



24 November 2009

**Eros International Plc:**  
**Condensed Consolidated (unaudited) Interim Financial Statements for the six months ended 30 September 2009**

**EROS POSTS ANOTHER SET OF STEADY RESULTS**  
**PRE-TAX PROFITS AT \$20.84 MILLION**

London November 24 2009: Eros International Plc ("Eros" or the "Company"), an integrated Indian media and entertainment company today announced Pre Tax half year profits of \$20.84 million, for the six months ended 30 September 2009.

**Financial Highlights**

- Profit before tax US\$ 20.8 million (2008: US\$ 29.8 million)
- Group turnover US\$ 56.5 million (2008: US\$ 72.7 million)
- Gross Profit US\$ 31.8 million (2008: US\$ 43.3 million)
- Cash generated from operations US\$ 48.2 million (2008: US\$ 46.2 million)
- Basic EPS 16.49 cents (2008: 23.45 cents)
- Net debt at period end US\$ 138.9 million (31 March 2009: US\$ 129.4 million)

**Operating Highlights**

- The first quarter was marred by the lack of new releases following the stand-off with the national multiplex chains in India, which reached a written resolution as announced in June 2009.
- As a result of the above, there were only 2 major global Hindi releases Kambakkth Ishq and Love Aaj Kal in the first half, both of which are among the top grossing films this year as per [www.ibosnetwork.com](http://www.ibosnetwork.com). Additionally there were 2 global Tamil releases by Ayngaran namely Ainthampadai and Sarvaam.
- Last year the Company had 14 global releases in the first half compared to 4 this year.
- Theatrical revenues worldwide at \$21.0 million (2008: \$22.9 million)
- Television syndication revenues worldwide at \$14.2 million (2008: \$20.1 million)
- Digital, Home Entertainment & Ancillary Revenues worldwide \$21.3 million (2008: \$29.6 million)

Kishore Lulla, Chairman and Chief Executive, said: "I am happy with the results in the financial period especially in the context of some fairly challenging external circumstances, which show that we have a strong underlying business. The positives are that we could face a stand-off with the multiplex chains and reach a beneficial resolution and building on the momentum created in the second quarter, we now look forward to a strong second half as the releases come through. We have taken some tough steps to cut down overheads and that is already showing through in our improved margins. In spite of significantly fewer global releases compared to last year, our theatrical revenues are only marginally less due to improved terms and margins as well as the films performance at the box-office.

In spite of the lack of new releases, we were able to be 'open for business' in the first quarter as we managed to close television syndication deals and work our back catalogue.

The competitive advantage we gained by investing in content tie-ups over the last three years is beginning to gain more visibility and momentum. We have introduced the very accomplished Mr. A P Parigi to our senior management team as Group CEO, India Operations.

We are on track to reduce capital expenditure in content in comparison to previous years when we were at the peak of our investment phase. We expect an increase in cash generated from operations as more of our films release with a resultant reduction in net debt. As previously announced, as part of its overall strategy to strengthen its balance sheet in anticipation of

future corporate activity, Eros has firmed up its plans to list its wholly-owned Indian subsidiary on the Bombay Stock Exchange (BSE) and it is expected that the transaction will conclude within the current financial year.

Armed with a strong balance sheet, an extensive library, a visible release slate and a strong global distribution network, we believe we are well poised to take advantage of strategic opportunities as they present themselves in the near future".

## Operating Highlights and Growth Drivers

### Content Library, acquisitions, output deals and co-productions

- Eros has invested over \$390 million since 2006 in a large portfolio of films, securing content.
- We have a release slate of quality films through to 2011 in place, with less than \$50 million further capital expenditure required to fund that slate in 2009-10
- We also benefit from a content library of over 1,900 films, bolstered by the new releases and acquisitions
- Apart from Hindi and Tamil, Eros has also seen early revenues from its investment in Punjabi and Marathi films and will continue to expand to other incremental content niches.

### Segmental analyses

	30 September 2009 (unaudited) \$'000	30 September 2008 (unaudited) \$'000	31 March 2009 (audited) \$'000
<b>Revenue by business segments</b>			
Theatrical	21,020	22,922	46,334
Television syndication	14,210	20,143	64,036
Home entertainment	21,275	29,610	46,176
Common	-	-	151
Total	56,505	72,675	156,697
<b>Revenue by Geographical locations</b>			
India	23,220	37,765	99,316
Europe	12,500	13,447	22,796
North America	3,275	4,141	8,907
Rest of World	17,510	17,322	25,678
Total	56,505	72,675	156,697

### Theatrical revenues

- Theatrical revenues in the first half were \$21.0 million (2008: \$22.9 million), derived from only 4 of which were global releases (2008: 14). Notable releases during the period were Kambakkht Ishq and Love Aaj Kal (Hindi) and, as part of our regional strategy Me Shivaji Raje Bhosale Bol Toi (Marathi) and Tera Mera Ki Rishta (Punjabi).
- Distribution in India now reaching over 1,500 screens (around 425 multiplex screens), out of total market of 13,000 screens. More digital screens improving top line revenues as well as margins in theatrical. For example Kambakkth Ishq went out in 651 digital screens as against Heyy Babyy which went out in 321 digital screens in 2007 and was a Top 5 film of that year.
- A wide release strategy with an outlay of around 20% of the budget on prints and advertising, are skewing theatrical revenues to first week. This year the average revenues from first week exceed over 65% of the total revenues from that film while in 2007 this was as low as 45%. This increases predictability of revenues as most of the audiences have watched the film in its first week. Of the first week revenues over 80% of the revenues are generated during the first weekend of the release.

- In the 2<sup>nd</sup> half of 2009-10 Eros has 12 scheduled releases : Among these are, Amitabh Bachchan's *Aladin* released in October 2009, Akshay Kumar's *De Dana Dan* released in November 2009, Salman Khan's *Veer*, *Saahid Kapur's Paathshala*, the animation film *Toonpur Ka Superhero* and the *Shahid Kapur - Kareena Kapur* love story *Milenge Milenge*. In total the second half is expected to see the release of 2 Punjabi films and 10 Hindi films and at least 7 Tamil global releases through Ayngaran.

#### Television revenues

- Television syndication revenues worldwide were \$14.2 million (2008: \$20.1 million)
- The Company has concluded new deals in recent months this year with Rupert Murdoch's Star TV Network, CCTV China, Vietnam TV, Astro TV, RTM TV Malaysia, IRIB Iran, Media Corp TV Singapore, MBC TV Dubai and several other networks for a further portfolio of new and catalogue films.
- The television syndication revenues for the first half were strong although the lack of new releases impacted the ability to push further catalogue. For the full year the television revenues are expected to be lower than last year which witnessed several new television syndication deals.
- Ayngaran's television service in Europe now has over 18,000 subscribers.

#### Digital, Home Entertainment & Ancillary revenues

- Digital, Home Entertainment & Ancillary Revenues worldwide were \$21.3 million (2008: \$29.6 million)
- The Subscription Video on Demand service, launched on Comcast cable systems, has now been replicated on Cablevision, Cox and Time Warner cable platforms. Rollouts of the Eros service over the next six months will give the Company a unique presence across the whole of North America.
- A number of music releases with *Love Aaj Kal* doing well on the music charts underpinned the digital music revenues during the period.
- Eros was pleased to have launched mainstream DVD distribution through Walmart, Amazon and Best Buy in North America.
- Eros offered what is believed to be the first full length Bollywood film in the UK on Apple iTunes for download- *Om Shanti Om*.
- Traffic on the Eros partner channel on Google's YouTube continued to grow rapidly, with close to a million video views a day and generating revenues through its advertising supported model.
- DTH in India is a new revenue stream and the Company has begun to exploit films through this window on a Pay per View basis. *Om Shanti Om*, *Billu Barber* and *Aa Dekhen Zara* were some of the films recently exploited on DTH. We believe that this will be a growing source of revenue for the Eros Group in the future.

## EyeQube Studios: Visual Effects ("VFX") and Production Planning

- EyeQube Studios, Eros's in-house high end visual effects facility based in Mumbai headed by Charles Darby has completed Aladin which incorporated high-end VFX and is also slated to release new VFX heavy projects such as Veer.
- The Company also began to offer pre-production planning services and has full visibility of its inventory pipeline and revenues from projects over the next 6 to 12 months.
- EyeQube Studios intends to focus on generating business not only from Eros co-productions but also a small share of the high-end Hollywood VFX market as well as from third party productions and the advertisements market within India.

## Outlook

The multiplex resolution is positive and make us hopeful of higher margins on successful films and removes uncertainty for the rest of the year. The Company anticipates that it will be able to get through most of the planned releases as per its revised plan which will allow it to catch up with the anticipated revenues in the second half.

The second half should build on the momentum created in the second quarter and we expect to see further strong cash generation, reduced capex and reduced net debt. As previously announced, as part of its overall strategy to strengthen its balance sheet in anticipation of future corporate activity, the Company has firmed up its plans to list its wholly-owned Indian subsidiary on the Bombay Stock Exchange (BSE) and it is expected that the transaction will conclude within the current financial year.

The Company is well poised to consolidate its position within the rapidly growing Indian entertainment sector.

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Jeremy Ellis/Chris Clarke

Condensed consolidated income statement

	6 months to 30 September 2009 (unaudited) \$'000	6 months to 30 September 2008 (unaudited) \$'000	Year to 31 March 2009 (audited) \$'000
<b>Continuing operations</b>			
Revenue	56,505	72,675	156,697
Cost of sales	(24,738)	(29,340)	(85,190)
<b>Gross Profit</b>	<b>31,767</b>	<b>43,335</b>	<b>71,507</b>
Administrative costs	(10,258)	(11,986)	(20,501)
Interest paid	(1,210)	(2,109)	(3,111)
Interest received	544	541	1,850
Impairment of available-for-sale financial assets	-	-	(1,347)
<b>Profit before tax</b>	<b>20,843</b>	<b>29,781</b>	<b>48,398</b>
Income tax expense	(1,708)	(2,362)	(7,571)
<b>Profit for the period</b>	<b>19,135</b>	<b>27,419</b>	<b>40,827</b>
<b>Attributable to:</b>			
Owners of the parent	19,056	27,009	40,469
Minority interest	79	410	358
	<b>19,135</b>	<b>27,419</b>	<b>40,827</b>
<b>Earnings per share (cents)</b>			
Basic earnings per share	16.49	23.45	35.12
Diluted earnings per share	16.44	23.19	34.90

Consolidated statement of other comprehensive income

	30 September 2009 (unaudited) \$'000	30 September 2008 (unaudited) \$'000	31 March 2009 (audited) \$'000
Profit for the period	19,135	27,419	40,827
Exchange differences on translating foreign operations	6,885	(3,301)	(5,286)
Total comprehensive income for the period	26,020	24,118	35,541
<b>Attributable to:</b>			
Attributable to equity shareholders of Eros International Plc	25,939	23,708	35,183

Condensed statement of Consolidated Financial Position

	<b>30 September 2009 (unaudited) \$'000</b>	<b>30 September 2008 (unaudited) \$'000</b>	<b>31 March 2009 (audited) \$'000</b>
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property, plant and equipment	5,893	6,213	5,663
Goodwill	1,878	1,878	1,878
Intangible assets-content	356,566	310,612	311,772
Intangible assets-trade name	14,000	14,000	14,000
Intangible assets-others	821	1,018	933
Available for sale investments	25,274	25,610	25,170
Deferred tax assets	336	61	212
	<b>404,768</b>	<b>359,392</b>	<b>359,628</b>
<b>Current assets</b>			
Inventories	2,664	2,915	2,008
Trade and other receivables	42,694	24,890	45,561
Other current assets	11,758	13,620	12,491
Cash and cash equivalents	49,964	52,454	55,812
	<b>107,080</b>	<b>93,879</b>	<b>115,872</b>
Total assets	<b>511,848</b>	<b>453,271</b>	<b>475,500</b>

<b>LIABILITIES</b>			
<b>Current liabilities</b>			
Trade and other payables	24,913	23,351	19,570
Short-term borrowings	58,140	64,186	61,379
Derivative financial instruments	5,128	-	5,900
Current tax payable	129	2,780	443
	<b>88,310</b>	<b>90,317</b>	<b>87,292</b>
<b>Non-current liabilities</b>			
Long-term borrowings	130,745	110,134	123,866
Deferred tax liabilities	6,729	2,458	6,916
<b>Total non-current liabilities</b>	<b>137,474</b>	<b>112,592</b>	<b>130,782</b>
Total liabilities	<b>225,784</b>	<b>202,909</b>	<b>218,074</b>
Net assets	<b>286,064</b>	<b>250,362</b>	<b>257,426</b>
<b>EQUITY</b>			
<b>Equity attributable to equity holders of the parent</b>			
Share capital	21,352	21,210	21,210
Share premium account	129,025	137,790	127,321
Translation reserve	2,622	(2,276)	(4,261)
Reverse acquisition reserve	(22,752)	(22,752)	(22,752)
Other reserve	5,635	(981)	4,863
Retained Earnings	147,973	115,237	128,917
	<b>283,855</b>	<b>248,228</b>	<b>255,298</b>
Minority interest	2,209	2,134	2,128
Total equity	<b>286,064</b>	<b>250,362</b>	<b>257,426</b>

Condensed consolidated statement of cash flows

	<b>30 September 2009 (unaudited) \$'000</b>	<b>30 September 2008 (unaudited) \$'000</b>	<b>31 March 2009 (audited) \$'000</b>
<b>Cash flow from operating activities</b>			
Profit before tax	20,843	29,781	48,398
Adjustments for			
Depreciation	207	330	1,196
Share based payment	5	1,200	1,130
Amortizations of intangibles	15,982	16,182	57,099
Foreign currency translation	-	1,568	81
Finance charge	666	1,531	1,261
Impairment for available for sale financial assets	-	-	1,347
Movement in trade and other receivables	4,663	(8,013)	(32,184)
Movement in inventories	(656)	(650)	37
Movement in trade payables	6,488	4,319	2,141
Cash generated from operations	<b>48,198</b>	<b>46,248</b>	<b>80,506</b>
Interest paid	(3,594)	(3,974)	(8,000)
Income taxes paid	(2,857)	(1,353)	(4,319)
<b>Net cash from operating activities</b>	<b>41,747</b>	<b>40,921</b>	<b>68,187</b>
<b>Cash flows from investing activities</b>			
Acquisitions of subsidiaries net of cash acquired	-	(236)	-
Purchase of property plant and equipment	(567)	(1,539)	(1,775)
Purchase of intangible film rights and related contents	(51,592)	(88,195)	(129,695)
Purchase of intangible assets others	-	(178)	(226)
Purchase of available for sale assets	(103)	(12,894)	(13,220)
Interest received	544	541	1,785
<b>Net cash used in investing activities</b>	<b>(51,718)</b>	<b>(102,501)</b>	<b>(143,131)</b>
<b>Cash flows from financing activities</b>			
Proceeds from issue of share capital from Minority	-	-	19
Repayment/proceeds of short term borrowings	(3,239)	(1,553)	12,179
Proceeds from long-term borrowings	6,879	29,417	33,353
<b>Net cash used in financing activities</b>	<b>3,640</b>	<b>27,864</b>	<b>45,551</b>
<b>Net decrease in cash and cash equivalents</b>	<b>(6,331)</b>	<b>(33,716)</b>	<b>(29,393)</b>
Foreign currency translation	483	(1,531)	(2,496)
<b>Cash and cash equivalents at beginning of period</b>	<b>55,812</b>	<b>87,701</b>	<b>87,701</b>
<b>Cash and cash equivalents at end of period</b>	<b>49,964</b>	<b>52,454</b>	<b>55,812</b>

Condensed consolidated interim statement of changes in equity

	Share Capital	share premium account	Translation reserve	Retained earnings	Reverse acquisition reserve	Other reserves	Total	Minority Interest	Total equity
	\$ '000	\$ '000	\$ '000	\$ '000	\$ '000	\$ '000	\$ '000	\$ '000	\$ '000
<b>Balance sheet at 31 March 2009</b>	21,210	127,321	( 4,261)	128,917	(22,752)	4,863	255,298	2,128	257,426
Exchange differences on translation of foreign operations	-	-	6,883	-	-	-	6,883	2	6,885
Cash flow hedges	-	-	-	-	-	772	772	-	772
<b>Net income recognised directly in equity</b>	-	-	6,883	-	-	772	7,655	2	7,677
Profit for the period	-	-	-	19,056	-	-	19,056	79	19,135
<b>Total comprehensive income for the period</b>	-	-	6,883	19,056	-	772	26,711	81	26,792
Issue of share capital	142	1,704	-	-	-	-	1,846	-	1,846
<b>Transactions with owners</b>	142	1,704	-	-	-	-	1,846	-	1,846
<b>Balance at 30 September 2009</b>	<b>21,352</b>	<b>129,025</b>	<b>2,622</b>	<b>147,973</b>	<b>( 22,752)</b>	<b>5,635</b>	<b>283,855</b>	<b>2,209</b>	<b>286,064</b>

Condensed consolidated interim statement of changes in equity

	Share Capital	share premium account	Translation reserve	Retained earnings	Reverse acquisition reserve	Other reserves	Total	Minority Interest	Total equity
	\$ '000	\$ '000	\$ '000	\$ '000	\$ '000	\$ '000	\$ '000	\$ '000	\$ '000
<b>Balance sheet at 31 March 2008</b>	20,858	127,321	1,025	87,318	(22,752)	(571)	213,199	1,751	214,950
Exchange differences on translation of foreign operations	-	-	(3,301)	-	-	-	( 3,301)	(27)	(3,328)
Available for sales securities losses taken to equity	-	-	-	-	-	(390)	(390)	-	(390)
Cash flow hedges	-	-	-	-	-	(20)	(20)	-	(20)
<b>Net income recognized directly in equity</b>	-	-	(3,301)	-	-	(410)	(3,711)	(27)	(3,738)
Profit for the period	-	-	-	27,009	-	-	27,009	410	27,419
<b>Total comprehensive income for the period</b>	-	-	(3,301)	27,009	-	(410)	23,298	383	23,681
Share based payment	-	-	-	1200	-	-	1,200	-	1,200
Deferred tax on options	-	-	-	(290)	-	-	(290)	-	(290)
Issue of share capital	352	10,469	-	-	-	-	10,821	-	10,821

<b>Transactions with owners</b>	352	10,469	-	910	-	-	11,731	-	11,731
<b>Balance at 30 September 2008</b>	21,210	137,790	(2,276)	115,237	(22,752)	(981)	248,228	2,134	250,362

Condensed consolidated interim statement of changes in equity

	Share Capital	share premium account	Translation reserve	Retained earnings	Reverse acquisition reserve	Other reserves	Total	Minority Interest	Total equity
	\$ '000	\$ '000	\$ '000	\$ '000	\$ '000	\$ '000	\$ '000	\$ '000	\$ '000
<b>Balance sheet at 31 March 2008</b>	20,858	127,321	1,025	87,318	(22,752)	(571)	213,199	1,751	214,950
Available for sales securities losses taken to equity	-	-	-	-	-	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 period	-	-	-	40,469	-	-	40,469	358	40,827
<b>Total comprehensive income for the period</b>	-	-	(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	-	-	-	-	104,63	10,815	-	10,815
<b>Transactions with owners</b>	352	-	-	1,130	-	10,463	11,945	19	11,964
<b>Balance at 31 March 2009</b>	21,210	127,321	(4,261)	128,917	(22,752)	4,863	255,298	2,128	257,426

## **Publications of non-statutory accounts**

The financial information set out in this interim report does not constitute statutory accounts as defined in Section 9 of the Companies Act 1982. The Group's statutory financial statements for the year ended 31 March 2009, prepared under IFRS, have been filed with the Isle of Man Financial Supervision Commission. The auditor's report on those financial statements was unqualified and did not contain statements under Section 15 of the Companies Act 1982.

## **Basis of preparation**

These unaudited condensed consolidated interim financial statements ('the interim financial statements') are for the six months ended 30 September 2009. They do not include all of the information required for full annual financial statements and should be read in conjunction with the consolidated financial statements of the Group for the year ended 31 March 2009.

These interim financial statements have been prepared in accordance with accounting policies under the historical cost convention, except for revaluation of certain properties and financial instruments. They are based on the recognition and measurement principles of IFRS in issue as adopted by the European Union (EU).

The principal accounting policies have remained unchanged from those set out in the consolidated financial statements of the Group for the year ended 31 March 2009, except for the adoption of IAS 1 Presentation of Financial Statements (Revised 2007) and IFRS 8 Operating Segments.

The adoption of IAS 1 (Revised 2007) does not affect the financial position or profits of the Group, but requires additional disclosures. The measurement and recognition of the Group's assets, liabilities, income and expenses is unchanged, although some items that were recognised directly in equity are now recognised in other comprehensive income, for example exchange differences on translation of foreign operations. IAS 1 (Revised 2007) affects the presentation of owner changes in equity and introduces a "Statement of comprehensive income". In accordance with the new standard, the presentation of the "Statement of changes in equity" is varied.

### **1.1 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.

### **1.2 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 one hundred per cent 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 bases for subsequent measurement in accordance with the group accounting policies. Goodwill is stated after separating out identifiable intangible assets. Goodwill represents the excess of acquisition cost over the fair value of the Group's share of the identifiable net assets of the acquired subsidiary at the date of acquisition.

### 1.3 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.

## 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 has been

reviewed and has been extended to the lesser of 10 years or the remaining life of the content rights. The amortisation charge is recognised in the income statement within cost of sales.

#### Trade name

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

#### Subsequent expenditure

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

#### Internally generated assets

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

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

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

#### 2.08 Property, Plant & 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.

#### 2.09 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.

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 judgment 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:

- (a) hedges of the fair value of recognised assets or liabilities or a firm commitment (fair value hedge);
- (b) hedges of a particular risk associated with a recognised asset or liability or a highly probable forecast transaction (cash flow hedge); or

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.

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.

##### (a) 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.

#### (b) 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.

## 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.

## 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.

### Called up share capital

	6 months to 30 September 2009	
	Number	\$ '000
At 1 April 2009	115,277,997	21,210
Issue of Shares	855,761	142
At 30 September 2009	116,133,758	21,352

### Earnings per share

The calculation of basic earnings per share is based on the earnings attributable to ordinary shareholders divided by the weighted average number of shares in issue during the year.

The calculation of diluted earnings per share is based on the basic earnings per share, adjusted to allow for the issue of shares and the post tax effect of interest, on the assumed conversion of all dilutive options and other dilutive potential ordinary shares.

	Half year ended 30 September				Year ended	
	2009		2008		31 March 2009	
	Basic	Diluted	Basic	Diluted	Basic	Diluted
Earnings (in thousands of US\$)	19,135	19,135	27,419	27,419	40,827	40,827
Earnings attributable to the equity holders of the parent	19,056	19,056	27,009	27,009	40,469	40,469
Weighted average number of shares (in thousands)	115,536	115,536	115,190	115,190	115,234	115,234
Potential dilutive effect related to share based compensation		350		1,267		838
Adjusted weighted average no of shares	115,536	115,886	115,190	116,457	115,234	116,072
Earnings per share (in US Cents)	16.56	16.51	23.80	23.54	35.43	35.17
Earnings attributable to the equity holders of the parent per share	16.49	16.44	23.45	23.19	35.12	34.87