapore, Australia, Fiji and the Isle of Man.

A strong brand with global recognition, extensive network and an unrivalled library of over 1,900 films has given Eros International a steadfast market position today.

Group financial performance

This financial review is based primarily on a comparison of our IFRS results for the year ended 31 March 2009 with those of 31 March 2008. Unless otherwise stated growth relates to the percentage comparison of these two years. In running the business Eros's management focus on earnings before interest, tax, amortisation and impairment which is backed by an awareness of earnings per share and the value of the Group's content library both now and in the future.

Revenue was US$156.7 million (2008: US$113.0 million) and the business generated EBITDA of US$109.3 million (2008: US$77 million). The revenue growth primarily came from growth in the TV syndication business, a full year contribution from Ayngaran (six months only in 2008) and growth in Digital and home entertainment.

The income statement includes net financing costs of US$1.3 million (2008: US$0.8 million), a charge for amortisation of content and other intangibles of US$57.1 million (2008: US$31.0 million) leading to a pre tax profit of US$48.4 million (2008: US$45.5 million).

Segmental performance

With the larger global theatrical release scheduled in the current year, theatrical revenues decreased by 11.1% from US$52.1 million to US$46.3 million. The revenue drop reflects additional regional film releases offset by the effect of a weaker Indian Rupee.

Television syndication revenues increased by 93.9% due to continued syndication deals with Indian satellite broadcasters and sales in dubbed markets. Revenues were US$64.0 million in 2009 as opposed to US$33.0 million in 2008.

Digital and Home entertainment revenue experienced a growth of 66.8% to US$46.2 million from US$27.7 million against a background of changing markets. The established non resident Indian market for Home entertainment declined in line with general trends in the sector. However in India the home entertainment market continues to increase and the contribution from digital media such as SVOD, VOD and music increased across the globe.

Geographic performance

Following the rapid growth experienced in previous years from India due to increased global film releases year on year the growth has slowed in the current year to 38.7% from 75.1% in 2008. This growth is now coming from increased exploitation and regional film growth as well as economic and consumer changes within India which are driving Cinema, Television and Home Entertainment.

In North America revenues of US$8.9 million represented like for like growth of 11.3% over the US$8.0 million achieved in the prior year. This growth reflects strong results from new media.

European revenues enjoyed a 105.4% increase to US$22.8 million compared to US$11.1 million in the previous year. This was due to strong demand from Germany and other dubbed markets in Eastern Europe.

In the rest of the world dubbed markets continued to perform well and the non resident Indian audiences in the Gulf States, Australia and Africa amongst others, contributed to a 102.4% rise in revenues to US$25.7 million compared to US$12.7 million in the previous year.

Dividend

The Group continues to recognise the need to balance the requirements to retain capital to expand the business and shareholders' focus on capital and cash flow returns. In the current market the Company is focused on reducing net debt levels and at present there is no expectation of any imminent proposed dividend.

Taxation

Taxation as a percentage of profit before tax has increased in the year in line with expectations as the Group's operations have expanded in India whose standard rate of corporation tax is 33.9%. The tax charge for the year is US$7.6 million (2008: US$6.0 million) which represents an effective rate of 16% (2008: 13.2%). The charge represents current taxation of US$2.7 million (2008: US$3.0 million). Deferred taxation which arises on timing differences on the tax treatment of certain items was US$4.9 million (2008: US$3.0 million).

Personnel

The number of people in the Group averaged 315 against 205 in the year ended March 2008, an increase of 54%. The increases have arisen principally within India and is principally attributable to staff recruited within EyeQube.

Intangible assets

The Group has aggressively sought to secure content for future releases whether this is through production, co-production, new release films acquisition or catalogue acquisition. Securing this content has meant that Eros has invested US$147.0 million (2008: US$114.9 million) as advances in films to be released and has further content commitments of US$77 million (2008: US$178.5 million).

Earnings per share

Basic earnings per share was 35.1 cents (2008: 33.5 cents). The basic weighted average number of shares in issue in the year ended 31 March 2009 increased from 112.5 million to 115.2 million.

The basic earnings per share based on the weighted average number of shares was up 4.8%. Full details are set out in note 8 of the financial statements.

Eros Board and Management

Kishore Lulla
Chairman & Chief Executive Officer
Mr Lulla has been one of the principal driving forces behind Eros International Plc, the global integrated media and entertainment company, for the last 18 years.

Kishore Lulla took over the reins of the business from his father in the 80s and infused Eros International with a vision and clear strategic direction that has seen it achieve great heights. Kishore was instrumental in accelerating Eros' phenomenal growth that has helped the Company expand its operations in over 50 countries. Recognising the need to have visibility and currency in order to take a lead in the consolidation of the fragmented market, and to further leverage Eros' dominance in the sector, Kishore decided to take the Company public in London and Eros was listed on the AIM market in the London Stock Exchange in 2006.

Mr Lulla is a member of BAFTA and Young Presidents' Organisation. He has been honoured at the Asian Business Awards 2007 and prestigious Indian Film Academy Awards 2007 for his contribution in taking Indian cinema global. Mr Lulla is also a board member of the prestigous UCLA.

Vijay Ahuja
Vice Chairman & President – International
Mr Ahuja co-founded Eros' UK business in 1988 with Kishore Lulla 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. He has a degree in Commerce from Mumbai University.

Jyoti Deshpande
Chief Operating Officer & Commercial Director
Mrs Deshpande joined Eros in 2001, taking on overall responsibility for business strategy and operations. With over 13 years' media industry experience prior to joining Eros, she worked in advertising with J Walter Thompson India, headed Advertising Sales & Marketing with Zee Network UK and was a senior consultant with MindShare UK (part of the WPP Group). Between 1999 and 2001, she was part of the senior management team that founded B4U Television Network. She is a regular speaker at industry forums and is a member of the British Film Institute. Mrs Deshpande has a degree in Commerce & Economics and an MBA from Mumbai University.

Sunil Lulla
Executive Director & President – India
Mr Lulla has been instrumental in developing the Indian arm of the business along with founder Arjan Lulla. He has overall responsibility for the production arm of Eros and is well versed in all aspects of the production value chain. He is Chairman of the Company's content acquisition committee, which has shaped the growth of Eros' home entertainment distribution network in India, including Hollywood films. He has a degree in Commerce from Mumbai University.

Dilip Thakkar
Senior Non-Executive Director
Mr Thakkar, a practising Chartered Accountant since 1961, 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.

Naresh Chandra
Senior Non-Executive Director
Naresh Chandra has led a distinguished political career spanning over four decades and brings extensive knowledge and experience of the political and economic environment in India. Since joining the Indian Civil Service in 1956, Mr Chandra has served in several capacities including Chief Secretary of the State of Rajasthan, Home Secretary of the Government of India and Cabinet Secretary of the Government of India, the latter being the highest post in the Indian Civil Service. In August 1992, he was appointed a Senior Adviser to the Prime Minister of India and from 1995 to 2001 was Ambassador of India to the United States. He is currently Chairman of the advisory board of Coca-Cola India.

Senior Management

UK Office
Andrew Heffernan, Group Chief Financial Officer
Charlie Hambro, Executive Vice President – Corporate Planning and Strategy
Ajay Mavinkurve, Group Financial Controller
Pranab Kapadia, President – Distribution Europe and Africa

UK & Europe distribution
Bhavna Mistry, Vice President – Europe
Alice Coelho,
Vice President – International Sales

USA Office
Ken Naz, President – North America
Manu Kaushish,
Senior Vice President – New Media
Dolly Kaur, Vice President Finance – USA

India Office
Nandu Ahuja,
Senior Vice President Distribution – India
Viki Rajani,
Executive Vice President – Eros Pictures
Biren Ghose, Executive Director – Eros Pictures
Kumar Ahuja,
Senior Vice President – India Sales & Operations
Surender Sood,
Vice President – Production Finance
Anand Shankar,
Vice President Finance – India
Farokh Gandhi, Chief Compliance Officer
Ganesh Rajgopalan, Internal Auditor
Prashant Gaonkar,
Vice President – Airborne Sales
Girish Kumar,
Vice President – Home Entertainment
Rajesh Banga
Vice President – Music Publishing

Dubai Office
Surender Sadhwani,
Senior Vice President – Middle East Operations

Australia Office
Aman Raniga, Vice President – Australia

Fiji Office
Jack Raniga, Vice President – Fiji

Report of the Directors

Principal activity

Eros International Plc, an integrated media and entertainment company, is also a global player in the Bollywood arena. Being vertically integrated means that Eros is not only a production house but it also distributes and exploits films across formats globally via cinemas, home entertainment, television formats and new media.

Through acquisitions made in the year the Group boasts an operation that has three decades of market leadership in the media and entertainment business. The Group operates in over 50 countries with worldwide offices in India, UK, USA, Dubai, Australia, Fiji and Isle of Man wherein it has developed its own unique distribution network. It has a business model built around the release of new films every year and the exploitation of a valuable film library containing more than 1,900 titles, making it one of the largest content owners in the Indian film sector.

Business review and future developments

The Company was incorporated on 31 March 2006 and floated on the Alternative Investment Market of the London Stock Exchange ("AIM") in July 2006. The profit after taxation for the year ended 31 March 2009 was US$40.8 million (2008: US$39.5 million).

The Group's strategic intent continues to be to further strengthen its rights content library across a range of media formats and to expand its extensive distribution network. This will be achieved by organic growth, acquisition and the development of new markets.

Further details on future developments, the Group's activities during the year and the principal risks and uncertainties facing the Group are shown within the Chairman's and Chief Executive's Statement, and the Financial Review.

Key performance indicators

In the year ended 31 March 2009 the Group's strategy is underpinned by focusing on a number of key financial performance measures. The principal measures are set out below:

- Gross profit before film and content rights amortisation – the aim is to achieve a margin of 70%, in the year the margin was 82% (2008: 83.2%);
- Group operating profit – as the Group grows the aim is to achieve sustainable growth in operating profit. Strict financial management, good people management and strong corporate governance are critical to achieve this aim. Operating profit in the year was US$51.0 million (US$46.3 million);
- The EBITDA for the current year was US$109.5 million (2008: US$77.9 million);
- Overheads – the overall charge is increasing as the Group expands its activities, but the Group achieved 13.1% (2008: 14.8%) in the year. In future this target will be maintained but to ensure that this measure does not constrain expansion into new business segments, new business segments will be ring fenced for a period of up to 18 months from this measure to allow recruitment of key personnel and the commercial expansion of the Group;
- Dividends – the Group recognises the need to balance the requirement to retain capital to expand the business and shareholders' focus on capital and cash flow returns. For the year ended 31 March 2009 the focus has been on consolidating the business and securing longer term returns. In the future it is the Group's intention to follow a prudent dividend policy whilst retaining capital and reducing net debt to support future business growth.

Directors

The Directors of the Company during the year and their interests in the shares of the Company as at 31 March 2009 and 31 March 2008 were as follows:

	Ordinary shares of 10p each		Percentage Shareholding
	31 March 2009	31 March 2008	at 31 March 2009
V Ahuja*	**Up to 78,866,959**	Up to 78,866,959	69.3
J Deshpande	**77,159**	77,159	0.1
K Lulla*	**Up to 81,650,657**	Up to 78,866,959	70.8
S Lulla*	**Up to 81,650,657**	Up to 78,866,959	70.8
D Thakkar	**–**	–	–
N Chandra	**–**	–	–

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

Report of the Directors continued

There were no changes in Director's holdings since 31 March 2009.

Financial risk management
The financial risks faced by the Group together with how they are managed is dealt with within the Corporate Governance section and within note 23 to the financial statements.

Employee involvement
The Company has continued its practice of keeping employees informed of matters affecting them as employees and the financial and economic factors affecting the performance of the Company. Applications for employment by disabled persons are given full and fair consideration for all vacancies in accordance with their particular aptitudes and abilities. In the event of an employee becoming disabled, every effort will be made to retrain them in order that their employment with the Company may continue.

It is the policy of the Company that training, career development and promotion opportunities should be available to all employees.

Employees are encouraged to own shares in the Company, and 29 (2008: 29) employees are currently shareholders. Information about the Company's affairs is communicated to employees through regular management meetings and the corporate website.

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 2009 the number of days credit taken for purchases by the Company was 39 days (2008: 44 days).

Substantial shareholders
With the exception of the Director's interests shown on the previous page the Company was not notified of any other beneficial interests in 3% or more of the issued share capital of the Company as at 30 June 2009 being the latest practical date before the approval of the accounts.

Placing of shares
Subsequent to the year end on 29 June 2009, the Company issued a further 117,303 ordinary shares at 10p each as part of an employee issue. The shares were issued at 80p, the mid market price of the preceding day to the grant on 6 May 2009, which represents a premium of 70p to nominal value.

Social responsibility
The Group recognises the importance of respecting and supporting the communities in which it operates and, thus improving the positive impact of business in society.

Ethical behaviour
Eros expects its Directors and employees to exercise high ethical and moral standards at all times whilst representing the Group.

The environment
The Group recognises that the wise use of resources delivers both environmental and financial benefits. As part of our overall approach to Corporate Responsibility we aim to promote the maintenance of a healthy environment through responsible and sustainable consumption and production.

Our operations are predominantly office based, and here we try to minimise our impact where practicable. As part of this policy we:

- Ensure that all waste is stored and disposed of responsibly, and recycled where possible;
- Where possible use digital means of exhibition and distribution to minimise the impact on the environment of film print and freight delivery. On certain releases in India up to 50% of screens are catered to by digital means.

Health and safety
The Group takes all reasonable and practicable steps to safeguard the health, safety and welfare of its employees and recognises its responsibilities for the health and safety of others who may be affected by its activities.

Diversity in the workplace
The Group is committed to providing a working environment in which its employees are able to realise their potential and to contribute to business success irrespective of gender, marital status, ethnic origin, nationality, religion, disability, sexual orientation or age.

Charitable and political contributions
During the year the Group made charitable donations of US$119,557 (2008: US$120,000). There was a political donation of US$55,018 (2008: US$nil) to the West Bengal Congress Committee by the Indian subsidiary company.

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;
- 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;
- 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.

Auditors
A resolution proposing the reappointment of Grant Thornton Chartered Accountants as auditors of the Company will be proposed at the Annual General Meeting.

Annual General Meeting
The Annual General Meeting of the Company will be held on 24 September 2009.

Jyoti Deshpande
Chief Operating Officer &
Commercial Director
On behalf of the Board

1 July 2009

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 provide them with annual fees of £40,000 or £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 2009 is set out below:

	Salary US$'000	Fees US$'000	Benefits US$'000	2009 Total US$'000	2008 Total US$'000
Kishore Lulla	833	100	6	939	1,495
Vijay Ahuja	316	100	15	431	566
Jyoti Deshpande	271	100	2	373	576
Sunil Lulla	275	100	–	375	447
Dilip Thakkar	–	66	–	66	78
Roger Vakharia	–	–	–	–	118
Naresh Chandra	–	66	–	66	59
Total	**1,695**	**532**	**23**	**2,250**	**3,339**

A Lulla as Honorary Life President received a fee of £200,000 for the year ended 31 March 2009 (2008: £200,000). Benefits comprise of medical health insurance.

As at 31 March 2009 the following Director had options over shares as set out below:

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

During the year the following share options were surrendered on 7 November 2008 by the individual Directors:

Director	Grant	Date of Price	Exercise Period	Number
K Lulla	17 October 2007	£1.935	October 2007 to October 2012	350,000
S Lulla	17 October 2007	£1.935	October 2007 to October 2012	175,000
V Ahuja	17 October 2007	£1.935	October 2007 to October 2012	50,000
J Deshpande	17 October 2007	£1.935	October 2007 to October 2012	175,000

The Remuneration Committee is currently reviewing an overall compensation package for Directors and senior employees.

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 2009, 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.

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;
  - 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 under way alongside the introduction of the Group's new rights database and accounting system. Although there is no formal Internal Audit function at present the accounting functions have been subject to periodic internal review.

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 Chairman and Chief Executive, 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	**8**	**3**	**2**
Kishore Lulla	7	–	2
Vijay Ahuja	6	–	–
Jyoti Deshpande	7	–	–
Sunil Lulla	7	–	–
Dilip Thakkar	7	3	2
Naresh Chandra	7	2	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's Statement and the Operating Review and Financial Review. In addition, the Company seeks to regularly update shareholders through stock exchange announcements and wider press releases on its activities.

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. The first Annual General Meeting since the Company has been a listed entity will provide an opportunity for shareholders to address questions to the Chairman or the Board directly. Published information, including regulatory news is available on the Eros website, www.erosplc.com.

Risk management
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. As the Group continues to expand, it is expected that an internal audit function will be established but at present the operations do not warrant such a function.

Report of the Independent Auditor
to the Members of Eros International Plc

We have audited the group and parent company financial statements (the ''financial statements'') of Eros International Plc for the year ended 31 March 2009 which comprise the principal accounting policies, the consolidated income statement, the consolidated and parent company balance sheets, the consolidated cash flow statement, the consolidated statement of changes in equity, the notes to the financial statements and the company notes to the financial statements. These group financial statements have been prepared under the accounting policies set out therein.

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 auditor
The directors' responsibilities for preparing the Annual Report and the group financial statements in accordance with Isle of Man law and International Financial Reporting Standards (IFRSs) as adopted by the European Union, and for preparing the parent company financial statements in accordance with Isle of Man law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) are set out in the Statement of Directors' Responsibilities.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the financial statements give a true and fair view and whether the financial statements have been properly prepared in accordance with the Isle of Man Companies Acts 1931 to 2004. We also report to you whether in our opinion the information given in the Directors' Report is consistent with the financial statements.

The information given in the Directors' Report includes specific information presented in the Chairman's and Chief Executive's statement and the Financial Review that is cross referred from the Business review and future developments section of the Directors' Report and also specific information presented within the Corporate Governance report that is cross referred from the Financial risk management section of the Directors' Report.

In addition we report to you if, in our opinion, the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and other transactions is not disclosed.

We read other information contained in the Annual Report and consider whether it is consistent with the audited financial statements. The other information comprises only the Chairman's and Chief Executive's Statement, Financial Review, Directors' Report, the Directors' Remuneration Report. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. Our responsibilities do not extend to any other information.

Basis of audit opinion
We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgments made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the group's and company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Opinion
In our opinion:

- the group financial statements give a true and fair view, in accordance with IFRSs as adopted by the European Union, of the state of the group's affairs as at 31 March 2009 and of its profit for the year then ended
- the group financial statements have been properly prepared in accordance with the Isle of Man Companies Acts 1931 to 2004
- the parent company financial statements give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the parent company's affairs as at 31 March 2009
- the parent company financial statements have been properly prepared in accordance with the Isle of Man Companies Acts 1931 to 2004; and
- the information given in the Directors' Report is consistent with the financial statements.

Grant Thornton.

GRANT THORNTON
Chartered Accountants
P O Box 307
Exchange House
54/58 Athol Street
Douglas
Isle of Man
IM99 2BE
1st July 2009

Consolidated Income Statement
For the year ended 31 March 2009

	Note	Year ended 31 March 2009 US$'000	2008 US$'000
Revenue	1	**156,697**	112,981
Cost of sales		**(85,190)**	(49,940)
Gross profit		**71,507**	63,041
Administrative costs	2	**(20,501)**	(16,725)
Operating profit		**51,006**	46,316
Financing costs	4	**(3,111)**	(3,137)
Finance income	4	**1,850**	2,315
Net finance costs		**(1,261)**	(822)
Impairment of available-for-sale financial assets		**(1,347)**	–
Profit before tax		**48,398**	45,494
Income tax expense	5	**(7,571)**	(6,014)
Profit for the year		**40,827**	39,480
Attributable to:			
Equity holders of the parent		**40,469**	37,729
Minority interest		**358**	1,751
		40,827	39,480
Earnings per share: (cents)			
Basic earnings per share	8	**35.1**	33.5
Diluted earnings per share	8	**34.9**	33.3

The accompanying principal accounting policies and notes form an integral part of these consolidated financial statements. All transactions arise from continuing operations.

Consolidated Balance Sheet
At 31 March 2009

	Note	As at 31 March 2009 US$'000	2008 US$'000
ASSETS			
Non-current assets			
Property, plant and equipment	12	**5,663**	5,530
Goodwill and Intangible trade name	9	**15,878**	15,878
Intangible assets – content	10	**311,772**	239,238
Intangible assets – other	11	**933**	1,005
Available-for-sale investments	15	**25,170**	2,285
Investments accounted for using the equity method	16	**–**	–
Deferred tax assets	7	**212**	65
		359,628	264,001
Current assets			
Inventories	14	**2,008**	2,264
Trade and other receivables	17	**55,930**	30,470
Current tax receivable		**2,122**	1,718
Cash and cash equivalents	19	**55,812**	87,701
		115,872	122,153
Total assets		**475,500**	386,154
EQUITY AND LIABILITIES			
LIABILITIES			
Current liabilities			
Trade and other payables	18	**19,570**	21,193
Short-term borrowings	21	**61,379**	34,769
Derivative financial instruments	23	**5,900**	–
Current tax payable	5	**443**	855
		87,292	56,817
Non-current liabilities			
Long-term borrowings	21	**123,866**	111,687
Deferred tax	7	**6,916**	2,700
		130,782	114,387
Total liabilities		**218,074**	171,204
Net assets		**257,426**	214,950
EQUITY			
Equity attributable to equity holders of the parent			
Share capital	22	**21,210**	20,858
Share premium		**127,321**	127,321
Translation reserve		**(4,261)**	1,025
Reverse acquisition reserve		**(22,752)**	(22,752)
Other reserves		**4,863**	(571)
Retained earnings		**128,917**	87,318
		255,298	213,199
Minority interest		**2,128**	1,751
Total equity		**257,426**	214,950

The consolidated financial statements were approved by the Board on 1 July 2009, and are signed on its behalf by:

Kishore Lulla
Chief Executive Officer

Jyoti Deshpande
Chief Operating Officer

Consolidated Cash Flow Statement

For the year ended 31 March 2009

	Note	Year ended 31 March 2009 US$'000	2008 US$'000
Cash flow from operating activities			
Profit before tax		**48,398**	45,494
Adjustments for:			
Depreciation		**1,196**	527
Share based payment		**1,130**	1,316
Amortisation of intangibles		**57,099**	31,007
Non cash items		**81**	(15)
Net finance charge		**1,261**	822
Impairment of available-for-sale financial assets		**1,347**	–
Movement in trade and other receivables		**(32,184)**	6,115
Movement in inventories		**37**	(888)
Movement in trade payables		**2,141**	5,020
Cash generated from operations		**80,506**	89,398
Interest paid		**(8,000)**	(5,375)
Income taxes paid		**(4,319)**	(4,254)
Net cash from operating activities		**68,187**	79,769
Cash flows from investing activities			
Acquisition of subsidiaries net of cash acquired		**–**	(1,040)
Purchase of property, plant and equipment		**(1,775)**	(2,627)
Purchase of intangible film rights and related contents		**(129,695)**	(170,168)
Purchase of intangible assets others		**(226)**	(202)
Purchase of available for sale financial assets		**(13,220)**	(2,856)
Interest received		**1,785**	2,315
Net cash used in investing activities		**(143,131)**	(174,578)
Cash flows from financing activities			
Proceeds from issue of share capital		**19**	33,386
Repayment/proceeds of short-term borrowings	21	**12,179**	(8,995)
Proceeds from long-term borrowings	21	**33,353**	111,687
Net cash from financing activities		**45,551**	136,078
Net increase in cash and cash equivalents		**(29,393)**	41,269
Effects of exchange rate changes on cash and cash equivalents		**(2,496)**	15
Cash and cash equivalents at beginning of period		**87,701**	46,417
Cash and cash equivalents at end of period	19	**55,812**	87,701

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 2009

	Share capital US$'000	Share premium account US$'000	Translation reserve US$'000	Retained earnings US$'000	Reverse acquisition reserve US$'000	Other reserves US$'000	Total US$'000	Minority interest US$'000	**Total equity US$'000**
Balance at 31 March 2008	20,858	127,321	1,025	87,318	(22,752)	(571)	213,199	1,751	**214,950**
Changes in equity for year ended 31 March 2009	–	–	–	–	–	–	–	–	**–**
Available for sale securities losses taken to income statement	–	–	–	–		571	571	–	**571**
Revaluation of freehold buildings	–	–	–	–	–	300	300	–	**300**
Hedging reserves	–	–	–	–	–	(5,900)	(5,900)	–	**(5,900)**
Currency translation	–	–	(5,286)	–	–	–	(5,286)	–	**(5,286)**
Net income recognised directly in equity	–	–	(5,286)	–	–	(5,029)	(10,315)	–	**(10,315)**
Profit for the year	–	–	–	40,469	–	–	40,469	358	**40,827**
Total recognised income and expense for the year	–	–	(5,286)	40,469	–	(5,029)	30,154	358	**30,512**
Share based payment	–	–	–	1,130	–	–	1,130	–	**1,130**
Shares issued to minority in joint venture	–	–	–	–	–	–	–	19	**19**
Shares issued on acquisition	352	–	–	–	–	10,463	10,815	–	**10,815**
Balance at 31 March 2009	**21,210**	**127,321**	**(4,261)**	**128,917**	**(22,752)**	**4,863**	**255,298**	**2,128**	**257,426**

Balance at 31 March 2007	Share capital US$'000	Share premium account US$'000	Translation reserve US$'000	Retained earnings US$'000	Reverse acquisition reserve US$'000	Other reserves US$'000	Total US$'000	Minority interest US$'000	**Total equity US$'000**
Balance at 31 March 2007	20,180	94,613	148	48,685	(22,752)	–	140,874	–	**140,874**
Changes in equity for year ended 31 March 2008	–	–	–	–	–	–	–	–	**–**
Available for sale securities losses taken to equity	–	–	–	–	–	(571)	(571)	–	**(571)**
Currency translation	–	–	877	–	–	–	877	–	**877**
Net income recognised directly in equity	–	–	877	–	–	(571)	306	–	**306**
Profit for the year	–	–	–	37,729	–	–	37,729	1,751	**39,480**
Total recognised income and expense for the year	**–**	**–**	**877**	**37,729**	**–**	**(571)**	**38,035**	**1,751**	**39,786**
Share based payment	–	–	–	1,316	–	–	1,316	–	**1,316**
Deferred tax on share based payment	–	–	–	(412)	–	–	(412)	–	**(412)**
Issue of share capital	678	32,708	–	–	–	–	33,386	–	**33,386**
Balance at 31 March 2008	**20,858**	**127,321**	**1,025**	**87,318**	**(22,752)**	**(571)**	**213,199**	**1,751**	**214,950**

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 distribution and production of Indian films and related content which have been discussed earlier in the Operating and Financial Review. Eros International Plc is the Group's ultimate parent company. It is incorporated and domiciled in the Isle of Man. The address of Eros International Plc's registered office is 15-19 Athol Street, Douglas, Isle of Man, IM1 1LB. Eros International Plc's shares are listed on the Alternative Investment Market of the London Stock Exchange.

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 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, 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 principal currency of the Group is US Dollars as this is the currency that the majority of its transactions are denominated in.

The financial statements for the year ended 31 March 2009 were approved for issue by the Board of Directors on 1 July 2009.

2 Summary of accounting policies

2.1. 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 29.

2.2. Basis of consolidation

In respect of the combination of Eros International Plc 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. 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 basis 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.

2 Summary of accounting policies continued

2.3. Joint venture

The Group recognises its interest in a jointly controlled entity ("Joint Venture") using the equity method. A joint venture is a contractual arrangement whereby two or more parties undertake an economic activity that is subject to joint control. Joint control is the contractually agreed sharing of control over an economic activity, and exists only when the strategic financial and operating decisions relating to the activity require the unanimous consent of the parties sharing control (the venturers). Investments in joint ventures are accounted for using the equity method of accounting and are initially recognised at cost. The Group's investment in joint ventures includes goodwill and intangibles identified on acquisition at fair value, net of any accumulated impairment loss.

The Group's share of its joint venture's post-acquisition profits or losses is recognised in the income statement, and its share of post-acquisition movements in reserves is recognised in reserves. The cumulative post-acquisition movements are adjusted against the carrying amount of the investment. When the Group's share of losses in the joint venture equals or exceeds its interest in the joint venture, including any other unsecured receivables, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the joint venture.

Unrealised gains on transactions between the Group and its joint venture are eliminated to the extent of the Group's interest in the joint venture. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of the joint venture have been modified where necessary to ensure consistency with the policies adopted by the Group.

2.4 Segment reporting

The Group operates in different areas of the entertainment business. The different products and services are marketed through different channels. As a result of the differing customer base, technology, marketing and distribution requirements of these segments they are managed separately and represent the primary segment reporting level.
As of 31 March 2009 Eros had three business segments engaging in the activities described below:

- Theatrical;
- Television syndication;
- Digital and home entertainment.

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.

2.5 Revenue

Revenue recognised represents the value of the licence fee and before any withholding tax but excluding sales taxes. It is recognised once the following criteria are met:

- There is persuasive evidence of a sale or licensing arrangement agreement;
- The film is complete and available for delivery;
- Collection of the revenue is reasonably assured;
- The fee is fixed and determinable.

The following additional criteria apply in respect of these revenue streams:

- 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;
- Digital and home entertainment – DVD, CD and Video revenue is recognised on the date the licence 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.

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

2.6 Goodwill

Goodwill represents the excess of the acquisition cost 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.

Principal Accounting Policies continued

2 Summary of accounting policies continued

2.7 Intangible assets

Non Current Intangible assets acquired by the Group are stated at cost less accumulated amortisation 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.

Content

Investments in films and associated rights, including acquired rights and distribution advances in respect of completed films, are stated at amortised cost 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 is five years having taken account of pre-existing catalogues acquired from third parties whose life is taken as 10 years. The amortisation charge is recognised in the income statement within cost of sales.

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 a 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;
- 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 is recognised within cost of sales.

2.8 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 triannual 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
Freehold buildings	2-10
Equipment	15-20
Other	15-40

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

2 Summary of accounting policies continued

2.9 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. With the exception of goodwill, all assets are subsequently reassessed for indications that an impairment loss previously recognised may no longer exist.

2.10 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.

2.11 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.

2.12 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.

2.13 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 recognised at fair value plus transaction costs.

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.

Principal Accounting Policies continued

2 Summary of Accounting Policies continued
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 equity, through the statement of changes in equity. 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 equity 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 value 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.

2.14 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.

2.15 Derivative financial instruments and hedging activities
Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently remeasured at their fair value. The method of recognising the resulting gain or loss depends on whether the derivative is designated as a hedging instrument, and if so, the nature of the item being hedged. The Group designates certain derivatives as either:

- Hedges of the fair value of recognised assets or liabilities or a firm commitment (Fair value hedge);
- Hedges of a particular risk associated with a recognised asset or liability or a highly probable forecast transaction (Cash flow hedge).

The Group documents at the inception of the transaction the relationship between hedging instruments and hedged items, as well as its risk management objectives and strategy for undertaking various hedging transactions. The Group also documents its assessment, both at hedge inception and on an ongoing basis, of whether the derivatives that are used in hedging transactions are highly effective in offsetting changes in fair values or cash flows of hedged items.

2 Summary of accounting policies continued

The fair values of various derivative instruments used for hedging purposes are disclosed in note 23. Movements on the hedging reserve in shareholders' equity are shown in the "Consolidated statement of changes in equity". The full fair value of a hedging derivative is classified as a non-current asset or liability when the remaining hedged item is more than 12 months, and as a current asset or liability when the remaining maturity of the hedged item is less than 12 months. Trading derivatives are classified as a current asset or liability.

Fair value hedge

Changes in the fair value of derivatives that are designated and qualify as fair value hedges are recorded in the income statement, together with any changes in the fair value of the hedged asset or liability that are attributable to the hedged risk. The Group only applies fair value hedge accounting for hedging fixed interest risk on borrowings. The gain or loss relating to the effective portion of interest rate swaps hedging fixed rate borrowings is recognised in the income statement within "finance costs". The gain or loss relating to the ineffective portion is recognised in the income statement within "other gains/(losses)". Changes in the fair value of the hedge fixed rate borrowings attributable to interest rate risk are recognised in the income statement within "finance costs".

If the hedge no longer meets the criteria for hedge accounting, the adjustment to the carrying amount of a hedged item for which the effective interest method is used, is amortised to profit or loss over the period to maturity.

Cash flow hedge

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges is recognised in equity. The gain or loss relating to the ineffective portion is recognised immediately in the income statement within "other gains/(losses)".

Amounts accumulated in equity are recycled in the income statement in the periods when the hedged item affects profit or loss (for example, when the forecast sale that is hedged takes place). The gain or loss relating to the effective portion of interest rate swaps hedging variable rate borrowings is recognised in the income statement within "finance costs" at that time. The gain or loss relating to the ineffective portion is recognised in the income statement within "finance costs" and separately identified. However, when the forecast transaction that is hedged results in the recognition of a non-financial asset (for example, inventory or fixed assets) the gains and losses previously deferred in equity are transferred from equity and included in the initial measurement of the cost of the asset. The deferred amounts are ultimately recognised in cost of goods sold in case of inventory or in depreciation in case of fixed assets.

When a hedging instrument expires or is sold, or when a hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss existing in equity at that time remains in equity and is recognised when the forecast transaction is ultimately recognised in the income statement. When a forecast transaction is no longer expected to occur, the cumulative gain or loss that was reported in equity is immediately transferred to the income statement within other gains/(losses).

2.16 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.

2.17 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.

2.18 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.

Principal Accounting Policies continued

2 Summary of accounting policies continued

2.19 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.

2.20 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. Exchange differences on non-monetary items are recognised in the statement of changes in equity to the extent that they relate to a gain or loss on that non-monetary item, otherwise 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.

2.21 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;
- Retained earnings – this represents retained profits.

Notes to the Financial Statements

1 Business segmental data

The Group operates through a number of different entities and operating segments. Eros Management evaluates the performance of the business segments and allocates necessary resources to them based on certain operating indicators (segment operations and cash flow from operations). Segmental earnings correspond to earnings before interest, tax and amortisation ("EBITA") of each business segment. As a result amortisation and finance charges have not been allocated towards any one business segment.

Additionally segment data is after taking account of the following principles:

- The segment "Holding and Corporate" includes the cost of Eros International Plc after any relevant allocation of these costs to each of the businesses;
- Inter-segment commercial relations are conducted on an arm's length basis on terms and conditions similar to those which would be proposed by third parties.

Primary segmental reporting

	Year ended 31 March 2009					
	Theatrical US$'000	Television syndication US$'000	Digital and home entertainment US$'000	Holding and corporate US$'000	Common Costs US$'000	Total US$'000
Revenues	46,334	64,036	46,176	–	151	156,697
Cost of sales (excluding amortisation)	(15,815)	(4,522)	(7,754)	–	–	(28,091)
Gross Profit (excluding amortisation)	30,519	59,514	38,422	–	151	128,606
Depreciation	–	–	–	–	(1,196)	(1,196)
Administrative expenses (excluding depreciation)	(4,421)	(6,111)	(4,406)	(4,367)	–	(19,305)
Earnings before interest, taxes and amortisation ("EBITA")	**26,098**	**53,403**	**34,016**	**(4,367)**	**(1,045)**	**108,105**
Amortisation					(57,099)	(57,099)
Net finance charges					(1,261)	(1,261)
Impairment of available for sale financial assets					(1,347)	(1,347)
Profit before tax						48,398

	Year ended 31 March 2009					
	Theatrical US$'000	Television syndication US$'000	Digital and home entertainment US$'000	Holding and corporate US$'000	Common Costs US$'000	Total US$'000
Revenues	52,108	32,968	27,675	–	230	112,981
Cost of sales (excluding amortisation)	(12,482)	(2,647)	(3,804)	–	–	(18,933)
Gross Profit (excluding amortisation)	39,626	30,321	23,871	–	230	94,048
Depreciation	–	–	–	–	(527)	(527)
Administrative expenses (excluding depreciation)	(5,631)	(3,571)	(2,992)	(4,004)	–	(16,198)
Earnings before interest, taxes and amortisation ("EBITA")	**33,995**	**26,750**	**20,879**	**(4,004)**	**(297)**	**77,323**
Amortisation					(31,007)	(31,007)
Net finance charges					(822)	(822)
Profit before tax						45,494

Assets and liabilities by segment

The breakdown of net assets and capital expenditure on the primary 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, depreciation and amortisation disclosed above and a share based payment charge of US$1,130,000 (2008: US$1,316,000).

Notes to the Financial Statements continued

1 Business segmental data continued

Secondary segmental reporting

Eros has identified four geographic areas consisting of its three main geographic markets (India, North America, Europe) as well as the rest of the world. Information by geographic area is the second level of segmental data. Revenues are presented based on the customers' location.

	Year ended 31 March 2009 US$'000	2008 US$'000
India	**99,316**	81,139
Europe	**22,796**	11,124
North America	**8,907**	7,988
Rest of the world	**25,678**	12,730
	156,697	112,981

	31 March 2009 India US$'000	North America US$'000	Europe US$'000	Rest of the world US$'000
Segment assets	210,629	1,807	62,364	202,129

2 Additional information on administrative expenses

Auditors' remuneration:

	Year ended 31 March 2009 US$'000	2008 US$'000
Fees payable to Company auditor for the audit of these financial statements	**109**	200
Non audit services:		
Fees payable to the Company's auditor and its associates for other services	**113**	50
Audit of Company's subsidiaries pursuant to legislation	**60**	60
Tax compliance and advisory services	**12**	56

Profit before tax is arrived at after the following being charged to the income statement:

	2009 US$'000	2008 US$'000
Depreciation of property, plant and equipment	**1,196**	527
Amortisation	**57,099**	31,007
Operating lease rentals	**1,806**	1,440
Exchange movements	**(17)**	568

3 Personnel costs and average employee numbers

	2009	2008
Annual average number of full time equivalent employees	**315**	205

	US$'000	US$'000
Salaries	**8,458**	8,767
Social security and other employment charges	**562**	693
Wages and expenses	**9,020**	9,460
Share based compensation	**1,130**	1,316
Personnel costs	**10,150**	10,776

Directors' remuneration, which corresponds to key management, is disclosed within the remuneration report. In addition US$776,000 (2008: US$905,000) of the share based compensation charge related to key management.

4 Finance changes and income

	Year ended 31 March 2009 US$'000	2008 US$'000
Interest expense on borrowings	**8,006**	5,375
Loss on financial instruments on measurement to fair value	**70**	–
Cash flow hedge recycling	**590**	–
Capitalised interest	**(5,555)**	(2,238)
	3,111	3,137
Less : Interest received	**(1,850)**	(2,315)
	1,261	822

The capitalisation rate of interest was 5.7% (2008: 4.8%).

5 Income tax expense

	Year ended 31 March 2009 US$'000	2008 US$'000
Current tax expense	**2,706**	2,983
Deferred tax		
Origination and reversal of temporary differences	**4,865**	3,031
Provision for income taxes	**7,571**	6,014

6 Reconciliation of tax charge

	Year ended 31 March 2009 US$'000	2008 US$'000
Results for the year	**48,398**	45,494
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	**2,755**	3,349
Expenses not deductible for tax purposes	**76**	(3)
Utilisation of tax losses	**(49)**	(55)
Other temporary differences	**(186)**	(342)
Adjustment in respect of prior periods	**56**	–
Foreign tax	**54**	34
Effective provision for current income taxes	**2,706**	2,983
Deferred Tax	**4,865**	3,031
	7,571	6,014

7 Changes in deferred tax assets and liabilities

Changes in deferred tax assets and liabilities

	Year ended 31 March 2009 US$'000	2008 US$'000
Opening balance of deferred tax (liabilities)/assets	**(2,635)**	396
Effect on provision for income taxes	**(4,068)**	(3,031)
Closing balance of deferred tax (liabilities)	**(6,703)**	(2,635)

Notes to the Financial Statements continued

7 Changes in deferred tax assets and liabilities continued

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:

	Accelerated capital allowances US$'000	Share based payments US$'000	Other temporary differences US$'000	Tax losses US$'000	Total US$'000
Recognised in the income statement	(5)	411	(3,106)	(93)	(2,793)
Arising on business combinations	–	–	–	158	158
At 31 March 2008	(5)	411	(3,106)	65	(2,635)
Foreign exchange translation	–	–	797	–	797
Recognised in the income statement	5	(411)	(4,394)	(65)	(4,865)
At 31 March 2009	–	–	(6,703)	–	(6,703)

Components of deferred tax assets and liabilities

	Year ended 31 March 2009 US$'000	2008 US$'000
Deferred tax assets		
Tax losses	**212**	65
Deferred tax liabilities		
Other	**(6,915)**	(2,700)
Deferred tax (liabilities)/assets	**(6,703)**	(2,635)

The deferred tax assets have been recognised on the basis of that there is sufficient certainty of profitability to utilise the available losses.

8 Earnings per share

	Year ended 31 March 2009 Basic	2009 Diluted	2008 Basic	2008 Diluted
Earnings (in thousands of US Dollars)				
Earnings attributable to the equity holders of the parent	**40,469**	**40,469**	37,729	37,729
Number of shares (in thousands)				
Weighted average number of shares	**115,234**	**115,234**	112,547	112,547
Potential dilutive effect related to share based compensation	**–**	**838**	–	703
Adjusted weighted average number of shares	**115,234**	**116,072**	112,547	113,250
Earnings per share (in US cents)				
Earnings attributable to the equity holders of the parent per share	**35.1**	**34.9**	33.5	33.3

9 Goodwill and trade name

	As of 31 March 2008 US$'000	Additions US$'000	As of 31 March 2009 US$'000
Eros Network Limited – Goodwill	1,878	–	**1,878**
Trade Names	14,000	–	**14,000**
Net book value at 31 March 2009	15,878	–	**15,878**

9 Goodwill and trade name continued

	As of 31 March 2007 US$'000	Business combinations US$'000	As of 31 March 2008 US$'000
Eros Network Limited – Goodwill	1,838	40	1,878
Trade Name	14,000	–	14,000
Net book value at 31 March 2008	15,838	40	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 2009 impairment review was undertaken as at 31 March 2009.

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.

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 taken in respect of Eros Network Limited is 15%. An appropriate discount rate of 7.6% (2008: 11.5%) representing the Group's weighted average cost of capital has been applied to the projections.

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

10 Intangible content assets

	31 March 2009		
	Gross content assets US$'000	**Accumulated amortisation US$'000**	**Content assets US$'000**
Film productions	**9,918**	**–**	**9,918**
Film and content rights	**258,529**	**103,685**	**154,844**
Content advances	**147,010**	**–**	**147,010**
Non current content assets	**415,457**	**103,685**	**311,772**

	31 March 2008		
	Gross content assets US$'000	Accumulated amortisation US$'000	Content assets US$'000
Film productions	8,118	–	8,118
Film and content rights	163,125	46,884	116,241
Content advances	114,879	–	114,879
Non current content assets	286,122	46,884	239,238

Changes in the main content assets are as follows:

	Year ended 31 March	
	2009 US$'000	2008 US$'000
Film productions		
Opening balance	**8,118**	3,406
Additions	**7,619**	17,789
Transfer to film and content rights	**(5,819)**	(13,077)
Closing balance	**9,918**	8,118

Notes to the Financial Statements continued

10 Intangible content assets continued

	Year ended 31 March 2009 US$'000	2008 US$'000
Content advances		
Opening balance	**114,879**	34,304
Additions	**127,629**	154,617
Transfer to film and content rights	**(95,498)**	(74,042)
Closing balance	**147,010**	114,879

	Year ended 31 March 2009 US$'000	2008 US$'000
Film and content rights		
Opening balance	**116,241**	57,000
Amortisation	**(56,801)**	(30,685)
Business combinations	**–**	1,715
Changes in foreign currency translation	**(5,913)**	1,092
Transfer from other content assets	**101,317**	87,119
Closing balance	**154,844**	116,241

11 Other intangible assets

	31 March 2009 Gross US$'000	Accumulated Amortisation US$'000	Net US$'000
Internally developed software	**1,623**	**(690)**	**933**

	31 March 2008 Gross US$'000	Accumulated Amortisation US$'000	Net US$'000
Internally developed software	1,402	(397)	1,005

The changes in other intangible assets are as follows:

	Year ended 31 March 2009 US$'000	2008 US$'000
Opening balance	**1,005**	1,125
Additions during the year	**226**	202
Amortisation	**(298)**	(322)
Closing balance	**933**	1,005

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

12 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 2009					
Opening net book amount	1,811	1,202	907	1,610	**5,530**
Exchange differences	(32)	(166)	(194)	(354)	**(746)**
Revaluation	300	–	–	–	**300**
Additions	–	207	225	1,353	**1,785**
Disposals	–	(10)	–	–	**(10)**
Depreciation charge	(46)	(181)	(246)	(723)	**(1,196)**
Closing net book amount	2,033	1,052	692	1,886	**5,663**
At 31 March 2009					
Cost or valuation	2,406	1,995	1,284	4,580	**10,265**
Accumulated depreciation	(373)	(943)	(592)	(2,694)	**(4,602)**
Net book amount	2,033	1,052	692	1,886	**5,663**

	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 2008					
Opening net book amount	1,831	380	239	516	2,966
Exchange differences	12	37	47	88	184
Acquisition of subsidiary	–	102	86	97	285
Additions	15	777	700	1,135	2,627
Disposals	–	–	(14)	(1)	(15)
Depreciation charge	(47)	(94)	(161)	(225)	(527)
Adjustment of depreciation on disposals	–	–	10	–	10
Closing net book amount	1,811	1,202	907	1,610	5,530
At 31 March 2008					
Cost or valuation	2,138	1,964	1,253	3,581	8,936
Accumulated depreciation	(327)	(762)	(346)	(1,971)	(3,406)
Net book amount	1,811	1,202	907	1,610	5,530

Land and buildings were revalued by an Independent Valuer using market values as of November 2008. The revaluation gave rise to a US$300,000 upward revision which has been taken to equity. The carrying amount that would have been recognised if carried at cost would be US$1,733,000.

13 Operating leases

The minimum lease rentals to be paid under non-cancellable operating leases at 31 March 2009 are as follows:

	As at 31 March **2009 US$'000**	2008 US$'000
Within one year	**457**	1,672
Within two to five years	**1,349**	2,869
	1,806	4,541

Notes to the Financial Statements continued

14 Inventories

	Year ended 31 March 2009 US$'000	2008 US$'000
Goods for resale	**1,912**	2,193
Raw materials	**96**	71
	2,008	2,264

During the year inventory of US$856,000 (2008: US$1,782,000) was recognised in profit and loss as an expense. This includes an amount of US$nil (2008: US$45,000) resulting from the write down of inventories. There was no reversal of previous write downs.

15 Available for sale financial assets

	Year ended 31 March 2009 US$'000	2008 US$'000
Listed securities	**8**	781
Triple Com Media Pvt. Limited	**1,570**	1,504
Valuable Technologies	**12,777**	–
LMB Holdings Limited	**10,815**	–
	25,170	2,285

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 believe that fair value does not materially differ to cost.

As disclosed in 2008 the Group had an option to acquire Acacia Investments Holdings Limited ("Acacia"), a company which was ultimately owned by a discretionary trust of which Kishore Lulla, Vijay Ahuja and Sunil Lulla are amongst the potential beneficiaries. The Company exercised the option during the year on 11 April 2008 (see note 20). Acacia is a dormant holding company and owns 24% of L.M.B Holdings Limited which through its subsidiaries operates two satellite television channels, B4U Music and B4U Movies. 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 L.M.B. Holdings Limited. 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 a market value with reasonable certainty. The investment is therefore stated at cost. In exercising the option to acquire the stake in L.M.B Holdings Limited the Directors were able to satisfy themselves that the cost was reasonable by receiving valuations based on setting up a similar operation.

Eros acquired 11.9% of Valuable Technologies ("Valuable") in April 2008. The company which is involved in digital rights management and hardware raised further working capital on 28 May 2009 when Eros' share was diluted to 9%. Based on the subscription price paid by third party investment funds the Directors are of the opinion that the fair value does not materially differ to cost.

Listed securities comprise an investment in New Medium Enterprises Inc ("NME"). The Directors having taken account of the nature of NME's operations, its current trading and the potential for dilution if recapitalised, have impaired the carrying value. The accumulated fair value adjustments of US$1,347,000 based on the quoted market price of US$0.0007, which includes US$571,000 provided in 2008 and previously recognised in equity, have been transferred to the Income Statement and recognised as an impairment loss.

16 Investments accounted for using equity method

Movements in joint ventures during the year:

	US$'000
Share of net assets	
At 1 April 2008	–
Capital contribution	–
At 31 March 2009	–

On 20 May 2008 Eros entered into a joint venture agreement with Lions Gate Entertainment Corp. 'Lionsgate' to exploit Lionsgate catalogue and future film releases in India. As part of this agreement a joint venture entity is to be set up and the catalogue licence vested with the entity. As at the year end this entity had not been set up and the associated catalogue agreement had not been executed. As such there was no share of income to recognise as at 31 March 2009.

17 Trade and other receivables

	At 31 March	
	2009 US$'000	2008 US$'000
Trade accounts receivable	**43,147**	21,038
Trade accounts receivable provision	**(292)**	(356)
Trade accounts receivable net	**42,855**	20,682
Other receivables	**12,491**	8,865
Prepaid charges	**584**	923
Trade accounts receivable and other	**55,930**	30,470

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:

	At 31 March	
	2009 US$'000	2008 US$'000
Not more than three months	**7,252**	1,783
More than three months but not more than six months	**829**	959
More than six months but not more than one year	**13**	452
More than one year	**634**	209
	8,728	3,403

The movements in the trade receivable provisions is as follows:

	At 31 March	
	2009 US$'000	2008 US$'000
At 1 April 2008	**356**	451
Utilisations	**(64)**	(267)
Provisions	**–**	172
At 31 March 2009	**292**	356

The carrying amount of trade and other receivables is considered a reasonable approximation of fair value. The Group holds collateral in respect of US$nil (2008: US$1 million) of trade receivables.

Notes to the Financial Statements continued

18 Trade and other payables

	At 31 March 2009 US$'000	2008 US$'000
Trade accounts payable	**17,634**	15,451
Prepayments, accrued income and other payables	**1,078**	3,802
Social security and other taxes payable	**858**	1,940
	19,570	21,193

19 Cash and cash equivalents

	At 31 March 2009 US$'000	2008 US$'000
Cash at bank and in hand	**55,812**	87,701

20 Share based compensation plans

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

	At 31 March 2009 US$'000	2008 US$'000
IPO plan	**25**	120
Management scheme	**1,105**	1,196
	1,130	1,316

This charge has been included in administrative costs in the Income statement. The fair value per share for grants and the assumptions used in the calculation are as follows:

	June 2006	November 2007
Grant date	27/06/06	15/10/07
Data at grant		
Option strike price	£1.76	£1.935
Maturity (in years)	10	5
Expected term (in years)	5	3
Number of instruments granted	187,314	1,078,750
Share price	£1.724	£4.330
Expected volatility	25.0%	5.12%
Risk free interest rate	4.78%	5.12%
Expected dividend yield	0%	0%
Fair value of the granted option at the grant date	**£0.626**	**£2.667**

The expected volatility has been arrived at by taking the weighted average share price movements of three peer companies as the Company's own shares have been listed for a comparatively short period.

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 the Alternative Investment Market ("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.

Management Scheme

Options granted under this scheme vested annually in one third tranches from 31 March 2008. There are no performance criteria attached to the options and they were awarded to individuals based on the Remuneration Committee's view of their individual performance taking account of the overall Group performance. During the year all options granted under this scheme lapsed or were forfeited by the option holders.

20 Share based compensation plans continued

	2009 Number of shares	2009 Weighted average exercise price £	2008 Number of shares	2008 Weighted average exercise price £
Outstanding at 1 April	**1,266,064**	**1.909**	187,314	1.760
Granted	**–**	**–**	1,078,750	1.935
Lapsed	**(20,000)**	**1.935**	–	–
Forfeited by the option holder	**(1,058,750)**	**1.935**	–	–
Outstanding at 31 March	**187,314**	**1.76**	1,266,064	1.91
Exercisable at 31 March	**74,926**	**1.76**	459,483	1.92

21 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 2009 US$'000	31 March 2008 US$'000
Asset backed borrowings				
Term Loan	BPLR +2.25%	2012	**4,904**	2,605
Term Loan	BPLR +2.75%	2012	**1,689**	3,509
Term Loan	BPLR +0.5%	2012	**2,197**	–
Asset Loan	9–12%	2010	**257**	349
Term Loan	BPLR +0.5%	2009	**12,692**	6,053
Term Loan	BPLR +2%	2009	**3,643**	–
			25,382	12,516
Unsecured borrowings				
US$100 million revolving facility	LIBOR +1.65%	2012	**100,000**	100,000
			125,382	112,516
Nominal value of borrowings			**125,382**	112,516
Cumulative effect of unamortised costs			**(1,516)**	(829)
Borrowings			**123,866**	111,687

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

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

Analysis of short term borrowings:

	Nominal interest rate (%)	31 March 2009 US$'000	31 March 2008 US$'000
Asset backed borrowings			
Export credit and overdraft	LIBOR + 1% to 1.5%	**16,165**	18,455
Overdraft	LIBOR +2.5%	**214**	16,314
		16,379	34,769
Unsecured borrowings			
Credit facility	LIBOR +1.5%	**45,000**	–
		61,379	34,769

Notes to the Financial Statements continued

21 Borrowings and other financial liabilities continued
Currency, maturity and nature of interest rate of the nominal value of borrowings

	2009 US$'000	2009 %	2008 US$'000	2008 %
Currency				
US Dollar	**150,900**	**79**	136,545	93%
Indian Rupees	**40,245**	**21**	9,911	7%
Total	**191,145**	**100**	146,456	100%
Maturity				
Due before one year	**84,746**	**44**	42,287	29%
Due between one and three years	**1,944**	**1**	2,796	2%
Due between four and five years	**104,455**	**55**	101,373	69%
	191,145	**100**	146,456	100%
Nature of rates				
Fixed interest rate	**100,000**	**52**	349	1%
Floating rate	**91,145**	**48**	146,107	99%
Total	**191,145**	**100**	146,456	100%

22 Issued share capital

Authorised	Number of shares	£'000
200,000,000 ordinary shares of 10p each at 31 March 2009 and 2008	200,000,000	20,000

Allotted, called up and fully paid	Number of shares	$'000
At 1 April 2008	113,494,299	20,858
Allotment of shares on 10 April 2008	1,783,698	352
As at 31 March 2009	115,277,997	21,210

Allotted, called up and fully paid	Number of shares	$'000
At 1 April 2007	110,160,824	20,180
Allotment of shares on 20 July 2007	3,304,825	672
Allotment of shares on 15 October 2007	28,650	6
As at 31 March 2008	113,494,299	20,858

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.

23 Financial instruments and capital 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 policy not to enter into complex financial instruments unless there are specific identified risks for which such instruments help mitigate uncertainties.

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.

23 Financial instruments and capital 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 has no significant concentration of credit risk, with exposure spread over a large number of customers and counterparties. 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 2009		
	GBP US$'000	INR US$'000	Other US$'000
Net Balance	**249**	**6,876**	**48,687**

	At 31 March 2008		
	GBP US$'000	INR US$'000	Other US$'000
Net Balance	87	79,038	339

A uniform decrease of 10% in exchange rates against all foreign currencies in position as of 31 March 2009 would have a cumulated negative impact of US$713,000 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 2009 the Group had facilities available of US$199,812,000 (2008: US$191,437,000) and therefore had net undrawn amounts of US$14,567,000 available.

Interest rate risk

The Board recognise the need to mitigate interest rate risk through the use of fixed and floating rates. In the year the Group fixed US$100 million of its borrowings by way of an interest rate swap contract, which represents 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$911,000 (2008: US$1,461,000) an equal and opposite impact would be felt if rates fell by 1%.

Notes to the Financial Statements continued

23 Financial instruments and capital risk management continued

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 relationships, at the reporting date is determined by discounted future cash flows using the rate curves at the reporting date and is shown below.

	At 31 March 2008		
	Average contract rate %	Notional principal amount US$'000	Fair value of hedging instrument US$'000
Cash flow hedge	3.52	100,000	(5,900)

The ineffective portion of changes in fair value of cash flow hedges recognised in the Income statement during the year was US$70,000 (2008: US$nil). The effective portion of changes in fair value of cash flow hedges in designated hedge accounting relationships was US$5,830,000 (2008: US$nil) and has been recognised directly in Equity. 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 impact 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.

24 Contractual obligations and commitments

Eros' material contractual obligations are made up of contracts related to content commitments. Operating lease commitments are disclosed in note 13.

	Total as at 31 March 2009	31 March 2008 obligations fall due in			Total as at 31 March 2008
		2010	2011-2014	After 2014	
Contractual content commitments	**77,440**	32,901	44,539	–	178,563

25 Litigations

There are no material ongoing litigations at 31 March 2009. The Group is pursuing ongoing claims by the Group in the course of trade mark and copyright infringements by third parties (2008: nil).

26 Related party transactions

	Details of transaction	Movement in year US$'000	Asset/ (liability) US$'000
Arjan Lulla	President fees	381	(71)
550 County Avenue	Rent	270	(253)
Deposits against family guarantee of Lulla Family	Guarantee deposit and fees	222	1,942
Lulla Family	Rent	108	(836)

In April 2008, the Group exercised the call option granted on 27 June 2006, and acquired Acacia Investments Limited from the family trusts in which Kishore and Sunil Lulla, Directors of the Company, are potential beneficiaries.

550 County Avenue is a related entity as it is 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 property rented from 550 County Avenue and the Lulla family are at market rates.

27 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 Inc	June 2006	USA	100
Eros Music Publishing Limited	June 2006	UK	100
Eros Worldwide FZ LLC	June 2006	UAE	100
Eros Multimedia Pvt. Limited	June 2006	India	100
Shivam Videotech Pvt. Limited	June 2006	India	100
Eros Pacific Limited	June 2006	Fiji	100
Eros Australia Limited	June 2006	Australia	100
Big Screen Entertainment Pvt. Limited	January 2007	India	64.6
Ayngaran International Limited	October 2007	IOM	51
Acacia Investments Holdings Limited	April 2008	BVI	100
Eyeqube Studios Pvt. Limited	January 2008	India	100
Ayngaran Anak Media Pvt. Limited	October 2008	India	51

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 and Ayngaran International Limited.

The Lionsgate arrangement is currently a joint agreement with no entity.

28 Subsequent events

On 29 June 2009 the Company issued 117,303 ordinary 10p shares as part of an employee staff personal bonus.

29 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:

29.1 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.

29.2 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 its is judged that an alternative entity were to be the acquiring entity then there may be material balance sheet adjustments.

29.3 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. In the case of the trade name, stated at US$14 million, the Group has not amortised the assets 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.

Notes to the Financial Statements continued

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

29.4 Impairment of available for sale financial assets
The Group follows the guidance of IAS 39 to determine when an available-for-sale financial asset is impaired. 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 than its cost; and 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.

29.5 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.

29.6 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.

29.7 Standards, interpretations and amendments to published standards that are not yet effective
Certain new standards, interpretations and amendments to existing standards have been published that are mandatory for accounting periods beginning on or after 1 April 2009 or later periods but which the Group has chosen not to adopt early.

IFRS 8 (Operating Segments) and IAS 1 Presentation of Financial Statements (Revised 2008) will be relevant and set out requirements for disclosure of information about the financial statements and an entity's operating segments. This will not lead to any changes in the Group's asset or profit position.

IFRS 3 Business Contributions (revised 2008) will have no retrospective impact on the Group accounting for business combinations but will impact the accounting treatment for any future acquisitions that the Group makes, specifically transaction costs no longer being able to be classified as part of the consideration cost but taken directly to the income statement.

In addition the following are not expected to affect or in some cases not be relevant to the Group's operations:

IAS 27	Consolidated and separate financial statements (revised 2007)
IAS 32/IAS 1	Amendment to IAS 32 Financial Instruments: Presentation and IAS 1 Presentation of Financial Statements - Puttable Financial Instruments and Obligations Arising on Liquidation
IAS 39	Financial instruments: recognition and measurement – eligible hedged items
IFRS 1/IAS 27	Amendments to IFRS 1 First-time Adoption of International Financial Reporting Standards and IAS 27 Consolidated and Separate Financial Statements – Costs of Investment in a Subsidiary, Jointly Controlled Entity or Associate
IFRS 2	Amendment to IFRS 2 share based payment – vesting conditions and cancellations
IFRS 8	Operating Segments
IFRIC 13	Customer loyalty programmes
IFRIC 15	Agreements for the construction of real estate
IFRIC 16	Hedges of a net investment in a foreign operation
IAS 23	Borrowing Costs (revised 2007)
IFRS 7	Amendment to IFRS 7 Financial Instruments: Disclosures – Improving Disclosures About Financial Instruments
IAS 39/IFRIC 9	Embedded Derivatives – Amendments to IAS 39 and IFRIC 9
IFRIC 13	Customer Loyalty Programmes
IFRIC 15	Agreements for the Construction of Real Estate
IFRIC 16	Hedges of a Net Investment in a Foreign Operation
IFRIC 17	Distributions of Non-Cash Assets to Owners
IFRIC 18	Transfers of Assets from Customers

The Group's policy in respect of borrowing costs is already consistent with IAS 23 Borrowing Costs (revised 2007).

Company Balance Sheet
At 31 March 2009

	Note	2009 US$'000	2008 US$'000
Fixed assets			
Investments	1	**56,659**	33,067
Current assets			
Debtors	2	**97,795**	109,689
Cash at bank and in hand		**19,546**	14,785
Creditors: amounts falling due within one year	3	**(520)**	(849)
Net current assets		**116,821**	123,625
Total assets less current liabilities		**173,480**	156,692
Capital and reserves			
Called up share capital	4	**21,210**	20,858
Share premium account	5	**127,321**	127,321
Profit and loss account	5	**14,486**	8,513
Merger Reserve	5	**10,463**	–
Shareholders' funds		**173,480**	156,692

The financial statements were approved by the Board of Directors on 1 July 2009.

Kishore Lulla
Chief Executive Officer

Jyoti Deshpande
Chief Operating Officer

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 2008	–	33,067	33,067
Additions	12,777	10,815	23,592
At 31 March 2009	**12,777**	**43,882**	**56,659**

Additions relate to Acacia Investments Holdings Limited and Valuable Technologies as detailed in note 15 to the consolidated financial statements.

2. Debtors

	2009 US$'000	2008 US$'000
Amounts due from Group undertakings	**97,784**	109,641
Other debtors	**11**	48
	97,795	109,689

3. Creditors: amounts falling due within one year

	2009 US$'000	2008 US$'000
Trade creditors	**509**	323
Accruals and deferred income	**11**	526
	520	849

4. Called up share capital

See note 22 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 2008	–	20,858	127,321	8,513	156,692
Profit for the year	–	–	–	4,843	4,843
Share based payments	–	–	–	1,130	1,130
Issue of new shares	10,463	352	–	–	10,815
At 31 March 2009	**10,463**	**21,210**	**127,321**	**14,486**	**173,480**

	Share Capital US$'000	Share premium US$'000	Profit and loss account US$'000	Total US$'000
At 1 April 2007	20,180	94,613	4,684	119,477
Profit for the year	–	–	3,829	3,829
Issue of new shares	678	33,561	–	34,239
Share issue expenses	–	(853)	–	(853)
At 31 March 2008	20,858	127,321	8,513	156,692

In April 2008, the Company acquired 100% of the ordinary shares of Acacia Investments Holdings Limited via a share for share exchange, resulting in the creation of a merger reserve of US$10,463,000 under Section 2 of the Isle of Man Companies Act 1992.

Company Notes to the Financial Statements
continued

6. Reconciliation of movement in shareholders funds

	2009 US$'000	2008 US$'000
Profit for the financial year	**4,843**	2,513
Share based payment	**1,130**	1,316
	5,973	3,829
Issue of new shares	**352**	678
Premium on issue of shares (net of expenses)	**10,463**	32,708
Net increase in shareholders' funds	**16,788**	37,215
Shareholders' funds at 1 April 2008	**156,692**	119,477
Shareholders' funds at 31 March 2009	**173,480**	156,692

7. Contingent Liabilities
As at 31 March 2009 the Company had no contingent liabilities with the exception of guarantees provided to subsidiary undertakings totalling US$150,121,000 (2008: US$126,450,000).

8. Related Party Transactions
The Company has related party transactions with its subsidiaries by virtue of its status as parent company of the Group.

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