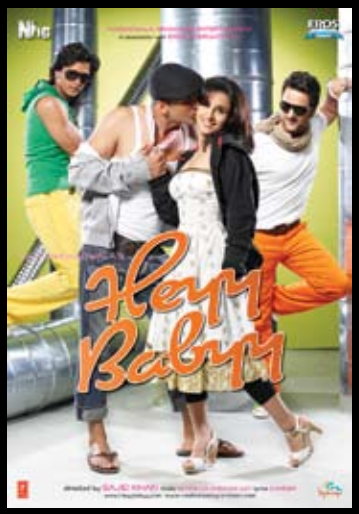
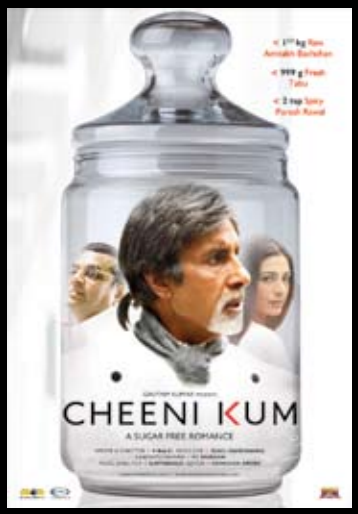




EROS INTERNATIONAL

Eros International Plc

Annual Report and Accounts 2008

Eros International Plc is a global player in the rapidly expanding Indian media and entertainment arena which is growing at over 18% CAGR and slated to cross US$29 billion by 2012 (source: PwC). 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.

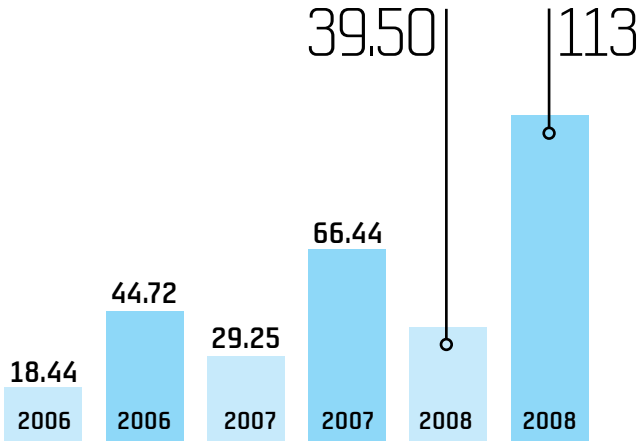
Established in 1977, Eros has over three decades of market leadership in creating a global platform for Indian cinema. The Company has an enviable deeply entrenched distribution network that spans 50 countries and has offices in India, UK, USA, UAE, Australia, Fiji, Isle of Man and more recently Singapore. Eros has built a successful business model by combining the release of a portfolio of 30-40 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.

Contents

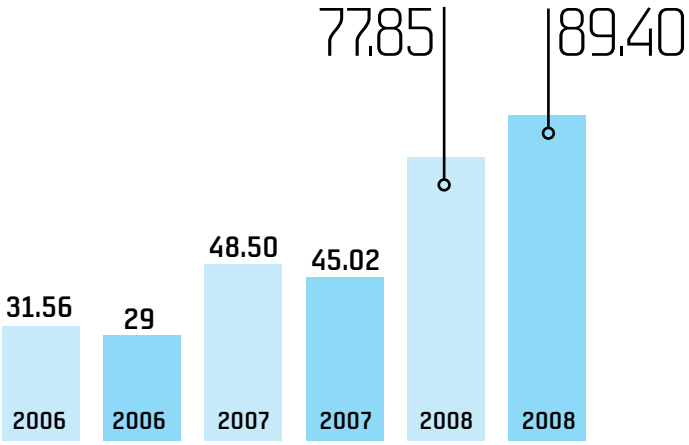
Highlights

Financial highlights

- Profit before tax up 47.2% to US$45.5 million (2007: US$30.9 million)
- Group revenue up 70.2% to US$113.0 million (2007: US$66.4 million)
- Gross profit up 57.9% to US$63.0 million (2007: US$39.9 million)
- EBITDA up 60.4% to US$77.8 million (2007: US$48.5 million)
- Cash generated from operations US$89.4 million
- Basic EPS per share up 12.0% to 33.5 cents (2007: 29.9 cents)



Revenue US$million EAT US$million



EBITDA US$million Cash generated from operations US$million

Operating highlights and growth drivers

Indian box office

- 16 out of 18 theatrically released films in 2008 were released globally
- Five out of the top 10 box office successes were Eros releases
- Worldwide theatrical revenues grew by 146.9% to US$52.1 million (2007: US$21.1 million)

Television

- Strong television syndication deals of new and catalogue films were concluded with Sony, Inx, Viacom, Sahara and other international TV networks
- Revenues from TV syndication up 56.3% to US$33.0 million (2007: US$21.1 million)

Digital New Media and Home Entertainment

- Subscription VOD platforms increased subscribers on Comcast and Rogers and new deals entered into with Cablevision and other cable and telephone franchises
- The ad-supported Eros partner channel on Google's YouTube registered 45 million hits since launch
- Revenues from Digital New Media and Home Entertainment up 16.9% to US$27.7 million (2007: US$23.7 million)

Content Library and Distribution

- Augmented library of 1,900 films with fresh acquisitions
- Investments across 60 projects giving full visibility of release schedule to 2010
- Film catalogue generated revenues of US$23.0 million

Key Strengths

EROS PICTURES	GLOBAL DISTRIBUTION	TELEVISION SYNDICATION	DIGITAL NEW MEDIA	AYNGARAN INTERNATIONAL	EYEQUBE STUDIOS
CO-PRODUCTION	THEATRICAL	SATELLITE	SVOD	PRODUCTION	VFX
TALENT TIE-UPS	DIGITAL CINEMAS	CABLE	MOBILE	DISTRIBUTION	ANIMATION
ACQUISITIONS	DUBBED MARKETS	DTH	INTERNET	TELEVISION	GAMING

Strong global brand founded on a long history of success

The business of Eros was founded in 1977 and has evolved into what the Directors consider to be the best positioned Indian media and entertainment group in the world.

Unique and well developed global distribution network

Eros is the only Indian entertainment company in the world with a deeply entrenched global distribution network spanning 50 countries with over 500 clients across five continents and distribution offices in all the key markets.

Vertically integrated studio model

The Group operates on an integrated studio model controlling content as well as distribution across formats on a global platform. By releasing 30-40 new films every year and at least half of them global theatrical releases, the Company works on a scale very different to the other players in the sector who release less than 10 films every year.

Valuable and extensive content library

Eros owns intellectual property rights generally across all media formats, to a library of over 1,900 titles containing many of the most successful films from India. Just over a third of the top 50 Indian film releases every year for the last decade have been Eros films. This catalogue generates high margin annuity income for the Company and is a key differentiator.

Management track record

Eros has a strong management team in key positions with considerable specialist industry experience and deep rooted relationships with the talent who have been associated with the Group for several years. This allows the Company to manage growth and mitigates the execution risk faced by some of the new entrants in the market.

Namastey London (2007) – East meets west in this romantic comedy that was one of the biggest box office performers of the year worldwide

Year in Review

May 2007

Eros launches first official partner channel on Google's YouTube

June 2007

Eros honoured at the 2007 Yorkshire IIFA awards for taking Indian cinema global

July 2007

Acquisition of a 51% stake in Ayngaran and enters the Tamil films segment

August 2007

Kishore Lulla, Chairman Group and Chief Executive honoured at the India Splendour Awards for his contribution in popularising Indian cinema

September 2007

Sony Pictures and Eros agree to partner on slate of Indian films

October 2007

Eros sets up EyeQube Studios, a state of the art visual effects facility in Mumbai, to be led by Charles Darby

November 2007

Eros signs a 3-film output deal with Mukta Arts including Salman Khan starrer Yuvraj

December 2007

Eros' visual effects driven production Aladin directed by Sujoy Ghosh goes on the production floor

January 2008

Ayngaran announces a co-production deal with top director Shankar and superstar Rajnikant to make film tentatively titled Robot

February 2008

Eros awarded the Amity Corporate Excellence Award

March 2008

Eros concludes syndication deals with Sony and Sahara

Om Shanti Om (2007) – Biggest opening week grosser in the history of Indian cinema

Chairman's and Chief Executive's Statement

Eros has successfully leveraged its competitive advantage of content depth and distribution strength and will pursue continued growth and consolidation of the multi billion Indian entertainment sector, ensuring that the Group maintains and builds on its market leadership through a combination of alliances, acquisitions and organic investment.

Strategic overview

I am delighted to announce that the team at Eros has delivered another set of strong results to its shareholders. We became the first company within the Indian entertainment sector to list on AIM in July 2006 and since then have successfully led the content and distribution consolidation within the sector to deliver two consecutive years of high double digit growth propelling the Company to a different league within the sector.

The Group revenue went up 70.2% to US$113.0 million demonstrating the Company's ability to quickly scale up the business. The gross profit went up 57.9% to US$63 million. The EBITDA went up 60.4% to US$77.8 million with cash generated from operations of US$89.4 million proving that the business model generates strong cash flows. The profit before tax went up 47.2% to US$45.5 million and the Company once again proved that it is not only able to expand the business quickly but is also able to maintain and grow profit margins while doing that. Almost 20% of the revenues were generated from the rich content library with high EBITDA margins. Our consistently strong financial results reflect the management's vision and ability to deliver to the Company's strategic objectives as well manage growth effectively which is one of the key factors underpinning the intrinsic strength within a company.

Eros' core strategy revolves around content and distribution consolidation which involves creating, acquiring and distributing new content secured through co-productions and output deals as well as globally exploiting its 1,900 plus content library across all formats including cinema, home entertainment, television and digital new media platforms. Since its listing on AIM, Eros set and achieved the objective in pioneering fashion to become one of the most dominant vertically integrated companies within the sector to operate on a true studio model.

Eros Pictures

The Company's investment in content since listing has enabled it to secure a strong film slate of over 60 films for committed release in 2009 and 2010. Recognising the opportunity that the Indian entertainment sector was poised for consolidation just like Hollywood was in the 1930s, Eros successfully executed its strategy of tying up with key talent and production houses for output deals and securing the content pipeline for the next 2-3 years to mitigate future content price escalations. This move will allow the Company to profit from the releases in 2008/9 and 2009/10 in the context of a growing Indian box office propelled by the mushrooming of the multiplex cinemas and rising ticket prices.

Global distribution

The Eros business model is not predicated on hits as it follows a portfolio approach and releases at least 30-40 films every year, at least half of them are theatrical releases and the rest on digital platforms or home equipment. Eros has demonstrated a consistent track record of picking winners. While one in three top 50 hits every year for the last 10 years have been Eros releases, in 2007 the Group achieved five out of the top 10 releases.

Eros prides itself on its well established and unique global distribution network and continues to expand into new markets internationally.

Television syndication

Against a backdrop of the rapidly growing Indian television sector slated to cross US$15 billion by 2012 and regulatory reforms the sector is seeing intensified competition and significant investment from new entrants and existing players. Eros is well poised to take great advantage of the resulting increased demand for content by syndicating new and catalogue films for limited telecast to a number of these channels similar to the deals it successfully concluded and announced in 2007/8.

Digital New Media and Home Entertainment

The late nineties saw the migration of analogue distribution platforms to digital and new market leaders emerged in the linear broadcasting space. In similar fashion, Eros has established its position as a leading South Asian content service provider in the digital distribution space; especially with respect to on demand services to take into account the changing lifestyles and television viewing patterns of the target audiences who want to watch what they want, when they want. Eros has struck key strategic relationships with large players around the world like Comcast, Cablevision, Rogers and Sky to name a few and offers them a fully managed service. It also continues to monetise through its ad supported model on its YouTube partner site and through mobile platforms around the world. As more digital revenues in India evolve, the true value of Eros' content catalogue for India will be unlocked.

Ayngaran

As a market leader in the mainstream Hindi content space, Eros identified incremental growth opportunities from other large language niches within the Indian film industry. After Hindi films segment, the next biggest market segment is Tamil as not only does it offer a large market within India but also offers a large international audience targeting the expatriate Indian Tamils and the Sri Lankan Tamil speaking population.

The Ayngaran business appealed to us instantly with its similarities to the Eros model, being a business with a 20 year track record of organic growth and market leadership in the international distribution of Tamil films. Our investment would allow Ayngaran to scale up and consolidate its position by integrating back into India and operating on a global content and distribution model similar to Eros. With a library of over 600 films and a well recognised and reputable brand name, the acquisition of 51% of Ayngaran was an important strategic move for the Company during the year and proved to be profit enhancing in the very first year of operations.

EyeQube

If one looks at the top 100 worldwide box office grossing films of all time, the list is dominated by visual effects or animation driven films. Be it Harry Potter, Lord of the Rings or Shrek, many of these films are not driven by their "star" power but more by the content and scale of execution. Indian films which are currently star dominated remain largely unexploited with respect to visual effects and animation which in turn can drive ancillary revenues such as merchandising and gaming for Hollywood whereas these revenue streams are virtually non-existent in India. Eros is proud to have tied up with Charles Darby an Oscar, BAFTA and Emmy award winning visual effects guru who has worked on many of those top 100 Hollywood films to set up EyeQube studios in Mumbai with the aim to be the top-end visual effects facility. We already have over 100 people working in the facility who are being trained up by international experts and anticipate scaling it to over 300 people within the next 12 to 18 months.

Board and management

Naresh Chandra joined the Board as a Senior Independent Director. He has led a distinguished political career spanning over four decades including as Cabinet Secretary of the Government of India, Senior Adviser to the Prime Minister of India, Ambassador of India to the United States and Chairman of the advisory board of Coca-Cola India.

To support the growth within India and internationally, the Company recruited various executives in senior and middle management positions in India, UK and USA.

Chairman's and Chief Executive's Statement continued

Outlook

Having delivered record results two years in a row since coming to the market, Eros is at an inflection point poised to leverage its competitive advantages as one of India's leading integrated studios, controlling the production and distribution value chain.

Content is key

The Group will continue to focus on its strategic priorities of securing content and distribution of new films as well as monetisation of its catalogue. Eros anticipates further content deals including expanding beyond Hindi and Tamil to other languages and intends to make select acquisitions during the year.

Hollywood collaborations for India

The Group announced a co-production joint venture with Sony Pictures where the two companies are exploring projects to develop and produce jointly and leverage their respective worldwide distribution strengths to maximise revenues from audiences worldwide.

In Cannes this year, Eros announced a distribution joint venture for South Asia with Lionsgate where the entire Lionsgate library and format rights of over 13,000 titles and their forthcoming films will be exclusively exploited across all formats including dubbed and subtitled versions. Eros will bring its distribution infrastructure and expertise to the joint venture. Similarly Lionsgate will release a slate of select Eros titles in the North American market to potentially push Indian films out to a wider audience. The two companies are also exploring remaking some Lionsgate film formats at a fraction of Hollywood budgets by bringing together a mix of talent from both sides to develop films that will have wider or "crossover" appeal and potentially have a very large upside when exploited together.

Television broadcasting

Following the year end, the Company exercised its option on the B4U shares and now owns 24% of the worldwide Movies and Music network of B4U channels (www.b4unetwork.com).

The Company intends to continue monetising its content by syndicating to third party television networks and at the same time foray into the television broadcasting industry within the next 12 to 18 months through a combination of acquisition; joint venture or alliance to tap into the rapidly growing broader media and entertainment opportunity within India.

Funding and potential Indian subsidiary listing

The Company's growth and expansion plans will be funded by the Company's strong internal cash flows as well as with the US$100 million five year syndicated financing facility signed with Citigroup and RBS this year.

The Board is also actively exploring options for a listing in India of its domestic operations to create additional liquidity and currency and to serve as another platform for accelerating its expansion opportunities within India although this is in no way mandatory for the execution of any of the Company's business plans.

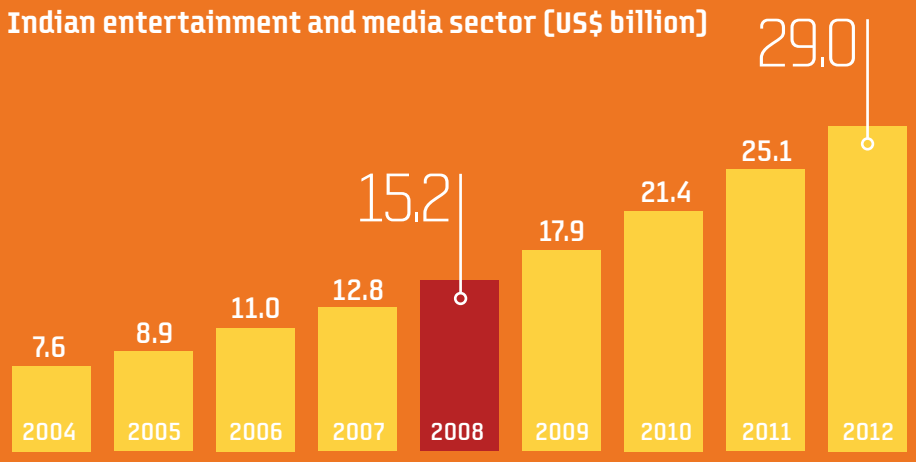
Eros has made significant strategic progress in the last 12-24 months and enters 2009 with a very strong confirmed release slate, much enhanced visibility in terms of TV syndication and at present without taking into account external factors beyond its control, is confident of delivering earnings in the year ahead well ahead of the market consensus expectations prior to the 2008 results announcement.

Kishore Lulla
Chairman & Chief Executive Officer

Shivaji (2007) – First South Indian movie to enter UK Top 10 box office

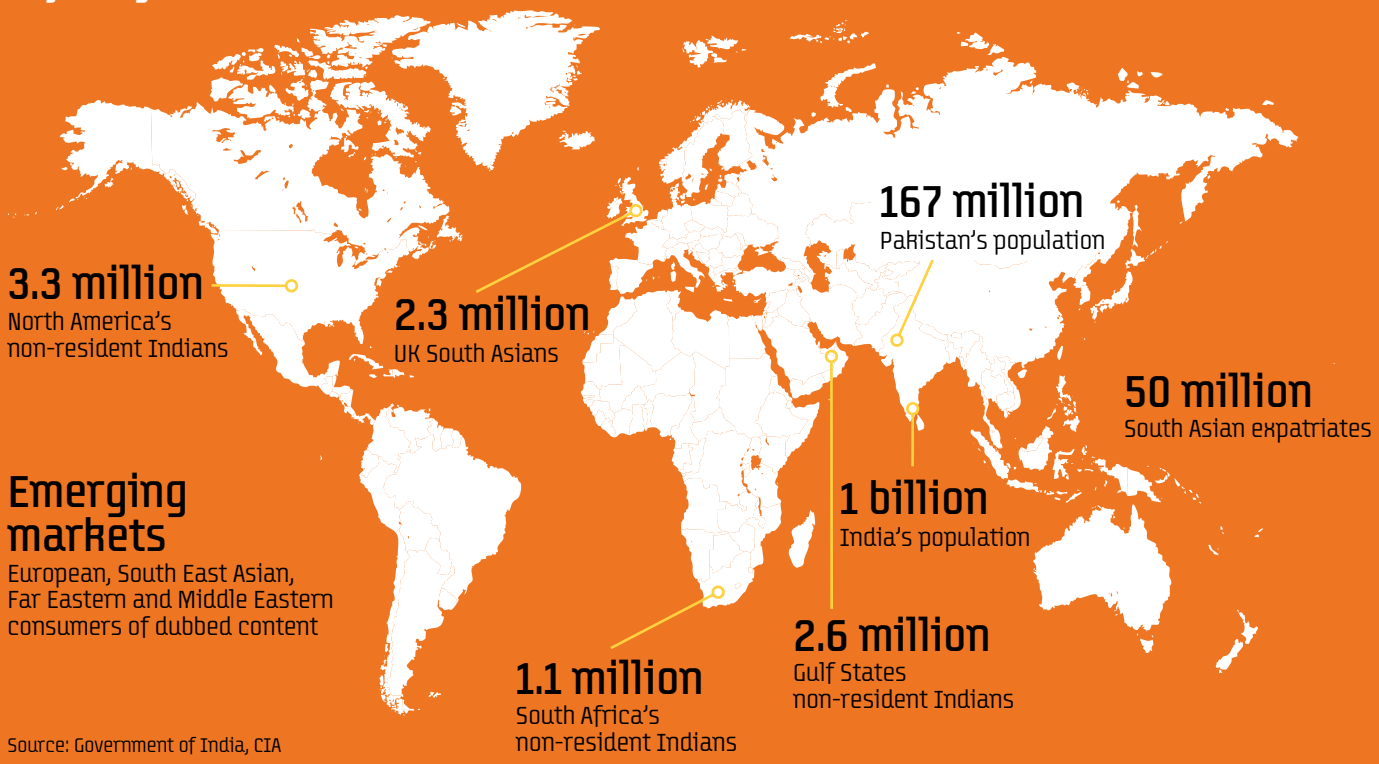
Market Overview

Indian entertainment and media sector (US$ billion)



Source: PwC

Major target audiences



Source: Government of India, CIA

Indian box office potential

	2007	2012
Single screens	10,000	8,000
Average ticket price	US$0.50	US$1.20
Multiplex screens	1,350	5,000
Average ticket price	US$3.00	US$4.50
No of admissions	3.2 billion	4.5 billion

Source: PwC, industry data

Indian television market potential

	2007	2012
Total TV households	115 million	132 million
Pay Cable households	70 million	90 million
Pay DTH households	3.5 million	25 million
Subscription revenues	US$3.4 billion	US$9.5 billion
Advertising revenues	US$2 billion	US$5 billion

Source: PwC

Namastey London (2007)

Operating Review

Eros delivered a high double digit growth within all of its main profit centres in 2007/8. The Company has locked content through output deals, talent tie-ups, co-productions and acquisitions; has further expanded its global distribution network; has put in place pioneering television syndication models that give it more flexibility with relicensing of content and greater visibility for the future; and expanded digital distribution through subscription video on demand, mobile and internet platforms.

2007/8 also saw early revenues from the acquisition of the Tamil business Ayngaran, one of the oldest and most established players in the Tamil content market.

During the year Eros also collaborated with Charles Darby, the award winning visual effects talent from Hollywood who has worked on some of the biggest Hollywood films of all time to set up a state of the art visual effects studio, ground up, in Mumbai.

The Company also inked significant deals with Hollywood studios such as Sony Pictures to co-produce Hindi films and announced a joint venture with Lionsgate to localise and distribute the Lionsgate library and new films of over 13,000 titles in India across all formats.

Eros Pictures and talent at the right time for the right prices

Securing content and talent at the right time for the right prices

Over the last two years, the Group has invested around US$200 million in over 60 contracted projects which gives full visibility of its release schedule until 2010 and beyond. Eros' ability to secure content at the right time at the right price is a key competitive advantage that allows it to take advantage of the growing box office as multiple film projects develop for release over the next three to 24 months.

Some of the biggest films of 2008/9 and 2009/10 are signed up with Eros like Drona and Aladin which are both visual effects driven films with A list talent, God Tussi Great Ho starring Salman Khan and Amitabh Bachchan, Red Chillies Production Billo Barber, Imtiaz Ali's London shot Saif Ali - Deepika starrer, Sajid Nadiawala's Kambakht Ishq starring Akshay Kumar and Salman Khan starrer Mukta Arts production Yuvraj.

This year US$23 million, accounting for over 20% of the Group revenues, came from catalogue syndication. The Eros library of 1,900 titles that includes classic and blockbuster titles such as Devdas, Sholay, Mother India, Mughal e Azam and Main Hoon Na has been delivering annuity income to the Group year after year. The key drivers for catalogue income are television syndication, new media and home entertainment especially in emerging markets. Whenever a new market is opened like Poland, Germany, Spain or China, the back catalogue gets relicensed in those markets after localisation. Similarly when new formats are discovered like VHS to DVD and now high definition blu-ray DVDs, the catalogue titles are re-monetised. As more video on demand, mobile and internet broadband platforms evolve, once again the library titles are monetised along with the new titles. Since most of the Eros library is already digitised these deals generate EBITDA margins of over 95%. The Eros library is its crown jewel and one of its key differentiators. Having a library greatly reduces Eros' reliance on box office success of new films and allows it to negotiate bundled deals with television networks and other platforms instead of on a film by film basis. The Indian catalogue is greatly under exploited thus far as the platforms continue to evolve and grow, and we should see significant growth from catalogue revenues in the years to come.

The unbeatable combination of a strong slate of new films and rich content library with its own distribution network makes Eros one of the strongest players in the business.

Eros Global Distribution

Not "hit" driven but consistently picking the winners

Om Shanti Om took the number one international box office slot (Nielsen EDI) and the highest first week box office in India ever in its week of release before going on to be the highest grossing Hindi film to date. During the year Eros released 18 films theatrically with 16 being released globally. Eros films claimed five of the top 10 Indian Cinema spots in 2007 with Partner and Heyy Babyy being the other notable performers in the financial year apart from Om Shanti Om. This reflects Eros' portfolio strength combined with an unrivalled back catalogue.

With 13,000 screens in India selling over 3.2 billion tickets and multiplexes expected to grow from their current number of 1,350 to over 5,000 screens by 2012; with the average ticket price of 50 cents expected to rise to over 80 cents by 2008 and with multiplex ticket prices already crossing the US$3 barrier, the Indian filmed entertainment sector currently worth US$2.4 billion is poised to see very significant growth to over US$4.4 billion by 2012.

Drona (2008) – Major forthcoming release with pioneering visual effects by EyeQube


द्रोणा
द्रोणा
A FILM BY
GOLDIE BEHL

Operating Review continued

Worldwide theatrical revenues grew by 146.9% to US$52.1 million (2007: US$21.1 million)

The emerging markets of South East Asia, Europe including Eastern Europe, CIS countries and the Middle East continue to grow. The Company further strengthened its German distribution by releasing the German dubbed version of Om Shanti Om for the first time theatrically across 35 screens before it goes on to German DVD and Free Television. The film had a special opening at the Berlin Film Festival, which demonstrates the increasing popularity of Indian films in non-Hindi as well as non-English speaking markets.

Revenues from Europe rose sharply by 104% to US$11.1 million compared to US$5.4 million in FY07 mainly on account of the growth in Eastern Europe through television and DVD syndication in dubbed versions.

Eros Television Syndication

Content elevated from king to emperor with influx of new TV channels

According to PwC, the television sector in India which is currently worth US$5.6 billion is growing at over 22% CAGR and is slated to be worth over US$15 billion by 2012. The 70 million cable households today are projected to increase to over 90 million by 2012. DTH households are growing at over 75% CAGR and are estimated to grow from its current 3.5 million homes to over 25 million homes in 2012. With DTH (Direct To Home) and the implementation of digital CAS (Conditional Access System) in cable systems, it is estimated that by 2012 over 87% households will be pay TV households. Television advertising revenues which is at US$2 billion today is estimated to be over US$5 billion by 2012.

All of the above sector reforms have resulted in an influx of international media conglomerates in the sector where the current leaders Star, Zee and Sony have been joined by Reliance, Viacom, NBC and Disney to name a few. Over 50% of programming content of television networks within India is film based and the above phenomenon has significantly driven up the demand for films and film music based content. While some channels are interested in securing content to maintain their market leadership, new entrants are using it as a marketing tool to get more eyeballs on their channel. Eros is well poised to take advantage of this increased demand for films given its very extensive catalogue and strong slate of new films.

In FY08 Eros revenues from TV syndication went up 56.3% to US$33.0 million (2007: US$21.1 million). During the year the Company concluded a series of television syndication deals of a selection of its catalogue as well as new films with various networks in India and around the world including Sahara, Sony, Inx and ViacomTV18. These deals allowed the Company to implement a syndication model where the limited telecasts are shared on a non-exclusive basis between the various channels for a limited period and the copyright is retained by Eros to exploit again after the limited license period. This model gives the Company greater flexibility and visibility of syndication revenues for 2009.

Digital New Media and Home Entertainment

Pioneering evolution of new distribution platforms in era of convergence

The Company continued to grow its existing new media relationships, music, home entertainment and mobile revenues and signed further new media distribution deals with leading players around the world such as Amazon and Walmart. This year not only saw an overall growth in digital revenues but also saw a large part of that growth come from India. The Indian market is rapidly waking up to mobile, IPTV and other digital opportunities driven by television, digitisation of cable homes and the telecommunication boom.

Revenues from Digital New Media and Home Entertainment grew 16.9% to US$27.7 million (2007: US$23.7 million). The subscription video on demand strategy adopted by the Company continued to develop as Comcast

subscribers grew from 6,000 last year to over 10,000 this year and the Company clinched a deal to launch a similar service with Cablevision operating in the high South Asian footprint of New York. Apart from Rogers, Comcast and Cablevision, the Company also concluded subscription video on demand deals with Mauritius Telecom, SingNet, RTM Malaysia, Valuable Technology and Aksh Optifibre and it is Eros' objective to build on its early mover advantage and become the largest player in the new media space in India and internationally. Eros' YouTube channel on Google which was launched last year has a cumulative 45 million page views to date and is being monetised through ad clicks. As the prices of DVD players continue to drop and the shift from VCD to DVD format continues, the Company saw a rise in DVD revenues within India while internationally physical formats are paving way to digital downloads. Eros also released the first ever Indian film title on Blueray high definition format with the film Heyy Babyy. Eros Music also continued to grow as a division and released 11 titles in 2008 which were exploited across mobile platforms and sold as audio cassettes, CDs and digital downloadable files across platforms such as iTunes.

Ayngaran - The Tamil content business

Propelling the growth of the "Eros" of the Tamil market

In October 2007 the Company completed the acquisition of a 51% interest in Ayngaran who are the leading players in Tamil film content and distribution with a twenty year old track record and a catalogue of over 600 films. Eros' investment is intended to accelerate Ayngaran's growth and consolidation of the Tamil film market.

This is similar to what Eros is doing in the Hindi film sector and will shape Ayngaran as a global player in Tamil film production and distribution. Ayngaran has had a successful half year of trading under Eros with blockbuster films such as Sivaji, Billa, Azahia Tamil Magan, Parivom Santhipom and Vel. Ayngaran has already secured over 30 projects for release over the next two years. Ayngaran also announced a co-production project with Tamil industry's biggest director Shankar starring the biggest actor Rajnikant who delivered this year's blockbuster Sivaji grossing more than US$25 million worldwide. Eros will be investing up to US$30 million to accelerate Ayngaran's growth plans.

Eyeqube - Visual Effect Facility

"Hollywood in a box" – State of the art VFX studio in Mumbai

The Group created EyeQube, a state-of-the-art visual effects studio in Mumbai in collaboration with internationally renowned visual effects expert, Charles Darby. EyeQube already employs over 100 people which will soon increase to 300, producing top-end visual effects work in the Indian industry and internationally. The Company has already commenced work on Eros' much awaited films Aladin and Drona and has several other films in the pipeline.

Charles Darby is one of the pioneers of digital matte paintings and has been associated with more than 45 films in the last 13 years. Darby's work includes Academy and BAFTA award-winning work on films such as "Titanic," "The Matrix", "Crouching Tiger Hidden Dragon", "The Fifth Element" and "Minority Report". His most recent work includes "Girl with a Pearl Earring", "Harry Potter and the Prisoner of Azkaban" and "I Robot". He also won an Emmy for the TV series "Rome".

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.

Established in 1977, the business has a growing market share of over 35% and more than three decades of market leadership in creating a global platform for Indian cinema. 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 2008 with those of 31 March 2007. Unless otherwise stated growth relates to the percentage comparison of these two years. In running the business Eros' 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. As noted in table on the following page this measure is referred to as EBITA.

Revenue was US$113.0 million (2007: US$66.4 million) and the business generated EBITA (Note 1) of US$77.3 million (2007: US$48.2 million). The revenue growth arose from a full year contribution of our India operations as a result of the Group now securing worldwide rights wherever possible and the inclusion of Ayngaran's results for the six months post acquisition.

The income statement includes net financing costs of US$0.8 million (2007: US$1.0 million), a charge for amortisation of content and other intangibles of US$31.0 million (2007: US$16.3 million) leading to a pre tax profit of US$45.5 million (2007: US$30.9 million).

Sector performance

With the larger global theatrical release schedule in the current year, theatrical revenues increased by 147% from US$21.1 million to US$52.1 million. As well as the increase in Indian theatrical releases there was strong performance on individual films such as Partner, Om Shanti Om, and Heyy Babyy.

Television syndication revenues increased by 56.4% as a result of ground breaking syndication deals with Indian satellite broadcasters and sales in dubbed markets. Revenues were US$33.0 million in 2008 as opposed to US$21.1 million in 2007.

Digital and Home Entertainment experienced a growth of 16.5% to US$27.7 million from US$23.7 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 by over 100%.

Geographic performance

The main focus of growth in the year was India which enjoyed like for like growth of 75.1%. Over the last year India revenues have grown from US$46.3 million to US$81.1 million. This growth has been driven by economic and consumer changes within the India driving Cinema, Television and Home Entertainment as well as an increase in the number of theatrical releases. The Group released five films in cinemas in India last year and 16 in the current year. The consumer trends are set to continue and the expansion of new delivery methods such as set top boxes mean that Eros is well positioned to benefit in the future.

In North America revenues of US$8.0 million represented like for like growth of 39.4% over the US$5.7 million achieved in the prior year. This growth reflects strong results from cinema and DVD releases together with full year contributions from the new media revenue streams opened up in the year ended 31 March 2007.

European revenues enjoyed a 104% increase to US$11.1 million compared to US$5.4 million in the previous year. This was due to the emergence of Eastern Europe as a strong growth market, continued success in markets dubbed markets and again a strong theatrical release schedule.

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 42.5% rise in revenues to US$12.7 million compared to US$8.9 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. Following the expansion of the business in 2007 that has continued into 2008 the Group has the intention to adopt a prudent dividend policy and there is an expectation that if the business performs in line with expectations a dividend will be declared in the year ended 31 March 2009.

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$6.0 million (2007: US$1.7 million) which represents an effective rate of 13.2% (2007: 5.5%). The charge represents current taxation of US$3.0 million (2007: US$1.5 million). Deferred taxation which arises on timing differences on the tax treatment of certain items against their accounting treatment was US$3.0 million (2007: US$0.2 million).

Partner (2007) – One of the top grossing Indian Theatrical releases


Chuckle
WHEN IT

Financial Review continued

The taxation cash flow is also affected by the Indian operations where certain revenues are received net of withholding taxes which are then offset against the overall corporation tax liabilities calculated on the year end results.

Personnel

The number of people in the Group averaged 205 against 133 in the year ended March 2007 an increase of 54.14%. The increases have arisen principally within India and centred around the growth of the distribution business within India as well as the staff recruited within EyeQube and Ayngaran.

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$114.9 million as at 31 March 2008 in films to be released and has further content commitments of US$178.50 million.

Securing this content has meant that the Group can look to further expand its distribution channels in the full knowledge that the content that needs to pass through is guaranteed and the timing and quality ensures that this will allow new channels to be opened. Further the content has been secured at optimal prices against exploitation in a growing market.

Earnings per share

Basic earnings per share was 33.5 cents (2007: 29.9 cents). The basic weighted average number of shares in issue in the year ended 31 March 2008 increases from 97.6 million to 112.5 million.

The basic earnings per share based on the weighted average number of shares was up 12.0%. Full details are set out in note 8 of the financial statements.

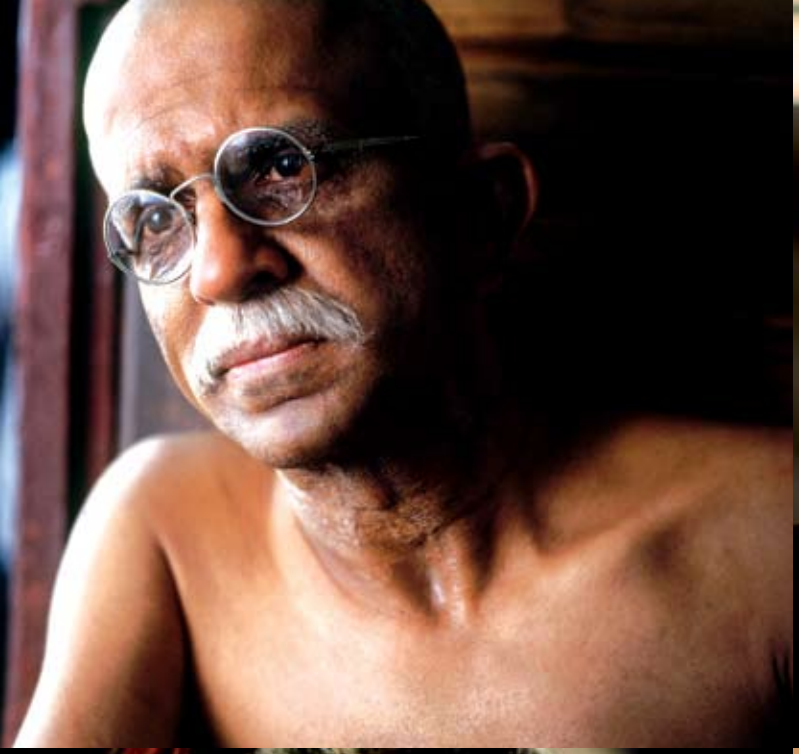
Half yearly performance

The table below analyses the business results over the last two years split between first and second half performance.

	September US$'000	September %	March US$'000	March %	Total US$'000
Revenue					
Year ended 31 March 2008	34,605	30.6	78,376	69.4	112,981
Year ended 31 March 2007	21,807	32.8	44,634	67.2	66,441
EBITA					
Year ended 31 March 2008	24,334	31.5	52,989	68.5	77,323
Year ended 31 March 2007	13,158	27.3	35,065	72.7	48,223

The Group's results are skewed towards the second half of the financial year due to the timing of major Indian holiday periods which is typically when larger grossing theatrical films are released. In addition the Group has matched the larger television syndication deals to include some of these releases. There is a gradual movement away from such a large skew as the number of output deals in place increases and with the demand for television syndication deals increasing there is a movement to concluding the deals in smaller packages which are more evenly spread through the year. As the catalogue revenues from India start being driven by the global rights that Eros is now acquiring there will be much greater visibility of revenues.

U Me Aur Hum (2008) – Romantic comedy based on the ups and downs of the journey of love






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.

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
Charlie Hambro,
Executive Vice President – Corporate Planning and Strategy

Andrew Heffernan,
Group Chief Financial Officer

Ajay Mavinkurve,
Group Financial Controller

Nayeem Syed, General Counsel

Pranab Kapadia, President – Distribution Europe and Africa

UK & Europe distribution
Benjamin Bach,
Senior Vice President – International Sales

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

India Office
Viki Rajani,
Executive Vice President – Eros Pictures

Manju Lulla, Creative Head – Eros Pictures

Kumar Ahuja,
Senior Vice President – India Sales & Operations

Sabapaty S, Chief Financial Officer – India

Surender Sood,
Vice President – Production Finance

Anand Shankar,
Vice President Finance – India

Prashant Gaonkar,
Vice President – Airborne Sales

Raj Malik,
Vice President – India Distribution

Girish Kumar,
Vice President – Home Entertainment

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

Australia Office
Aman Raniga, Vice President – Australia

Fiji Office
Jack Raniga, Vice President – Fiji

Company Information

Company registration number
116107C

Registered office
15-19 Athol Street
Douglas
Isle of Man
IM1 1LB

Directors
Kishore Lulla
Vijay Ahuja
Sunil Lulla
Jyoti Deshpande
Dilip Thakkar (Non-Executive Director)
Naresh Chandra (Non-Executive Director)

Honorary Life President
Arjan Lulla

Company Secretary
Richard Vanderplank

Auditors
Grant Thornton
P O Box 307
Exchange House
54/58 Athol Street
Douglas
Isle of Man
IM99 2BE

Directors' Report

For the year ended 31 March 2008

Principal activity

Eros International Plc, an integrated media and entertainment company, is a global player in the Indian entertainment sector 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 30-40 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 2008 was US$39.5 million (2007: US$29.2 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, the Operating Review and the Financial Review.

Key performance indicators

In the year ended 31 March 2007 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 83.2% (2007: 84.6%)
- 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$46.3 million (US$32.0 million)
- Overheads – the overall charge is increasing as the Group expands its activities, but the Group targets that overheads (excluding goodwill amortisation and flotation costs will not exceed 15% of sales. The Group achieved just under 14.8% (2007: 9.8%) 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 shareholder's focus on capital and cash flow returns. For the year ended 31 March 2008 the focus has been on expanding 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 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 2008 and 31 March 2007 were as follows:

	Ordinary shares of 10p each 31 March 2008	Ordinary shares of 10p each 1 April 2007	Percentage shareholding at 31 March 2008
V Ahuja*	**Up to 78,866,959**	Up to 84,375,000	69.5
J Deshpande	**77,159**	77,159	0.1
K Lulla*	**Up to 78,866,959**	Up to 84,375,000	69.5
S Lulla*	**Up to 78,866,959**	Up to 84,375,000	69.5
H R Vakharia (resigned 28 September 2007)	**–**	29,186	–
D Thakkar	**–**	–	–
N Chandra (appointed 4 July 2007)	**–**	–	–

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

Changes in Directors' holding since 31 March 2008 are shown in the substantial shareholders paragraph.

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 (2007: 30) 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 2008 the number of days credit taken for purchases by the Company was 44 (2007: 30).

Substantial shareholders
The Company was notified of the following beneficial interest in 3% or more of the issued share capital of the Company as at 24 July 2008 being the latest practical date before the approval of the accounts.

	Ordinary shares of 10p each shareholding	**Percentage shareholding at 31 March 2008**
V Ahuja, K Lulla, S Lulla – Directors	80,650,657	**69.96**
Fidelity Investments International	7,080,256	**6.14**

Placing of shares
On 13 July 2007, the Company successfully placed 3,304,825 new shares for trading on AIM at 505p per share, a premium to the nominal value of 4.95p. On 30 September 2007, 28,650 were issued at 520p a premium of 510p to nominal value.

Subsequent to the year end as disclosed on 14 April 2008, the Company issued a further 1,783,698 new shares to satisfy the acquisition of a 24% stake in B4U a film and music television channel. The shares were issued at 307.5p, the mid market price of the proceeding day which represents a premium of 297.5p 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 impacts 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 recognizes 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 realize their potential and to contribute to business success irrespective of gender, material status, ethnic origin, nationality, religion, disability, sexual orientation or age.

Charitable and political contributions
During the year the Group made charitable donations of US$120,000 (2007: US$nil). There were no political donations made in the year.

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

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

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

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

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

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

In so far as the Directors are aware:

- there is no relevant audit information of which the Group's auditors are unaware;
- 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 re-appointment 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 18 September 2008.

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

29 July 2008

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 the current period the committee awarded shares to key directors and staff in respect of the performance of the Group since its admission to the AIM market.

In relation to all the three main strands of remuneration the Committee reviews the structure on an annual basis and take 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 were for an initial period of 1 year and renewable thereafter for a further term.

The remuneration of each of the directors for the year ended 31 March 2008 (or period that they served as directors during the year) is set out below:

	Salary $'000	Fees $'000	Benefits $'000	**2008 Total $'000**	2007 Total $'000
Kishore Lulla	1,373	118	4	**1,495**	659
Vijay Ahuja	444	118	4	**566**	381
Jyoti Deshpande	455	118	3	**576**	567
Sunil Lulla	327	118	2	**447**	380
Dilip Thakkar	–	78	–	**78**	78
Roger Vakharia	–	118	–	**118**	76
Naresh Chandra	–	59	–	**59**	–
Total	2,599	727	13	**3,339**	2,141

A fee of £200,000 was provided for the year ended 31 March 2008 (2007: £200,000) to Redbridge Limited for consultancy services provided by A Lulla, Honorary Life President. Benefits comprise of medical health insurance.

As at 31 March 2008 the following Directors have options over shares as set out below:

Director	Date of grant	Exercise price	Period exercisable in normal circumstances	Number
Jyoti Deshpande	21 June 2006	£1.760	June 2006 to June 2016	68,782
	17 October 2007	£1.935	October 2007 to October 2012	175,000
Kishore Lulla	17 October 2007	£1.935	October 2007 to October 2012	350,000
Sunil Lulla	17 October 2007	£1.935	October 2007 to October 2012	175,000
Vijay Ahuja	17 October 2007	£1.935	October 2007 to October 2012	50,000

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 2008, the Board consisted of four Executive Directors and two Non-Executive Directors. Naresh Chandra was the nominated 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; and
  - compliance with accounting standards, London Stock Exchange and legal requirements.

The effectiveness of the internal control systems 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 auditors' 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			
Kishore Lulla	6	–	–
Vijay Ahuja	6	–	–
Jyoti Deshpande	7	–	–
Sunil Lulla	7	–	–
Dilip Thakkar	6	3	1
Roger Vakharia (resigned 28 September 2007)	2	1	–
Naresh Chandra (appointed 4 July 2007)	4	2	1

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. Published information, including regulatory news is available on the Eros website, www.erosintl.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.

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 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, except for the revaluation of certain financial assets.

Following the transition to IFRS, 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 Group's consolidated financial statements were prepared in accordance with United Kingdom Generally Accepted Accounting Principles until 31 March 2007. The principal currency of the Group is US Dollars as this is the currency in which the majority of its transactions are denominated.

IFRS 1 sets out the requirements for the first time adoption of IFRS. The Group has established its IFRS accounting policies for the year to 31 March 2008 and these have been applied retrospectively to determine the IFRS opening balance sheet at its date of transition, 31 March 2006, which was also its date of inception. The comparative figures have been restated to reflect these adjustments.

The financial statements for the year ended 31 March 2008 were approved for issue by the Board of Directors on 29 July 2008.

2 Critical accounting estimates and judgements

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:

2.1 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.

2.2 Basis of consolidation

In respect of the combination of undertakings coming together to form the Group, judgement is required to establish which entity is the acquiring entity. In the event that it is judged that an alternative entity were to be the acquiring entity then there may be material balance sheet adjustments.

2.3 Intangible assets

The Group is required to identify and assess the useful life of intangibles assets and determine their income generating life. Judgement is required in determining this and then providing an amortisation rate to match this life. In the case of trade name, stated at US$14,000,000, 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 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 in the case of acquiring assets in markets that the Group has not previously exploited.

2.4 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.

2 Critical accounting estimates and judgements continued

2.5 B4U option

At 31 March 2008, the Group had an option to acquire Acacia Investments Limited ("Acacia"), a company which is ultimately owned by a discretionary trust of which Kishore Lulla and Sunil Lulla are amongst the potential beneficiaries. Acacia which is a dormant holding company owns 24% of L.M.B. Holdings Limited which through its subsidiaries operates two satellite television channels B4U Music and B4U Movies. Neither the directors of Acacia or Eros have any involvement in the management of the entity or receive management information. The option is carried at US$nil value as in the opinion of the directors the range of value that can be attributed to the option are so wide that a reasonable estimate of the value cannot be given in accordance with IAS 39 Financial Instruments. The directors in arriving at this opinion have reviewed valuations based on a net asset position, a multiple of earnings based upon similar entities that are publicly traded and on a forecast cash flow model.

2.6 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 method 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.

3 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 2008 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. In addition the following are not expected to affect or in some cases not be relevant to the Group's operations:

- IFRIC 12 Service Concession Arrangements.
- IFRIC 13 Customer Loyalty Programme.
- IFRIC 14, IAS 19 The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction.
- IAS 27 Consolidated and Separate Financial Statements (Revised 2008).
- IAS 32 Financials Instruments: Presentation (Amendments).
- IFRS 2 Share Based Payments (Amendments).
- IFRS3 Business Combinations (Revised 2008).

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

4 Summary of accounting policies

4.1 Overall considerations

The significant accounting policies that have been used in the preparation of these consolidated financial statements are summarised below.

4.2 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's 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.

4.3 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, these segments are managed separately and represent the primary segment reporting level. As of 31 March 2008 Eros had three business segments engaging in the activities described below:

- Theatrical
- Television syndication
- Home entertainment

Eros has identified three geographic areas, consisting of its main geographic areas (India, US and Europe), as well as the rest of the world.

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

4.4 Revenue

Revenue recognised represents the value of the licence fee and includes withholding tax but excludes 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.

4.5 Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortised costs 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.

4.6 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.

4.7 Intangible assets

Non Current Intangible assets acquired by the Group are stated at cost less accumulated amortisation except the trade name and those acquired as part of a business combination, which are shown at fair value at the date of acquisition less accumulated amortisation.

4 Summary of accounting policies continued

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. 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 and 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.
- 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.

4.8 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.

The fair value of share options granted is measured using the Black Scholes formula, 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.

4.9 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.

4.10 Property, plant and equipment

Property, plant and equipment are stated at historical cost less accumulated depreciation and impairment. 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 re-valued.

4.11 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.

4.12 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.

4.13 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. 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.

Deferred income tax is recognised in respect of the retained earnings of overseas subsidiaries and associates only to the extent that, at the balance sheet date, dividends have been accrued as receivable or a binding agreement to distribute past earnings in the future has been entered into by the subsidiary. 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.

4 Summary of accounting policies continued

4.14 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.

4.15 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 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 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.

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 if ownership but does transfer control of that asset.

4.16 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.

4.17 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.

4.18 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 reserve – this represents amounts arising from the changes in fair value of available for sale financial assets.
- 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.

4.19 Leases

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessee 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.

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 2008 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 auditors

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.

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 2008 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 2008
- the parent company financial statements have been properly prepared in accordance with the 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
PO Box 307
Exchange House
54/58 Athol Street
Douglas, Isle of Man
IM99 2BE
29 July 2008

Consolidated Income Statement

For the year ended 31 March 2008
(in thousands of US Dollars)

	Note	Year ended 31 March 2008	Year ended 31 March 2007
Revenue	1	**112,981**	66,441
Cost of sales		**(49,940)**	(26,502)
Gross profit		**63,041**	39,939
Administrative costs	2	**(16,725)**	(7,981)
Operating profit		**46,316**	31,958
Finance costs	4	**(3,137)**	(2,193)
Finance income	4	**2,315**	1,179
Net finance costs		**(822)**	(1,014)
Profit before tax		**45,494**	30,944
Income tax expense	5	**(6,014)**	(1,697)
Profit for the year		**39,480**	29,247
Attributable to:			
Equity holders of the parent		**37,729**	29,247
Minority interest		**1,751**	–
		39,480	29,247
Earnings per share (US cents):			
Basic earnings per share	8	**33.5**	29.9
Diluted earnings per share	8	**33.3**	29.9

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

As at 31 March 2008
(in thousands of US Dollars)

	Note	As at 31 March 2008	As at 31 March 2007
Assets			
Non-current assets			
Property, plant and equipment	13	**5,530**	2,966
Goodwill	9	**1,878**	1,838
Intangible assets – content	10	**239,238**	94,710
Intangible assets – trade name	9	**14,000**	14,000
Intangible assets – others	11	**1,005**	1,125
Available-for-sale investments	16	**2,285**	–
Deferred tax assets	7	**65**	396
		264,001	115,035
Current assets			
Inventories	15	**2,264**	1,376
Trade and other receivables	17	**30,470**	37,151
Current tax receivable		**1,718**	565
Cash and cash equivalents	19	**87,701**	46,417
		122,153	85,509
Total assets		**386,154**	200,544
Equity and liabilities			
Liabilities			
Current liabilities			
Trade and other payables	18	**21,193**	15,345
Short-term borrowings	21	**34,769**	43,764
Current tax payable		**855**	561
		56,817	59,670
Non-current liabilities			
Long-term borrowings	21	**111,687**	–
Deferred tax	7	**2,700**	
		114,387	–
Total liabilities		**171,204**	59,670
Net assets		**214,950**	140,874
Equity			
Equity attributable to equity holders of the parent			
Share capital	22	**20,858**	20,180
Share premium		**127,321**	94,613
Translation reserve		**1,025**	148
Reverse acquisition reserve		**(22,752)**	(22,752)
Other reserves		**(571)**	–
Retained earnings		**87,318**	48,685
		213,199	140,874
Minority interest		**1,751**	–
Total equity		**214,950**	140,874

The consolidated financial statements were approved by the Board on 29 July 2008, 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 2008
(in thousands of US Dollars)

	Note	Year ended 31 March 2008	Year ended 31 March 2007
Cash flow from operating activities			
Profit before tax		**45,494**	30,944
Adjustments for:			–
Depreciation		**527**	313
Share based payment		**1,316**	588
Amortisation of intangibles		**31,007**	16,275
Foreign currency translation		**(15)**	–
Finance charge		**822**	1,014
Movement in trade and other receivables		**6,115**	4,990
Movement in inventories		**(888)**	80
Movement in trade payables		**5,020**	(9,183)
Cash generated from operations		**89,398**	45,021
Interest paid		**(5,375)**	(2,193)
Income taxes paid		**(4,254)**	(1,081)
Net cash from operating activities		**79,769**	41,747
Cash flows from investing activities			
Acquisition of subsidiaries net of cash acquired		**(1,040)**	(29,366)
Purchase of property, plant and equipment		**(2,627)**	(277)
Purchase of intangible film rights and related contents		**(170,168)**	(91,988)
Purchase of intangible assets others		**(202)**	–
Purchase of available for sale assets		**(2,856)**	–
Interest received		**2,315**	1,137
Net cash used in investing activities		**(174,578)**	(120,494)
Cash flows from financing activities			
Proceeds from issue of share capital		**33,386**	81,400
Repayment/proceeds of short-term borrowings		**(8,995)**	43,764
Proceeds from long-term borrowings	21	**111,687**	–
Net cash from financing activities		**136,078**	125,164
Net increase in cash and cash equivalents		**41,269**	46,417
Foreign currency translation		**15**	–
Cash and cash equivalents at beginning of period		**46,417**	–
Cash and cash equivalents at end of period	19	**87,701**	46,417

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 2008
(in thousands of US Dollars)

	Share capital	Share premium account	Translation reserve	Retained earnings	Reserve acquisition reserve	Other reserves	Total	Minority interest	Total equity
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**
– Value of employees services	–	–	–	1,316	–	–	1,316	–	1,316
– Deferred tax on options	–	–	–	(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**

	Share capital	Share premium account	Translation reserve	Retained earnings	Reserve acquisition reserve	Other reserves	Equity attributable to equity holders of the parent company	Minority interest	Total equity
Balance at 31 March 2006	–	–	–	–	–	–	–	–	–
Changes in equity for year ended 31 March 2007	–	–	–	–	–	–	–	–	–
Currency translation	–	–	148	–	–	–	148	–	148
Net income recognised directly in equity	–	–	148	–	–	–	148	–	148
Profit for the year	–	–		29,247	–	–	29,247	–	29,247
Total recognised income and expense for the year	**–**	**–**	**148**	**29,302**	**–**	**–**	**29,395**	**–**	**29,395**
Share option schemes – Value of employee services	–	–	–	55	–	–	55	–	55
Eros Worldwide FZ LLC reverse acquisition	–	–	–	19,383	(22,752)	–	(3,369)	–	(3,369)
Issue of share capital	20,180	94,613	–	–	–	–	114,793	–	114,793
Balance at 31 March 2007	20,180	94,613	148	48,685	(22,752)	–	140,874	–	140,874

Notes to the Financial Statements

For the year ended 31 March 2008

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 2008					
	Theatrical $'000	Television syndication $'000	Home entertainment $'000	Holding and corporate $'000	Common costs $'000	Total $'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)
Net finance charges						(822)
Profit before tax						**45,494**

	Year ended 31 March 2007					
	Theatrical $'000	Television syndication $'000	Home entertainment $'000	Holding and corporate $'000	Common costs $'000	Total $'000
Revenues	21,109	21,075	23,750	–	507	66,441
Cost of sales (excluding amortisation)	(6,325)	(615)	(3,297)	–	–	(10,237)
Gross profit (excluding amortisation)	14,784	20,460	20,453	–	507	56,204
Depreciation	–	–	–	–	(313)	(313)
Administrative expenses (excluding depreciation)	(2,320)	(1,636)	(2,153)	(1,559)	–	(7,668)
Earnings before interest, taxes and amortisation ("EBITA")	12,464	18,824	18,300	(1,559)	194	48,223
Amortisation						(16,265)
Net finance charges						(1,014)
Profit before tax						30,944

The breakdown of net assets and capital expenditure on the primary segment has not been shown as it can only be provided on an arbitrary breakdown.

There was no impairment charges in the years ended 31 March 2008 or 2007. There were no significant non-cash expenses during the year except the depreciation and amortisation disclosed above and a share based payment charge of US$1,316,000 (2007: US$588,000).

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 2008 $'000	Year ended 31 March 2007 $'000
India	**81,139**	46,333
Europe	**11,124**	5,730
North America	**7,988**	5,443
Rest of the world	**12,730**	8,935
	112,981	66,441

	At 31 March 2008			
	India $'000	**North America $'000**	**Europe $'000**	**Rest of the world $'000**
Segment assets	**156,702**	**2,392**	**46,644**	**180,416**

	At 31 March 2007			
	India $'000	North America $'000	Europe $'000	Rest of the world $'000
Segment assets	52,248	1,738	9,402	137,156

2 Additional information on operating expenses

During the year the Group obtained the following services from the Group's auditors at costs detailed below:

	Year ended 31 March 2008 $'000	Year ended 31 March 2007 $'000
Fees payable to Company auditor for the audit of the parent company and consolidated financial statements	**200**	92
Non audit services:		
Fees payable to the Company's auditor and its associates for other services	**50**	115
The audit of Company's subsidiaries pursuant to legislation	**60**	45
Tax compliance and advisory services	**56**	43
Advisory work on group AIM admission	**–**	1,430

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

	2008 $'000	2007 $'000
Depreciation of property plant and equipment	**527**	313
Amortisation	**31,007**	16,275
Operating lease rentals	**1,440**	411
Exchange movements on foreign currency borrowings	**568**	456

3 Personnel costs and average employee numbers

	Year ended 31 March 2008	Year ended 31 March 2007
Annual average number of full time equivalent employees	**205**	133

	Year ended 31 March 2008 $'000	Year ended 31 March 2007 $'000
Salaries	**8,767**	4,014
Social security and other employment charges	**693**	341
Wages and expenses	**9,460**	4,355
Share based compensation	**1,316**	588
Personnel costs	**10,776**	4,943

Directors' remuneration, which corresponds to key management, is disclosed within the remuneration report.

4 Financial charges and income

	Year ended 31 March 2008 $'000	Year ended 31 March 2007 $'000
Interest expense on borrowings	**5,375**	2,312
Capitalised interest	**(2,238)**	(162)
Other interest	**–**	43
	3,137	2,193
Less : Interest received	**(2,315)**	(1,179)
	822	1,014

5 Income tax expense

	Year ended 31 March 2008 $'000	Year ended 31 March 2007 $'000
Current tax expense	**2,983**	1,459
Deferred tax		
Origination and reversal of temporary differences	**3,031**	238
Provision for income taxes	**6,014**	1,697

6 Reconciliation of tax charge

	Year ended 31 March 2008 $'000	Year ended 31 March 2007 $'000
Results for the year	**45,494**	30,944
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:		
Timing differences	**(342)**	12
Differences in tax rates	**3,349**	1,397
Expenses not deductible for tax purposes	**(3)**	125
Utilisation of tax losses	**(55)**	(75)
Foreign tax	**34**	–
Effective provision for current income taxes	**2,983**	1,459
Origination and reversal of timing differences	**3,031**	238
	6,014	1,697

7 Changes in deferred tax assets and liabilities

Changes in deferred tax assets and liabilities

	Year ended 31 March 2008 $'000	Year ended 31 March 2007 $'000
Opening balance of deferred tax assets	**396**	–
Effect on provision for income taxes	**(3,031)**	396
Closing balance of deferred tax (liabilities)/assets	**(2,635)**	396

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 $'000	Share based payments $'000	Other temporary differences $'000	Tax losses $'000	Total $'000
Recognised in the income statement	–	–	238	–	238
Arising on business combinations	–	–	–	158	158
At 31 March 2007	–	–	238	158	396
Recognised in the income statement	(5)	411	(3,344)	(93)	(3,031)
At 31 March 2008	**(5)**	**411**	**(3,106)**	**65**	**(2,635)**

Components of deferred tax assets and liabilities

	Year ended 31 March 2008 $'000	Year ended 31 March 2007 $'000
Deferred tax assets		
Tax losses	**65**	158
Other	**–**	238
Deferred tax liabilities		
Other	**(2,700)**	–
Deferred tax (liabilities)/assets	**(2,635)**	396

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 2008		Year ended 31 March 2007	
	Basic	Diluted	Basic	Diluted
Earnings (in thousands of US Dollars)				
Earnings attributable to the equity holders of the parent	**37,729**	**37,729**	29,247	29,247
Number of shares (in thousands)				
Weighted average number of shares	**112,547**	**112,547**	97,617	97,617
Potential dilutive effect related to share based compensation	**–**	**703**	–	154
Adjusted weighted average number of shares	**112,547**	**113,250**	97,617	97,771
Earnings per share (in US cents)				
Earnings attributable to the equity holders of the parent per share	**33.5**	**33.3**	29.9	29.9

In accordance with IAS 33 Earnings per Share the shares issued in respect of the acquisitions of Eros Network Limited and Eros Worldwide FZ LLC in the year ended 31 March 2007 have been included in the weighted average number of shares as issued on 11 April 2006 which was the deemed acquisition date.

9 Goodwill and trade name

Goodwill

	Goodwill as of 31 March 2007 $'000	Additions $'000	**Goodwill as of 31 March 2008 $'000**
Eros Network	1,838	40	**1,878**
Net book value at 31 March 2008	1,838	40	**1,878**

There has been no impairment of the goodwill in the current or previous year. The addition to goodwill relates to an additional liability identified after the provisional initial accounting.

	Goodwill as of 31 March 2006 $'000	Business Combinations $'000	Goodwill as of 31 March 2007 $'000
Eros Network	–	1,838	1,838
Net book value at 31 March 2007	–	1,838	1,838

On 27 June 2006, the Company acquired 100% of the share capital of Eros Network Limited and Eros Worldwide FZ LLC, both of which had formerly traded under the Eros banner. For the purposes of preparing the financial statements the effective date of acquisition was deemed to be 11 April 2006, the date at which the directors of both Eros Network Limited and Eros Worldwide FZ LLC were appointed to the board of the Company and the date at which the shareholders of those companies gave an irrevocable undertaking to sell their shareholdings to the Company. See also the basis of consolidation set out in note 4.2 to the principal accounting policies.

Goodwill Impairment

Eros reviewed the value of goodwill allocated to its cash generating units ("CGU"). In the absence of any identified indicator of impairment, the test was performed on the basis of internal valuation. After this test the Eros management reached the conclusion that the recoverable value of the CGUs 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 in the table below.

The growth rate is based on reasonable estimates of the market growth rates, based on previous experience of the market in which the CGU 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 11.5% representing the Group's weighted average cost of capital has been applied to the projections.

Trade Name

"Eros" and the associated logos that make up the trade name of the Group. The carrying value of US$14,000,000 (2007: US$14,000,000) and expected life were reviewed and no impairment or adjustment was considered to be required.

10 Intangible content assets

	31 March 2008		
	Gross content assets $'000	**Accumulated amortisation $'000**	**Content assets $'000**
Film productions	**8,118**	**–**	**8,118**
Film and content rights	**165,513**	**49,272**	**116,241**
Content advances	**114,879**	**–**	**114,879**
Non-current content assets	**288,510**	**49,272**	**239,238**

	31 March 2007		
	Gross content assets $'000	Accumulated amortisation $'000	Content assets $'000
Film productions	3,406	–	3,406
Film and content rights	73,423	16,423	57,000
Content advances	34,304	–	34,304
Non-current content assets	111,133	16,423	94,710

10 Intangible content assets continued

Changes in the main content assets are as follows:

	Year ended 31 March 2008 $'000	Year ended 31 March 2007 $'000
Film productions		
Opening balance	**3,406**	–
Additions	**17,789**	3,406
Transfer to other content assets	**(13,077)**	–
Closing balance	**8,118**	3,406

	Year ended 31 March 2008 $'000	Year ended 31 March 2007 $'000
Content advances		
Opening balance	**34,304**	–
Additions	**154,617**	33,299
Business combinations	**–**	2,575
Transfer to other content assets	**(74,042)**	(1,570)
Closing balance	**114,879**	34,304

	Year ended 31 March 2008 $'000	Year ended 31 March 2007 $'000
Film and content rights		
Opening balance	**57,000**	–
Amortisation	**(30,685)**	(16,199)
Business combinations	**1,715**	17,429
Purchases	**–**	54,090
Changes in foreign currency translation adjustments	**1,092**	110
Transfer from other content assets	**87,119**	1,570
Closing balance	**116,241**	57,000

11 Other intangible assets

	31 March 2008		
	Gross $'000	Accumulated amortisation $'000	Net $'000
Internally developed software	**1,402**	**397**	**1,005**

	31 March 2007		
	Gross content assets $'000	Accumulated amortisation $'000	Content assets $'000
Internally developed software	1,200	75	1,125

The changes in other intangible assets are as follows:

	Year ended 31 March 2008 $'000	Year ended 31 March 2007 $'000
Opening balance	**1,125**	–
Business combinations	**–**	1,200
Additions during the year	**202**	–
Amortisation	**(322)**	(75)
Changes in foreign currency translation adjustments	**–**	–
Closing balance	**1,005**	1,125

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

12 Acquisition

On 1 October 2007 Eros acquired 51% of the share capital of Ayngaran International Limited a dormant company set up for the purposes of facilitating the acquisition of a number of assets associated with Tamil film distribution. Ayngaran International and its subsidiaries then went on to acquire these assets as shown in the table below.

In the period since acquisition Ayngaran International Limited has contributed US$9.1 million to gross profit of the Group. Due to the disparate nature of the assets acquired it is not possible to confirm what changes there would have been if the acquisition had occurred at 1 April 2007.

The provisional fair value of the assets acquired (which was the same as the book value) are set out in the table below:

	$'000
Film and content catalogue	1,715
Property, plant and equipment	285
	2,000
Satisfied by	
Cash	1,000
Deferred cash consideration	1,000
	2,000

13 Property, plant and equipment

	Land and building $'000	Furniture, fittings and equipments $'000	Vehicles $'000	Plant and machinery $'000	Total $'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 building $'000	Furniture, fittings and equipments $'000	Vehicles $'000	Plant and machinery $'000	Total $'000
Year ended 31 March 2007					
Acquired on business combinations	1,862	363	124	640	2,989
Exchange differences	4	6	5	17	32
Additions	13	88	158	1	260
Disposals	–	(2)	–	–	(2)
Depreciation charge	(48)	(75)	(48)	(142)	(313)
Closing net book amount	1,831	380	239	516	2,966
At 31 March 2007					
Cost or valuation	2,111	1,048	434	2,262	5,855
Accumulated depreciation	(280)	(668)	(195)	(1,746)	(2,889)
Net book amount	1,831	380	239	516	2,966

14 Operating leases

The minimum lease rentals to be paid under non-cancellable operating leases at 31 March 2008 are as follows:

	31 March 2008 $'000	31 March 2007 $'000
Within one year	**1,672**	7
Within two to five years	**2,869**	418
	4,541	425

15 Inventories

	31 March 2008 $'000	31 March 2007 $'000
Good for resale	**2,193**	1,371
Raw materials	**71**	5
	2,264	1,376

During the year inventory of US$1,782,000 (2007: US$1,631,000) was recognised in profit and loss as an expense. This includes an amount of US$45,000 (2007: US$29,000) resulting from write down of inventories. There was no reversal of previous write downs.

16 Available for sale financial assets

	31 March 2008 $'000	31 March 2007 $'000
Listed securities	**781**	–
Triple Com Media Pvt. Limited	**1,504**	–
	2,285	–

The investment in Triple Com Media Pvt. Limited represents 16.7% share of the issued share capital of that company. The investment was made during the year and the Directors believe that fair value does not materially differ to cost.

The Group had an option to acquire Acacia Investments Limited ("Acacia"), a company which is ultimately owned by a discretionary trust of which Kishore Lulla and Sunil Lulla are amongst the potential beneficiaries. Acacia which is a dormant holding company owns 24% of L.M.B Holdings Limited which through its subsidiaries operates two satellite television channels B4U Music and B4U Movies. Neither the Directors of Acacia or Eros have any involvement in the management of the entity or receive management information. The option is carried at US$Nil value as in the opinion of the directors the range of value that can be attributed to the option are so wide that a reasonable estimate of the value can not be given in accordance with IAS 39 Financial Instruments. The directors in arriving at this opinion have reviewed valuations based on a net asset position, a multiple of earnings based upon similar entities that are publicly traded and on a forecast cash flow model.

The option allowed Eros to acquire the option shares at US$9,570,000, a 10% premium to the par value of the shares in L.M.B. Holdings, plus interest accrued at 2% above Barclays Base rate from 27 June 2006. The option would have expired on 26 June 2008 but as noted in note 28 the option was exercised on 11 April 2008.

17 Trade and other receivables

	31 March 2008 $'000	31 March 2007 $'000
Trade accounts receivable	**21,038**	30,216
Trade accounts receivable provision	**(356)**	(441)
Trade accounts receivable net	**20,682**	29,775
Other receivables	**8,865**	6,811
Prepaid charges	**923**	565
Trade accounts receivable and other	**30,470**	37,151

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:

	31 March 2008 $'000	31 March 2007 $'000
Not more than three months	**1,783**	2,067
More than three months but not more than six months	**959**	1,277
More than 6 months but not more than one year	**452**	678
More than one year	**209**	541
	3,403	4,563

The movements in the trade receivable provisions is as follows:

	$'000	$'000
At 1 April 2007	451	–
Utilisations	(267)	(234)
Provisions	172	675
At 31 March 2008	356	441

The carrying amount of trade and other receivables is considered a reasonable approximation of fair value. The Group holds collateral in respect of US$1,000,000 (2007: US$nil) of trade receivables.

18 Trade and other payables

	31 March 2008 $'000	31 March 2007 $'000
Trade accounts payable	**15,451**	9,629
Prepayments, accrued income and other payables	**3,802**	3,935
Social security and other taxes payable	**1,940**	1,781
	21,193	15,345

19 Cash and cash equivalents

	31 March 2008 $'000	31 March 2007 $'000
Cash at bank and in hand	**87,701**	46,417
	87,701	46,417

20 Share based compensation plans

For 2008 and 2007 the compensation cost recognised with respect to all outstanding plans, which are all equity settled instruments, is as follows:

	31 March 2008 $'000	31 March 2007 $'000
IPO plan	**120**	55
Management scheme	**1,196**	–
	1,316	55

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%	25.0%
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 share 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 criteria 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 vest 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.

	31 March 2008		31 March 2007	
	Number of shares	Weighted average exercise price £	Number of shares	Weighted average exercise price £
Outstanding at 1 April	**187,314**	**1.760**	–	–
Granted	**1,078,750**	**1.935**	187,314	1.760
Outstanding at 31 March	**1,266,064**	**1.909**	187,314	1.760
Exercisable at 31 March	**459,483**	**1.920**	–	–

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 2008 $'000	31 March 2007 $'000
Asset backed borrowings				
Loans				
US$100 million revolving facility	Libor plus 1.65%	2012	**100,000**	–
Term loan	Libor plus 4.5%	2012	**2,605**	–
Term loan	Bank prime lending rate ("BPLR")	2012	**3,509**	–
Term loan	BPLR plus 0.25%	2008	**6,053**	–
Asset loan	9-12%	2010	**349**	–
			112,516	–
Unsecured borrowings			**–**	
Nominal value of borrowings			**112,516**	–
Cumulative effect of amortised costs			**(829)**	–
Borrowings			**111,687**	–

Asset backed borrowings are secured by a fixed and floating charge over certain Group assets.

Borrowings

Analysis of short-term borrowings and other financial liabilities

	Nominal interest rate %	31 March 2008 $'000	31 March 2007 $'000
Asset backed borrowings			
Export credit and overdraft	Libor plus 1% to 1.5%	**18,455**	16,244
Overdraft	Libor +2.5%	**16,314**	27,520
Borrowings		**34,769**	43,764

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

	31 March 2008		31 March 2007	
	$'000	%	$'000	%
Currency				
US Dollar	**136,545**	**93%**	39,803	99%
Indian Rupees	**9,911**	**7%**	3,961	1%
Total	**146,456**	**100%**	43,764	100%
Maturity				
Due before one year	**42,287**	**29%**	43,764	100%
Due between one and three years	**2,796**	**2%**	–	–
Due between four and five years	**101,373**	**69%**	–	–
	146,456	**100%**	43,764	100%
Nature of rates				
Fixed interest rate	**349**	**1%**	–	–
Floating rate	**146,107**	**99%**	43,764	100%
Total	**146,456**	**100%**	43,764	100%

22 Called up share capital

	Number of shares	£'000
Authorised		
200,000,000 ordinary shares of 10p each at 31 March 2008 and 2007	200,000,000	20,000

	Number of shares	$'000
Allotted, called up and fully paid		
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**

	Number of shares	$'000
Allotted, called up and fully paid		
At 31 March 2006	2	–
Allotment of shares on 27 June 2006	8,822	2
Allotment of shares in respect of acquisition of Eros Network Limited on 27 June 2006	235	–
Allotment of shares in respect of acquisition of Eros Worldwide FZ LLC on 27 June 2006	941	–
Bonus issue of shares on 27 June 2006	87,205,909	15,871
Allotment on placing of shares on 4 July 2006	12,784,091	2,327
Allotment of employee shares on 22 November 2006	160,824	30
Allotment on placing of shares on 5 December 2006	10,000,000	1,950
As at 31 March 2007	110,160,824	20,180

23 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.

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.

23 Risk management continued

Currency risk

The Group's 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 risk 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 received during the year substantial inflows of funds in Sterling as a result the placing of shares on the London Stock Exchange. These almost entirely converted into US Dollars over a period of time using dual currency contracts and foreign currency trades based upon the underlying foreign exchange rates at the time of the placings.

The Group has identified that in the future 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. A borrowings analysis by currency is provided below.

The table below shows the Group's net foreign currency monetary assets and liabilities position in the main foreign currencies as at 31 March 2008 and as of 31 March 2007:

	31 March 2008		
	GBP $'000	INR $'000	Other $'000
Net balance	**87**	**79,038**	**339**

	31 March 2007		
	GBP $'000	INR $'000	Other $'000
Net balance	573	23,508	1,045

A uniform decrease of 1% in exchange rates against all foreign currencies in position as of 31 March 2008 would have a cumulated negative impact of US$795,000 on net income.

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 2008 the Group had facilities available of US$191,437,000 and therefore had net undrawn amounts of US$44,981,000 available.

Interest rate risk

The Group working capital borrowings are all at floating rates. The Board has identified that in the event that long term borrowing are taken out in the future it will review the level of floating and fixed rate in order to mitigate Interest rate risk. Details of long term borrowings are shown in table note 21.

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 contracts related to content commitments. Operating lease commitments are disclosed in note 14.

	Total 31 March 2008 $'000	31 March 2008 obligations fall due in 2009 $'000	2010-2013 $'000	After 2013 $'000	Total 31 March 2007 $'000
Contractual content commitments	**178,563**	98,516	65,047	15,000	89,567

25 Litigations

There are no ongoing litigations as at 31 March 2008 with the exception of ongoing claims by the Group in the course of trade mark and copyright infringements by third parties (2007: nil).

26 Related party transactions

	Details of transaction	Movement in year $'000	Asset/ (liability) $'000
Redbridge Limited	Consultancy fees	390	(387)
550 County Avenue	Rent	270	(20)
Deposits against family guarantee of Lulla Family	Guarantee deposit and fees	239	2,481
Lulla Family	Rent	116	(139)
Big Screen Entertainment Limited	Trading with subsidiary	7,687	5,689
Ayngaran International Limited	Trading with subsidiary	13,157	13,157

550 County Avenue is a related entity as it is owned by a discretionary trust in which some of the Directors are potential beneficiaries. 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

	Acquisition 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
B On Demand (EU) 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

All of the companies were involved with the acquisition and distribution of film content and associated media with the exception of Big Screen Entertainment Pvt. Limited, which is involved in film production. All the companies are indirectly owned with the exception of Eros Network Limited, Eros Worldwide FZ LLC and B on Demand (EU) Limited.

28 Subsequent events

Following the year end the Group entered into a joint venture agreement with Lionsgate whereby a joint venture entity will be set up to exploit North American and other non Indian content within India.

On 11 April 2008 the Group exercised the call option granted on 27 June 2006, as disclosed in note 16, to acquire Acacia Investments Limited ("Acacia"), a company of which Kishore Lulla and Sunil Lulla, directors of the Company, are amongst the potential beneficiaries. Acacia beneficially owns not less than 24% of L.M.B. Holdings Limited which is the holding company that operates the B4U Movies and B4U Music channels around the world. The purchase price for the option shares was US$10,815,017, representing a 10% premium to the par value of the shares (plus accrued interest as at the date of the exercise), and is being satisfied by the issue of 1,783,698 ordinary shares of 10p each based on the mid market price of 307.5p on 10 April 2008. It is anticipated that the investment will be held as an available for sale financial asset.

29 Reconciliation of equity

As stated in the Basis of Preparation, these are the Group's first financial statements for part of the period covered by the first IFRS annual consolidated financial statements prepared in accordance with IFRS.

An explanation of how the transition from UK GAAP to IFRS has affected the Group's financial position, financial performance and cash flows is set out below.

IFRS 1 permits companies adopting IFRS for the first time to take certain exemptions from the full requirements of IFRS in the transition period. The entity has elected not to apply IAS 21 "The Effects of Changes in Foreign Exchange Rates" retrospectively to goodwill and fair value adjustments arising on business combinations before the Group's date of transition to IFRS. Such goodwill and fair value adjustments are not treated as foreign currency assets and so are not retranslated at each reporting date.

	UK GAAP $'000	a $'000	b $'000	c $'000	d $'000	e $'000	IFRS $'000
Non-current assets							
Property, plant and equipment	2,966	–	–	–	–	–	2,966
Goodwill	18,205	1,002	(3,369)	(14,000)	–	–	1,838
Other intangible assets	95,835	–	–	14,000	–	–	109,835
Deferred tax assets	396	–	–	–	–	–	396
Current assets							
Inventories	1,376	–	–	–	–	–	1,376
Trade and other receivables	37,151	–	–	–	–	–	37,151
Other current assets	565	–	–	–	–	–	565
Cash and cash equivalents	46,417	–	–	–	–	–	46,417
Current liabilities							
Trade and other payables	(15,270)	–	–	–	(75)	–	(15,345)
Short-term borrowings	(43,764)	–	–	–	–	–	(43,764)
Current tax payable	(561)	–	–	–	–	–	(561)
Net assets	143,316	1,002	(3,369)	–	(75)	–	140,874
Equity							
Share capital	20,180	–	–	–	–	–	20,180
Share premium account	94,613	–	–	–	–	–	94,613
Reverse acquisition reserve	–	–	(22,752)	–	–	–	(22,752)
Translation reserve	–	–	–	–	–	148	148
Retained earnings	28,523	1,002	19,383	–	(75)	(148)	48,685
Total equity	143,316	1,002	(3,369)	–	(75)	–	140,874

30 Reconciliations of income

	UK GAAP $'000	a $'000	d $'000	IFRS $'000
Continuing operations				
Revenue	66,441	–	–	66,441
Cost of sales	(26,502)	–	–	(26,502)
Gross profit	39,939	–	–	39,939
Other income	–	–	–	–
Distribution costs	–	–	–	–
Administrative costs	(8,908)	1,002	(75)	(7,981)
Finance costs	(1,014)	–	–	(1,014)
Share of profit of associates and joint ventures				
Profit before tax	30,017	1,002	(75)	30,944
Income tax expense	(1,697)	–	–	(1,697)
Profit for the period from continuing operations	28,320	1,002	(75)	29,247

Notes to the reconciliations

a Goodwill recognised by the Group on acquisition of Eros Network and Eros Worldwide FZ LLC under UK GAAP was amortised over a period of 20 years. Under IFRS goodwill is not amortised, but tested annually for impairment. The goodwill amortisation charge recognised in accordance with UK GAAP in the year to 31 March 2007 was written back. Intangible assets identified on this business combination in accordance with IFRS as described above have not been amortised as it is considered that as a result of the continuing expenditure on promoting the Eros trade name there is no impairment in the fair value. The result of these adjustments is to decrease the amortisation charge in the income statement by US$1,002,000 for the year ending 31 March 2007 and increase the carrying value of the goodwill by the same amounts.

b Eros Worldwide FZ LLC was deemed the acquiring party on the acquisition by Eros International Plc. As a result and in order to reflect the adjustments required to reflect its retained earnings and to reduce the amount of goodwill created on the acquisition

c The Group acquired Eros Network Limited and Eros Worldwide FZ LLC in June 2006. Application of IFRS 3 to this business combination resulted in identification of intangible asset, including trademarks and brands. Under IFRS these have been recognised separately in the balance sheet at their fair value at the date of the combination. Under UK GAAP these intangible assets were subsumed within goodwill. The result of this adjustment is to decrease goodwill and increase intangible assets by US$14,000,000 at the date of the combination. At 31 March 2007 the value of intangible assets was increased by US$14,000,000. The value of goodwill at 31 March 2007 was reduced by US$14,000,000.

d Under IFRS the Group is required to recognise a provision in respect of holiday pay. This has resulted in an increased charge of US$75,000 in the income statement for the year ended 31 March 2007.

e Differences arising from translation of investments in overseas subsidiaries are shown within the "Translation Reserves" rather than retained earnings.

31 Explanation of material adjustments to the cash flow statement

Application of IFRS has resulted in reclassification of certain items in the cash flow statement as follows:

a under UK GAAP, payments to acquire property, plant and equipment were classified as part of "Capital expenditure and financial investment". Under IFRS, payments to acquire property, plant and equipment have been classified as part of "Investing activities".

b income taxes paid during 2007 are classified as operating cash flows under IFRS, but were included in a separate category of tax cash flows under previous GAAP.

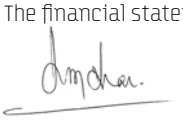
There are no other material differences between the cash flow statement presented under IFRS and the cash flow statement presented under UK GAAP.

Company Balance Sheet

As at 31 March 2008
(in thousands of US Dollars)

	Note	31 March 2008	31 March 2007
Fixed assets			
Investments	1	**33,067**	33,061
		33,067	33,061
Current assets			
Debtors	2	**109,689**	58,956
Cash at bank and in hand		**14,785**	28,480
		124,474	87,436
Creditors: amounts falling due within one year	3	**(849)**	(1,020)
Net current assets		**123,625**	86,416
Total assets less current liabilities		**156,692**	119,477
Capital and reserves			
Called up share capital	4	**20,858**	20,180
Share premium account	5	**127,321**	94,613
Profit and loss account	6	**8,513**	4,684
Shareholders' funds		**156,692**	119,477

The financial statements were approved by the Board of Directors on 29 July 2008.



Kishore Lulla
Chief Executive Officer

Jyoti Deshpande
Chief Operating Officer

Company Notes to the Financial Statements

For the year ended 31 March 2008

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 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. By virtue of Section 5(1) of the Companies Act 1982 the Company is exempt from presenting a profit and loss account.

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

Revenue recognition

Interest income is reported 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 share 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 formula, 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.

Foreign currencies

Transactions in foreign currencies are recorded at the exchange rate ruling at the date of the transactions. Upon settlement, monetary assets and liabilities denominated in foreign currencies are re-translated at the rate ruling on the settlement date. Monetary assets and liabilities denominated in foreign currencies at the year-end are re-translated at exchange rate ruling at the balance sheet date. Exchange differences arising upon re-translation at the settlement or balance sheet date are dealt with through the profit and loss account. Exchange differences arising on foreign currency borrowings used to provide a hedge against foreign currency investments, including goodwill, are taken directly to reserves.

Taxation

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.

Deferred taxation is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events that result in an obligation to pay more tax in the future or a right to pay less tax in the future have occurred at the balance sheet date. Timing differences are differences between the Group's taxable profits and its results stated in the financial statements that arise from the inclusion of gains or losses in tax assessments in periods different from those in which they are recognised in the financial statements.

Deferred tax is recognised in respect of the retained earnings of overseas subsidiaries and associates only to the extent that, at the balance sheet date, dividends have been accrued as receivable or a binding agreement to distribute past earnings in the future has been entered into by the subsidiary.

Deferred tax is measured at the average tax rates that are expected to apply in the periods in which the timing differences are expected to reverse, in line with the provision in respect of current taxes.

1 Investments in subsidiary undertakings

	$'000
Cost	
At 1 April 2007	33,061
Additions	6
At 31 March 2008	**33,067**

2 Debtors

	31 March 2008 $'000	31 March 2007 $'000
Amounts due from Group undertakings	**109,641**	58,767
Other debtors	**48**	67
Prepayments and accrued income	**–**	122
	109,689	58,956

3 Creditors: amounts falling due within one year

	31 March 2008 $'000	31 March 2007 $'000
Trade creditors	**323**	275
Amounts due to Group undertakings	**–**	83
Accruals and deferred income	**526**	662
	849	1,020

The Company has provided guarantees to subsidiary undertakings.

4 Called up share capital

See note 22 within the notes to the financial statements.

5 Share premium and reserves

	Share capital $'000	Share premium $'000	Profit and loss account $'000	Total $'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**

As permitted by Section 5(1) of the Companies Act 1982, the company profit and loss account of Eros International Plc is not presented as part of these accounts. The profit for the financial year is shown in the table above.

6 Reconciliation of movements in shareholders' funds

	31 March 2008 $'000	31 March 2007 $'000
Profit for the financial year	**2,513**	4,629
FRS 20 Share based payment	**1,316**	55
	3,829	4,684
Issue of new shares	**678**	20,180
Premium on issue of shares (net of expenses)	**32,708**	94,613
Net increase in shareholders' funds	**37,215**	119,477
Shareholders' funds at 1 April 2007	**119,477**	–
Shareholders' funds at 31 March 2008	**156,692**	119,477

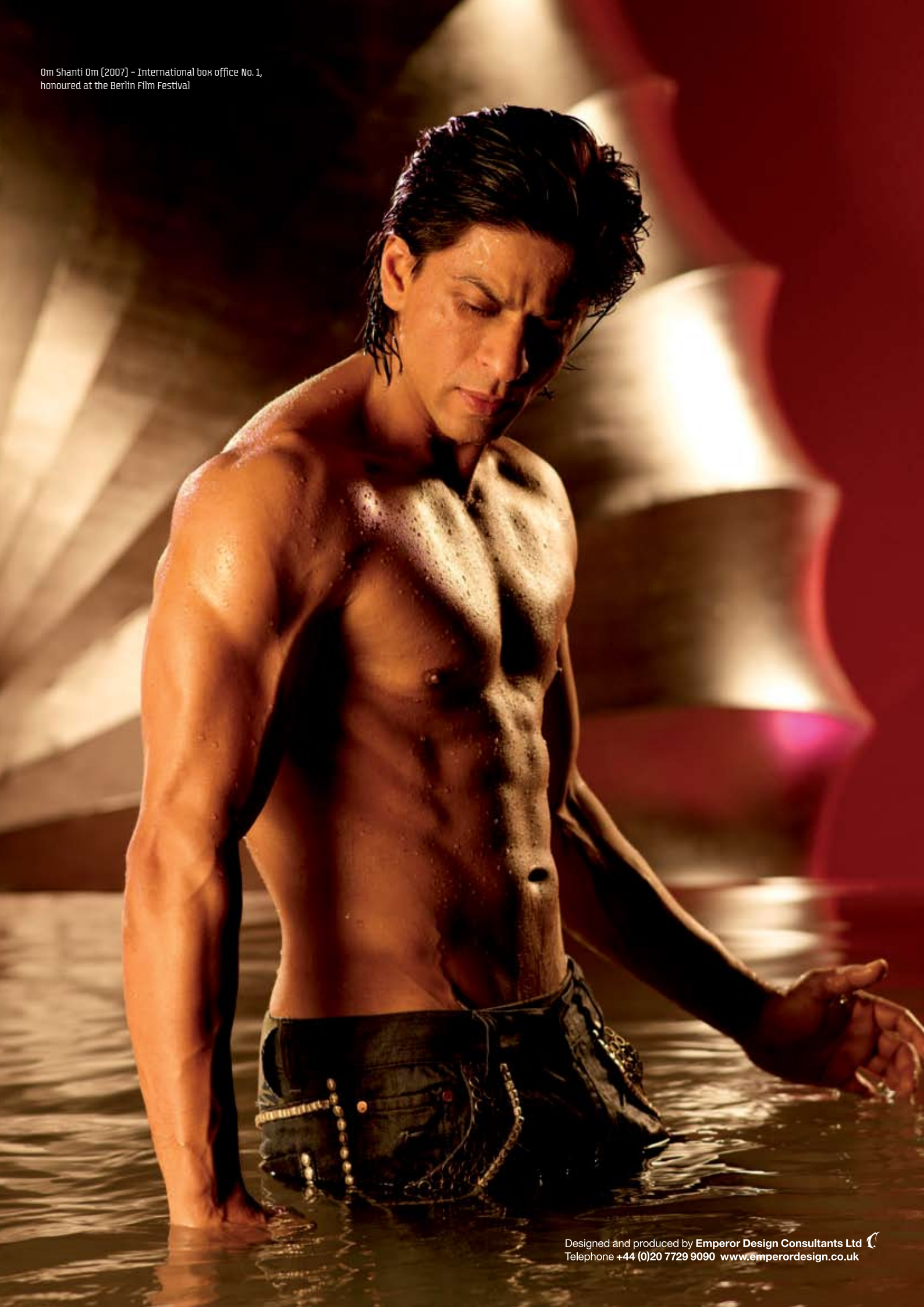
7 Contingent liabilities

As at 31 March 2008 the Company had no contingent liabilities with the exception of guarantees provided to subsidiary undertakings totalling US$126,450,000 (2007: US$nil).

8 Related party transactions

The Company has related party transactions with its subsidiaries by virtue of its status as parent company of the Group. In particular, it is normal treasury practice for the Company to lend and borrow cash to and from its subsidiaries as required.

Notes



Om Shanti Om (2007) – International box office No. 1,
honoured at the Berlin Film Festival

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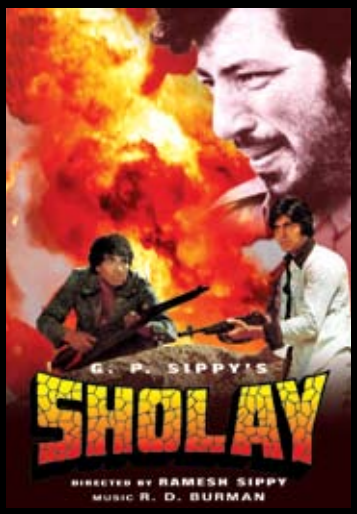

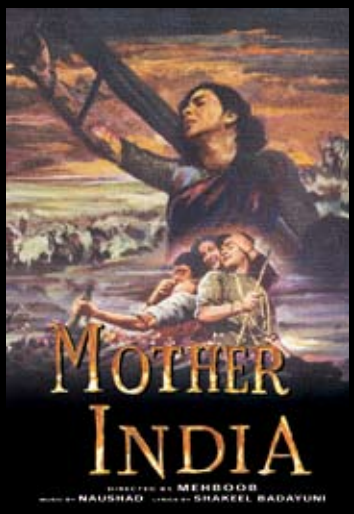

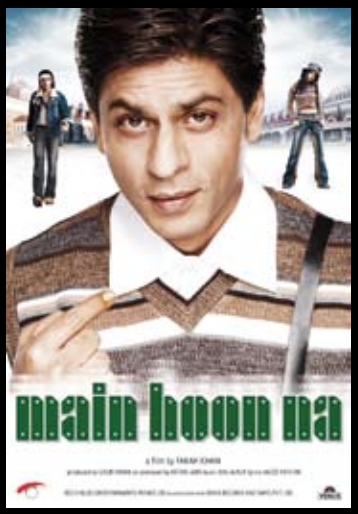

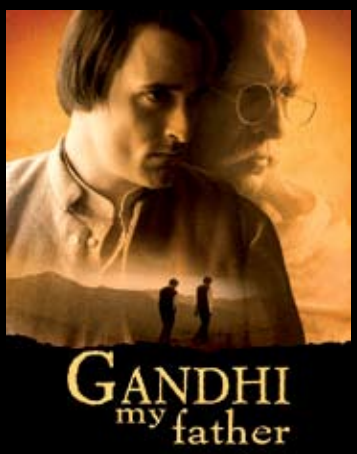

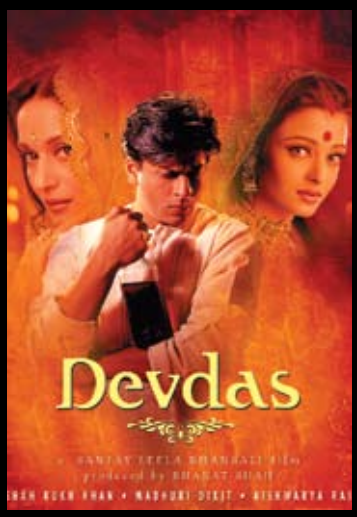

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