



POWERING INDIAN ENTERTAINMENT

EROS INTERNATIONAL MEDIA LIMITED
ANNUAL REPORT 2011-12



Eros International Media Limited is a leading global company in the Indian filmed entertainment industry that acquires, co-produces and distributes Indian language films in multiple formats

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FORWARD-LOOKING STATEMENTS

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

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

REVENUE

▲34.5 %
grew from
Rs. 7,159 Million to
Rs. 9,632 Million

PBT (Profit Before Tax)

▲39.7 %
grew from
Rs. 1,519 Million to
Rs. 2,123 Million

EBIT (Earnings Before Interest & Tax)

▲39.9 %
grew from
Rs. 1,613 Million to
Rs. 2,257 Million

PAT (Profit After Tax -after minority)

▲26.1 %
grew from
Rs. 1,172 Million to
Rs. 1,478 Million

EPS (Earnings per Share)

▲12.6 %
grew from
Rs. 14.35 to
Rs. 16.16



ESTABLISHED MARKET LEADERSHIP

Eros is one of the leading players
in the Indian filmed entertainment
industry

We believe our size, scale and leading market position will continue contributing to our growth in India & internationally and will position us to capitalize on the expected growth of the Indian media and entertainment industry.

Consistent success at box office

3 OUT OF THE TOP 10
GROSSING HINDI
FILMS IN CY 2009

LOVE AAJ
KAL

DE DANA
DAN

KAMBAKKHT
ISHQ

3 OUT OF THE TOP 10
GROSSING HINDI
FILMS IN CY 2010

GOLMAAL 3

HOUSEFULL

ANJAANA
ANJAANI

4 OUT OF THE TOP 10
GROSSING HINDI
FILMS IN CY 2011

RA.ONE

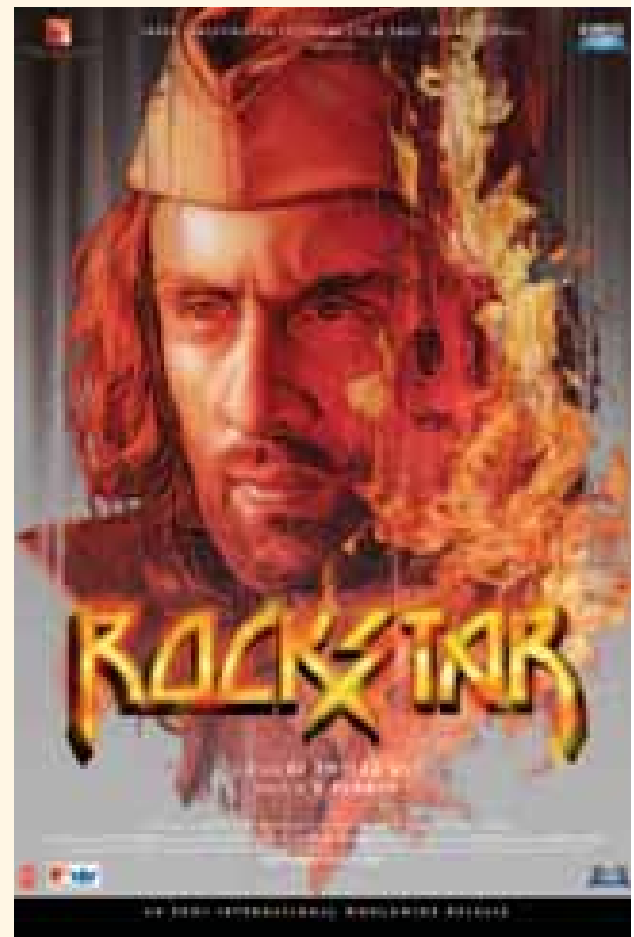
READY

ZINDAGI NA
MILEGI
DOBARA

ROCKSTAR

* CY indicates calendar year

* Source: Boxoffice India



VICE-CHAIRMAN AND MANAGING DIRECTOR'S MESSAGE



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SUNIL LULLA, Vice-Chairman and Managing Director

Dear Shareholders,

Having announced yet another set of robust financial results, we continue to be focused on our core leadership within filmed entertainment and believe we are well positioned to take advantage of the macro-economic growth factors driving the Indian entertainment sector and deliver value to our stakeholders.

The Indian media and entertainment industry continued surging ahead in 2011. It recorded a healthy growth of 12.0% in 2011, over 2010, touching a market size of Rs. 728 billion. This is largely attributable to the country's economic expansion and demographic trends. India's film industry, which is a subset of the media and entertainment industry, grew by 11.5% in 2011, over 2010, to Rs. 93 billion.

For more than three decades, Eros has been a pioneer in creating a global platform for Indian cinema. Equipped with a strong balance sheet, scale, a large content library and a well developed distribution, we will continue to strive to capitalise on new opportunities as they arise. Our dynamic business model involving distribution of new films across theatrical, television and digital channels along with monetisation of our extensive film library provides us with diversified revenue streams.

We endeavour to co-produce, acquire and distribute Indian films that have wide audience appeal. In our three decades in this business, we have built valuable relationships with leading talent and production houses in partnership with whom we consistently develop compelling film content. We have built an enviable library of more than 1,100

Revenues grew by 34.5% to Rs. 9,632 Million, driven by the box office successes of high-profile films such as Ra.One, Ready, Zindagi Na Milegi Dobara and Rockstar. All these were amongst the top 10 grossing Hindi language films in calendar year 2011.

RS **9,632** MILLION

REVENUE

RS **2,123** MILLION

PBT (Profit Before Tax)

RS **1,478** MILLION

PAT (Profit After Tax)

movies comprising Hindi and non-Hindi language films (Tamil, Marathi, Punjabi and other regional films). The library consists of recent as well as classic titles spanning different genres, budgets and languages.

We have excellent distribution capabilities that allow us to reach out to audiences in more than 50 countries across the globe having large South Asian populations. These countries have significant demands for subtitled or dubbed Indian-themed entertainment. Our content and distribution is designed to help Eros maintain its strong leadership position within Indian film industry.

I am happy to report yet another strong set of financial results for the financial year 2012. Revenues grew by 34.5% to Rs. 9,632 Million, driven by the box office successes of high-profile films such as Ra.One, Ready, Zindagi Na Milegi Dobara and Rockstar. All these were amongst the top 10 grossing Hindi language films in calendar year 2011. Out of these, two films crossed the magical figure of Rs. 100 Crores. In total we released 77 films including 27 Hindi and 50 non-Hindi films. Television revenues continue to be strong underpinned by a strong demand from satellite channels for premium film content.

Consistent with the top line growth, PBT grew by 39.7% to Rs. 2,123 Million and the PBT margins were stable at 22.0%. Our operational efficiencies enabled us to report a PAT growth of over 26.1% at Rs. 1,478 Million.

In order to derive the most out of growing digital space, we recently launched Eros Now, our on-demand entertainment portal accessible via internet-enabled devices. We believe that Eros Now will serve as a platform to further exploit our extensive film library content, as well as increase the depth and penetration of our user base.

I once again take the opportunity to thank all our stakeholders for their continued support. We remain committed to maintain Eros' leadership position in the Indian film industry and further capitalise on growth opportunities that come our way during this journey.

Warm regards,

Sunil Lulla

Vice-Chairman and Managing Director



KEY STRENGTHS AND STRATEGY

Global leader in Indian filmed entertainment

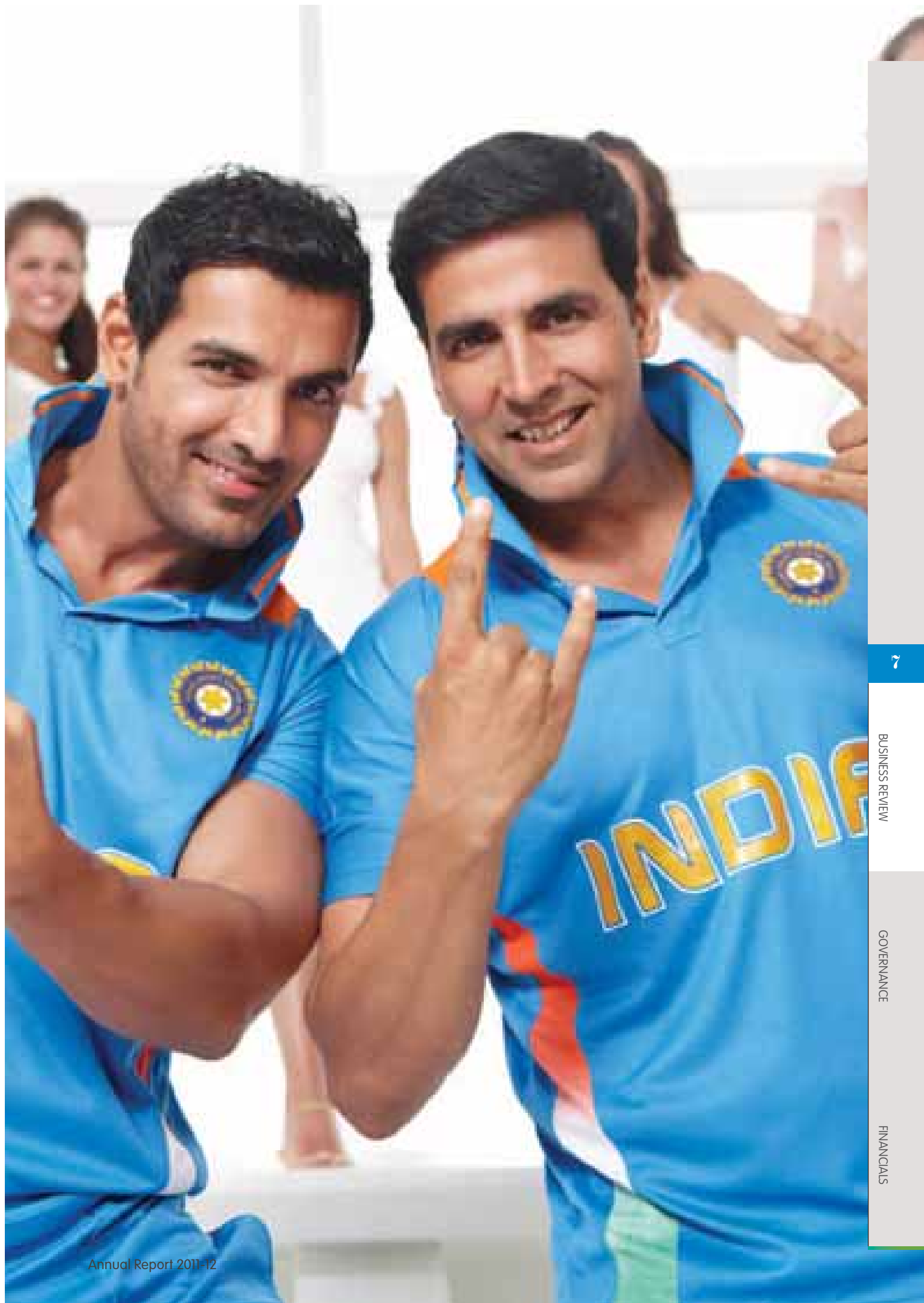
Extensive content library of Indian films and music

Strong relationships with leading talent for compelling co-production film slate

Unparalleled access to global distribution network

Accelerated film monetisation driven by strong pre-sales to de-risk film investment

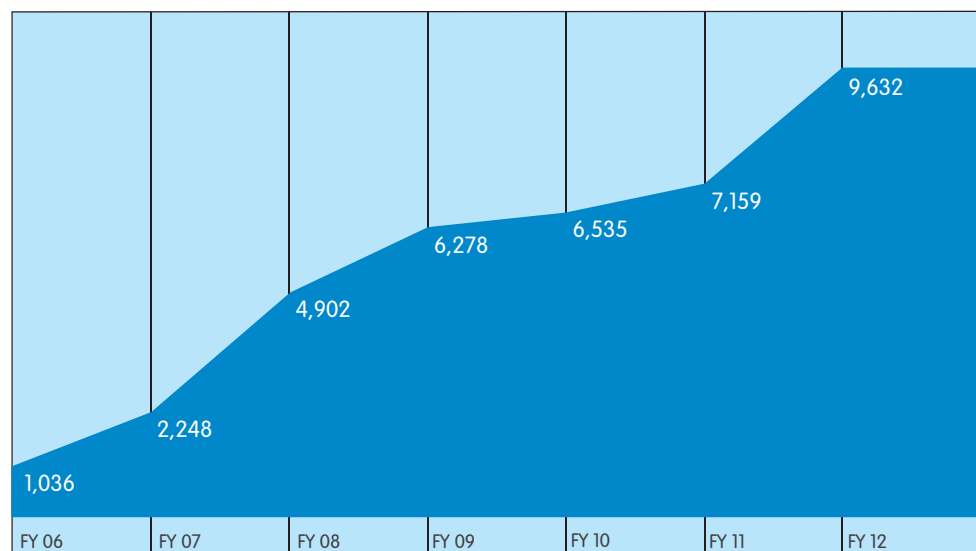
Well positioned to capitalise on high growth Indian domestic media and entertainment market with structural upside



KEY PERFORMANCE INDICATORS

REVENUE (Rs. in Million)

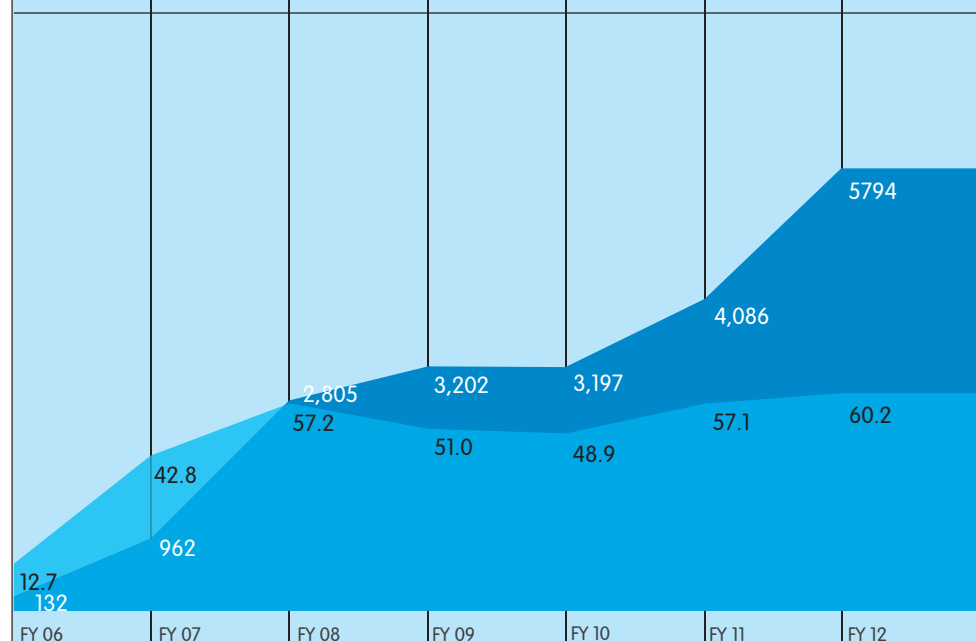
▲ **45.0%**
CAGR



EBITDA (Rs. in Million)

EBITDA MARGIN (%)

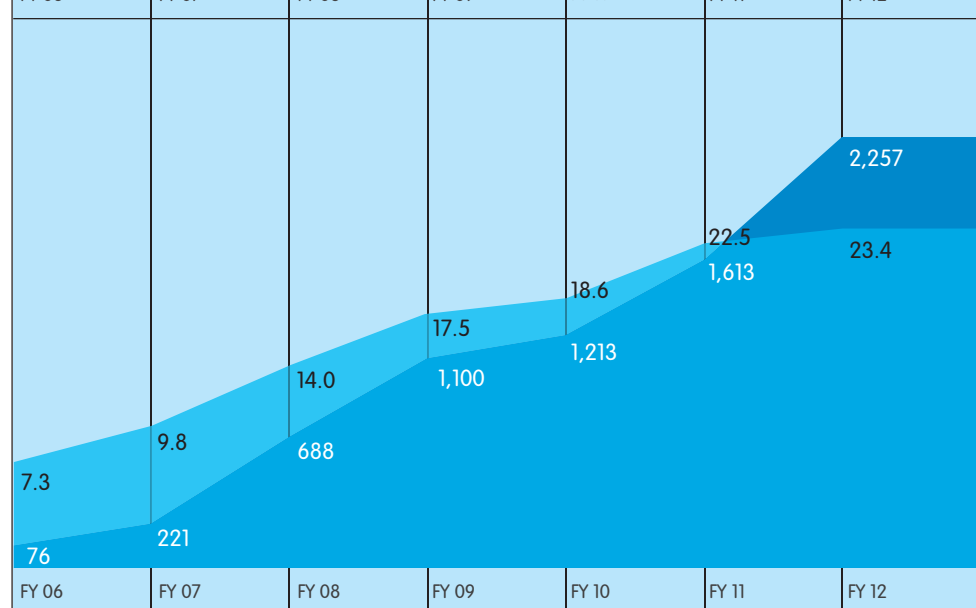
▲ **87.8%**
CAGR

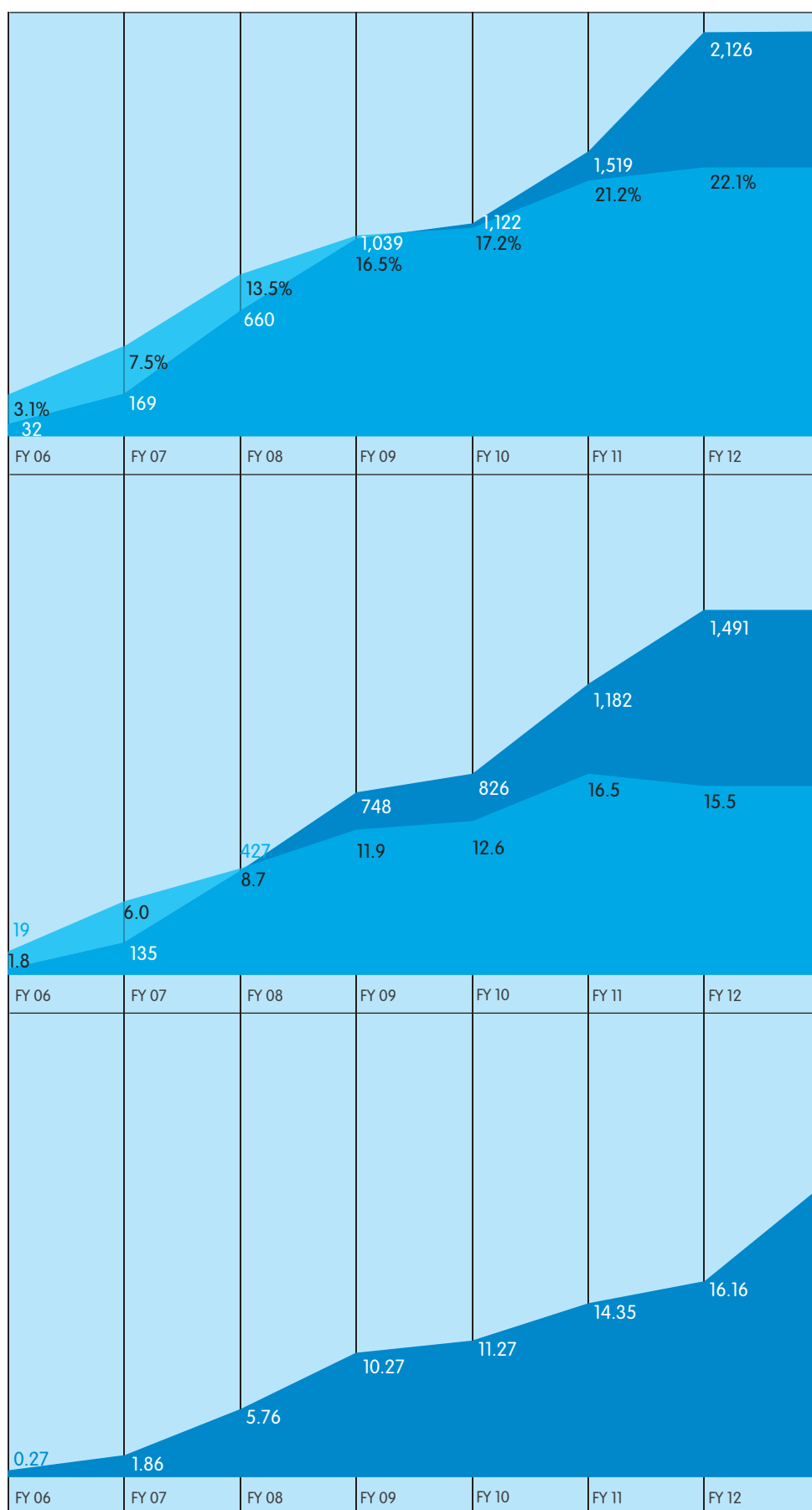


EBIT (Rs. in Million)

EBIT MARGIN (%)

▲ **76.0%**
CAGR





PBT (Rs. in Million)
PBT MARGIN (%)

▲ 101.2%
CAGR

PAT (Rs. in Million)
PAT MARGIN (%)

▲ 106.9%
CAGR

EPS (Rs.)

▲ 97.8%
CAGR

DISTRIBUTION FORMATS

THEATRICAL

We distribute to the Indian multiplexes and single screens through our internal distribution offices in **Mumbai, Delhi, Punjab, Chennai and Mysore** and also through sub-distributors. Outside India, we distribute our films theatrically through our parent Company who has offices in **Dubai, Singapore, the U.S., the United Kingdom, Australia and Fiji**. In addition to these we also distribute films through their sub-distributors.

TELEVISION

We have licensed content to major Indian television channels such as **Sony, Star Network, Colors and Zee**. Our content is typically released on satellite television three to six months after the initial theatrical release. We license Indian film content for broadcasting on major channels and platforms around the world through our parent Company.

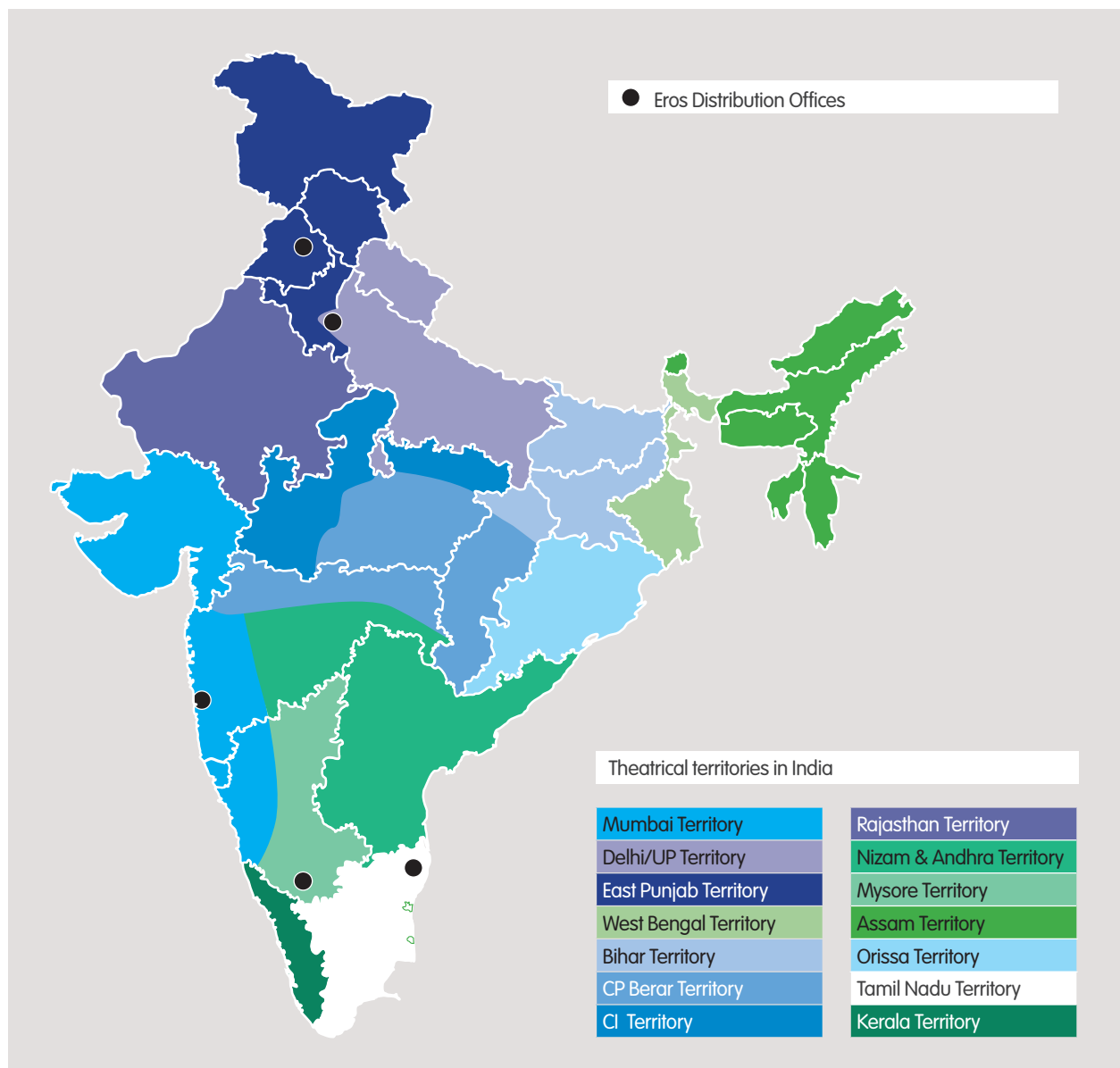
DIGITAL

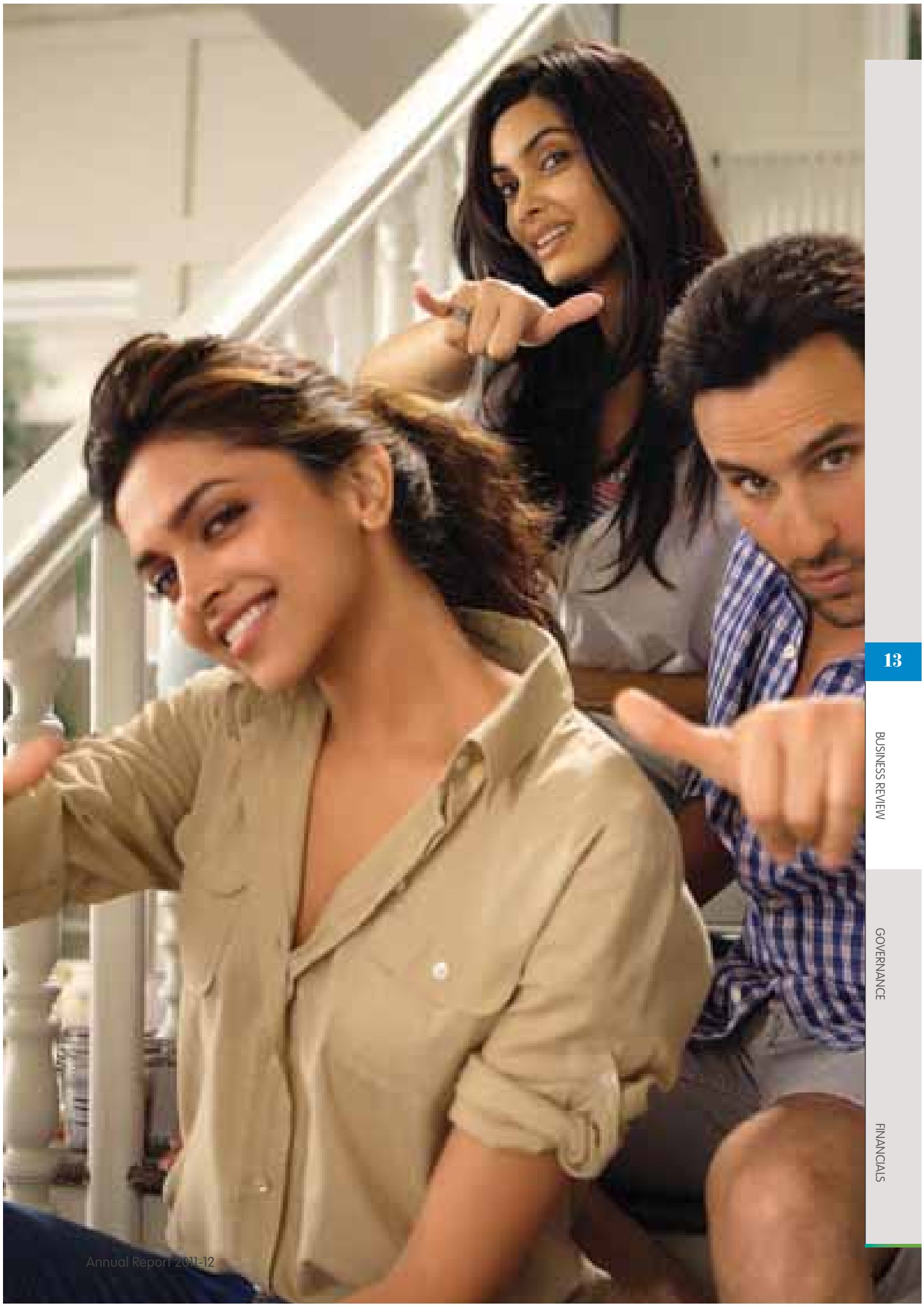
We have access to a global network for the digital distribution of our content, which consists of full length films, music, music videos, clips and other video content. We distribute content primarily in **IPTV, VOD (including SVOD and DTH)** and online internet channels. Our Eros channel on Youtube has exceeded one billion views since our launch in 2007. We recently launched **Eros Now**, our on-demand entertainment portal accessible via internet-enabled devices.

DISTRIBUTION TERRITORIES

Our distribution capabilities enable us to target a majority of the 1.2 billion people in India, which is our primary market for Hindi and regional language films.

Our strong distribution capabilities further enable us to target consumers in over 50 countries internationally such as the United States and the United Kingdom, and where according to Nielsen EDI we had a market share of 45.0% of all theatrically released Indian language films in 2011 (based on gross box office collections in each of these two markets). Through this global distribution network, we distribute Indian entertainment content over the following primary distribution channels – theatrical, television syndication and digital platforms. Our internal distribution network allows us greater control, transparency and flexibility over the regions in which we distribute our films, resulting in higher profit margins. These margins are achieved as a result of the direct exploitation of our films without the payment of significant commissions to sub-distributors. Recently, as demand for regional film and other media has increased in India, our brand recognition in Hindi films has helped us to grow our non-Hindi film business by targeting regional audiences in India and beyond.







CONTENT IS KING

14

1,100⁺ FILM LIBRARY

270 NEW FILMS
released over the last
three fiscal years

77 FILMS
released in
financial year 2012

CONTENT PIPELINE

Film Name	Star Cast/(Director)	Scheduled Release (Fiscal year)
Housefull 2	Akshay Kumar, John Abraham, Asin, Rishi Kapoor (Sajid Khan)	Released
Vicky Donor	Ayushman Khurana, Yami Gautam (Shoojit Sircar)	Released
Tezz	Ajay Devgan, Anil Kapoor, Kangana Ranaut (Priyadarshan)	Released
Ferrari ki Sawari	Sharman Joshi, Written by Rajkumar Hirani	Released
Teri Meri Kahaani	Shahid Kapur, Priyanka Chopra (Kunal Kohli)	Released
Cocktail	Saif Ali Khan, Deepika Padukone (Homi Adjanian), Written by Imtiaz Ali	Released
Shirin Farhad Ki Nikal Padi	Farah Khan, Boman Irani. (Bela Segal)	Released
Maatran (Tamil)	Suriya, Kajal Aggarwal, (K.V. Anand)	FY13
English Vinglish	Sridevi, Priya Anand, Mehdi Nebbou (Gauri Shinde)	FY13
Sadi Love Story (Punjabi)	Jimmy Shergill, Amrinder Gill, Surveen Chawla, Diljit Dosanjh (Dheeraj Ratan)	FY13
Chakravyuh	Arjun Rampal, Abhay Deol, Esha Gupta. (Prakash Jha)	FY13
Bhoot 2	(Ram Gopal Varma)	FY13
Attacks of 26/11	(Ram Gopal Varma)	FY13
Khiladi	Akshay Kumar, Paresh Rawal (Ashish R Mohan)	FY13
Kochadaiyaan (Tamil,Hindi,Telugu)	Rajinikanth, Deepika Padukone Music – A.R. Rehman (Soundarya Rajinikanth)	FY13
Dishkiyaaon	Sanjay Dutt, Harman Baweja, (Sanamjit Singh Talwar)	FY13
3G	Neil Nitin Mukesh, Sonal Chauhan (Shantanu Ray, Sheershak Anand)	FY13
Go Goa Gone	Saif Ali Khan, Kunal Khemu, Vir Das, Puja Gupta (Krishna DK, Raj Nidimoru)	FY13
Table no.21	Paresh Rawal, Rajeev Khandelwal. (Aditya Dutt)	FY13
Dekh Tamasha Dekh	Satish Kaushik & others (Feroz Khan)	FY13
Rangeeley (Punjabi)	Jimmi Shergill and others (Nananiat Singh)	FY13
Warning (3D)	Santosh Barmola, Madhurima Tuli, Manjari Phadnis (Anubhav Sinha)	FY13
Ranjhna	Dhanush, Kangana Ranaut (Anand Rai)	FY14
Ram Leela	Ranvir Singh, Deepika Padukone, (Sanjay Leela Bhansali)	FY14
Tanu Weds Manu Season 2	R. Madhavan, Kangana Ranaut (Anand Rai)	FY14
Namak	Shahid Kapoor (Prabhu Deva)	FY14
Illuminati Films-Untitled	Saif Ali Khan (Saket Chaudhary)	FY14
Akele Akele	Arjun Rampal (Vikram Jeet Singh)	FY14
Purani Jeans	(Tanushree Basu)	FY14
Sarkar 3	Amitabh Bachchan, Abhishek Bachchan (Ram Gopal Varma)	FY14
Rana (Tamil,Hindi,Telugu)	Rajinikanth, Deepika Padukone Music – A.R. Rehman (K.S. Ravikumar)	FY14

Note : Above is an illustrative film slate which covers some of the major releases.

BOARD OF DIRECTORS



NARESH CHANDRA
Non-Executive Chairman
& Independent Director

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



**Dr. SHANKAR NATH
ACHARYA**
Independent Director

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



DHIRENDRA SWARUP
Independent Director

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



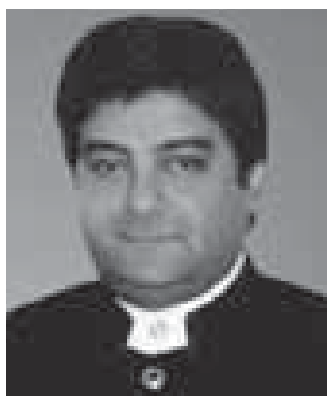
SUNIL LULLA
Executive Vice Chairman &
Managing Director

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



KISHORE LULLA
Executive Director

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



VIJAY AHUJA
Executive Director

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



JYOTI DESHPANDE*
Executive Director

- Group Chief Executive Officer and Managing Director of Eros International Plc;
- Bachelor's degree in Commerce and Economics and a Masters in Business Administration from Mumbai University;
- Over 19 years of experience in the media and entertainment industry;
- Previously worked in advertising with J. Walter Thompson, India before moving to the UK in 1997 where she was a senior consultant with MindShare, U.K.;
- Part of the core team that founded B4U Television Network in the UK in 1998-99 and managed its expansion to other parts of the world in a span of two years;
- With Eros Group since 2001, instrumental in helping Eros Plc list on the AIM in July 2006 and Eros International Media Limited on Indian Stock Exchanges in October 2010.

*with effect from 1st July, 2012

CORPORATE SOCIAL RESPONSIBILITY

PRATHAM – LULLA EXCELLENCE FOUNDATION

During the year, Eros Group's charitable donations were made to the Lulla Foundation (a UK registered charity number 1131141) of which Kishore Lulla is a trustee.

The Lulla Foundation aims to provide a high quality learning and teaching support for targeted communities, currently caught in cycles of poverty so that they can have real opportunities to change their personal futures and their communities.



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

The foundation has developed links with Pratham, India's largest education focused NGO and set up two Eros Excellence projects. This serves 100 villages in the Tapi district in Gujarat and 100 villages in the Sindhudurg district in Maharashtra. The programmes target support for 8,000 young children by training their parents and their teachers in providing additional educational support and guidance. It also funds training for 500 villages' volunteers who give their time to the schools in return for extra educational training in IT skills and English language skills. Plans for delivering these aims are through working with local government schools – which cater for the poorest children and communities.

Plans are being developed for:

- Setting up or supporting educational facilities for over 50,000 students aged between 2 and 16 years
- Working closely with parents to help them take an active interest in their children's education
- Working with School Management Committees to enable them to monitor the work of the school
- Basic medical care for the community

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



MANAGEMENT DISCUSSION AND ANALYSIS

GLOBAL ECONOMIC SCENARIO

Countries across the globe witnessed economic turmoil through most part of 2011. USA had issues of debt and growing unemployment. Euro zone crisis was spreading like wild fire with its ill-effects harming the world, at large. The Arab World faced political turmoil hampering the global crude oil supply. Asia too had its own challenges. But, China and India emerged as the hope for rest of the world. However, towards the end of 2011, the global economy witnessed some encouraging signs of moderate growth as the threats from the above mentioned factors were milder than expected. According to the World Economic Outlook, the global economy grew by 2.8% in 2011.

Exhibit: GDP growth of economies across the world

Country	2010	2011	2012(E)
India	8.0	8.6	6.5*
USA	3.0	1.7	2.1
UK	2.1	0.7	0.8
China	10.4	9.2	8.2
Japan	4.4	-0.7	2.0
European Union	2.0	1.6	0.0
World	4.2	2.8	2.7

(Source: World Economic Outlook, April 2012)

*Actual GDP Growth rate

INDIAN ECONOMIC SCENARIO

India's economy witnessed a slowdown in FY2012, largely owing to global factors combined with domestic challenges like tightening of the monetary policy, high inflation, weakening industrial growth and investments. India's industrial production witnessed a 2.8% growth during the year. Exports continued to be robust, registering a growth rate of 23.5%, while imports witnessed 29.4% growth. The trade deficit ballooned to US\$ 185.8 Billion during the FY 2011-12 owing to an increase in international prices of imported commodities - oil and gold and silver, exerting pressure on exchange rate and Indian rupee. This led to widening of current account deficit and lowering net accretion to reserves.

Exhibit: India's Industrial Growth in FY2012 (%)

April	5.3	October	-5
May	6.2	November	6
June	9.5	December	2.5
July	3.7	January	1.1
August	3.4	February	4.1
September	2.5	March	-3.5

(Source: The Hindu, 11 May 2012)

As per the CIA World Factbook, India's population has a median age of 26.2 years, which is comparatively younger than UK (40.0), US (36.9), China (35.5) and Brazil (29.3). As per a report published by McKinsey Global Institute, the number of Indian middle class households increased from approximately 9.5 Million in 2000 to 31.1 Million households in 2008 and is projected to increase to about 148.1 Million households by 2030. This, coupled with a growth in disposable income (poised to grow to US\$ 1.69 trillion in 2025 from US\$ 443 Billion in 2005), has led to an increase in spending on items such as entertainment and is slated to grow even further.

INDIAN MEDIA AND ENTERTAINMENT (M&E) INDUSTRY

As per FICCI-KPMG report on Media and Entertainment industry, the Indian M&E industry grew by 11.7% to Rs. 728 Billion in 2011 from Rs. 652 Billion in 2010. The industry has benefitted immensely from India's recent economic expansion and demographic trends. It is poised to grow further to Rs. 823 Billion in 2012, on the back of strong consumption in Tier 2 and Tier 3 cities, continued growth of regional media and new media businesses. It is further estimated to grow to Rs. 1,457 Billion by 2016. Television has continued to be the dominant medium and other areas such as Animation and VFX, digital advertising, radio and gaming are also following up.

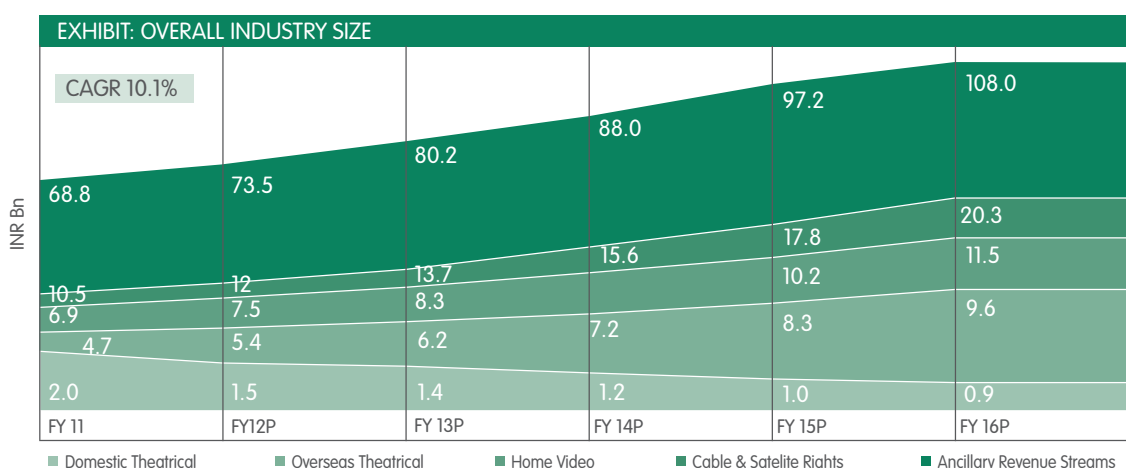
Exhibit: Size of the industry

Overall M and E Industry size (INR Billion) (For Calendar Years)	2011	Growth in 2011 over 2010	2012P	2013P	2014P	2015P	2016P
TV	329.0	10.8%	380.0	435.0	514.0	618.0	735.0
Print	208.8	8.3%	226.0	246.8	270.0	294.9	323.4
Film	92.9	11.5%	100.0	109.7	121.1	134.5	150.3
Radio	11.5	15.0%	13.0	16.0	20.0	24.0	29.5
Music	9.0	4.7%	10.0	11.3	13.1	15.4	18.2
OOH	17.8	7.6%	19.5	21.5	23.6	26.0	29.0
Animation and VFX	31.0	31.2%	36.3	43.0	51.1	61.0	69.0
Gaming	13.0	30.0%	18.0	23.0	29.0	37.0	46.0
Digital Advertising	15.4	54.0%	19.9	25.8	33.5	43.7	57.0
Total	728	11.7%	823	932	1076	1254	1457

Source: FICCI KPMG Report on Media and Entertainment industry

INDIAN FILM INDUSTRY

The Indian film entertainment industry, a subset of the Indian media and entertainment industry is the largest film industry in the world (in terms of the aggregate films released theatrically). It grew at 11.5 % over 2010 to Rs. 93 Billion in 2011. The box office collections were boosted by improved occupancy rates (achieved as a result of delivery of quality content and a revival in Hindi films having a better connect with the masses). The Cable and satellite rights grew by 26% on the basis of competitive bidding by broadcasters for large budget films. Ancillary revenues including licensing and merchandising, in-cinema advertising and pay per view have displayed strong growth in 2011.



Source: KPMG in India analysis and industry interviews

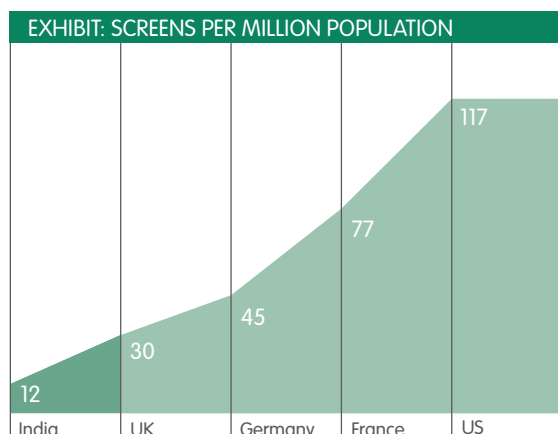
As per the FICCI-KPMG report on Media and Entertainment industry, the high budget Hindi releases lined up across the year are likely to help sustain the growth momentum that was witnessed in 2011. The industry is estimated to grow at a CAGR of 10.1% and touch Rs. 150 Billion in 2016. The industry is likely to continue being dominated by domestic theatrical revenues. Revenue from overseas releases is likely to have an accelerated growth through strong marketing of films in the international market.

MANAGEMENT DISCUSSION AND ANALYSIS

THEATRICAL

According to FICCI-KPMG report 2012 on M & E industry, more than 1,000 movies are released in India every year and over 3.5 Billion tickets are sold annually. Multiplexes are generally located in urban areas and usually sell tickets at higher average ticket prices than single screen theatres. This has ably supported the growth of the film industry. Also, the number of multiplex screens in India is poised to double in the next 5 years to about 2,200 screens by reaching tier 2 and tier 3 cities as a result of which contribution from single screens is expected to drop.

India has 12 screens per Million population. When compared to developed economies, it is a relatively underserved market. This showcases substantial opportunities that the sector has to offer.

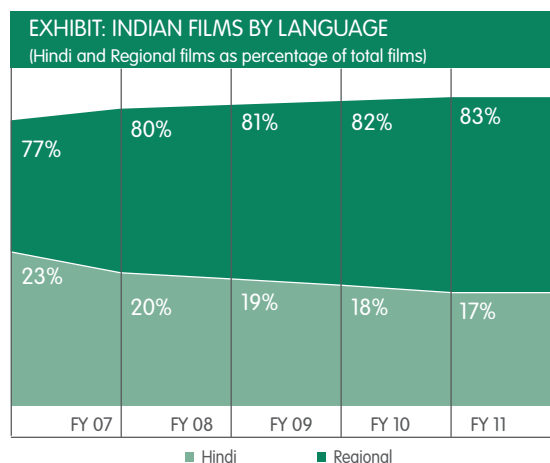


Source: India Entertainment and Media Outlook 2011, PWC

REGIONAL FILMS MARKET

There is tremendous growth potential for regional content offered by India's diverse regional cultures. As per the FICCI Report 2011, the number of regional films has sharply increased from 2008 to 2010 and is projected to increase further. In 2011, non-Hindi films comprised 83% of the total number of films distributed in India, but only accounted for a minor proportion of box office revenues.

Increased multiplex penetration, focus on marketing, improvement in production quality, suggest an increase in market opportunities for regional films.

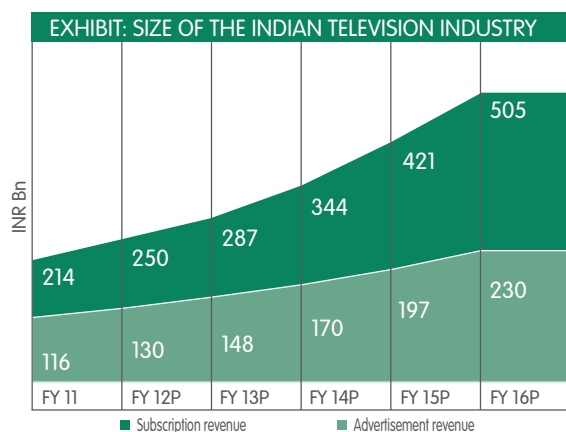


Source: FICCI Report 2012

TELEVISION

With 146 Million television households, India is the third largest TV market after USA and China. In terms of revenue, television is the largest medium for media delivery in India, representing 45% of the total media industry. Today, it has a penetration of about 60% of total households. Cable and satellite penetration of television households is around 80%, with DTH being the main driver of growth in the last 12 months. Going forward, the penetration level of the digital households is expected to increase significantly due to an imminent digitisation of all analog cable subscribers. It will lead to a conversion to digital platforms and will lead to an increment in pay television average revenue per user (ARPU). It is likely to spur demand for quality content further, presenting additional opportunities for content monetisation through services like on-demand films.

The size of the television industry was Rs. 329 Billion in 2011. Driven by favourable macroeconomic conditions, supported by growths in subscription and advertising revenues, the industry is expected to grow to Rs. 735 Billion in 2016 at a CAGR of 17% (2011-16). The subscription share to the total industry revenue is expected to increase to 72% by 2016, from 65% in 2011. As far as the advertisement rates are concerned, there is a significant increase in the advertising inventory, but the rates have generally remained flat or declined. This is due to budget-cuts on ads, because of the slowdown in economies across the world.



Source: KPMG in India Analysis, industry discussions

The number of TV channels in India has reached 623 in 2011 with many more awaiting broadcast approvals. With an introduction of HD channels, DTH expansion and new channel launches, there is a significant increase in demand for satellite bandwidth. Thus, enabling the customer to choose from more options than one.

DIGITAL AND ANCILLARY

Digital media plays an important role in the Indian media industry. Entertainment companies are digitising their content and leveraging digital platforms such as mobile and broadband to exploit their content.

BROADBAND AND MOBILE

The no. of individuals using electronic devices with internet connectivity in India is rapidly expanding and is projected to expand further. Indian internet penetration is still in its nascent stage, given the number of internet users forming a percentage of the population (10.9% in 2011).

Exhibit: Internet users as a percentage of total population of the country in 2011

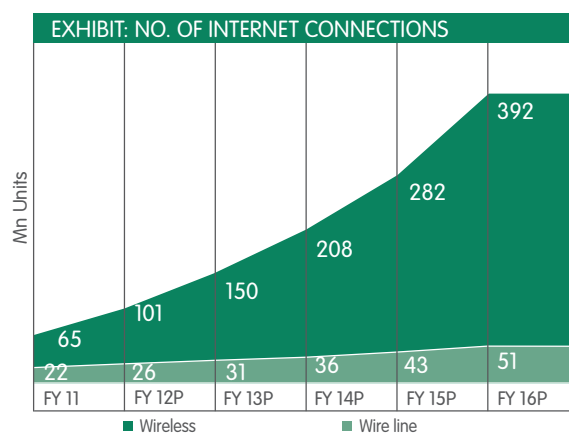
Country	Percentage of internet users
UK	86.8%
USA	80.1%
Brazil	43.4%
China	39.2%
India	10.9%

Source: Euromonitor International, FICCI Report 2012

The number of internet connections in India is also projected to grow to 443 Million by 2016, from an estimated 87 Million

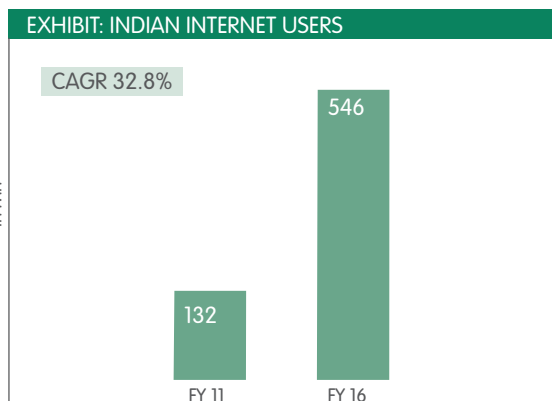
There is tremendous growth potential for regional content offered by India's diverse regional cultures. As per the FICCI Report 2011, the number of regional films has sharply increased from 2008 to 2010 and is projected to increase further. In 2011, non-Hindi films comprised 83% of the total number of films distributed in India, but only accounted for a minor proportion of box office revenues

in 2011 at a CAGR of 38%. Given the number of multiple users for a single connection, the number of internet users reached 132 Million in 2011, and poised to reach 546 Million in 2016. The increased internet penetration will lead to an increase in the streaming of media content over internet. This will be an important driver for further demand for premium content and become an important advertising medium for advertisers.



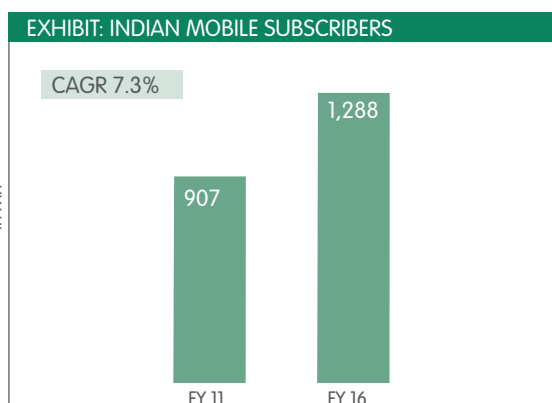
Source: KPMG in India Analysis based on Industry discussions, TRAI, IMAI and Analysys Mason data

MANAGEMENT DISCUSSION AND ANALYSIS

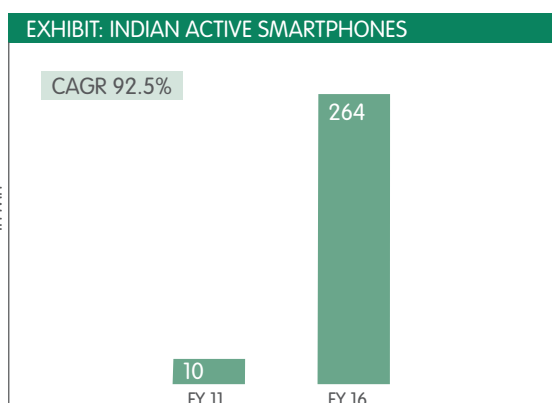


Source: FICCI Report 2012, Edelweiss

According to a report by Euromonitor International, India had over 900 Million mobile subscribers in 2011, and is expected to reach about 1.3 Billion subscribers by 2016. Further, as per FICCI-KPMG report on M&E industry, 2012, the number of active internet enabled smartphones is expected to increase rapidly to 264 Million by 2016 from 10 Million in 2011.



Source: Euromonitor International



Source: FICCI Report 2012

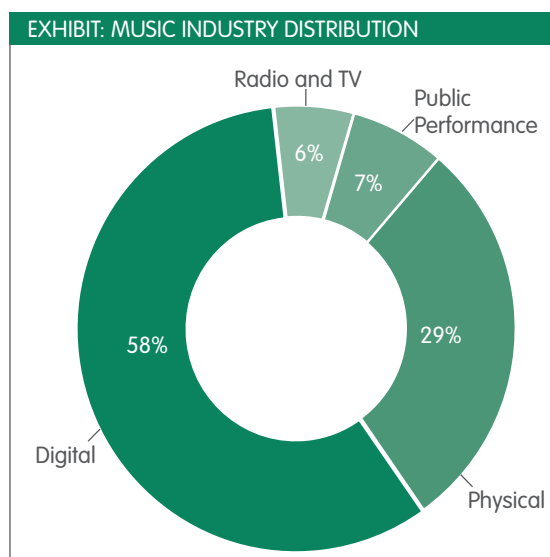
The growth of digital devices supporting internet connectivity has created a new market for digital on-demand and premium add-on mobile services, also known as value added services.

MUSIC

Music industry in India is generally dominated by film music (both bollywood and regional film music). As per industry sources, around 70% of the revenue is derived from film soundtracks.

In 2011, it generated revenues to the tune of US\$ 170 Million. According to the FICCI Report, it is projected to grow at a CAGR of 15.1% to US\$ 343 Million by 2016.

In 2011, there was an apparent decline in the sales of physical music, which was effectively compensated by a jump in the sale of digital music. 58% of total revenue was derived from digital distribution. If 2010 was a year of structural shift from physical to digital formats, 2011 provided users with the option of increased consumption of music through various digital platforms including pay per download, unlimited music streaming and subscription based services. As the digital platform continues to grow, it will also lead to bigger opportunities.



2011 Total revenue: \$170 Million

Source: FICCI Report 2012

OPERATING AND FINANCIAL REVIEW

We released 77 films in the year ended 31 March 2012, equalling the same number of films that were released for the year ended 31 March 2011. 27 Hindi and 50 other regional language films were released in the current year, compared to 16 Hindi films and 61 other regional language films in the previous year.

Four of our films, Ra. One, Ready, Zindagi Na Milengi Dobra and Rockstar, featured in the top ten box office grossing Hindi language films in India in Calendar year 2011.

REVENUES

Theatrical

- Growth in theatrical revenues during the year was reflected through the success of globally released films such as Ra. One, Ready, Zindagi Na Milengi Dobra and Rockstar and overseas only releases such as Agneepath, all of which were high profile films, that achieved good box office receipts.
- In FY2012, the Company also witnessed contributions from Tamil films like 'Velayudham', 'Mambattiyan', 'Engeyum Kadhal', 'Vedi', '3', 'Rajapattai', 'Nanban'.

Television

- During the year under review, Eros International executed deals with television broadcasters and aggregators for new and catalogue films.
- Television revenues continued to expand during the year due to strong demand from satellite channels for our premium film content of new films and catalogue.
- The Company has a pre-sale strategy to partially mitigate new production project risks by pre-selling television rights and to recover a portion of film costs prior to a film's release.

Digital New Media And Ancillary

- Entertainment is shifting towards the digital paradigm. Consumers seeking mobile digital entertainment on the go or at home are increasing at a rapid pace, leading to growth of tablet devices and the onset of 3G networks. Eros has now digitised its entire movie library to take further advantage of digital opportunities.

Catalogue Monetisation

- Eros' extensive movie library comprises more than 1,100 films.
- The Company monetises its film catalogue via television syndication deals and providing digital content for DTH satellite, IPTV, video on demand, internet channels and other such services, further diversifying the Company's revenue streams.
- A large catalogue enables the Company to have on-going revenue streams while being able to offer distinct and

The Company recorded revenue growth of 34.5%, increasing from Rs. 7,159.2 Million in FY2011 to Rs. 9,631.8 Million in FY2012

customised engagement modules to a range of television broadcasters.

- By consistently increasing the size of its film library, Eros believes it will be well positioned to offer expansive or specific content deals which are anticipated to be positive for both the Company and broadcasters.

FINANCIAL HIGHLIGHTS

Revenues

The Company recorded revenue growth of 34.5%, increasing from Rs. 7,159.20 Million in FY2011 to Rs. 9,631.80 Million in FY2012. The growth can be mainly attributed to the box office successes of certain high profile Hindi films such as Ra One, Ready, Zindagi Na Milegi Dobra and Rockstar. The growth was supported by continued success of our broader portfolio of releases across Hindi and other regional languages.

For the year ended 31 March 2012, our revenue growth was primarily attributable to an increase in theatrical revenues. The higher revenue from India box office was a result of wider screen releases, higher than average ticket prices resulting from the continued increase in multiplex and digital screens, premiums charged for tickets for one 3D film release, and the timing of theatrical releases. High profile films for the year ended 31 March 2012 (on an average basis) were released on 5.5% more screens than similar films in the previous year. Television

MANAGEMENT DISCUSSION AND ANALYSIS

syndication continued to be strong with the high profile films helping us to continue syndicating attractive bundles of new and catalogue films. Ra.One, Zindagi Na Milegi Dobara and Rockstar were premiered on Star TV while Agent Vinod and Desi Boyz were premiered on Zee TV. Music and mobile monetisation from the music tracks of the high profile films continued to be strong. Television and music pre-sales formed an important part of our Company's monetisation strategy and contributed towards de-risking content investment.

EXPENSES

Purchases/operating expenses

Purchases/operating expenses increased by Rs. 1703.2 Million, or 34.4%, for the year ended 31 March 2012 compared to the expenses for the previous year. The growth was primarily due to an increase in film amortisation costs of Rs. 1041.9 Million in the period, driven by the increased film release slate cost in the current year compared to the previous year and the cumulative impact of amortisation costs associated with our increased catalogue films. This increase also reflected Rs. 40.3 Million increase in print and digital distribution costs and selling and distribution expenses due to wider advertising of our high profile releases partially offset by increased marketing tie ups and wider screen releases partially offset by higher usage of lower cost digital prints.

Other expenses

Finance cost in the year ended 31 March 2012 was Rs. 134.4 Million, compared to Rs. 93.9 Million for the year ended 31 March 2011, a movement of Rs. 40.5 Million. The change is primarily attributable to an increase in capital employed for high operational growth.

Other expenses, including rental, legal, travel and audit expenses, were recorded at Rs. 464.1 Million in the year ended 31 March 2012, compared to Rs. 295.8 Million in the year ended 31 March 2011. An increase of Rs. 168.3 Million, or 56.9%. The increment was driven by an increase in unrealised loss on foreign currency translation at the year end, legal costs and amounts provided or written off content advances.

Profit before tax

Profit before tax was Rs. 2,122.5 Million in the year ended 31 March 2012, compared to Rs. 1,518.8 Million in the year ended 31 March 2011 which is an increase of Rs. 603.7 Million, or 39.7%, driven primarily by the increase in revenue. This was partially offset by an increase in cost of sales. As a percentage of direct revenue, our underlying profit before tax margin increased slightly to 22.5% from 21.5% in the years ended 31 March 2012 and 31 March 2011 respectively.

Income Tax Expense

Income tax expense for the year ended 31 March 2012 was Rs. 631.4 Million, compared to Rs. 336.7 Million in the year ended 31 March 2011 i.e. an increase of Rs. 294.7 Million, or 87.5%. Our effective tax rate was 29.7% in the year ended 31 March 2012, compared to 22.2% in the year ended 31 March 2011. The increase in effective rate is due to higher domestic earnings compared to the previous year, which attract higher tax rates. Our income tax expense in the year ended 31 March 2012 included Rs. 286.5 Million of estimated current tax expense and Rs. 344.9 Million of estimated deferred tax expense.

Earnings per share

Basic EPS in the year ended 31 March 2012 was Rs. 16.16, compared to Rs. 14.45 recorded in the previous year, an increase of 11.8%. Fully diluted EPS in the year ended 31 March 2012 was Rs. 16.16, compared to Rs. 14.35 in the year ended 31 March 2011, an increase of 12.6%.

PRINCIPAL RISKS AND UNCERTAINTIES

Internal Risks

We depend on our relationships with theatre operators and other industry participants to exploit our film content. Any disputes with multiplex operators in India or elsewhere could have a material adverse effect on our ability or willingness to release our films as scheduled.

We generate revenues from the exploitation of Indian film content in various distribution channels through agreements with commercial theatre operators, in particular multiplex operators, and with retailers, television operators, telecommunications companies and others. Our failure to maintain these relationships, or to establish and capitalise on new relationships, could harm our business or prevent our business from growing, which could have a material adverse effect on our business, prospects, financial condition and results of operations.

We have had disputes with multiplex operators in India that required us to delay our film releases and disrupted our marketing schedule for future films. These disputes were subsequently settled pursuant to settlement agreements that expired in June 2011. We now enter into agreements on a film-by-film and exhibitor-by-exhibitor basis instead of entering into long-term agreements. To date, our film-by-film agreements have been on commercial terms that are no less favorable than the terms of the prior settlement agreements; however, we cannot guarantee such terms can always be obtained. Accordingly, without a long-term commitment from multiplex operators, we may be at risk of losing a substantial portion of our revenues derived from our theatrical business. We may

also have similar future disruptions in our relationship with multiplex operators, the operators of single-screen theatres or other industry participants, which could have a material adverse effect on our business, prospects, financial condition and results of operations. Further, the theatre industry in India is rapidly growing and evolving and we cannot assure you that we will be able to establish relationships with new commercial theatre operators.

We may fail to source adequate film content on favorable terms or at all through acquisitions or co-productions, which could have a material and adverse impact on our business.

We generate revenues by exploiting Indian film content that we primarily co-produce or acquire from third parties, and then distribute through various channels. Our ability to successfully enter into co-productions and to acquire content depends on our ability to maintain existing relationships, and form new ones, with talent and other industry participants. The pool of quality talent in India is limited and as a result, there is significant competition to secure the services of certain actors, Directors, composers and producers, among others. Competition can increase the cost of such talent, and hence the cost of film content. These costs may continue to increase, making it more difficult for us to access content cost-effectively and reducing our ability to sustain our margins and maximise revenues from distribution and exploitation. Further, we may be unable to successfully maintain our long-standing relationships with certain industry participants and continue to have access to content and/or creative talent and may be unable to establish similar relationships with new leading creative talent. If any such relationship is adversely affected, or we are unable to form new relationships or our access to quality Indian film content otherwise deteriorates, or if any party fails to perform under its agreements or arrangements with us, our business, prospects, financial condition and results of operations could be materially adversely effected.

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

There are substantial financial risks relating to film production, completion and release. Actual film costs may exceed their budgets and factors such as labour disputes, unavailability of a star performer, equipment shortages, disputes with production teams or adverse weather conditions may cause cost overruns and delay or hamper film completion. When a film we have contracted to acquire from a third party experiences delays or fails to be completed, we may not recover advance monies paid for the proposed acquisition. When we enter into co-productions, we are typically responsible for paying all

production costs in accordance with an agreed upon budget and while we typically cap budgets in our contracts with our co-producer, given the importance of ongoing relationships in our industry, longer-term commercial considerations may in certain circumstances override strict contractual rights and we may feel obliged to fund cost over-runs where there is no contractual obligation requiring us to do so. To date, we have completed only one sole production, and this is not our preferred choice for sourcing content. Production delays, failure to complete projects or cost overruns could result in us not recovering our costs and could have a material adverse effect on our business, prospects, financial condition and results of operations.

The popularity and commercial success of our films are subject to numerous factors, over which we may have limited or no control.

The popularity and commercial success of our films depends on many factors including, but not limited to, the key talent involved, the timing of release, the promotion and marketing of the film, the quality and acceptance of other competing programs released into the marketplace at or near the same time, the availability of alternative forms of entertainment, general economic conditions, the genre and specific subject matter of the film, its critical acclaim and the breadth, timing and format of its initial release. We cannot predict the impact of such factors on any film, and many are factors that are beyond our control. As a result of these factors and many others, our films may not be as successful as we anticipate, and as a result, our results of operations may suffer.

The success of our business depends on our ability to consistently create and distribute filmed entertainment that meets the changing preferences of the broad consumer market both within India and internationally.

Changing consumer tastes affect our ability to predict which films will be popular with audiences in India and internationally. As we invest in a portfolio of films across a wide variety of genres, stars and Directors, it is highly likely that at least some of the films in which we invest will not appeal to Indian or international audiences. Further, where we sell rights prior to release of a film, any failure to accurately predict the likely commercial success of a film may cause us to underestimate the value of such rights. If we are unable to co-produce and acquire rights to films that appeal to Indian and international film audiences or to accurately judge audience acceptance of our film content, the costs of such films could exceed revenues generated and anticipated profits may not be realised. Our failure to realise anticipated profits could have a material adverse effect on our business, prospects, financial condition and results of operations.

MANAGEMENT DISCUSSION AND ANALYSIS

Our ability to exploit our content is limited to the rights that we acquire from third parties or otherwise own.

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

Piracy of our content, including digital and internet piracy, may adversely impact our revenues and business.

Our business depends in part on the adequacy, enforceability and maintenance of intellectual property rights in the entertainment products and services we create. Motion picture piracy is extensive in many parts of the world and is made easier by technological advances and the conversion of motion pictures into digital formats. This trend facilitates the creation, transmission and sharing of high quality unauthorised copies of motion pictures in theatrical release on DVDs, CDs and Blu-ray discs, from pay-per-view through set top boxes and other devices and through unlicensed broadcasts on free television and the internet. Although DVD and CD sales represent a relatively small portion of Indian film and music industry revenues, the proliferation of unauthorised copies of these products results in lost revenue and significantly reduced pricing power, which could have a material adverse effect on our business, prospects, financial condition and results of operations. In particular, unauthorised copying and piracy are prevalent in countries outside of the United States, Canada and Western Europe, including India, whose legal systems may make it difficult for us to enforce our intellectual property rights and in which consumer awareness of the individual and industry consequences of piracy is lower. With broadband connectivity improving and 3G internet penetration increasing in India, digital piracy of our content is an increasing risk. In addition, the prevalence of third-party hosting sites and a large number of links to potentially pirated content make it difficult to effectively monitor and prevent digital piracy of our content. Existing copyright and trademark laws in India afford only limited practical protection and the lack of internet-specific legislation relating to trademark and copyright protection creates a further challenge for us to protect our content delivered through such

media. According to FICCI Report 2009, it is estimated that the Indian film industry loses as much as \$377.3 Million annually due to piracy. Additionally, we may seek to implement elaborate and costly security and anti-piracy measures, which could result in significant expenses and revenue losses. Even the highest levels of security and anti-piracy measures may fail to prevent piracy.

EXTERNAL RISKS

A downturn in the Indian and international economies or instability in financial markets, including increased Indian price inflation, could materially and adversely affect our results of operations and financial condition.

Global economic conditions may negatively impact consumer spending. Prolonged negative trends in the global or local economies can adversely affect consumer spending and demand for our films and may shift consumer demand away from the entertainment we offer. Any decline in attendance at theatres will reduce the revenues we generate from this channel, from which a significant proportion of our revenues are derived. If the general economic downturn continues to affect the countries in which we distribute our films, in particular in India, discretionary consumer spending may be adversely affected, which would have an adverse impact on demand for our theatre, television and digital distribution channels. Further, a sustained decline in economic conditions could result in closure or downsizing by, or otherwise adversely impact, industry participants on whom we rely for content sourcing and distribution. Any decline in demand for our content could have a material adverse effect on our business, prospects, financial condition and results of operations. In addition global financial turmoil has negatively affected the Indian financial markets. Continued financial disruptions may limit our ability to obtain financing for our films. For example, any adverse revisions to India's credit ratings for domestic and international debt by domestic or international rating agencies may adversely impact our ability to raise additional financing and the interest rates and other commercial terms at which such additional financing is available. Any such event could have a material adverse effect on our business, prospects, financial condition and results of operations. India has recently experienced fluctuating wholesale price inflation compared to historical levels. An increase in inflation in India could cause a rise in the price of wages, particularly for Indian film talent, or any other expenses that we incur. If this trend continues, we may be unable to accurately estimate or control our costs of production. Because it is unlikely we would be able to pass all of our increased costs on to our customers, this could have a material adverse effect on our business, prospects, financial condition and results of operations.

Fluctuation in the value of the Indian Rupee against foreign currencies could materially and adversely affect our results of operations, financial condition and ability to service our debt.

While a significant portion of our revenues are denominated in Indian Rupees, certain contracts for our film content are or may be denominated in foreign currencies. Any fluctuation in the value of the Indian Rupee against these currencies could have a material adverse effect on our business, prospects, financial condition and results of operations.

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

The role of Indian central and state governments in the Indian economy has been and remains significant. Since 1991, India's government has pursued policies of economic liberalisation, including significantly relaxing restrictions on the private sector. The rate of economic liberalisation could change, and specific laws and policies affecting companies in the media and entertainment sector, foreign investment, currency exchange rates and other matters affecting investment in our securities could change as well. A significant change in India's economic liberalisation and deregulation policies could disrupt business and economic conditions in India and thereby affect our business.

Taxation

Taxes generally are levied on a state-by-state basis for the Indian film industry. Recently, there has been interest in rationalising the industry's taxes by instituting a uniform set of entertainment taxes administered by the Indian government. Such changes may increase our tax rate, which could adversely affect our financial condition and results of operations. Furthermore, in certain states, theatre multiplexes have enjoyed entertainment tax benefits that may be disrupted or discontinued, if India moves to a uniform entertainment tax system. This could slow the construction of new multiplexes which is projected to be a key driving force for the growth of the Indian film industry according to the FICCI Report 2012. Separately, there are certain deductions available to film producers for expenditures on production of feature films released during a given year. These tax benefits may be discontinued and impact current and deferred tax liabilities. In addition, the government of India has issued and may continue to issue tariff orders setting ceiling

prices for distribution of content on cable television service charges in India. Such tariff orders could place pricing pressures on cable television service providers and broadcasters, which may, among other things, restrict the ability and willingness of cable television broadcasters in India to pay for content acquisition, including for our films. Any of the foregoing could have a material adverse effect on our business, prospects, financial condition and results of operations.

HUMAN RESOURCES

Eros believes that its employees represent a source of competitive advantage. The Directors recognise that continued and sustained improvement in the performance of the Group depends on its ability to attract, motivate and retain employees of the highest calibre. The Group is committed to the principle of equal employment opportunities. It seeks to ensure that no employee or applicant is treated less favourably on the grounds of gender, marital status, race, colour, nationality, ethnic or national origin, religion, disability or sexual orientation nor is disadvantaged by conditions or requirements, including age limits, which cannot be justified objectively.

Entry into, and progression within, the Group are solely determined by the application of job criteria, personal aptitude and competence. These policies have worked effectively throughout the period. It is the Group's policy to apply best practices in the employment of disabled people. Full and fair consideration is given to every application for employment from disabled persons, whose aptitude and skills can be utilised in the business and for their training and career development. This includes, wherever possible, the retraining and retention of staff who become disabled during their employment. Our employees are duly informed of matters concerning their interest as employees and the financial and economic factors affecting the business. The Company's established management communication channels are supplemented by direct presentations to employees by Directors, explaining developments of particular significance.

CAUTIONARY STATEMENTS

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

DIRECTORS' REPORT

To

The Shareholders,
Eros International Media Limited
Mumbai

The Directors have the pleasure of presenting the Eighteenth Annual Report of the Company for the Financial Year ending 31 March 2012.

OVERVIEW

Eros International Media Limited is a leading global Company in the Indian film entertainment industry that acquires co-produces and distributes Indian language films in multiple formats worldwide.

FINANCIAL RESULTS

The summary of standalone and consolidated operating results for the year and appropriation of divisible profits is given below:

Particulars	(Standalone)		(Consolidated)	
	2011-12	2010-11	2011-12	2010-11
Sales and other Income	82,132	48,589	96,318	71,592
Profit Before tax	17,258	10,246	21,225	15,188
Provision before Tax	(6,279)	(3,290)	(6,314)	(3,367)
Minority's Interest	-	-	(127)	(98)
Net profit after Tax	10,979	6,956	14,784	11,724
Add: Balance carried from Profit and Loss A/c	16,034	9,078	28,365	16,642
Balance carried to the balance sheet	27,013	16,034	43,149	28,365

(Rs. in Lakhs)

The Company successfully released total of 77 films in Hindi and other regional languages reflecting its eminent position in the film industry. Out of the top ten box office Hindi films in India, four of them were Eros releases. Some of the major releases were Ra.One, Zindagi Na Milegi Doobara, Ready and Rockstar thus reiterating Eros leadership in the Indian Film Industry.

Some of the regional language films released during the financial year were "Velayudham", "Mambattiyan", "Engenyum Kadhal", "Vedi", "3", "Rajapattai", "Nanban" etc in Tamil; "Dharti", "Khushiyan" in Punjabi and 'Moraya' in Marathi.

During the year, an online entertainment platform "Eros Now" was launched to offer digitised Bollywood film content.

The Company was honoured with a Certificate of Excellence at the recently held Annual Inc. India Awards, a resource base for Indian Enterprise. A number of our film releases including

Rockstar, Zindagi Na Milegi Doobara, Ra - One and others won nearly 50 awards across a number of prestigious award ceremonies including Filmfare Awards, Screen Awards, Apsara Awards and Zee Cine Awards.

A statement showing details of the current financial year utilisation of initial public offering proceeds, raised in October 2010, is given in the notes to accounts forming part of the Annual Report.

During the financial year, a wholly owned subsidiary Company was incorporated in Singapore, namely, Digicine Pte Limited, on 30 March 2012 with a main purpose of carrying on production and/or distribution of films, music, programmes, or any other intellectual property rights etc.

MANAGEMENT DISCUSSION & ANALYSIS REPORT

In accordance with the listing agreement requirements, the Management Discussion & Analysis report is presented in a separate section forming part of the Annual Report.

EMPLOYEE STOCK OPTION SCHEME

The Company has allotted 329,857 Equity Shares to the eligible employees pursuant to the Employees Stock Option Plan, 2009 ("ESOP") for its employees and its Directors in the said Financial Year.

The Information required to be disclosed in terms of the provisions of the SEBI (Employees Stock Option Scheme and Employee Stock Purchase Scheme) Guidelines, 1999) is enclosed to the report.

DIVIDEND

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

DIRECTORS

Dr. Shankar Nath Acharya, Director of the Company, is liable to retire by rotation at the ensuing Annual General Meeting and being eligible has been proposed for re-appointment.

The Employment Agreement entered into between the Company and Mr. Sunil Lulla will expire on 27 September 2012. Further, his term of appointment as an Executive Vice Chairman and Managing Director of the Company will expire on 10 February 2013 in accordance with the special resolution passed at the Extra Ordinary General Meeting of the Company held on 11 February 2010. The Board of Directors at their meeting held on

26 May 2012 have considered the renewal of the Employment Agreement and terms of his appointment as an Executive Vice Chairman and Managing Director of the Company for a further period of 3 years to be made effective from 28 September 2012, subject to approval of shareholders in the Annual General Meeting.

As required under the Clause 49 of the Listing Agreement with the Stock Exchanges, the information on the particulars of the Directors proposed for appointment and/or reappointment has been given in the Notice of the Annual General Meeting.

DIRECTORS' RESPONSIBILITY STATEMENT

In terms of section 217(2AA) of the Companies Act, 1956, in relation to financial statements for the year 2011-12, the Board of Directors state that:

- 1 The applicable accounting standards have been followed in preparation of the financial statements and there are no material departures from the said standards;
- 2 Reasonable and prudent accounting policies have been used in preparation of the financial statements and that they have been consistently applied, so as to give a true and fair view of the state of affairs of the Company as at 31 March 2012 and of the profit for the year ended on that date;
- 3 Proper and sufficient care has been taken for maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 1956, for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities;
- 4 The financial statements have been prepared on a going concern basis.

PRESENTATION OF FINANCIAL STATEMENTS

The Ministry of Corporate Affairs (MCA) vide notification dated 28 February 2011 amended the existing Schedule VI to the Companies Act, 1956. The revised Schedule VI is applicable from financial year commencing from 1 April 2011. The financial statements of your Company for the year ended 31 March 2012 have been prepared in accordance with the revised Schedule VI and accordingly, the previous year's figures have been reclassified/ regrouped to conform to this year's classification.

The Company successfully released total of 77 films in Hindi and other regional languages reflecting its eminent position in the film industry. Out of the top ten box office grossing Hindi language films in India, four of them were Eros releases. Some of the major releases were Ra.One, Ready, Zindagi Na Milegi Dobara and Rockstar thus reiterating Eros leadership in the Indian Film Industry.

CONSOLIDATED ACCOUNTS

The Ministry of Corporate Affairs (MCA) by General Circular No. 2/2011 dated 8 February 2011 had granted an exemption to companies from complying with Section 212 of the Companies Act, 1956 provided such companies fulfil conditions mentioned in the said circular. Accordingly, the Board of Directors of your Company at its meeting held on 26 May 2012 approved the audited consolidated financial statements for the financial year 2011-12 in accordance with the Accounting Standard (AS-21) and other Accounting Standards issued by the Institute of Chartered Accountants of India as well as Clause 32 of the Listing Agreement, which include financial information of all its subsidiaries, and forms part of this report. The Consolidated Financial Statements of your Company for the financial year 2011-12, have been prepared in compliance with applicable Accounting Standards.

The annual accounts and financial statements of the subsidiary companies of your Company and related detailed information shall be made available to members on request and are open for inspection at the Corporate Office of your Company during business hours on working days up to the date of Annual

DIRECTORS' REPORT

General Meeting. Your Company has complied with all the conditions as stated in the circular and accordingly has not attached the financial statements of its subsidiary companies for the financial year 2011-12. A statement of summarised financials of all subsidiaries of your Company pursuant to the circular issued by the Ministry of Corporate Affairs, forms part of this report.

AUDITORS AND AUDITOR'S REPORT

The Auditors, M/s Walker Chandiok & Co., Chartered Accountants, Mumbai retire at the ensuing Annual General Meeting and are eligible for reappointment as Auditors. The Audit Committee in their meeting held on 26 May 2012 has recommended the re-appointment of M/s Walker Chandiok & Co., Chartered Accountants, Mumbai.

The observations of the auditors' in their report read with the relevant notes to accounts are self explanatory and do not require any further explanation.

PARTICULARS OF EMPLOYEES

The information required under section 217(2A) of the Companies Act, 1956, read with Companies (Particulars of Employees) Rules, 1975 is available for inspection at the Corporate Office of the Company. Any shareholder interested in obtaining the particulars may obtain it by writing to the Company Secretary and Compliance Officer of the Company at the Corporate Office of the Company.

INSURANCE

The Company's property, equipments and stocks are adequately insured against major risks after taking into account all the relevant factors.

CORPORATE GOVERNANCE

As required by Clause 49 of the Listing Agreement, a separate report on Corporate Governance forms part of the Annual Report. As required by the listing agreement, a report from Mr. Suhas Ganpule, Practising Company Secretary, Mumbai is attached herewith.

Further, a certificate duly signed by the Executive Vice Chairman and Managing Director and the Group Chief Financial Officer (India) on the financial statements of the Company for the year ended 31 March 2012 was submitted to the Board of Directors on 26 May 2012. This certificate is also attached to this report.

FIXED DEPOSIT

Your Company has not accepted any Fixed Deposits during the year 2011-12 and there are no outstanding fixed deposits from the public as on 31 March 2012.

CONSERVATION OF ENERGY, TECHNOLOGY ABSORPTION, FOREIGN EXCHANGE EARNINGS AND OUTGO

Considering the business activities of the Company, information required under Section 217(1)(e) of the Companies Act, 1956 read with the Companies (Disclosure of Particulars in the Report of Board of Directors) Rules, 1988 is not applicable to the Company.

Particulars of foreign currency earnings and outgo during the year are given in the notes to accounts forming part of the Annual Report.

APPRECIATION AND ACKNOWLEDGEMENTS

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

The Board of Directors also put on record their sincere appreciation of the hard work and commitment put in by the management and employees of the Company and thanks them for another good year for the Company.

For and on behalf of the Board of Directors

Sunil Lulla

Executive Vice Chairman and Managing Director

Place: Mumbai

Date: 26 May 2012

ANNEXURE TO DIRECTOR'S REPORT

		(A)	(B)	Total
Grant dates		17-Dec-09	12-Aug-10	
(a)	Options Granted during the year 2009-10 (Refer to Column A) & Options Granted during the year 2010-2011 (refer Column B), No fresh Grant/s during the current year.	1,729,512	83,628	1,813,140
(b)	Pricing Formula			
	Discount to Fair Value (Rs. 175/-)	At a Discount ranging from Nil to 50%	At a Discount ranging from 20% to 50%	
(c)	Options vested	691,812	16,726	708,538
(d)	Options exercised	317,631	12,226	329,857
(e)	Total number of shares arising as a result of exercise of options	317,631	12,226	329,857
(f)	Options lapsed (as at 31 March 2012)#	671,422	Nil	671,422
(g)	Variation of terms options	Fair Market value of ESOP 2009 scheme is revised from Rs 200 to Rs 175 wide Postal Ballot dt 21 December 2010	Fair Market value of ESOP 2009 scheme is revised from Rs 200 to Rs 175 wide Postal Ballot dt 21 December 2010	
(h)	Money realized by exercise of options	37,192,185	916,950	38,109,135
(i)	Total number of options in force (as at 31 March 2012)	740,459	71,402	811,861
(j) 1	Employee wise details of options granted to	Not Applicable	Not Applicable	
2	Employees to whom more than 5% options granted during the year	Not Applicable	Not Applicable	
3	Employees to whom options more than 1% of issued capital granted during the year	Not Applicable	Not Applicable	
(k)	Diluted EPS,pursuant to issue of shares on exercise of options	Nil	Nil	
(l) 1	Method of calculation of employee compensation cost	Calculation is based on intrinsic value method		
2	Intrinsic Value per share (in Rupees)	26.94	83.86	
3	Difference between the above and employee compensation cost that shall have been recognized if it had used the fair value of the options	Employee compensation cost would have been higher by Rs.152.88 (in Lakhs) during the year, had the Company used fair value method for accounting the options issued under ESOP 2009.		

ANNEXURE TO DIRECTOR'S REPORT

		(A)	(B)	Total
Grant dates		17-Dec-09	12-Aug-10	
4	Impact of this difference on Profits and on EPS of the Company	Profits would have been lower by Rs. 152.88 (in Lakhs) and E.P.S. would have been lower by Rs. 0.17 during the year, had the Company used fair value method of accounting the options issued under ESOP 2009.		
(m)	Weighted average exercise price (in Rupees)	117.09	75.00	
2	Weighted average fair value of options based on Black Scholes methodology (in Rupees)	109.93	94.33	
(n)	Significant assumptions used to estimate fair value of options including weighted average			
1	Risk free interest rate	6.30%	6.50%	
2	Expected life	5.25 years	5.25 years	
3	Expected volatility (based in competitor companies volatility)	75%	60%	
4	Expected dividends	Nil	Nil	
5	Closing market price of share on a date prior to date of grant (Fair market value in absence of listing) (in Rupees)	175	175	

Lapsed Options are based on Employees Resigned/Terminated upto March 2012.



CORPORATE GOVERNANCE

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

GOVERNANCE PHILOSOPHY

We at Eros International strive at creating value for all our stakeholders in a complete ethical and legal manner. In comparison Corporate Governance may be defined as a set of systems, processes and principles which ensure that a company is governed in the best interest of all stakeholders. It is the system by which companies are directed and controlled. It is about promoting corporate fairness, transparency and accountability. As a result we strongly believe that in the practice of conducting our business activities in a fair, direct and completely transparent manner that will not only benefit the Company but more importantly will ensure the highest level of accountability and trust for all our shareholders, our employees and our partners. Therefore the aims of the Company and 'good' Corporate Governance match.

All of these proactive actions ensure the strengthening of foundation of good governance at Eros International Media Limited.

BOARD OF DIRECTORS

The Board of Directors of the Company comprises of a combination of Directors that the Company believes is an optimum mix of executive, non-executive and independent Directors constituted in conformity with the provisions of the listing agreement and other statutory provisions. The Board of Directors comprises of total 6 Directors divided into 3 Executive and 3 Non Executive and Independent Directors. The Composition of the Board is in line with the requirement of Clause 49 of the Listing Agreement. The Independent Directors do not have any pecuniary relationship or transactions with the Company, promoters or management, which may affect their judgement in any other manner. The members of our Board are from diverse background with skills and experience in critical areas like governance, finance, entrepreneurship and general management.

The Board reviews its strength and composition from time to time to ensure that it remains aligned with the statutory as well as business requirements.

Composition of Board of Directors, Attendance at Board Meetings and Other Directorships, if any:

Sr. No.	Name of Director	Designation	Attendance in Board meetings		Attendance in last AGM held on 25 August 2011	Director-ship** (Including Unlisted Public Companies)	Other Board	
			Held	Attended			Committee Chairmanship	Committee Membership
1.	Mr. Naresh Chandra	Non Executive Chairman and Independent Director	4	4	Present	12	1	9
2.	Dr. Shankar Nath Acharya	Non-Executive Independent Director	4	4	Present	1	1	–
3.	Mr. Dharendra Swarup	Non-Executive and Independent Director	4	4	Present	4	1	1
4.	Mr. Sunil Lulla	Executive Vice Chairman and Managing Director	4	4	Present	9	–	–
5.	Mr. Kishore Lulla	Executive Director	4	2	Present	–	–	–
6.	Mr. Vijay Ahuja	Executive Director	4	2	Present	–	–	–
7.	*Mrs Jyoti Deshpande	Executive Director	4	1	(**)	–	–	–

(**) Mrs Jyoti Deshpande had resigned from the Board w.e.f 27 May 2011 and was re-appointed as an Executive Director of the Company w.e.f 1 July 2012.

Note:- Private Limited Companies, Foreign Companies and Companies under Section 25 of the Companies Act, 1956 are excluded for the above purpose. Only Audit Committee and Shareholders and Investor's Grievance Committee are

considered for the purpose of committee positions as per Listing Agreement.

Mr. Kishore Lulla, Executive Director of the Company is the brother of Mr. Sunil Lulla, Executive Vice Chairman and

Eros International Media Limited

Managing Director of the Company and Mr. Vijay Ahuja, Non Executive Director of the Company is the co brother of Mr. Sunil Lulla, Executive Vice Chairman and Managing Director of the Company. Other than the aforesaid there are no inter-se relationships amongst the Directors.

Information available to the Board:

An Agenda is circulated by the Company Secretary well in advance to the Board members along with comprehensive background information on the items in the agenda to enable the Board to deliberate on relevant points and arrive at an informed decision. All relevant information related to the working of the Company, including the information required as per the Listing Agreement is made available to the Board.

Board Procedures

During 2011-12, the Board of Directors met four times on 27 May 2011, 10 August 2011, 11 November 2011 and 10 February 2012. The interval between any two successive meeting did not exceed four months.

Apart from physical meetings, the Board also considered and approved certain matters by circular resolutions, which were noted at the next Board Meeting.

Presentations are made by Chief Financial Officer on the Company's operations and other matters on a periodic basis to the Board members present at the meeting. The proceedings of the meetings of the Board and its Committees are recorded in the form of minutes and the draft minutes are circulated to the Board for perusal.

The important decisions taken at the Board and Committee meetings are communicated to the concerned departments and divisions promptly.

Review of legal compliance reports

During the year, the Board periodically reviewed reports placed by the management with respect to compliance of various laws applicable to the Company. The Internal Auditors also review the compliance status and report to the Audit Committee.

Code of Conduct

The Board has laid down a code of conduct for all Board members and senior management of the Company in accordance with the requirement under clause 49(I)(D) of the Listing Agreement, which has been posted on the website of the Company www.erosintl.com. All the Board members and senior management personnel have affirmed compliance

with the code for the financial year ending 31 March 2012. A declaration to this effect signed by the Executive Vice Chairman and Managing Director of the Company is given elsewhere in this report.

Committees of the Board

In compliance with the listing agreements, the SEBI Regulations and to focus effectively on the issues and ensure expedient resolution of the diverse matters, the Board has constituted various committees with specific terms of reference and scope. The committees operate as empowered agents of the Board as per their charter/terms of reference. The Board various Committees, are the Audit Committee, the Compensation Committee, the Investors / Shareholders Grievance Committee and Management Committee.

i) Audit Committee

The Audit Committee of the Board was constituted by a board resolution dated 19 November 2009 in lines with the provisions of clause 49 of the Listing Agreement read with Section 292A of the Companies Act, 1956. The terms of reference of the Audit Committee apart from those specified in the listing agreement with the stock exchange broadly pertain to review of business practices, review of investment policies, review of systems and controls etc.

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

Details of the members of the Audit Committee and the details of meetings held and attended during the year 2011-12 is tabled below:

Sr. No.	Name of Director & position	Meetings Held	Meetings attended
1.	Mr. Dharendra Swarup (Chairman);	4	4
2.	Mr. Naresh Chandra	4	4
3.	Dr. Shankar Nath Acharya	4	4
4.	Mr. Sunil Lulla	3	3
5.	Mrs. Jyoti Deshpande *	1	1

* The Audit Committee was reconstituted on 27 May 2011 consequent to the resignation of Mrs. Jyoti Deshpande from the Board and Mr. Sunil Lulla was appointed as the member of the Audit Committee.

CORPORATE GOVERNANCE

Dates of Audit Committee Meetings held during the year 2011-12;

- 27 May 2011
- 10 August 2011
- 11 November 2011
- 10 February 2012

ii) Share Transfer & Investor Grievance Committee

The Share transfer & Investor Grievance Committee was formed by a resolution dated 19 November 2009 to look upon matters relating to redressal of investors' complaints, allotment of shares, issue of duplicate certificates and new certificates on a share split or consolidation, non-receipt of declared dividends, balance sheets of the Company.

The Company Secretary and Compliance Officer of the Company is the secretary of the Share Transfer and Investor Grievance committee.

Composition of Share Transfer & Investor Grievance Committee and Attendance of Members:

Sr. No.	Name of Director & position	Meetings Held	Meetings Attended
1.	Dr. Shankar Nath Acharya (Chairman);	4	4
2.	Mr. Dharendra Swarup (Member)	4	4
3.	Mr. Sunil Lulla (Member)	3	3
4.	Mrs. Jyoti Deshpande*	1	1

*The Share transfer & Investor Grievance Committee was reconstituted on 27 May 2011 consequent to resignation of Mrs. Jyoti Deshpande from the Board and consequently Mr. Sunil Lulla was appointed as member of the Committee.

Dates of Share transfer & Investor Grievance Committee Meetings held during the year 2011-12;

- 27 May 2011
- 10 August 2011
- 11 November 2011
- 10 February 2012

Status of Investor Grievances during the year 2011-12:

Description of Investors Grievances	No. of Grievances
Total Grievances Pending at the Beginning of Period	NIL
Letters	16
SEBI (Securities Exchange Board of India)	34
Total Grievances attended	50
Total Grievances pending at the end of the period	NIL

iii) Compensation Committee

The Compensation Committee was formed by a resolution dated 19 November 2009 to look upon matters related to reviewing, assessing and recommending the appointment and remuneration packages of the Directors and senior employees in accordance with the provision of the Companies Act, 1956, considering and recommending Grant of Employee Stock options under Company's ESOP 2009 Scheme and other related compensation matters.

Composition of Compensation Committee and attendance of members:

Sr. No.	Name of Director & position	Meetings Held	Meetings Attended
1.	Mr. Naresh Chandra (Chairman);	1	1
2.	Mr. Dharendra Swarup (Member)	1	1
3.	Dr. Shankar Nath Acharya (Member)	1	1

The Committee members met on 11 November 2011 to consider revision in payment of remuneration and to approve the revision in terms of employment of Mr. Sunil Lulla, Executive Vice Chairman and Managing Director of the Company and revision in payment of remuneration to Mr. Kishore Lulla, Executive Director of the Company.

During the year the Committee members passed following resolutions by circular mode:

- For allotment of 159,186 Equity Shares on 14 October 2011, which was ratified on 11 November 2011.
- For allotment of 170,671 Equity shares on 1 March 2012 which was ratified on 26 May 2012.

Details of Remuneration to all the Directors (for FY 2011-12)

(Amount in Rs.)				
Sr. No.	Name of Director	Salary, Perquisites	Commission Payable for the financial year 2011-12	Total
1	Mr. Naresh Chandra	Nil	8,950,000	140,000
2	Dr. Shankar Nath Acharya	Nil	4,475,000	180,000
3	Mr. Kishore Lulla	3,000,000	7,450,000	Nil
4	Mr. Sunil Lulla	24,470,800	7,450,000	Nil
5	Mr. Dharendra Swarup	Nil	4,475,000	180,000
6	Mr. Vijay Ahuja	Nil	Nil	Nil

iv) Management Committee

The Management Committee is empowered by the Board to take day to day decisions for running the Company within the parameters and budgets set by the Board.

Composition of Management Committee and attendance of members

Sr. No.	Name of Director & position	Meetings Held	Meetings Attended
1.	Mr. Sunil Lulla (Member)	15	15
2.	Mr. Kishore Lulla (Member)	15	2 (via telecom)
3.	Mr. Vijay Ahuja (Member)	15	5 (via telecom)
4.	Mr. Kamal Kumar Jain (Member) (Group Chief Financial officer)*	15	13

* The Management Committee was reconstituted on 27 May 2011 consequent to resignation of Mrs. Jyoti Deshpande from the Board and consequently Mr. Kamal Kumar Jain was appointed as member of the Committee.

Details of Shares/ Options held by Directors as on 31 March 2012

Mr. Sunil Lulla (Executive Vice Chairman and Managing Director) holds 1,400 Equity shares of the Company.

MANAGEMENT

Management Discussion and Analysis Report

This Annual Report has a detailed section on Management Discussion and Analysis.

CMD/ CFO Certification

In accordance with the terms of clause 49(v) of the listing Agreement, a certificate signed by Mr. Sunil Lulla, Executive Vice Chairman and Managing Director of the Company and Mr. Kamal Kumar Jain, Group Chief Financial Officer- India was taken on record by the Board at its meeting held on 26 May 2012. A copy of this certificate is provided as annexure to this report.

Risk Management

The Company has in place the mechanism to inform Board members about the risk assessment and minimisation procedures and periodical reviews to ensure that risk is controlled by the Executive Management.

DISCLOSURES

Disclosures regarding appointment or reappointment of Directors:

Pursuant to the Articles of Association of the Company, at every Annual General Meeting of the Company, one-third of the Directors, whose office is subject to retirement, are liable to retire by rotation.

Accordingly, Dr. Shankar Nath Acharya, being longest in office, shall retire by rotation and being eligible has offered himself for re-appointment.

The Employment Agreement entered into between the Company and Mr. Sunil Lulla as an Executive Vice Chairman is about to expire on 27 September 2012. Also, his term as an Executive Vice Chairman and Managing Director of the Company will expire on 10 February 2013. The Board of Directors, at their meeting held on 26 May 2012 have considered the renewal of his appointment as an Executive Vice Chairman and Managing Director of the Company for a further period of three years to be made effective from 28 September 2012, subject to approval of shareholders in the Annual General Meeting.

A brief resume of Dr. Shankar Nath Acharya, Non Executive Director of the Company seeking re-appointment at the ensuing Annual General Meeting and Mr. Sunil Lulla, Executive Vice Chairman and Managing Director of the Company pursuant to Clause 49 of the Listing Agreement is annexed to the Notice of the Annual General Meeting.

Means of Communication

The Company has always promptly reported to both the stock exchanges where the securities of the Company are listed, all the material information including declaration of quarterly, half

CORPORATE GOVERNANCE

yearly and annual financial results in the prescribed formats and through press releases.

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

Insider Trading Regulations

The Company has notified and adopted the Code of Conduct for prohibition of Insider trading made pursuant to SEBI (Prohibition of Insider Trading) Regulations, 1992. The Code is available at the Company's website.

The Company Secretary of the Company is the Compliance Officer for the purpose of such regulations.

Details of capital market related non compliance, if any

There has been no non compliance by the Company of any legal requirements during the last three years; nor there any penalty, stricture imposed on the Company by any stock exchange, SEBI or any statutory authority on any matter related to capital markets pertaining to this period.

ANNUAL GENERAL MEETING

Locations and time, where last three AGMs were held

Financial Year	2008-09	2009-10	2010-11
Date	29 September 2009	27 May 2010	25 August 2011
Time	11.00 A.M.	3.00 P.M.	3.00 P.M.
Venue	201, Kailash Plaza, Plot No. A-12, Opp Laxmi Ind. Estate, Link Rd, Andheri, Mumbai – 400053	201, Kailash Plaza, Plot No. A-12, Opp Laxmi Ind. Estate, Link Rd, Andheri, Mumbai – 400053	The Club, 197, D. N. Nagar, Andheri (West), Mumbai-400053

Special Resolutions

The following special resolutions were passed at the last three Annual General Meetings

Date of AGM	Particulars of Special Resolution
29.09.2009	Special resolution for appointment of Mr. Sunil Lulla as the Executive Vice Chairman of the Company for a period of three years w.e.f 29 September 2009 on such terms and conditions as mentioned in the Agreement executed between the Company and Mr. Sunil Lulla.
27.05.2010	Special resolution for keeping Books of Accounts registers and annual returns at the corporate office of the Company. Special resolution for payment of commission of sum not exceeding one percent per annum of the net profits of the Company for a period of five financial years commencing from 1 April 2010 to its Non Executive Directors and sitting fees of Rs. 20,000/- for attending the Board Meetings to non executive independent Directors of the Company.
25.08.2011	Special resolution for payment of sitting fees of Rs.20,000/- each (excluding out pocket expenses) to all non-executive Directors of the Company for attending the Committee meetings formed by the Board of Directors.

Resolutions passed by way of conducting the Postal ballot:

During the year under consideration, pursuant to the provisions of Section 192A of the Companies Act, 1956, read with the Companies (Passing of the Resolution by Postal Ballot) Rules, 2001, resolution through Postal Ballot in respect of the following special business was passed on 11 November 2011:-

1. For approving payment of remuneration to Mr. Kishore Lulla, Executive Director of the Company, and
2. For revision in terms of employment of Mr. Sunil Lulla, Executive Vice chairman and Managing Director of the Company.

The Company had appointed Mr. Suhas Ganpule, Practising Company Secretary, as Scrutiniser for conducting the entire Postal Ballot, who submitted his Report to the Vice Chairman and Managing Director after completing the scrutiny and the result of the voting by Postal Ballot was declared on Thursday, 29 December 2011 at 1.00 p.m. at the Registered Office of the Company.

The date of declaration of result was deemed to be date of passing of the said Resolution.

Subsequently Result of the Postal Ballot was published in one English and one vernacular language newspaper i.e. "Free Press Journal" and "Navshakti" circulating in Mumbai. The result of the postal ballot was also displayed at website of the Company (www.erosintl.com).

A synopsis of the results published in the newspapers as given by the scrutiniser is given below:

Particulars	To approve payment of remuneration to Mr. Kishore Lulla, Executive Director			To Consider revision in terms of employment of Mr. Sunil Lulla, Executive Vice Chairman and Managing Director		
	No of Postal Ballot Forms	No of Shares	% of total paid up equity capital	No of Postal Ballot Forms	No of Shares	% of total paid up equity capital
(a) Total postal ballot forms received	589	76,894,379	100	589	76,894,379	100
(b) Less: Invalid postal ballot forms (as per register)	99	5,652	0.01	103	5,608	0.01
(c) Net valid postal ballot forms (as per register)	490	76,888,727	99.99	486	76,888,771	99.99
(d) Postal ballot forms with assent for Resolution specified at item no 1 of the postal ballot form	340	76,881,307	99.98	333	76,881,286	99.98
(e) Postal ballot forms with dissent for Resolution specified at item no1 of the postal ballot form	150	7,420	0.01	153	7,845	0.01

The votes cast in favour of both the resolutions were 99.98% and consequently the special resolutions were passed with requisite majority.

General Shareholders Information:

Annual General Meeting	
Date & Time	September 24, 2012 at 3.00 p.m.
Venue	The Club, 197, D. N. Nagar, Andheri (West), Mumbai 400 053.
Date of the Book Closure	30 July 2012 to 3 August 2012
1. Listing on the Stock Exchanges	Bombay Stock Exchange Limited Pheeroze Jeejeebhoy Towers, Dalal Street, Fort, Mumbai-400 001 Tel No:-91-22-22721233/1234 Fax No:-91-22-22721919

2. Listing on the Stock Exchanges	National Stock Exchange of India Limited Exchange Plaza, 5th Floor, Plot no- C Block, G Block, Bandra Kurla Complex, Mumbai- 400 051 Tel No:- 91-22-26598100-8114 Fax No:-91-22-25698120
Stock Code	Bombay Stock Exchange Limited- 533261 National Stock Exchange of India Limited- EROSMEDIA
ISIN Number	INE416L01017
Financial Year Ending	1 April to 31 March

CORPORATE GOVERNANCE

Tentative Schedule of the Board Meetings for declaration of financial results:

Quarter ended	Financial Results	Date of Board Meetings
June 2012	Unaudited	On or before 14 August 2012
September 2012	Unaudited	On or before 14 November 2012
December 2012	Unaudited	On or before 14 February 2013
March 2013	Audited	On or before 30 May 2013

Annual Listing Fees for the financial year ended on 31 March 2013 have been paid to Bombay Stock Exchange Limited and National Stock Exchange of India Limited.

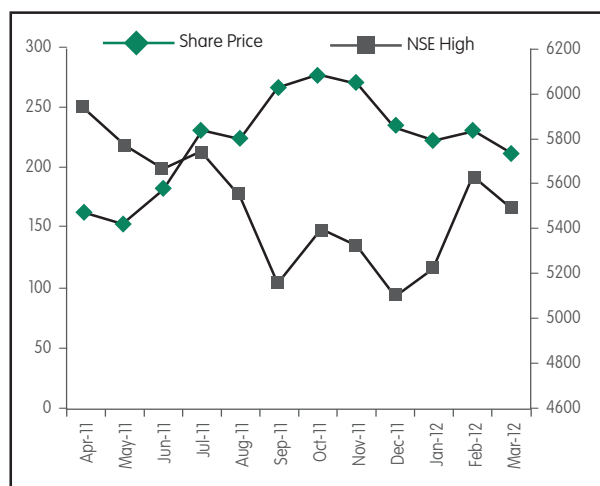
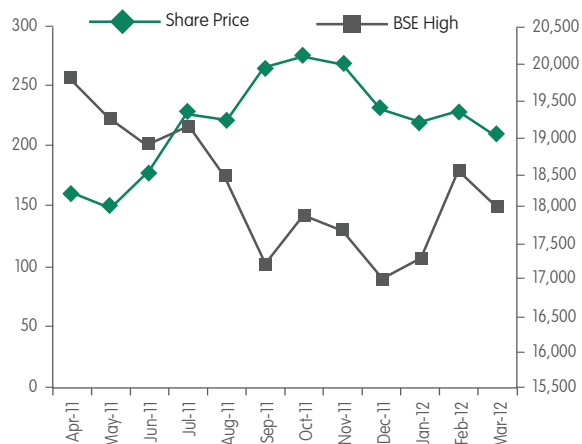
COMPANY'S IDENTIFICATION NUMBER: (CIN)

All the forms, returns, balance sheets, charges and all other documents, papers etc filed by the Company with the Registrar of Companies are available for inspection on the official website of MCA www.mca.gov.in under the Company Identification Number (CIN) L99999MH1994PLC080502.

MARKET PRICE DATA

The Company Shares are listed on the Bombay Stock Exchange Limited and National Stock Exchange of India limited. The monthly high and low quotations of shares during the period from 1 April 2011 to 31 March 2012 are as below:

Month	Bombay Stock Exchange limited (BSE)			National Stock Exchange of India Limited (NSE)		
	High Price(Rs.)	Low Price (Rs.)	Volume	High Price (Rs.)	Low Price (RS.)	Volume
Apr 11	162.70	139.00	1,417,664	162.90	137.70	2,882,892
May 11	152.40	136.35	750,736	152.75	136.60	1,314,374
Jun 11	180.80	148.00	3,836,589	181.70	148.00	5,616,361
Jul 11	230.45	178.20	5,888,221	230.50	178.10	8,874,676
Aug 11	224.40	186.50	2,249,609	224.40	181.25	4,756,522
Sep 11	267.50	214.60	5,651,924	267.30	214.80	10,215,972
Oct 11	277.00	231.50	3,199,487	276.95	231.00	6,241,369
Nov 11	270.95	194.00	2,249,089	270.70	193.00	5,710,549
Dec 11	234.70	187.05	850,134	234.50	187.10	2,222,124
Jan 12	221.00	193.25	1,146,711	223.20	192.80	4,256,809
Feb 12	230.35	181.05	3,907,804	230.95	181.00	9,029,210
Mar 12	211.55	178.05	1,735,833	211.40	177.30	4,846,540



The Distribution of Shareholding as on 31 March 2012

Shares Holding of Shares	No. of Shareholders	Percentage and Total
1-5000	34,213	96.3421
5001-10000	593	1.6699
10001-20000	275	0.7744
20001-30000	104	0.2929
30001-40000	54	0.1521
40001-50000	47	0.1323
50001-100000	82	0.2309
100001 and above	144	0.4055
Total	35,512	100.00

SHAREHOLDING PATTERN OF THE COMPANY AS ON 31 MARCH 2012

Sr. No.	Category	No. of Share-holders	No. of shares	Voting Strength (In %)
1.	Shareholding of Promoter and Promoter Group			
a.	Indian			
1.	Individuals/ Hindu Undivided Family	4	7,000	0.01
2.	Bodies Corporate	1	21,700,000	23.65
3.	Foreign Body Corporate	1	49,700,000	54.18
2.	Public Shareholding			
a.	Institutions			
1.	Institutions (Mutual Funds UTI)	11	1,811,169	1.97
2.	Financial Institutions/ Banks	3	412,805	0.45
3.	FIs	22	7,236,865	7.89
b.	Non-Institutions			
1.	Bodies Corporate	503	3,176,677	3.46
2.	Individual			
i.	Individual Shareholders holding nominal share capital up to Rs. 1 Lakh	34,357	3,389,981	3.70
ii.	Individual Shareholders holding nominal share capital in excess of Rs. 1 lakh	53	3,212,816	3.50
c.	Any other			
1.	Clearing Member	194	652,892	0.71
2.	Trust	5	1,673	0.00
3.	NRI's	278	178,523	0.19
4.	NRN	80	256,456	0.28
	Total	35,512	91,736,857	100

Following is the list of Top Ten Shareholders (other than Promoters) of the Company as on 31 March 2012:

Sr. No.	Share Holders Name	Shares	%
1.	Indus Capital Advisors (UK) LLP	3,396,253	3.70
3.	IDFC Sterling Equity Fund	1,466,800	1.60
2.	Kamal Kabra	1,150,007	1.25
4.	Rising India Focus Fund Limited	1,017,756	1.11
5.	India Max Investment Fund Limited	646,400	0.70
6.	Mirae Asset Global Investments	505,331	0.55
7.	Citigroup Global Markets	489,292	0.53
8.	Mirae Asset India Sector Leader	310,586	0.34
9.	Teck Consultancy And Services Private Ltd	299,792	0.33
10.	Control Print Limited	272,000	0.30

PLEDGE OF SHARES

No Pledge has been created over the Equity Shares held by the Promoters and/or Promoters Group Shareholders as on 31 March 2012.

DEMATERIALISATION OF SHARES AND LIQUIDITY

The Company Shares are compulsorily traded in dematerialised form and are available for trading on both the depositories in India viz. National Securities Depository Limited (NSDL) and Central Depository services (India) Limited (CDSL). Equity Shares of the Company representing 99.99% of the Company's Equity Share Capital are dematerialised as on 31 March 2012 and the promoters holding of 77.84% have been held in the dematerialised as on 31 March 2012.

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

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

PRACTISING COMPANY SECRETARY'S CERTIFICATE ON CORPORATE GOVERNANCE

As required under Clause 49 of the Listing Agreement, the Certificate of a practising Company Secretary regarding the Compliance of provisions of the Corporate Governance norms is attached herewith.

SUBSIDIARY COMPANIES

The Company does not have a material non listed Indian Subsidiary Company, whose Turnover or Net worth exceeds 20% of the Consolidated turnover or Net worth respectively of the Company and its subsidiaries in the immediately preceding accounting year, in terms of Clause 49(iii) of the Listing Agreement.

SECRETARIAL AUDIT

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

CORPORATE GOVERNANCE

in the Physical form and the total number of shares in the dematerialised form held with National Securities Depository (NSDL) and the Central Depository Services (India) Limited (CDSL).

GREEN INITIATIVE IN CORPORATE GOVERNANCE

Pursuant to Circular No. 17/2011 dated 21 April 2011, Ministry of Corporate Affairs has undertaken a Green Initiative in Corporate Governance whereby the shareholders desirous of receiving notices, documents and other communication from the Company through electronic mode, can register their e-mail addresses with the Company.

Your Company encourages the shareholders to register their e-mail addresses with the Company or its Registrar & Transfer Agent, LINK INTIME INDIA PRIVATE LIMITED which can be updated with the Depository Participants (DP) or by mailing at erosinternationalgogreen@linkintime.co.in specifying Client Id and DP Id of the Shareholder.

ADDRESS FOR INVESTOR CORRESPONDENCE

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

LINK INTIME INDIA PRIVATE LIMITED

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

FOR GENERAL CORRESPONDENCE

Company Secretary & Compliance Officer

EROS INTERNATIONAL MEDIA LIMITED

Registered Office:

201, Kailash Plaza, Plot No. A-12,
Opp Laxmi Industrial Estate,
Link Road, Andheri (West),
Mumbai – 400053

Corporate Office:

901/902, Supreme Chambers, Off. Veera Desai Road,
Andheri (West), Mumbai- 400053.
Email: compliance.officer@erosintl.com
Web: www.erosintl.com

DECLARATION AFFIRMING COMPLIANCE OF CODE OF CONDUCT

To the best of my knowledge and belief, I hereby affirm that all the Board Members and Senior Management Personnel of the Company have fully complied with the provision of the Code of Conduct as laid down by the Company for Directors and Senior Management Personnel during the financial year ended on 31 March 2012.

For and on behalf of the Board of Directors

Sd/-

Sunil Lulla

Executive Vice Chairman and Managing Director

Place: Mumbai

Date: 26 May 2012

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

To
The Members of
Eros International Media Limited

We have examined the compliance of conditions of Corporate Governance by Eros International Media Limited, for the year ended on 31 March 2012, as stipulated in clause 49 of the Listing Agreement of the said Company with stock exchanges.

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

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

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

For SG & Associates
Company Secretaries

Sd/-
Suhas Ganpule
(Proprietor)
M. No. 12122
C.P. No. 5722

Date:- 17 May 2012
Place:- Mumbai

To
The Board of Directors
Eros International Media Limited

We hereby certify that in the preparation of the accounts for the year ended 31 March 2012,

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

Sd/-
Sunil Lulla
(Executive Vice Chairman & Managing Director)

Sd/-
Kamal Kumar Jain
(Group Chief Financial Officer (India))

Date:- 26 May 2012
Place:- Mumbai

AUDITOR'S REPORT

To the Members of Eros International Media Limited

1. We have audited the attached Balance Sheet of Eros International Media Limited ('the Company'), as at 31 March 2012, and also the Statement of Profit and Loss and the Cash Flow Statement for the year ended on that date annexed thereto (collectively referred as the 'financial statements'). These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.
2. We conducted our audit in accordance with the auditing standards generally accepted in India. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.
3. As required by the Companies (Auditor's Report) Order, 2003 ('the Order') (as amended) issued by the Central Government of India in terms of sub-section (4A) of Section 227 of the Companies Act, 1956 ('the Act'), we enclose in the Annexure a statement on the matters specified in paragraphs 4 and 5 of the Order.
4. Further to our comments in the Annexure referred to above, we report that:
 - (a) We have obtained all the information and explanations, which to the best of our knowledge and belief were necessary for the purposes of our audit;
 - (b) In our opinion, proper books of account as required by law have been kept by the Company so far as appears from our examination of those books;
 - (c) The financial statements dealt with by this report are in agreement with the books of account;
 - (d) On the basis of written representations received from the Directors, as on 31 March 2012 and taken on record by the Board of Directors, none of the Directors are disqualified as on 31 March 2012 from being appointed as a Director in terms of clause (g) of sub-section (1) of Section 274 of the Act;
 - (e) In our opinion and to the best of our information and according to the explanations given to us, the financial statements dealt with by this report comply with the accounting standards referred to in sub-section (3C) of Section 211 of the Act and give the information required by the Act, in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India, in the case of:
 - (i) the Balance Sheet, of the state of affairs of the Company as at 31 March 2012;
 - (ii) the Statement of Profit and Loss, of the profit for the year ended on that date; and
 - (iii) the Cash Flow Statement, of the cash flows for the year ended on that date.

For **Walker, Chandiok & Co**

Chartered Accountants

Firm Registration No.: 001076N

per **Khushroo B. Panthaky**

Partner

Membership No: F-42423

Place: Mumbai

Date: 26 May 2012

ANNEXURE TO THE AUDITOR'S REPORT

of even date to the members of Eros International Media Limited, on the financial statements for the year ended 31 March 2012

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

- (i) (a) The Company has maintained proper records showing full particulars including quantitative details and situation of fixed assets.
- (b) The fixed assets have been physically verified by the management during the year and no material discrepancies were noticed on such verification. In our opinion the frequency of verification of the fixed assets is reasonable having regard to the size of the Company and the nature of its assets
- (c) In our opinion a substantial part of fixed assets has not been disposed off during the year.
- (ii) (a) The management has conducted physical verification of inventory at reasonable intervals during the year except stocks lying with third parties. For stocks lying with third parties at the year-end written confirmations have been obtained by the management.
- (b) The procedures of physical verification of inventory followed by the management are reasonable and adequate in relation to the size of the Company and the nature of its business.
- (c) The Company is maintaining proper records of inventory and no material discrepancies were noticed on physical verification.
- (iii) (a) The Company has granted interest free advances to nine parties covered in the register maintained under Section 301 of the Act. The maximum amount outstanding during the year is Rs. 975,041,737 and the year-end balance is Rs. 338,072,454.
- (b) In our opinion the terms and conditions of such interest free advances are not *prima facie* prejudicial to the interest of the Company.
- (c) The above interest free advances would be adjusted on the purchase of film rights or on completion of films as applicable in accordance with the terms and conditions stipulated in the agreements.
- (d) The above interest free advances given by the Company would be adjusted on the purchase of film rights or on completion of films as applicable and therefore there are no amounts overdue in respect of such advances as at the year end. Accordingly the provisions of the clause 4(iii)(d) of the Order are not applicable.
- (e) The Company has not taken any loans, secured or unsecured from companies, firms or other parties covered in the register maintained under Section 301 of the Act. Accordingly the provisions of clauses 4(iii)(f) and 4(iii)(g) of the Order are not applicable.
- (iv) In our opinion certain items purchased are of a special nature for which suitable alternative sources do not exist for obtaining comparative quotations. However there is an adequate internal control system commensurate with the size of the Company and the nature of its business for the purchase of inventory and fixed assets and for the sale of goods and services. During the course of our audit no major weakness has been noticed in the internal control system in respect of these areas.
- (v) (a) In our opinion the particulars of all contracts or arrangements that need to be entered into the register maintained under Section 301 of the Act have been so entered.
- (b) Owing to the unique and specialised nature of the items involved and in the absence of any comparable prices we are unable to comment as to whether the transactions made in pursuance of such contracts or arrangements have been made at prevailing market prices at the relevant time.
- (vi) The Company has not accepted any deposits from the public within the meaning of Sections 58A and 58AA of the Act and the Companies (Acceptance of Deposits) Rules 1975. Accordingly the provisions of clause 4(vi) of the Order are not applicable.
- (vii) In our opinion the Company has an internal audit system commensurate with its size and the nature of its business.
- (viii) To the best of our knowledge and belief the Central Government has not prescribed maintenance of cost records under clause (d) of sub-section (1) of Section 209 of the Act in respect of Company's products/ services. Accordingly the provisions of clause 4(viii) of the Order are not applicable.

ANNEXURE TO THE AUDITOR'S REPORT

of even date to the members of Eros International Media Limited, on the financial statements for the year ended 31 March 2012

- (ix) (a) Undisputed statutory dues including provident fund, investor education and protection fund, employees' state insurance, income-tax, sales-tax, wealth-tax, service-tax, custom duty, excise duty, cess and other material statutory dues, as applicable, have *not been regularly deposited with the appropriate authorities and there have been significant delays in a large number of cases*. Undisputed amounts payable in respect thereof which were *outstanding at the year-end for a period of more than six months from the date they became payable* are as follows:

Name of the statute	Nature of the dues	Amount (Rs.)	Period to which the amount relates	Due Date	Date of Payment
Maharashtra Value Added Tax Act 2002	Value Added Tax (Gross)	20,008,275	Financial Year 2006-07	Various dates	Unpaid
Maharashtra Value Added Tax Act 2002	Value Added Tax (Gross)	37,885,034	Financial Year 2007-08	Various dates	Unpaid
Maharashtra Value Added Tax Act 2002	Value Added Tax (Gross)	41,181,933	Financial Year 2008-09	Various dates	Unpaid
Maharashtra Value Added Tax Act 2002	Value Added Tax (Gross)	19,571,429	Financial Year 2011-12	Various dates	Unpaid
Maharashtra Value Added Tax Act 2002	Value Added Tax (Gross)	60,339,793	Financial Year 2009-10	Various dates	Unpaid
Maharashtra Value Added Tax Act 2002	Value Added Tax (Gross) *	80,886,688	Financial Year 2010-11	Various dates	Unpaid
Maharashtra Value Added Tax Act 2002	Value Added Tax (Gross) *	714,709	Financial Year 2011-12	Various dates	Unpaid
Income Tax Act 1956	Advance tax	111,740,609	Financial Year 2011-12	15 June 2011 and 15 September 2011	Unpaid
Finance Act 1994	Service Tax	24,942	Financial Year 2000-01	Various dates	Unpaid
Finance Act 1994	Service Tax	19,839	Financial Year 2001-02	Various dates	Unpaid
Finance Act 1994	Service Tax	111,864	Financial Year 2002-03	Various dates	Unpaid
Finance Act 1994	Service Tax	140,359	Financial Year 2003-04	Various dates	Unpaid
Finance Act 1994	Service Tax	29,805	Financial Year 2004-05	Various dates	Unpaid
Finance Act 1994	Service Tax	173,869	Financial Year 2005-06	Various dates	Unpaid
Finance Act 1994	Service Tax	6,381	Financial Year 2007-08	Various dates	Unpaid
Finance Act 1994	Service Tax	15,251,487	Financial Year 2010-11	Various dates	Unpaid

* In line with film industry consensus the Company is of the opinion that there are no grounds for levying VAT on film distribution activity and hence no provision is made in the books of accounts for these years. The same is disclosed as contingent liability under Notes to Accounts.

The liability for the current year shown under contingent liability is upto 30 April 2011 as with effect from 1 May 2011 MVAT liability on copyrights excludes those for distribution and exhibition of cinematographic films in theatres and cinema halls.

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

Name of the statute	Nature of dues	Amount (Rs.)	Period to which the amount relates	Forum where dispute is pending
Income Tax Act 1961	Income tax	4,726,197	Assessment Year 2004-05	Appellate Tribunal
Central Sales Tax Act 1944	Sales tax	16,344	Financial Year 2004-05	Deputy Commissioner of Sales tax (Appeals)
Bombay Sales Tax Act 1959	Sales tax	7,151,245	Financial Year 2004-05	Deputy Commissioner of Sales tax (Appeals)
Central Sales Tax Act 1944	Sales tax	1,645,507	Financial Year 2003-04	Deputy Commissioner of Sales tax (Appeals)

ANNEXURE TO THE AUDITOR'S REPORT

of even date to the members of Eros International Media Limited, on the financial statements for the year ended 31 March 2012

Name of the statute	Nature of dues	Amount (Rs.)	Period to which the amount relates	Forum where dispute is pending
Bombay Sales Tax Act 1959	Sales tax	40,579,952	Financial Year 2003-04	Deputy Commissioner of Sales tax (Appeals)
Central Sales Tax Act 1944	Sales tax	766,924	Financial Year 2002-03	Deputy Commissioner of Sales tax (Appeals)
Bombay Sales Tax Act 1959	Sales tax	42,528,039	Financial Year 2002-03	Deputy Commissioner of Sales tax (Appeals)
Central Sales Tax Act 1944	Sales tax	241,015	Financial Year 2001-02	Deputy Commissioner of Sales tax (Appeals)
Bombay Sales Tax Act 1959	Sales tax	40,320,786	Financial Year 2001-02	Deputy Commissioner of Sales tax (Appeals)
Bombay Sales Tax Act 1959	Sales tax	33,852,642	Financial Year 2000-01	Deputy Commissioner of Sales tax (Appeals)

- (x) In our opinion, the Company has no accumulated losses at the end of the financial year and it has not incurred cash losses in the current and the immediately preceding financial year.
- (xi) In our opinion, the Company has not defaulted in repayment of dues to a financial institution or a bank or debenture-holders during the year.
- (xii) The Company has not granted any loans and advances on the basis of security by way of pledge of shares, debentures and other securities. Accordingly, the provisions of clause 4(xii) of the Order are not applicable.
- (xiii) In our opinion, the Company is not a chit fund or a nidhi/ mutual benefit fund/ society. Accordingly, the provisions of clause 4(xiii) of the Order are not applicable.
- (xiv) In our opinion, the Company is not dealing or trading in shares, securities, debentures and other investments. Accordingly, the provisions of clause 4(xiv) of the Order are not applicable.
- (xv) In our opinion, the terms and conditions on which the Company has given guarantee for loans taken by others from banks or financial institutions are not, *prima facie*, prejudicial to the interest of the Company.
- (xvi) In our opinion, the Company has applied the term loans for the purpose for which these loans were obtained.
- (xvii) In our opinion, no funds raised on short-term basis have been used for long-term investment.
- (xviii) During the year, the Company has not made any preferential allotment of shares to parties or companies covered in the register maintained under Section 301 of the Act. Accordingly, the provisions of clause 4(xviii) of the Order are not applicable.
- (xix) The Company has neither issued nor had any outstanding debentures during the year. Accordingly, the provisions of clause 4(xix) of the Order are not applicable.
- (xx) The Company has not raised any money by public issues during the year. Accordingly, the provisions of clause 4(xx) of the Order are not applicable.
- (xxi) No fraud on or by the Company has been noticed or reported during the period covered by our audit.

For **Walker Chandiok & Co**

Chartered Accountants

Firm Registration No.: 001076N

per **Khushroo B. Panthaky**

Partner

Membership No: F-42423

Place: Mumbai

Date: 26 May 2012

BALANCE SHEET

as at 31 March 2012

		(Rs. in Lakhs)	
Particulars	Note No.	As at 31 March 2012	As at 31 March 2011
EQUITY AND LIABILITIES			
Shareholders' funds			
Share capital	3.1	9,174	9,141
Reserves and surplus	3.2	57,808	46,648
Non-current liabilities			
Long-term borrowings	3.3	11,242	2,253
Deferred tax liabilities (net)	3.4	10,367	6,837
Other long term liabilities	3.5	107	111
Long-term provisions	3.6	66	68
Current liabilities			
Short-term borrowings	3.7	24,178	13,428
Trade payables		8,892	1,353
Other current liabilities	3.8	15,837	30,734
Short-term provisions	3.9	81	201
TOTAL		137,752	110,774
ASSETS			
Non-current assets			
Fixed assets	3.10		
Tangible assets		5,178	544
Intangible assets		38,301	25,082
Capital work-in-progress		-	4,677
Intangible assets under development		150	89
Content Advances (net) (Refer note 3.33 (iii))		40,336	41,065
Non-current investments	3.11	2,041	2,041
Long-term loans and advances	3.12	519	846
Other non current assets	3.13	-	516
Current assets			
Current investments	3.14	4,350	14,747
Inventories	3.15	522	205
Trade receivables	3.16	12,931	7,584
Cash and bank balances	3.17	29,896	9,359
Short-term loans and advances	3.18	1,999	1,317
Other current assets	3.19	1,529	2,702
TOTAL		137,752	110,774

Note 1 to 3.44 forms an integral part of the financial statement

As per our report of even date attached

For **Walker, Chandio & Co** For and on behalf of the Board of Directors
Chartered Accountants

Khushroo B. Panthaky
Partner

Sunil Lulla
Executive Vice Chairman and Managing Director

Kishore Lulla
Executive Director

Kamal Jain
Group Chief Financial Officer (India)

Rajesh Bhatia
Company Secretary and Compliance Officer

Place: Mumbai
Date: 26 May 2012

STATEMENT OF PROFIT AND LOSS

for the year ended 31 March 2012

		(Rs. in Lakhs)	
Particulars	Note No.	For the year ended 31 March 2012	For the year ended 31 March 2011
REVENUE			
Revenue from operations	3.20	80,200	47,766
Other income	3.21	1,932	823
Total revenue (I)		82,132	48,589
EXPENSES			
Purchases/Operating expenses	3.22	58,442	33,687
Changes in inventories of finished goods	3.23	(317)	31
Employee benefits expense	3.24	1,482	1,688
Finance costs	3.25	1,237	818
Depreciation		423	170
Other expenses	3.26	3,607	1,949
Total expenses (II)		64,874	38,343
Profit before tax (I-II)		17,258	10,246
TAX EXPENSE			
- Current tax		3,800	2,060
- Short/(excess) provision for earlier years		219	(24)
- Deferred tax		3,530	1,984
- Minimum alternate tax credit		(1,270)	(730)
Total tax expense		6,279	3,290
Profit after tax		10,979	6,956
Earnings per equity share:	3.35		
Face Value of Rs. 10 each			
- Basic		12.00	8.58
- Diluted		12.00	8.52

Note 1 to 3.44 forms an integral part of the financial statement

As per our report of even date attached

For **Walker, Chandiok & Co** For and on behalf of the Board of Directors

Chartered Accountants

Khushroo B. Panthaky

Partner

Sunil Lulla

Executive Vice Chairman and Managing Director

Kishore Lulla

Executive Director

Kamal Jain

Group Chief Financial Officer (India)

Rajesh Bhatia

Company Secretary and Compliance Officer

Place: Mumbai

Date: 26 May 2012

CASH FLOW STATEMENT

for the year ended 31 March 2012

Particulars	(Rs. in Lakhs)	
	For the year ended 31 March 2012	For the year ended 31 March 2011
CASH FLOW FROM OPERATING ACTIVITIES		
Profit before tax	17,258	10,246
Adjustments:		
Depreciation and amortisation	31,592	17,912
Bad debts	9	172
Sundry balances written back	(21)	(60)
Content advances written off	206	-
Sundry balances written off	18	14
Provision for doubtful content advances	265	-
Finance costs (net)	1,237	818
Interest income	(134)	(32)
Loss on sale / write off of assets (net)	115	25
Net gain on sale of current investments	(1,114)	(397)
Expense on employee stock option scheme	85	420
ESOP reversal on retirement of employee	(253)	-
OPERATING PROFIT BEFORE WORKING CAPITAL CHANGES	49,263	29,118
Increase/(Decrease) in other long term liabilities	(4)	79
Increase/(Decrease) in long-term provisions	(2)	13
Increase/(Decrease) in trade payables	7,560	(20,193)
Increase/(Decrease) in other current liabilities	(14,666)	25,895
Increase/(Decrease) in short-term provisions	(120)	169
(Increase) /Decrease in inventories	(317)	31
(Increase) /Decrease in trade receivables	(5,356)	(5,703)
(Increase) /Decrease in short-term loans and advances	(682)	(52)
(Increase) /Decrease in other current assets	(395)	30
(Increase) /Decrease in long-term loans and advances	327	(29)
(Increase) /Decrease in other non current assets	516	1,908
Cash generated from operations	36,124	31,266
Taxes paid (net of refunds)	(1,199)	(2,665)
Net cash generated from operating activities (A)	34,925	28,601
CASH FLOW FROM INVESTING ACTIVITIES		
Capital expenditure on fixed assets, including capital advances	(44,685)	(43,998)
Deposits with banks under "other bank balances"	(15,791)	(12)
Proceeds from sale of fixed assets	-	77
Purchase of long term investments	-	-
Net gain / (loss) on sale of current investments	1,114	397
Net cash used from investing activities (B)	(59,362)	(43,536)

CASH FLOW STATEMENT

for the year ended 31 March 2012

Particulars	(Rs. in Lakhs)	
	For the year ended 31 March 2012	For the year ended 31 March 2011
CASH FLOW FROM FINANCING ACTIVITIES		
Proceeds from issue of equity shares (net)	382	32,060
Proceeds/repayments from long - term borrowings (net)	8,836	(1,364)
Proceeds from short term borrowing (net)	10,750	1,461
Interest income	134	32
Finance charges	(1,316)	(798)
Net cash generated from financing activities (C)	18,785	31,391
Net increase in cash and cash equivalents (A + B + C)	(5,652)	16,456
Cash and cash equivalents at the beginning of the year	24,094	7,638
Cash and cash equivalents at the ending of the year	18,442	24,094

Notes :

	Year ended 31 March 2012		Year ended 31 March 2011	
	Beginning	Ending	Beginning	Ending
1. Cash and cash equivalents as at the year end includes:				
Cash on hand	4	10	1	4
Balances with the banks	9,343	14,082	7,637	9,343
Investment in mutual fund	14,747	4,350	-	14,747
	24,094	18,442	7,638	24,094

- The Cash flow statement has been prepared under indirect method as set in Accounting Standard - 3 'Cash Flow Statement' as notified under Companies Act 1956
- Previous year figures have been regrouped, wherever necessary, to confirm to this year classification.

As per our report of even date attached

For **Walker, Chandio & Co** For and on behalf of the Board of Directors
Chartered Accountants

Khushroo B. Panthaky
Partner

Sunil Lulla
Executive Vice Chairman and Managing Director

Kishore Lulla
Executive Director

Kamal Jain
Group Chief Financial Officer (India)

Rajesh Bhatia
Company Secretary and Compliance Officer

Place: Mumbai
Date: 26 May 2012

NOTES

to the financial statements for the year ended 31 March 2012

SIGNIFICANT ACCOUNTING POLICIES AND NOTES TO ACCOUNTS

1 Corporate Information

Eros International Media Limited (BSE Scrip Code: 533261; NSE Scrip Code: EROSMEDIA) is a global player within the Indian media and entertainment arena. It operates on a vertically integrated studio model controlling content as well as distribution and exploitation across multiple formats globally, including cinema, digital, home entertainment and television syndication.

2 Significant accounting policies and notes to accounts

I. Basis of preparation

Eros International Media Limited (the 'Company') is engaged in the business of sourcing Indian film content either through acquisition, co-production or production of such films, and subsequently exploiting and distributing such films in India through music release, theatrical distribution, DVD and VCD release, television licensing and new media distribution avenues such as cable or DTH licensing; and trading and exporting the International Rights to its parent Eros Worldwide FZ LLC as per pre-agreed transfer pricing norms. The Company's financial statements have been prepared and presented under the historical cost convention on the accrual basis of accounting and comply with the applicable Accounting Standards ('AS') as notified by the Central Government under the Companies Act, 1956 to the extent applicable.

II. Use of estimates

The preparation of the financial statements in conformity with generally accepted accounting principles ('GAAP') requires management to make estimates and assumptions that affect the reported amount of assets and liabilities and disclosure of contingent liabilities on the date of the financial statements. Management believes that the estimates made in the preparation of financial statements are prudent and reasonable. Actual future period's results could differ from those estimates. Any revision to accounting estimates is recognised in the period in which revisions are made.

III. Significant Accounting Policies

(a) Revenue recognition

1. Sale of rights

Sale of rights is recognised on effective delivery of materials to customers as per terms of the sale agreements.

2. Sale of physical home entertainment products

Sale of physical home entertainment products is accounted on delivery to customers, as per agreement/ arrangement.

Digital and other new media revenues are recognised at the earlier of when the content is accessed or if licensed the date the revenue is contracted or declared.

3. Revenue from theatrical distribution of films

Revenue from theatrical distribution is recognised on exhibition of films. In case of distribution through theatres, revenue is recognised on the basis of box office reports received from various exhibitors. In case of distribution of films on commission basis, revenue is recognised inclusive of share of sub-distributor. Overflow from the distributors is accounted when reported.

4. Interest income

Interest income is recognised on a time proportion basis taking into account the amount outstanding and the rate applicable.

5. Short term gain on mutual funds

On disposal of current investments, the difference between the carrying amount and the disposal proceeds is recognised in the Statement of Profit and Loss.

(b) Fixed assets and depreciation

Fixed assets are stated at cost less accumulated depreciation. Cost includes purchase cost and all incidental expenses to bring the asset to their present location and condition.

NOTES

to the financial statements for the year ended 31 March 2012

Depreciation is provided under written down value method at the rates prescribed under Schedule XIV to the Companies Act, 1956. Assets costing less than Rs. 5,000 each are depreciated at full in the year of purchase.

(c) Intangible assets and amortisation

Investment in Film and associated rights are recorded at their acquisition costs or capitalised cost less accumulated amortisations. Cost includes acquisition and production cost, any direct overhead cost and capitalised interest.

Completed film and associated rights are amortised as a group or individually in the proportion of gross revenues realised which they bear to management's estimate of the total gross revenues expected to be received. Such revenues can be generated over the life time of the rights, but for amortisation purpose the period is limited to the lower of the life of the rights or 10 years.

In respect of unreleased films, payments towards film rights are classified under advances as the amounts are refundable in the event of non release of the film.

(d) Content advances

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

(e) Investments

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

(f) Inventories

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

- a) Raw prints and tapes on weighted average basis.
- b) Home entertainment products, at cost or net realisable value.
- c) New film/serial rights where principle rights, generally theatrical, satellite and video rights, have been sold, stock of residual rights are valued at values estimated by the management which would not exceed the relevant cost. Stock of rights in respect of old films are valued at full cost for a period of twelve months from the date of purchase and, thereafter at appropriate realisable values as estimated by the management not exceeding the cost. All kinds of film, serial rights are reviewed by the management at the end of each reporting period to determine fall in values, if any, based on expected future realisability of such rights.
- d) Inventories related to films under production are stated at acquisition and production cost plus relevant overhead cost and capitalised interest net of any amounts received from third party investors.

(g) Impairment of assets

In accordance with Accounting Standard 28 on "Impairment of Assets" as notified by the Central Government under the Companies Act, 1956 the carrying amounts of the assets are reviewed at each balance sheet date to determine whether there is any indication of impairment based on internal or external factors. An asset is treated as impaired when the carrying cost of the asset exceeds its recoverable amount. The recoverable amount of the assets (or where applicable, that of the cash generating unit to which the asset belongs) is estimated as the higher of its net selling price and its value in use. Impairment loss is recognised in the Statement of Profit and Loss or against revaluation surplus, where applicable.

(h) Provisions and contingencies

Provisions are recognised when there is present legal or constructive obligation as a result of a past event and it is more likely than not that an outflow of resources will be required to settle the obligation. Provisions are measured

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to the financial statements for the year ended 31 March 2012

at the management's best estimate of the outflow required to settle the obligations at the Balance Sheet date. A disclosure for a contingent liability is made when there is a possible obligation or a present obligation that may, but probably will not, require an outflow of resources

(i) **Employee benefits**

Defined contribution plan

The Company's contributions paid or payable during the year to the provident fund/employee's state insurance corporation are recognised in the Statement of Profit and Loss.

Defined benefit plan

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

Stock based compensation

The compensation cost of stock options granted to employees is calculated using the intrinsic value method. The compensation expense is amortised uniformly over the vesting period of the option.

(j) **Taxes on income**

Income tax expense comprises current income tax and deferred tax.

Current taxes

Provision for current income-tax is recognised in accordance with the provisions of Indian Income Tax Act, 1961, and is made at the end of each reporting period based on the tax liability after taking credit for tax allowances and exemptions.

Deferred taxes

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

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

(k) **Borrowing costs**

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

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to the financial statements for the year ended 31 March 2012

(l) Leases

Operating lease

Aggregate of lease rentals payable under the non-cancellable operating lease arrangements (over the initial and subsequent periods of lease) are charged to the Statement of Profit and Loss on straight line basis over the period of the lease.

(m) Foreign currency transactions

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

3. Notes to Accounts

				(Rs. in Lakhs)	
Particulars	Par Value Per Share	As at 31 March 2012		As at 31 March 2011	
	(Rs.)	Number	Amount	Number	Amount
NOTE 3.1: SHARE CAPITAL					
a) Authorised, issued, subscribed and paid up share capital					
Authorised					
Equity shares	10	125,000,000	12,500	125,000,000	12,500
Issued, subscribed and paid up					
Equity shares	10	91,736,857	9,174	91,407,000	9,141
TOTAL		91,736,857	9,174	91,407,000	9,141

	(Rs. in Lakhs)			
Particulars	As at 31 March 2012		As at 31 March 2011	
	Number	Amount	Number	Amount
b) Reconciliation of number of shares and amount outstanding at the beginning and at the end of the reporting period				
Shares outstanding at the beginning of the year	91,407,000	9,141	71,407,000	7,141
Shares issued during the year	329,857	33	20,000,000	2,000
Shares bought back during the year	-	-	-	-
Shares outstanding at the end of the year	91,736,857	9,174	91,407,000	9,141

The Company has issued total 329,857 shares (Previous year - Nil) during the period of five years immediately preceding the reporting date on exercise of options granted under the employees stock option plan (ESOP) wherein part consideration was received in the form of employees services.

NOTES

to the financial statements for the year ended 31 March 2012

c) Terms/rights attached to shares

The Company has only one class of equity shares having a par value of Rs. 10 per share. Each holder of equity shares is entitled to one vote per share. The dividend proposed (if any) by the Board of Directors and approved by the shareholders in the Annual General Meeting is paid in Indian rupees. All shares rank *pari passu* on repayment of capital in the event of liquidation.

Name of Shareholder	As at 31 March 2012		As at 31 March 2011	
	Number	Amount	Number	Amount
d) Shares in the Company held by holding/ultimate holding company				
Eros Worldwide FZ LLC - Holding Company	49,700,000	4,970	49,700,000	4,970
Eros Digital Private Limited - Fellow subsidiary	21,700,000	2,170	21,700,000	2,170

Name of Shareholder	As at 31 March 2012		As at 31 March 2011	
	Number	% of Holding	Number	% of Holding
e) Shares in the Company held by each shareholder holding more than 5% shares				
Eros Worldwide FZ LLC	49,700,000	54.19	49,700,000	54.38
Eros Digital Private Limited	21,700,000	23.65	21,700,000	23.74

f) Aggregate number of bonus shares issued during the period of five years immediately preceding the reporting date

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

g) Aggregate number of equity shares issued under employees stock option scheme (2009) during the period of five years immediately preceding the reporting date

The Company has issued total 329,857 shares (Previous year - Nil) during the period of five years immediately preceding the reporting date on exercise of options granted under the employees stock option plan (ESOP) wherein part consideration was received in the form of employee services.

As at 31 March 2012, 811,861 options were outstanding under Employee stock option scheme 2009. On exercise of the options so granted under Employee stock option scheme 2009, the paid up equity share capital of the Company will increase by equivalent number of shares.

Particulars	(Rs. in Lakhs)	
	As at 31 March 2012	As at 31 March 2011
NOTE 3.2: RESERVES AND SURPLUS		
Securities premium account		
Opening balance	30,060	-
Add : Premium on shares issued during the year	349	33,000
Less : Amount utilised towards initial public issue expenses	-	(2,940)
Add : Transfer from share options outstanding account	196	-
	30,605	30,060

NOTES

to the financial statements for the year ended 31 March 2012

Particulars	(Rs. in Lakhs)	
	As at 31 March 2012	As at 31 March 2011
NOTE 3.2: RESERVES AND SURPLUS (Contd.)		
Share options outstanding account		
Opening balance	554	134
Less: Transferred to securities premium account	(196)	-
Add: Deferred stock compensation expense	85	420
Less: Written back to Statement of Profit and Loss during the year	(253)	-
	190	554
Surplus in the Statement of Profit and Loss		
Opening balance	16,034	9,078
Add : Net Profit for the year	10,979	6,956
	27,013	16,034
TOTAL	57,808	46,648

Particulars	(Rs. in Lakhs)	
	As at 31 March 2012	As at 31 March 2011
NOTE 3.3 : LONG TERM BORROWINGS		
Term loans		
From banks		
Secured	12,380	3,564
Less : Current maturities disclosed under other current liabilities (Refer note 3.8)	1,157	1,311
	11,223	2,253
Car loans		
Secured	29	9
Less : Current maturities disclosed under other current liabilities (Refer note 3.8)	10	9
	19	-
TOTAL	11,242	2,253

- i) Term Loan from banks are secured by pari passu first charge on the DVD/Satellite Rights acquired for the domestic market, actionable claims, revenue and receivables arising on sales of the rights and negatives of films.
- ii) Car loans are secured by hypothecation of vehicles acquired there against.
- iii) Term loans are further secured by
 - a) Equitable mortgage of Company's immovable property situated at Mumbai, India.
 - b) Amount held in margin money.
 - c) Corporate guarantee of Eros International PLC, the ultimate holding company.
 - d) Residual value of equipments and vehicles.
 - e) Existing rights of hindi films.
- iv) Terms of repayment of term loans
 - Indian Overseas Bank - repayable in sixty equal monthly installment from the date of origination
 - Union Bank of India - repayable in sixty equal monthly installment from the date of origination
 - Dena Bank - repayable in twelve quarterly installment after the moratorium period of two years

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

NOTES

to the financial statements for the year ended 31 March 2012

Particulars	(Rs. in Lakhs)	
	As at 31 March 2012	As at 31 March 2011
NOTE 3.4: DEFERRED TAX LIABILITIES (NET)		
Deferred tax liability arising on account of		
On timing difference between book depreciation and depreciation as per Income Tax Act, 1961	11,084	7,252
	11,084	7,252
Deferred tax asset arising on account of		
Provision for gratuity and compensated absences	30	27
Disallowances under the Income Tax Act, 1961	257	31
Commission payable to directors	107	34
Maharashtra Value Added Tax and Central Sales Tax provision	323	323
	717	415
Deferred tax liability (net)	10,367	6,837

Particulars	(Rs. in Lakhs)	
	As at 31 March 2012	As at 31 March 2011
NOTE 3.5: OTHER LONG TERM LIABILITIES		
Trade payables	81	71
Others		
Trade / security deposits received	26	40
TOTAL	107	111

Particulars	(Rs. in Lakhs)	
	As at 31 March 2012	As at 31 March 2011
NOTE 3.6: LONG-TERM PROVISIONS		
Provision for employee benefits- (Refer note 3.38)		
Provision for gratuity *	66	68
TOTAL	66	68

* actual payout made during the current year has been considered as short term provision for the year 2010-11

Particulars	(Rs. in Lakhs)	
	As at 31 March 2012	As at 31 March 2011
NOTE 3.7: SHORT TERM BORROWINGS		
Loans repayable on demand		
From banks		
i) Secured	11,178	11,428
ii) Unsecured	13,000	2,000
TOTAL	24,178	13,428

NOTES

to the financial statements for the year ended 31 March 2012

- i) Packing credit is secured by hypothecation of films and film rights with pari passu charge on current assets.
- ii) Bill Discounting (Foreign bills/supplier bills) is secured by document of title to goods and accepted hundies with first pari passu charge on current assets.
- iii) Cash credit is secured by way of hypothecation of stock of DVD's/VCD's and receivables relating to domestic rights operations along with first pari passu charge on current assets.
- iv) Short term loans are further secured by
 - a) Equitable mortgage of Company's immovable property situated at Mumbai, India.
 - b) Amount held in margin money
 - c) Corporate guarantee of Eros International PLC, the Ultimate Holding Company
 - d) Residual value of equipments and vehicles.
 - e) Existing rights of hindi films.

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

Particulars	(Rs. in Lakhs)	
	As at 31 March 2012	As at 31 March 2011
NOTE 3.8: OTHER CURRENT LIABILITIES		
Current maturities of long-term borrowings (Refer note 3.3)	1,167	1,320
Interest accrued but not due on borrowings	61	140
Other payables		
Duties and taxes payable	1,910	1,961
Advance from customers	11,985	26,753
Expenses payable	708	554
Bank overdraft	6	6
TOTAL	15,837	30,734

Particulars	(Rs. in Lakhs)	
	As at 31 March 2012	As at 31 March 2011
NOTE 3.9: SHORT TERM PROVISIONS		
Provision for employee benefits		
i) Salary, bonus	55	186
ii) Gratuity (Refer Note 3.38)	15	-
iii) Leave encashment	11	15
TOTAL	81	201

NOTES

to the financial statements for the year ended 31 March 2012

NOTE : 3.10 FIXED ASSETS

(Rs. in Lakhs)										
	Gross block (at cost)				Accumulated depreciation/amortisation			Net block		
	Balance as at 1 April 2011	Additions/ (Disposals)	Adjustments/ Deletions during the year	Balance as at 31 March 2012	Balance as at 1 April 2011	Depreciation charge for the year	Adjustments/ Deletions during the year	Balance as at 31 March 2012	Balance as at 31 March 2011	
Tangible Assets										
Building	93	4,015	-	4,108	41	204	-	245	3,863	52
Furniture and fixtures	238	457	119	576	152	83	55	180	396	86
Motor vehicles	338	45	-	383	211	37	-	248	135	127
Office equipment	103	35	33	105	47	11	12	46	59	56
Data processing equipments	205	48	19	234	153	32	14	171	63	52
Studio equipments	980	566	66	1,480	809	51	42	818	662	171
TOTAL	1,957	5,166	237	6,886	1,413	418	123	1,708	5,178	544
Previous year	2,071	94	208	1,957	1,377	170	134	1,413	544	694
Intangible Assets										
Film Rights	96,454	44,242	-	140,696	71,372	31,169	-	102,541	38,155	25,082
Web site development	-	151	-	151	-	5	-	5	146	-
TOTAL	96,454	44,393	-	140,847	71,372	31,174	-	102,546	38,301	25,082
Previous year	73,224	23,230	-	96,454	53,630	17,742	-	71,372	25,082	19,594
Capital Work In Progress										
Building	4,451	20	4,471	-	-	-	-	-	-	4,451
Studio equipments	226	452	678	-	-	-	-	-	-	226
TOTAL	4,677	472	5,149	-	-	-	-	-	-	4,677
Previous year	-	4,677	-	4,677	-	-	-	-	4,677	-
Intangible assets under development										
Software	89	61	-	150	-	-	-	-	150	89
TOTAL	89	61	-	150	-	-	-	-	150	89
Previous year	-	89	-	89	-	-	-	-	89	-
Content advances										
Advances against production/ purchase of film	41,065	62,883	63,612	40,336	-	-	-	-	40,336	41,065
TOTAL	41,065	62,883	63,612	40,336	-	-	-	-	40,336	41,065
Previous year	31,054	43,521	33,510	41,065	-	-	-	-	41,065	31,054

Note : Content advances

- a) Adjustment / Deletions under content advances comprises of additions to film rights under intangible assets and film rights cost charged to Statement of Profit and Loss
- b) Out of total content advances an amount of Rs 206 Lakhs is written off and an amount of Rs 265 Lakhs has been provided for during the year

NOTES

to the financial statements for the year ended 31 March 2012

Particulars	(Rs. in Lakhs)	
	As at 31 March 2012	As at 31 March 2011
NOTE 3.11: NON-CURRENT INVESTMENTS		
Long-term, trade and valued at cost unless stated otherwise		
Equity shares in subsidiary companies (unquoted)		
Eros International Films Private Limited		
19,930,300 (Previous Year 19,930,300) equity shares of Rs 10 each, fully paid-up	1,993	1,993
Copsale Limited		
105,000 (Previous Year 105,000) equity shares of Rs 10 each, fully paid-up	45	45
Big Screen Entertainment Private Limited		
6,400 (Previous Year 6,400) equity shares of Rs 10 each, fully paid-up	1	1
EyeQube Studios Private Limited		
9,999 (Previous Year 9,999) equity shares of Rs 10 each, fully paid-up	1	1
EM Publishing Private Limited		
9,900 (Previous Year 9,900) equity shares of Rs 10 each, fully paid-up	1	1
Digicine Pte Limited		
100 (Previous Year 100) equity shares of Singapore dollar 1 each, fully paid-up	-	-
TOTAL	2,041	2,041

Particulars	(Rs. in Lakhs)	
	As at 31 March 2012	As at 31 March 2011
NOTE 3.12 : LONG TERM LOANS AND ADVANCES		
Unsecured, considered good		
Loans and advances to related parties (Refer note 3.33 (iii))	39	39
Security desposits	235	807
Advances receivable/recoverable in cash / kind	245	-
TOTAL	519	846

Particulars	(Rs. in Lakhs)	
	As at 31 March 2012	As at 31 March 2011
NOTE 3.13: OTHER NON CURRENT ASSETS		
Deposits with maturity of more than twelve months (Refer note 3.17)	-	516
TOTAL	-	516

NOTES

to the financial statements for the year ended 31 March 2012

Particulars	(Rs. in Lakhs)	
	As at 31 March 2012	As at 31 March 2011
NOTE 3.14: CURRENT INVESTMENTS		
Investment in Mutual Funds (valued at lower of cost and fair value, unless otherwise stated)		
Birla Sun Life Short Term FMP - Series 7 Growth (50,000,000 units matured during the year)	-	5,096
ICICI Prudential Interval Fund II (258,809,085.90 units matured during the year)	-	2,588
IDFC FMP - 100 days - S 1 Growth (25,355,507.13 units matured during the year)	-	2,535
Kotak QIP - Series 9 - Growth (35,711,985.68 units matured during the year)	-	4,001
UTI FIIF Series II - Quarterly Interval Plan - VII - Instr Growth Option (5,184,390.78 units matured during the year)	-	527
Birla Sun Life Savings Fund - Institutional Plan - Growth (247,057.18 units purchased during the year)	500	-
BIRLA SUN LIFE DYNAMIC BOND FUND-RETAIL PLAN-GROWTH (24,511.17 UNITS PURCHASED DURING THE YEAR)	4	-
BIRLA SUN LIFE DYNAMIC BOND FUND-RETAIL PLAN-GROWTH (5,504,661.58 UNITS PURCHASED DURING THE YEAR)	950	-
ICICI PRUDENTIAL INTERVAL FUND - QUARTERLY INTERVAL PLAN I - INSTITUTIONAL GROWTH (25,460,385 UNITS PURCHASED DURING THE YEAR)	2,896	-
TOTAL	4,350	14,747

Current investments include

Particulars	(Rs. in Lakhs)	
	As at 31 March 2012	As at 31 March 2011
Aggregate amount of unlisted but quoted investments	954	-
Aggregate amount of listed and quoted investments	-	3,062
Aggregate amount of listed but not quoted investments	2,896	11,685
Aggregate amount of unquoted and unlisted investments	500	-
TOTAL	4,350	14,747

NOTES

to the financial statements for the year ended 31 March 2012

Particulars	As at 31 March 2012	(Rs. in Lakhs) As at 31 March 2011
NOTE 3.15: INVENTORIES		
(As taken, valued and certified by the management)		
(valued at lower of cost and net realisable value)		
Film rights	327	26
Raw film prints	145	73
VCD/DVD/Audio CD	50	106
TOTAL	522	205

Particulars	As at 31 March 2012	(Rs. in Lakhs) As at 31 March 2011
NOTE 3.16: TRADE RECEIVABLES		
Overdue for a period exceeding six months from the date they are due for payment		
Unsecured, considered doubtful	9	-
Less : Trade receivables written off	(9)	-
	-	-
Unsecured, considered good	429	1,197
Others		
Unsecured, considered good (Refer note 3.33 (ii))	12,502	6,387
TOTAL	12,931	7,584

Particulars	As at 31 March 2012	(Rs. in Lakhs) As at 31 March 2011
NOTE 3.17: CASH AND BANK BALANCES		
Cash and cash equivalents		
a. Balances with banks -		
i) On current accounts	13,494	1,740
ii) On deposit accounts with maturity of less than three months	588	7,225
b. Cheques/drafts on hand	-	378
c. Cash on hand	10	4
	14,092	9,347
Other bank balances		
Deposits with maturity of more than three months but less than twelve months	15,804	12
Deposits with maturity of more than twelve months	-	516
	15,804	528
Less : amounts disclosed under other non current assets (Refer note 3.13)	-	516
	15,804	12
TOTAL	29,896	9,359

NOTES

to the financial statements for the year ended 31 March 2012

Particulars	As at 31 March 2012	(Rs. in Lakhs) As at 31 March 2011
NOTE: 3.18: SHORT TERM LOANS AND ADVANCES		
Unsecured, considered good		
Loans and advances to related parties (Refer note 3.33 (iv))	940	1,031
Security desposits	508	100
Advances receivable/recoverable in cash /kind	341	60
Loans and advances to employees	210	126
TOTAL	1,999	1,317

Particulars	As at 31 March 2012	(Rs. in Lakhs) As at 31 March 2011
NOTE 3.19: OTHER CURRENT ASSETS		
Interest accrued	458	23
Prepaid expenses	317	375
Income tax (net)	754	2,304
TOTAL	1,529	2,702

Particulars	For the year ended 31 March 2012	(Rs. in Lakhs) For the year ended 31 March 2011
NOTE 3.20: REVENUE FROM OPERATIONS		
Sale/distribution/exhibition of films and other rights	80,200	47,766
TOTAL	80,200	47,766

Particulars	For the year ended 31 March 2012	(Rs. in Lakhs) For the year ended 31 March 2011
NOTE 3.21: OTHER INCOME		
Net gain on foreign currency transactions and translation	-	213
Interest income (others)	134	32
Net gain on sale of current investements	1,114	397
Other non-operating income (net)	684	181
TOTAL	1,932	823

NOTES

to the financial statements for the year ended 31 March 2012

Particulars	(Rs. in Lakhs)	
	For the year ended 31 March 2012	For the year ended 31 March 2011
NOTE 3.22: PURCHASES / OPERATING EXPENSES		
Film rights cost	18,900	10,280
Amortisation of film rights	31,169	17,742
Home entertainment products related cost	291	250
Print and digital distribution cost	3,007	2,744
Processing and other direct cost	467	292
Shipping, packing and forwarding expenses	382	288
Selling and distribution expenses	4,226	2,091
TOTAL	58,442	33,687

Particulars	(Rs. in Lakhs)	
	For the year ended 31 March 2012	For the year ended 31 March 2011
NOTE 3.23: CHANGES IN INVENTORIES OF FINISHED GOODS		
Inventories at the end of the year of		
Finished goods	522	205
	522	205
Inventories at the beginning of the year of		
Finished goods	205	236
	205	236
TOTAL	(317)	31

Particulars	(Rs. in Lakhs)	
	For the year ended 31 March 2012	For the year ended 31 March 2011
NOTE 3.24: EMPLOYEE BENEFITS EXPENSE		
Salaries, wages and bonus	1,291	1,177
Contribution to provident fund and other funds	72	67
Employees stock option compensation	85	420
Staff welfare expenses	34	24
TOTAL	1,482	1,688

NOTES

to the financial statements for the year ended 31 March 2012

Particulars	(Rs. in Lakhs)	
	For the year ended 31 March 2012	For the year ended 31 March 2011
NOTE 3.25: FINANCE COSTS		
Interest expense on :		
Borrowings	1,934	1,136
Car loan	1	2
Security deposits	3	3
Other borrowing costs	66	41
	2,004	1,182
Less: Interest received	(767)	(364)
TOTAL	1,237	818

Particulars	(Rs. in Lakhs)	
	For the year ended 31 March 2012	For the year ended 31 March 2011
NOTE 3.26: OTHER EXPENSES		
Power and fuel	56	49
Rent (Refer note 3.37)	242	336
Repairs and maintenance	57	34
Insurance	59	36
Rates and taxes	11	3
Computer expenses	9	8
Legal and professional	964	643
Corporate reporting charges	38	17
Commission and sitting fees directors	333	109
Payments to auditors (Refer note 3.36)	48	40
Communication expenses	107	101
Travelling and conveyance	341	189
Printing and stationery	13	8
Subscription and membership fees	10	17
Donations and contributions	31	2
Content advances written off (Refer note 3.10)	206	-
Provision for doubtful content advances (Refer note 3.10)	265	-
Sundry balance written off	18	14
Loss on fixed assets sold / scrapped / written off	115	25
Bad debts	9	172
Bank charges	39	23
Net loss on foreign currency transactions and translation (other than considered as finance cost)	196	-
Miscellaneous expenses	440	123
TOTAL	3,607	1,949

NOTES

to the financial statements for the year ended 31 March 2012

NOTE 3.27 : RELATED PARTY INFORMATION :

In accordance with the requirements of Accounting Standard 18, "Related Party Disclosures" notified by the Central Government under the Companies Act, 1956, the details of related party transactions are given below :

a) List of related parties :	
Description of relationship	Names of related parties
Ultimate Holding Company	Eros International PLC, Isle of Man
Holding Company	Eros Worldwide FZ-LLC, Dubai
Subsidiaries	Eros International Films Private Limited
	Copsale Limited
	Big Screen Entertainment Private Limited
	Eyeqube Studios Private Limited
	EM Publishing Private Limited
	Eros Animation Private Limited
	Digicine PTE Limited
	Ayngaran International Limited (Isle of Man)
	Ayngaran International UK Limited
	Ayngaran International Mauritius Limited
	Ayngaran International Media Private Limited
	Ayngaran Anak Media Private Limited
Fellow Subsidiary	Eros Digital Private Limited
Entities having common control	Eros International Ltd United Kingdom
Key Management Personnel (KMP)	Mr. Naresh Chandra – Non Executive Chairman and Independent Director
	Mr. Sunil Lulla – Executive Vice Chairman and Managing Director
	Mr Kishore Lulla – Executive Director
	Mrs Jyoti Deshpande – Executive Director (resigned on 27 May 2011)
	Mr. Dharendra Swarup – Non Executive Independent Director
	Dr. Shankar Acharya – Non Executive Independent Director
	Mr. Vijay Ahuja – Executive Director
Relatives of KMP	Mrs. Meena A. Lulla
	Mr. Arjan G. Lulla
	Mrs. Manjula K Lulla
	Mrs. Krishika Lulla
	Ms. Nitu Lulla
Company in which KMP / Relatives of KMP can exercise significant influence	Shivam Enterprises

NOTES

to the financial statements for the year ended 31 March 2012

b) Details of related party transactions during the year

Particulars	Ultimate Holding Company	Holding Company	Subsidiaries	Fellow Subsidiaries	Entities having common control	KMP	Relatives of KMP	Entities in which KMP / relatives of KMP have significant influence	Total
Salary and perquisites	-	-	-	-	-	267	-	-	267
	-	-	-	-	-	(256)	-	-	(256)
Purchases of film rights/ raw stock /DVD'S	-	-	11,189	-	-	-	-	-	11,189
	-	-	(12,315)	-	-	-	-	-	(12,315)
Sale of film rights	-	23,855	38	-	-	-	-	-	23,893
	-	(13,007)	(15)	-	-	-	-	-	(13,022)
Sale of Prints/VCD/DVD	-	1,884	-	-	-	-	-	-	1,884
	-	(1,845)	-	-	-	-	-	-	(1,845)
Investment in Shares of the Company	-	-	-	-	-	-	-	-	-
Reimbursement of Administrative Expenses / others Received	-	958	191	-	-	-	-	-	1,149
Rent Paid	-	(463)	(273)	-	(13)	-	-	-	(749)
	-	-	-	-	-	42	46	-	88
	-	-	-	-	-	(42)	(46)	-	(88)
Content advances / loan given	-	-	11,155	-	-	-	-	-	11,155
	-	-	(19,594)	-	-	-	(9)	-	(19,603)
Advances/loans re-payments received	-	-	17,221	-	-	-	1	-	17,222
	-	-	(24,582)	-	-	-	-	-	(24,582)
Advances/loans taken	-	3,164	-	-	-	-	-	-	3,164
	-	(313)	(234)	-	-	-	-	-	(547)
Advances/loans re-payments paid	-	17,031	21	-	-	-	-	-	17,052
	-	(2,002)	-	-	-	-	-	-	(2,002)
Deposits repayment received	-	-	-	-	-	26	-	-	26
	-	-	-	-	-	(17)	-	-	(17)
Interest Received	-	-	35	-	-	-	-	-	35
	-	-	(82)	-	-	-	-	-	(82)
Re-imburements Given	-	-	-	-	-	-	-	-	-
	-	-	-	-	(7)	-	-	-	(7)
Balances outstanding at the end of the year									
Trade receivables	-	5,815	156	-	-	-	-	-	5,971
	-	(5,151)	(809)	-	-	-	-	-	(5,960)
Content advances / loan given	-	-	3,339	-	-	-	8	39	3,386
	-	-	(8,610)	-	-	-	(9)	(39)	(8,658)
Deposits	-	-	-	-	-	231	75	-	306
	-	-	-	-	-	(257)	(75)	-	(332)
Unsecured Loans	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-	-
Trade and Other payables	-	-	1,016	-	80	-	2	-	1,098
	-	-	(301)	-	(70)	-	-	-	(371)
Advances from customers	-	9,155	-	-	2	-	-	-	9,157
	-	(23,022)	-	-	(11)	-	-	-	(23,023)

Note: Figures in bracket relates to the previous year

NOTES

to the financial statements for the year ended 31 March 2012

c) Details of Transactions with parties exceeding 10% of total related party transactions

Particulars	Name of Party	Relationship	(Rs. in Lakhs)	
			or the year ended 31 March 2012	For the year ended 31 March 2011
Salary and perquisites	Mr. Sunil Lulla	Whole time Director	245	220
	Mr. Kishore Lulla	Whole time Director	22	Nil
	Mrs. Jyoti Deshpande	Whole time Director	Nil	36
Purchases of film rights/ DVD's	Copsale Limited	Subsidiary	3,936	Nil
	Eros International Films Private Limited	Subsidiary	7,253	12,315
Sale of film rights	Eros Worldwide FZ LLC, Dubai	Holding Company	23,855	13,007
Sale of prints/VCD/DVD etc.	Eros Worldwide FZ LLC, Dubai	Holding Company	1,884	1,845
Investment in shares of the Company	Digicine PTE Limited	Subsidiary Company	–	Nil
Administrative expenses / others	Eros International Films Private Limited	Subsidiary	117	115
	Eros Worldwide FZ LLC, Dubai	Holding Company	958	463
	Eyeqube Studios Private Limited	Subsidiary	Nil	158
Rent paid	Mr. Sunil Lulla	Whole time Director	42	42
	Mrs. Manjula K. Lulla	Relative of a key management personnel	40	40
Re-imbursements given	Eros International Limited - United Kingdom	Associate	Nil	7
Interest received	EyeQube Studios Private Limited	Subsidiary	35	82
Content advances/loans given	Eros International Films Private Limited	Subsidiary	9,917	15,619
	Big Screen Entertainment Private Limited	Subsidiary	Nil	2,506
Recovery of advances/loans given	Eros International Films Private Limited	Subsidiary	15,097	18,957
	Big Screen Entertainment Private Limited	Subsidiary	Nil	3,717
Advances/loans taken	Eros Worldwide FZ LLC, Dubai	Holding Company	3,164	313
	Big Screen Entertainment Private Limited	Subsidiary	Nil	234
Repayment of advances/loans taken	Eros Worldwide FZ LLC, Dubai	Holding Company	17,031	2,002
Refund of deposits received	Mr. Sunil Lulla	Whole time Director	26	17

NOTE 3.28 : SEGMENT INFORMATION

a) Primary segment information

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

b. Secondary segment information

The Company's operating divisions are managed from India. The principal geographic areas in which the Company operates based on location of customers are 'Within India' and 'Outside India'.

NOTES

to the financial statements for the year ended 31 March 2012

(Rs. in Lakhs)

Particulars	Outside India	Within India	Total
Revenue by geographical market	26,280 (17,207)	55,852 (31,382)	82,132 (48,589)
Carrying amount of segment assets	5,932 (5,279)	131,820 (105,495)	137,752 (110,774)

Note: Figures in brackets represent previous year figures

(Rs. in Lakhs)

Particulars	For the year ended 31 March 2012	For the year ended 31 March 2011
NOTE 3.29 : EARNINGS IN FOREIGN EXCHANGE		
FOB value of exports	25,720	16,787

(Rs. in Lakhs)

Particulars	For the year ended 31 March 2012	For the year ended 31 March 2011
NOTE 3.30 : CIF VALUE OF IMPORTS		
Purchase of film/serial rights	3,944	43
Purchase of beta tapes/Masters	17	2
Purchase of DVD's/Blue Ray Disks	7	20

(Rs. in Lakhs)

Particulars	For the year ended 31 March 2012	For the year ended 31 March 2011
NOTE 3.31 EXPENDITURE IN FOREIGN CURRENCY		
Travelling expenses	27	13
Business promotion expenses	10	8
Advertisement expenses	1	2
Film festival expenses	–	4
Legal and professional charges	62	176
Membership expenses	–	–

NOTE 3.32 CONTINGENT LIABILITIES:

- The Company has given bank guarantees in favour of various Government authorities to the extent of Rs. 200 Lakhs (Previous year Rs. 200 Lakhs).
- Corporate guarantees given on behalf of subsidiary company Rs. 500 Lakhs (Previous year Rs. 500 Lakhs).
- Sales tax/cess claims disputed by the Company Rs. 1671 Lakhs (Previous year Rs. 1671 Lakhs)
- Income tax and interest demands raised by authorities and disputed by the Company Rs. 47 Lakhs (net of Income tax demand adjusted against refund due) (Previous year Rs. 236 Lakhs).
- Claims against the Company not acknowledged as debts Rs. 1,597 Lakhs (Previous year Rs. 1,590 Lakhs). There are certain legal cases against the Company the value for which are unascertainable.
- Maharashtra Value Added Tax and Central Sales Tax levied on the sale or lease of copyrights under the Maharashtra VAT Act 2002, for the period 1 April 2011 to 31 March 2012 totaling to Rs. 3 Lakhs (Previous year Rs. 852 Lakhs) is

NOTES

to the financial statements for the year ended 31 March 2012

disputed by the Company. The cumulative total of tax disputed as at 31 March 2012 is Rs. 1,409 Lakhs (Previous year Rs. 1,456 Lakhs). In line with film industry consensus the Company is of the opinion that there are no grounds for levying VAT on film distribution activity.

- g) The Finance Act 2010 has levied service tax on transferring temporarily or permitting use or enjoyment of movies copyrights with effect from 1 July 2010. The Industry has jointly protested through various actions and also few leading film studios and production houses have filed the Writ Petition in Mumbai High Court challenging the constitutionality and the legality of this entry, since it is already a taxing entry with State Governments as sales by way of transfer of the right to use and is already subjected to Sales Tax / Value Added Tax. The Company has also filed the writ on the same and has challenged the constitutional validity of the levy.

NOTE 3.33 (i) Trade receivables includes the following amount due from subsidiaries, their step-down subsidiaries and companies under the same management:

Name of the Party	(Rs. in Lakhs)	
	As at 31 March 2012	As at 31 March 2011
Eros Worldwide FZ LLC	5,815	5,151
EM Publishing Private Limited	30	-
Ayngaran International Media Private Limited	126	809
TOTAL	5,971	5,960

(ii) Content advance to subsidiary company :

Name of the Party	(Rs. in Lakhs)	
	As at 31 March 2012	As at 31 March 2011
Eros International Films Private Limited	2,399	7,579
TOTAL	2,399	7,579

(iii) Long term loans and advances to firm under the same management:

Name of the Party	(Rs. in Lakhs)	
	As at 31 March 2012	As at 31 March 2011
Shivam Enterprises	39	39
TOTAL	39	39

(iv) Short term loans and advances to related parties including subsidiaries, their step down subsidiaries and companies under the same management comprises the following:

Name of the Party	(Rs. in Lakhs)	
	As at 31 March 2012	As at 31 March 2011
Eyeqube Studios Private Limited	265	275
EM Publishing Private Limited	5	86
Eros Animation Private Limited	-	-
Ayngaran International Media Private Limited	670	670
Eros Digital Private Limited	-	-
TOTAL	940	1,031

(v) Advances (including deposits) to directors and relatives of directors comprise as follows:

Name of the Party	(Rs. in Lakhs)	
	As at 31 March 2012	As at 31 March 2011
Sunil Lulla	231	257
Manjula Lulla	83	84
TOTAL	314	341

NOTES

to the financial statements for the year ended 31 March 2012

NOTE 3.34 DEFERRAL OF EXCHANGE DIFFERENCES

The Company has, consequent to the notification issued by the Ministry of Corporate Affairs on 29 December 2011 giving an option to the companies to amortise the exchange differences pertaining to long term foreign currency monetary items up to 31 March 2020 (from 31 March 2012 earlier), adopted the said option given under paragraph 46 of Accounting Standard 11. Net foreign exchange aggregating to Rs. 124 Lakhs has been capitalised to the Intangibles during the year out of which the Company has charged an amount of Rs.75 Lakhs to the Statement of Profit and Loss as per the amortisation policy of the Company

NOTE 3.35 EARNINGS PER SHARE

The basic earnings per equity share are computed by dividing the net profit attributable to the equity shareholders for the reporting period by the weighted average number of equity shares outstanding during the reporting period. The number of shares used in computing diluted earnings per share comprises the weighted average number of shares considered for deriving basic earnings per share and also the weighted average number of equity shares, which may be issued on the conversion of all dilutive potential shares, unless the results would be anti dilutive. The earnings per share is calculated as under:

Particulars	Year ended 31 March 2012	Year ended 31 March 2011
Net Profit after tax (Rs. in Lakhs)	10,979	6,956
Weighted average number of equity shares outstanding during the year		
Basic	91,495,637	81,105,630
Diluted	91,495,637	81,694,582
Earnings per share (in Rs.)		
Basic	12.00	8.58
Diluted	12.00	8.52
Nominal value of shares (in Rs.)	10.00	10.00

NOTE 3.36 AUDITORS' REMUNERATION (INCLUDING SERVICE TAX) HAS BEEN CLASSIFIED AS UNDER

Particulars	Year ended 31 March 2012	(Rs. in Lakhs) Year ended 31 March 2011
Statutory audit	25	22
Tax audit	3	3
Other services	19	15
Out of pocket expenses	1	-
TOTAL	48	40

NOTE 3.37 OPERATING LEASES

The Company has various operating lease agreements for office facilities and residential premises for employees. These agreements are for tenures between 12 months and 3 years and are renewable by mutual consent on mutually agreeable terms.

Particulars	Year ended 31 March 2012	(Rs. in Lakhs) Year ended 31 March 2011
Lease rental payment for the year	242	336
Future rental payment:		
Not older than one year	128	308
Later than one year, but not later than five years	27	280
Later than five years	-	-

NOTE 3.38 EMPLOYEE BENEFITS

The relevant disclosures in pursuance of Accounting Standard [AS 15 (Revised) 2005] "Employee Benefits" notified by the Companies Act, 1956 are as follows:

- The Company has recognised, in the Statement of Profit and Loss the following expense under defined contribution plan.

Benefit (Contribution to)	Year ended 31 March 2012	(Rs. in Lakhs) Year ended 31 March 2011
Provident fund	60	54
TOTAL	60	54

NOTES

to the financial statements for the year ended 31 March 2012

- ii) The Company accounts for Gratuity under defined benefit plan.
- iii) Details of the gratuity plan are as follows

I. Assumption:	31 March 2012	31 March 2011
Discount Rate	8.75%	8.25 %
Rate of return on plan assets	8.75%	8.25 %
Salary Escalation	6.00%	6.00 %
Attrition rate	2.00%	2.00 %
		(Rs. in Lakhs)
II. Table Showing Change in Benefit Obligation:	31 March 2012	31 March 2011
Liability at the beginning of the year	69	42
Interest Cost	6	3
Current Service Cost	18	18
Past Service Cost (Non Vested Benefit)	-	-
Past Service Cost (Vested Benefit)	-	6
Liability Transfer in	-	-
Liability Transfer out	-	-
Benefits Paid	-	-
Actuarial (gain) / loss on obligations	(12)	-
Liability at the end of the year	81	69
Current portion	15	-
Non current portion	66	68
III. Amount Recognised in the Balance Sheet:		
Liability at the end of the year	(81)	(69)
Fair Value of Plan Assets at the end of the year	-	-
Difference	(81)	(69)
Unrecognised Past Service Cost	-	-
Unrecognised Transition Liability	-	-
Amount Recognised in the Balance Sheet	(81)	(69)
IV. Expenses Recognised in the Income Statement:		
Current Service Cost		
Interest Cost	18	18
Past Service Cost (Non Vested Benefit) Recognised	6	3
Past Service Cost (Vested Benefit) Recognised	-	6
Recognised of Transition Liability	-	-
Actuarial (gain) / loss	(12)	-
Expenses Recognised in Statement of Profit and Loss	12	27
V. Balance Sheet Reconciliation:		
VI. Experience adjustment:		
On plan liability (gain) / loss	(7)	-

- iv) The estimate of future salary increases takes into account inflation, seniority, promotion and other relevant factors.

NOTES

to the financial statements for the year ended 31 March 2012

3.39 EMPLOYEES STOCK OPTION PLAN (ESOP)

ESOP 2009 scheme:

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

Particulars	Year ended 31 March 2012		Year ended 31 March 2011	
	No. of Options	Weighted Average exercise price in Rs.	No. of Options	Weighted Average exercise price in Rs.
Stock Options outstanding at the beginning of the year	1,733,924	-	1,680,893	-
Granted during the year	-	-	83,628	91.14
Forfeited / cancelled	(592,206)	78.55	(30,597)	175.00
Exercised	(329,857)	115.53	-	-
Balance as at the end of the year	811,861		1,733,924	

Particulars	Year ended 31 March 2012		(Rs. in Lakhs) Year ended 31 March 2011
Deferred Employee Compensation Expense	74		477
Employees' Compensation Expense recognised for the year.	85		420
Employees' Stock Options Outstanding	263		1,031

Proforma accounting for stock options granted

The Company applies the intrinsic value-based method of accounting for determining compensation cost for its stock-based compensation plan. Had the compensation cost been determined using the fair value approach, the Company's net income and basic and diluted earnings per share (EPS) as reported would have been as per the proforma amounts as indicated herein below:

Particulars	Year ended 31 March 2012		(Rs. in Lakhs) Year ended 31 March 2011
Net Profit after tax as reported	10,979		6,956
Add - Intrinsic Value Cost	85		420
Less - Fair Value Cost	238		662
Adjusted proforma Net Profit	10,826		6,714
Basic EPS as reported	12.00		8.58
Proforma Basic EPS	11.83		8.28
Diluted EPS as reported	12.00		8.52
Proforma Diluted EPS	11.73		8.11

The fair value of each option is estimated on the grant date based on the following assumptions:

ESOP 2009

Date of grant	17 December 2009	12 August 2010
Expected volatility	75%	60%
Risk free interest rate	6.30%	6.50%
Time to maturity (in years)	5.25 years	5.25 years
Dividend yield	Nil	Nil

NOTES

to the financial statements for the year ended 31 March 2012

NOTE 3.40 DUES TO MICRO, SMALL AND MEDIUM ENTERPRISE

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

NOTE 3.41 Pursuant to the provisions of Clause 43A of the Listing agreement with the exchanges, the utilisation of the net proceeds of the IPO as stated in the Prospectus dated 23 September 2010 and aggregating Rs. 35,000 Lakhs is as follows. :

(Rs. in Lakhs)	
Description	Amount
Gross proceeds of the issue	35,000
Issue expenses	(3,146)
Net proceeds of the issue	31,854

(Rs. in Lakhs)			
Description	Projected	Actuals	Balance
Acquiring and co-producing, Indian films including primarily Hindi language films as well as certain Tamil and Other regional language films	28,000	30,074	(2,074)
General Corporate Purposes	3,854	1,780	2,074
TOTAL	31,854	31,854	-

NOTE 3.42 Balances of certain trade receivables, loans and advances and trade payables in respect of certain films are subject to confirmation/reconciliation and subsequent adjustment, if any. In the opinion of the management such adjustments are not likely to be material.

NOTE 3.43 The company is engaged in the production and trading of film rights, which requires various types qualities and quantities of raw materials and input in different denominations. Due to the multiplicity and complexity of items, it is not practicable to maintain the quantitative record/continuous stock register, as the process of making films is not amenable to it. Hence, quantitative details are not maintained by the company as is the practice generally followed by companies in the industry.

NOTE 3.44 The financial statements for the year ended 31 March 2011 had been prepared as per the then applicable, pre-revised schedule VI to the Companies Act, 1956. Consequent to the notification of Revised Schedule VI under the Companies Act, 1956, the financial statements for the year ended 31 March 2012 are prepared as per Revised Schedule VI. Accordingly, the previous year figures have also been reclassified to conform to this year's classification. The adoption of Revised Schedule VI for previous year figures does not impact recognition and measurement principles followed for preparation of financial statements.

Note 1 to 3.44 which forms an integral part of the financial statements.

For and on behalf of the Board of Directors

Sunil Lulla

Executive Vice Chairman and Managing Director

Kishore Lulla

Executive Director

Kamal Jain

Group Chief Financial Officer (India)

Rajesh Bhatia

Company Secretary and Compliance Officer

Place: Mumbai

Date: 26 May 2012

FINANCIAL INFORMATION OF SUBSIDIARIES PURSUANT TO SEC 212 (8) of the Companies Act, 1956 for the Financial Year Ended March 31 2012

Sr No	Name of Subsidiary Company	Reporting Currency	Exchange Rate	Total no of Equity Shares	No of equity shares held by the Company	Extent of Holding	Capital	Re-serves	Other Li-abilities	Total Li-abilities	Fixed Assets, Non Current and Current (other than invest-ments)	Investments other than Investment in Subsidiaries	Investment in subsidiar-ies or step down subsidiaries	Total Assets	Turnover / Total Income	Profit Before Taxation	Provision for Taxa-tion	Profit after Taxation	Pro-posed Dividend	Country
1	Eros International Films Private Limited	INR	1.00	20,000,000	19,930,300	99.65%	2,000	915	4,103	7,018	6,217	800	1	7,018	7,628	60	8	52	-	India
2	Cosmos Limited	USD	50.87	105,000	105,000	100.00%	45	11,168	10,010	21,223	21,223	-	-	21,223	12,018	2,531	-	2,531	-	British Virgin Island
3	Bigscreen Entertainment Private Limited	INR	1.00	10,000	6,400	64.00%	1	184	283	468	468	-	-	468	-	(3)	-	(3)	-	India
4	Eyeube Studios Private Limited	INR	1.00	10,000	9,999	99.99%	1	712	413	1,126	1,126	-	-	1,126	1,351	268	89	179	-	India
5	Ayngaran International Limited (ICM)	USD	50.87	100	51	51.00%	-	(238)	10,241	10,003	10,000	-	3	10,003	-	(85)	-	(85)	-	Isle of Man
6	Ayngaran International (Mauritius) Limited	USD	50.87	7,350	7,350	100.00%	3	1,653	11,314	12,970	12,968	-	2	12,970	2,346	9	-	9	-	Mauritius
7	Ayngaran International (UK) Limited	GBP	81.46	1	1	100.00%	-	(73)	7,345	7,272	7,272	-	-	7,272	3,274	(158)	-	(158)	-	United Kingdom
8	Ayngaran International Media Private Limited	INR	1.00	21,900	21,900	100.00%	2	(54)	4,471	4,419	4,409	-	10	4,419	1,824	(208)	(66)	(142)	-	India
9	Ayngaran Anak Media Private Limited	INR	1.00	200,000	102,000	51.00%	20	-	27	47	47	-	-	47	52	(6)	(2)	(4)	-	India
10	EM Publishing Private Limited	INR	1.00	10,000	9,900	99.00%	1	18	40	59	59	-	-	59	71	20	6	14	-	India
11	Eros Animation Private Limited	INR	1.00	10,000	9,999	99.99%	1	-	-	1	1	-	-	1	-	-	-	-	-	India
12	Digicore Pte Ltd	SGD	40.45	100	100	100.00%	-	-	-	-	-	-	-	-	-	-	-	-	-	Singapore

AUDITOR'S REPORT

To the Members of Eros International Media Limited

To,

The Board of Directors of Eros International Media Limited

1. We have audited the attached Consolidated Balance Sheet of Eros International Media Limited, its subsidiaries including step down subsidiaries, (hereinafter collectively referred to as 'the Group') as at 31 March 2012, and also the Consolidated Statement of Profit and Loss and the Consolidated Cash Flow Statement for the year ended on that date annexed thereto (collectively referred as the 'financial statements'). These Consolidated Financial Statements are the responsibility of the Group's management and have been prepared by the Group's management on the basis of separate financial statements and other financial information regarding components. Our responsibility is to express an opinion on these Consolidated Financial Statements based on our audit.
2. We conducted our audit in accordance with the auditing standards generally accepted in India. Those Standards require that we plan and perform the audit to obtain reasonable assurance whether the Consolidated Financial Statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the Consolidated Financial Statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.
3. We report that
 - (a) the Consolidated Financial Statements have been prepared by the Group's management in accordance with the requirements of Accounting Standard 21 on 'Consolidated Financial Statements' notified pursuant to the Companies (Accounting Standards) Rules, 2006.
 - (b) We did not audit the financial statements of 11 subsidiaries and step down subsidiaries, whose financial statements reflect total assets (before eliminating intra-group transactions) of Rs. 57,590 Lakhs as at 31 March 2012; total revenues (before eliminating intra-group transactions) of Rs. 20,935 Lakhs and net cash outflows aggregating to Rs. 38 Lakhs for the year then ended. These financial statements and other financial information have been audited by other auditors whose reports have been furnished to us by the management, and our opinion is based solely on the reports of the other auditors.
4. Based on our audit and on consideration of reports of other auditors on the separate financial statements and on the other financial information of the subsidiaries including step down subsidiaries, and to the best of our information and according to the explanations given to us, in our opinion, the attached Consolidated Financial Statements give a true and fair view in conformity with the accounting principles generally accepted in India, in case of:
 - a) the Consolidated Balance Sheet, of the state of affairs of the Group as at 31 March 2012;
 - b) the Consolidated Statement of Profit and Loss, of the profit for the year ended on that date; and
 - c) the Consolidated Cash Flow Statement, of the cash flows for the year ended on that date.

For **Walker, Chandiok & Co**

Chartered Accountants

Firm Registration No.: 001076N

per **Khushroo B. Panthaky**

Partner

Membership No: F-42423

Place: Mumbai

Date: 26 May 2012

Annual Report 2011-12

CONSOLIDATED BALANCE SHEET

as at 31 March 2012

		(Rs. in Lakhs)	
Particulars	Note No.	As at 31 March 2012	As at 31 March 2011
EQUITY AND LIABILITIES			
Shareholders' funds			
Share capital	3.1	9,174	9,141
Reserves and surplus	3.2	74,287	57,907
Minority interest		641	514
Non-current liabilities			
Long-term borrowings	3.3	11,253	2,287
Deferred tax liabilities (net)	3.4	10,368	6,848
Other long term liabilities	3.5	826	742
Long-term provisions	3.6	72	74
Current liabilities			
Short-term borrowings	3.7	32,371	21,586
Trade payables		11,534	2,911
Other current liabilities	3.8	16,534	34,071
Short-term provisions	3.9	355	524
TOTAL		167,415	136,605
ASSETS			
Non-current assets			
Fixed assets	3.10		
Tangible assets		5,640	1,145
Intangible assets		47,238	32,054
Capital work-in-progress		-	4,677
Intangible assets under development		150	89
Content Advances (net)		42,650	39,920
Non-current investments	3.11	800	800
Deferred tax assets (net)	3.12	145	74
Long-term loans and advances	3.13	950	1,675
Other non-current assets	3.14	693	1,264
Current assets			
Current investments	3.15	4,350	14,747
Inventories	3.16	703	468
Trade receivables	3.17	24,497	13,349
Cash and bank balances	3.18	30,036	14,354
Short-term loans and advances	3.19	3,054	2,020
Other current assets	3.20	6,509	9,969
TOTAL		167,415	136,605

Note 1 to 3.37 forms an integral part of the financial statement

As per our report of even date attached

For **Walker, Chandiok & Co** For and on behalf of the Board of Directors

Chartered Accountants

Khushroo B. Panthaky

Partner

Sunil Lulla

Executive Vice Chairman and Managing Director

Kishore Lulla

Executive Director

Kamal Jain

Group Chief Financial Officer (India)

Rajesh Bhatia

Company Secretary and Compliance Officer

Place: Mumbai

Date: 26 May 2012

CONSOLIDATED STATEMENT OF PROFIT AND LOSS

for the year ended 31 March 2012

		(Rs. in Lakhs)	
Particulars	Note No.	For the year ended 31 March 2012	For the year ended 31 March 2011
REVENUE			
Revenue from operations	3.21	94,388	70,697
Other income	3.22	1,930	895
Total revenue (I)		96,318	71,592
EXPENSES			
Purchases/Operating expenses	3.23	66,545	49,513
Changes in inventories of finished goods	3.24	(292)	84
Employee benefits expense	3.25	2,255	2,528
Finance costs	3.26	1,344	939
Depreciation		600	382
Other expenses	3.27	4,641	2,958
Total expenses (II)		75,093	56,404
Profit before tax (I-II)		21,225	15,188
TAX EXPENSE			
- Current tax		3,946	2,324
- Short/(excess) provision for earlier years		189	(20)
- Deferred tax		3,449	1,793
- Minimum alternate tax credit		(1,270)	(730)
Total tax expense		6,314	3,367
Profit after tax before Minority Interest		14,911	11,822
Minority Interest		127	98
Net Profit after Minority Interest		14,784	11,724
Earnings per equity share:	3.31		
Face Value of Rs. 10 each			
- Basic		16.16	14.45
- Diluted		16.16	14.35

Note 1 to 3.37 forms an integral part of the financial statement

As per our report of even date attached

For **Walker, Chandiok & Co** For and on behalf of the Board of Directors

Chartered Accountants

Khushroo B. Panthaky

Partner

Sunil Lulla

Executive Vice Chairman and Managing Director

Kishore Lulla

Executive Director

Kamal Jain

Group Chief Financial Officer (India)

Rajesh Bhatia

Company Secretary and Compliance Officer

Place: Mumbai

Date: 26 May 2012

CONSOLIDATED CASH FLOW STATEMENT

for the year ended 31 March 2012

Particulars	(Rs. in Lakhs)	
	For the year ended 31 March 2012	For the year ended 31 March 2011
CASH FLOW FROM OPERATING ACTIVITIES		
Profit before tax	21,225	15,188
Adjustments:		
Depreciation and amortisation	35,369	24,732
Bad debts	10	244
Sundry balances written back	(23)	(61)
Content advances written off	206	1
Sundry balances written off	20	57
Provision for doubtful content advances	265	-
Finance costs (net)	1,344	939
Interest income	(174)	(32)
Loss on sale / write off of assets (net)	115	25
Net gain on sale of current investments	(1,114)	(397)
Expense on employee stock option scheme	85	420
ESOP reversal on retirement of employee	(253)	-
OPERATING PROFIT BEFORE WORKING CAPITAL CHANGES	57,075	41,116
Increase/(Decrease) in other long term liabilities	84	(8,291)
Increase/(Decrease) in long-term provisions	(2)	11
Increase/(Decrease) in trade payables	8,646	(3,394)
Increase/(Decrease) in other current liabilities	(14,953)	798
Increase/(Decrease) in short-term provisions	(67)	238
(Increase) /Decrease in inventories	(235)	3,619
(Increase) /Decrease in trade receivables	(11,157)	(565)
(Increase) /Decrease in short-term loans and advances	(1,034)	1,800
(Increase) /Decrease in other current assets	1,298	9,293
(Increase) /Decrease in long-term loans and advances	725	(811)
(Increase) /Decrease in other non current assets	571	1,698
Cash generated from operations	40,951	45,513
Taxes paid (net of refunds)	(826)	(2,842)
Net cash generated from operating activities (A)	40,125	42,670
CASH FLOW FROM INVESTING ACTIVITIES		
Capital expenditure on fixed assets, including capital advances	(52,998)	(54,769)
Deposits with banks under "other bank balances"	(16,341)	(15)
Proceeds from sale of fixed assets	4	77
Net gain / (loss) on sale of current investments	1,114	397
Net cash used from investing activities (B)	(68,221)	(54,310)

CONSOLIDATED CASH FLOW STATEMENT

for the year ended 31 March 2012

Particulars	(Rs. in Lakhs)	
	For the year ended 31 March 2012	For the year ended 31 March 2011
CASH FLOW FROM FINANCING ACTIVITIES		
Proceeds from issue of equity shares (net)	382	32,060
Proceeds/repayments from long - term borrowings (net)	6,528	(3,393)
Proceeds from short term borrowing (net)	10,785	5,331
Interest income	174	32
Finance charges	(1,490)	(695)
Net cash generated from financing activities (C)	16,379	33,335
Net increase in cash and cash equivalents (A + B + C)	(11,717)	21,695
Cash and cash equivalents at the beginning of the year	29,086	8,301
Effect of exchange rate on consolidation of foreign subsidiaries	661	(910)
Cash and cash equivalents at the ending of the year	18,030	29,086

Notes :

	Year ended 31 March 2012		Year ended 31 March 2011	
	Beginning	Ending	Beginning	Ending
1. Cash and cash equivalents as at the year end includes				
Cash on hand	21	29	28	21
Balances with the banks	14,318	13,651	8,273	14,318
Investment in mutual fund	14,747	4,350	-	14,747
	29,086	18,030	8,301	29,086

- The Cash flow statement has been prepared under indirect method as set in Accounting Standard - 3 'Cash Flow Statement' as notified under Companies Act 1956
- Previous year figures have been regrouped, wherever necessary, to confirm to this year classification.

As per our report of even date attached

For **Walker, Chandio & Co** For and on behalf of the Board of Directors
Chartered Accountants

Khushroo B. Panthaky
Partner

Sunil Lulla
Executive Vice Chairman and Managing Director

Kishore Lulla
Executive Director

Kamal Jain
Group Chief Financial Officer (India)

Rajesh Bhatia
Company Secretary and Compliance Officer

Place: Mumbai
Date: 26 May 2012

NOTES

to the consolidated financial statements for the year ended 31 March 2012

SIGNIFICANT ACCOUNTING POLICIES AND NOTES TO ACCOUNTS

1 (a) Corporate Information

Eros International Media Limited (BSE Scrip Code: 533261; NSE Scrip Code: EROSMEDIA) is a global player within the Indian media and entertainment arena. It operates on a vertically integrated studio model controlling content as well as distribution and exploitation across multiple formats globally, including cinema, digital, home entertainment and television syndication.

(b) Nature of Operations

Eros International Media Limited (the Company) and its subsidiaries including step down subsidiaries (hereinafter collectively referred to as the "Group") are engaged in the business of sourcing Indian film content either through acquisition, co-production or production of such films, and subsequently exploiting and distributing such films in India through music release, theatrical distribution, DVD and VCD release, television licensing and new media distribution avenues such as cable or DTH licensing; and trading and exporting the International Rights to its parent Eros Worldwide FZ LLC as per pre-agreed transfer pricing norms. The Group also includes a visual effects studio named EyeQube that provides production planning and visual effects services for films and the Group includes Ayngaran group of companies which is involved in the acquisition, production and distribution of Tamil films worldwide

2. (I) Basis of preparation

The financial statements have been prepared and presented under the historical cost convention on the accrual basis of accounting and comply with the applicable Accounting Standards ('AS') and Accounting Rules as notified under the Companies Act, 1956.

(II) Use of estimates

The preparation of the financial statements in conformity with generally accepted accounting principles ('GAAP') requires management to make estimates and assumptions that affect the reported amount of assets and liabilities and disclosure of contingent liabilities on the date of the financial statements. Management believes that the estimates made in the preparation of financial statements are prudent and reasonable. Actual future period's results could differ from those estimates. Any revision to accounting estimates is recognised in the period in which revisions are made.

(III) Significant Accounting Policies

(a) Basis of consolidation

The Consolidated Financials Statements (CFS) relates to the Group.

The CFS have been prepared on the following basis:

- i. The financial statements of the parent company and its subsidiaries including step down subsidiaries have been consolidated on a line by line basis by adding together the book values of the items like assets, liabilities, income and expenses.
- ii. The CFS have been consolidated using uniform accounting policies for like transactions and other events in similar circumstances. The impact of change in accounting policies, if not material, has been ignored.
- iii. The excess/deficit (as on the date of acquisition) of the Company's investment cost over the subsidiaries networth is recognised as goodwill/capital reserve.
- iv. The CFS are prepared after fully eliminating intra group balances, intra group transactions and unrealised profits from the intra group transactions.
- v. Minorities' interest in net profit/loss of consolidated subsidiary for the year is identified and adjusted against the income in order to arrive at the net income attributable to the shareholders of the Company. Their share of net assets is identified and presented in the Consolidated Balance Sheet separately. Where accumulated losses attributable to the minorities are in excess of their equity, in the absence of the contractual obligation on the minorities, the same are accounted for by the Holding Company.

NOTES

to the consolidated financial statements for the year ended 31 March 2012

- vi. The consolidated financial statements are prepared using uniform accounting policies for like transactions and other events in similar circumstances and are presented, to the extent possible, in the same manner as the Company's separate financial statements.
- vii. There are no differences in reporting dates within the group entities.

(b) CFS comprise the financial statements of Eros International Media Limited and its subsidiaries as below:

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

c) Revenue recognition

1. Sale of rights

Sale of rights is recognised on effective delivery of materials to customers as per terms of the sale agreements.

2. Sale of physical home entertainment products

Sale of physical home entertainment products is accounted on delivery to customers, as per agreement/ arrangement.

Digital and other new media revenues are recognised at the earlier of when the content is accessed or if licensed the date the revenue is contracted or declared.

3. Revenue from theatrical distribution of films

Revenue from theatrical distribution is recognised on exhibition of films. In case of distribution through theatres, revenue is recognised on the basis of box office reports received from various exhibitors. In case of distribution of films on commission basis, revenue is recognised inclusive of share of sub-distributor. Overflow from the distributors is accounted when reported.

NOTES

to the consolidated financial statements for the year ended 31 March 2012

4. *Interest Income*

Interest income is recognised on a time proportion basis taking into account the amount outstanding and the rate applicable.

5. *Short term gain on mutual funds*

On disposal of current investments, the difference between the carrying amount and the disposal proceeds is recognised in the consolidated statement of Profit and Loss.

d) **Fixed assets and depreciation**

Fixed assets are stated at cost less accumulated depreciation. Cost includes purchase cost and all incidental expenses to bring the asset to their present location and condition.

Depreciation is provided under written down value method at the rates prescribed under Schedule XIV to the Companies Act, 1956. Assets costing less than Rs. 5,000 each are depreciated at full in the year of purchase.

e) **Intangible assets and amortisation**

Investment in Film and associated rights are recorded at their acquisition costs or capitalised cost less accumulated amortisations. Cost includes acquisition and production cost, any direct overhead cost and capitalised interest.

Completed film and associated rights are amortised as a group or individually in the proportion of gross revenues realised which they bear to management's estimate of the total gross revenues expected to be received. Such revenues can be generated over the life time of the rights, but for amortisation purpose the period is limited to the lower of the life of the rights or 10 years.

In respect of unreleased films, payments towards film rights are classified under advances as the amounts are refundable in the event of non release of the film.

f) **Content advance**

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

g) **Investments**

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

h) **Inventories**

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

- a) Raw prints and tapes on weighted average basis.
- b) Home entertainment products, at cost or net realisable value.
- c) New film rights where principle rights, generally theatrical, satellite and video rights, have been sold, stock of residual rights are valued at values estimated by the management which would not exceed the relevant cost. Stock of rights in respect of old films are valued at full cost for a period of twelve months from the date of purchase and, thereafter at appropriate realisable values as estimated by the management not exceeding the cost. All kinds of film rights are reviewed by the management at the end of each reporting period to determine fall in values, if any, based on expected future realisability of such rights.
- d) Inventories related to films under production are stated at acquisition and production cost plus relevant overhead cost and capitalised interest net of any amounts received from third party investors.

NOTES

to the consolidated financial statements for the year ended 31 March 2012

i) Impairment of assets

In accordance with Accounting Standard 28 on "Impairment of Assets" as notified under the Companies Act, 1956 the carrying amounts of the assets are reviewed at each balance sheet date to determine whether there is any indication of impairment based on internal or external factors. An asset is treated as impaired when the carrying cost of the asset exceeds its recoverable amount. The recoverable amount of the assets (or where applicable, that of the cash generating unit to which the asset belongs) is estimated as the higher of its net selling price and its value in use. Impairment loss is recognised in the Consolidated Statement of Profit and Loss or against revaluation surplus where applicable.

j) Provisions and contingencies

Provisions are recognised when there is present legal or constructive obligation as a result of a past event and it is more likely than not that an outflow of resources will be required to settle the obligation. Provisions are measured at the management's best estimate of the outflow required to settle the obligations at the Balance Sheet date. A disclosure for a contingent liability is made when there is a possible obligation or a present obligation that may, but probably will not, require an outflow of resources.

k) Employee benefits

Defined contribution plan

The Company's contributions paid or payable during the year to the provident fund/employee's state insurance corporation are recognised in the Consolidated Statement of Profit and Loss.

Defined benefit plan

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

Stock based compensation

The compensation cost of stock options granted to employees is calculated using the intrinsic value method. The compensation expense is amortised uniformly over the vesting period of the option.

l) Taxes on income

Income tax expense comprises current income tax and deferred tax.

Current taxes

Provision for current income-tax is recognised in accordance with the provisions of Indian Income Tax Act, 1961, and is made at the end of each reporting period based on the tax liability after taking credit for tax allowances and exemptions.

Deferred taxes

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

NOTES

to the consolidated financial statements for the year ended 31 March 2012

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

m) Borrowing costs

Borrowing costs directly attributable to production of films, and the acquisition or construction of the qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale. All other borrowing costs are charged to revenue and recognised as an expense in the consolidated statement of Profit and Loss.

n) Leases

Operating lease

Aggregate of lease rentals payable under the non-cancellable operating lease arrangements (over the initial and subsequent periods of lease) are charged to the Consolidated Statement of Profit and Loss on straight line basis over the period of the lease.

o) Foreign currency transactions

Transactions in foreign currencies are accounted at exchange rates prevalent on the date of the transaction. Foreign currency monetary assets and liabilities at the period end are translated using the exchange rates prevailing at the end of the period. All exchange differences are recognised in the consolidated statement of Profit and Loss. Non-monetary foreign currency items are carried at the lower of cost and fair value and accordingly the investments in shares of foreign subsidiaries are denominated in Indian currency at the rate of exchange prevailing at the time when the original investments are made or fair values determined.

3. Notes to accounts

Particulars	Par Value Per Share	(Rs. in Lakhs)			
		As at 31 March 2012		As at 31 March 2011	
	(Rs.)	Number	Amount	Number	Amount
NOTE 3.1: SHARE CAPITAL					
a) Authorised, issued, subscribed and paid up share capital					
Authorised					
Equity shares	10	125,000,000	12,500	125,000,000	12,500
Issued, subscribed and paid up					
Equity shares	10	91,736,857	9,174	91,407,000	9,141
TOTAL		91,736,857	9,174	91,407,000	9,141

NOTES

to the consolidated financial statements for the year ended 31 March 2012

Particulars			(Rs. in Lakhs)	
	As at		As at	
	31 March 2012		31 March 2011	
	Number	Amount	Number	Amount
b) Reconciliation of number of shares and amount outstanding at the beginning and at the end of the reporting period				
Shares outstanding at the beginning of the year	91,407,000	9,141	71,407,000	7,141
Shares issued during the year	329,857	33	20,000,000	2,000
Shares bought back during the year	-	-	-	-
Shares outstanding at the end of the year	91,736,857	9,174	91,407,000	9,141

The Company has issued total 329,857 shares (Previous year - Nil) during the period of five years immediately preceeding the reporting date on exercise of options granted under the employees stock option plan (ESOP) wherein part consideration was received in the form of employees services.

c) Terms/rights attached to shares

The Company has only one class of equity shares having a par value of Rs. 10 per share. Each holder of equity shares is entitled to one vote per share. The dividend proposed (if any) by the Board of Directors and approved by the shareholders in the Annual General Meeting is paid in Indian rupees. All shares rank pari passu on repayment of capital in the event of liquidation.

Name of Shareholder				
	As at		As at	
	31 March 2012		31 March 2011	
	Number	Amount	Number	Amount
d) Shares in the Company held by holding/ultimate holding company				
Eros Worldwide FZ LLC - Holding Company	49,700,000	4,970	49,700,000	4,970
Eros Digital Private Limited - Fellow subsidiary	21,700,000	2,170	21,700,000	2,170

Name of Shareholder				
	As at		As at	
	31 March 2012		31 March 2011	
	Number	% of Holding	Number	% of Holding
e) Shares in the Company held by each shareholder holding more than 5% shares				
Eros Worldwide FZ LLC	49,700,000	54.19	49,700,000	54.38
Eros Digital Private Limited	21,700,000	23.65	21,700,000	23.74

NOTES

to the consolidated financial statements for the year ended 31 March 2012

f) Aggregate number of bonus shares issued during the period of five years immediately preceding the reporting date

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

g) Aggregate number of equity shares issued under employees stock option scheme (2009) during the period of five years immediately preceding the reporting date

The Company has issued total 329,857 shares (Previous year - Nil) during the period of five years immediately preceding the reporting date on exercise of options granted under the employees stock option plan (ESOP) wherein part consideration was received in the form of employee services.

As at 31 March 2012, 811,861 options were outstanding under Employee stock option scheme 2009. On exercise of the options so granted under Employee stock option scheme 2009, the paid up equity share capital of the Company will increase by equivalent number of shares.

Particulars	(Rs. in Lakhs)	
	As at 31 March 2012	As at 31 March 2011
NOTE 3.2: RESERVES AND SURPLUS		
Securities premium account		
Opening Balance	30,060	-
Add : Premium on shares issued during the year	349	33,000
Less : Amount utilised towards initial public issue expenses	-	(2,940)
Add : Transfer from share options outstanding account	196	-
	30,605	30,060
Share options outstanding account		
Opening balance	554	134
Less: Transferred to securities premium account	(196)	-
Add: Deferred stock compensation expense	85	420
Less: Written back to Statement of Profit and Loss during the year	(253)	-
	190	554
Foreign currency translation reserve		
Opening balance	(1,128)	(218)
Add : Addition during the year	1,415	(910)
	287	(1,128)
Capital reserve	56	56
Surplus in the Statement of Profit and Loss		
Opening Balance	28,365	16,642
Add : Net Profit for the year	14,784	11,723
	43,149	28,365
TOTAL	74,287	57,907

NOTES

to the consolidated financial statements for the year ended 31 March 2012

Particulars	(Rs. in Lakhs)	
	As at 31 March 2012	As at 31 March 2011
NOTE 3.3 : LONG TERM BORROWINGS		
Term loans		
From banks		
Secured	12,380	5,842
Less : Current maturities disclosed under other current liabilities (Refer note 3.8)	1,157	3,589
	11,223	2,253
Car loans		
Secured	63	73
Less : Current maturities disclosed under other current liabilities (Refer note 3.8)	33	39
	30	34
TOTAL	11,253	2,287

- i) Term Loan from banks are secured by pari passu first charge on the DVD/Satellite Rights acquired for the domestic market, actionable claims, revenue and receivables arising on sales of the rights and negatives of films.
- ii) Car loans are secured by hypothecation of vehicles acquired there against.
- iii) Term loans are further secured by
 - a) Equitable mortgage of Company's immovable property situated at Mumbai, India.
 - b) Amount held in margin money
 - c) Corporate guarantee of Eros International PLC, the ultimate holding company
 - d) Residual value of equipments and vehicles.
 - e) Existing rights of hindi films.
- iv) Terms of repayment of term loans

Indian Overseas Bank - repayable in sixty equal monthly installment from the date of origination

Union Bank of India - repayable in sixty equal monthly installment from the date of origination

Dena Bank - repayable in twelve quarterly installment after the moratorium period of two years

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

Particulars	(Rs. in Lakhs)	
	As at 31 March 2012	As at 31 March 2011
NOTE 3.4: DEFERRED TAX LIABILITY (NET)		
Deferred tax liability arising on account of		
On timing difference between book depreciation and depreciation as per Income Tax Act, 1961	11,085	7,264
	11,085	7,264
Deferred tax asset arising on account of		
Provision for gratuity and compensated absences	30	27
Disallowances under the Income Tax Act, 1961	257	32
Commission payable to directors	107	34
Maharashtra Value Added Tax and Central Sales Tax provision	323	323
	717	416
Deferred tax liability (net)	10,368	6,848

NOTES

to the consolidated financial statements for the year ended 31 March 2012

Particulars	(Rs. in Lakhs)	
	As at 31 March 2012	As at 31 March 2011
NOTE 3.5: OTHER LONG TERM LIABILITIES		
Trade payables	156	139
Advance from customer	644	563
Others		
Trade / security deposits received	26	40
TOTAL	826	742

Particulars	(Rs. in Lakhs)	
	As at 31 March 2012	As at 31 March 2011
NOTE 3.6: LONG-TERM PROVISIONS		
Provision for employee benefits		
Provision for gratuity *	72	74
TOTAL	72	74

* actual payout made during the current year has been considered as short term provision for the year 2010-11

Particulars	(Rs. in Lakhs)	
	As at 31 March 2012	As at 31 March 2011
NOTE 3.7: SHORT TERM BORROWINGS		
Loans repayable on demand		
From banks		
i) Secured	11,560	11,907
ii) Unsecured	13,000	2,000
Loans and advances from related parties (Eros International Plc - IOM Ultimate Holding Company)		
i) Unsecured	7,811	7,679
TOTAL	32,371	21,586

- i) Packing credit is secured by hypothecation of films and film rights with pari passu charge on current assets.
- ii) Bill Discounting (Foreign bills/supplier bills) is secured by document of title to goods and accepted hundies with first pari passu charge on current assets.
- iii) Cash credit is secured by way of hypothecation of stock of DVD's/VCD's and receivables relating to domestic rights operations along with first pari passu charge on current assets.
- iv) Short term loans are further secured by
 - a) Equitable mortgage of Company's immovable property situated at Mumbai, India.
 - b) Amount held in margin money
 - c) Corporate guarantee of Eros International PLC, the Ultimate Holding Company
 - d) Residual value of equipments and vehicles.
 - e) Existing rights of hindi films.

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

NOTES

to the consolidated financial statements for the year ended 31 March 2012

Particulars	(Rs. in Lakhs)	
	As at 31 March 2012	As at 31 March 2011
NOTE 3.8: OTHER CURRENT LIABILITIES		
Current maturities of long-term borrowings (Refer note 3.3)	1,190	3,628
Interest accrued but not due on borrowings	61	275
Interest accrued and due on borrowings	68	-
Other payables		
Duties and taxes payable	2,413	2,163
Trade / security deposits received	7	7
Advance from customers	11,986	27,292
Expenses payable	769	694
Book overdraft	40	12
TOTAL	16,534	34,071

Particulars	(Rs. in Lakhs)	
	As at 31 March 2012	As at 31 March 2011
NOTE 3.9: SHORT TERM PROVISIONS		
Provision for employee benefits		
i) Salary, bonus	179	256
ii) Gratuity	15	0
iii) Leave encashment	11	15
Provision for income tax (net)	150	253
TOTAL	355	524

NOTES

to the consolidated financial statements for the year ended 31 March 2012

NOTE : 3.10 FIXED ASSETS

	Gross block (at cost)				Accumulated depreciation/amortisation				Net block		(Rs. in Lakhs)
	Balance as at 1 April 2011	Additions/ (Disposals)	Adjustments/ Deletions during the year	Balance as at 31 March 2012	Balance as at 1 April 2011	Depreciation charge for the year	Adjustments/ Deletions during the year	Balance as at 31 March 2012	Balance as at 31 March 2012	Balance as at 31 March 2011	
Tangible Assets											
Building	93	4,014	-	4,107	42	203	-	245	3,862	51	
Furniture and fixtures	474	460	118	816	265	107	53	319	497	209	
Motor vehicles	508	45	10	543	265	67	6	326	217	243	
Office equipment	261	35	38	258	130	30	21	139	119	131	
Data processing equipments	666	65	18	713	498	82	13	567	146	167	
Studio equipments	1,402	566	67	1,901	1,059	86	43	1,102	799	343	
TOTAL	3,404	5,185	251	8,338	2,259	575	136	2,698	5,640	1,145	
Previous year	3,394	215	205	3,404	2,023	368	132	2,259	1,145	1,370	
Intangible Assets											
Film Rights	127,469	49,076	(5,269)	181,814	95,439	34,769	(4,520)	134,728	47,086	32,030	
Web site development	-	151	-	151	-	5	-	5	146	-	
Others	65	-	(22)	87	41	20	(20)	81	6	24	
TOTAL	127,534	49,227	(5,291)	182,052	95,480	34,794	(4,540)	134,814	47,238	32,054	
Previous year	97,074	30,593	133	127,534	71,247	24,364	131	95,480	32,054	25,827	
Capital Work In Progress											
Building	4,451	20	4,471	-	-	-	-	-	-	4,451	
Studio equipments	226	452	678	-	-	-	-	-	-	226	
TOTAL	4,677	472	5,149	-	-	-	-	-	-	4,677	
Previous year	-	4,677	-	4,677	-	-	-	-	4,677	-	
Intangible assets under development											
Software	89	61	-	150	-	-	-	-	150	89	
TOTAL	89	61	-	150	-	-	-	-	150	89	
Previous year	27	89	27	89	-	-	-	-	89	27	
Content advances											
Advances against production/ purchase of film	39,920	74,167	71,437	42,650	-	-	-	-	42,650	39,920	
TOTAL	39,920	74,167	71,437	42,650	-	-	-	-	42,650	39,920	
Previous year	44,541	44,410	49,031	39,920	-	-	-	-	39,920	44,541	

Note : Content advances

- a) Adjustment / Deletions under content advances comprises of additions to film rights under intangible assets and film rights cost charged to Statement of Profit and Loss
- b) Out of total content advances an amount of Rs 206 Lakhs is written off and an amount of Rs 265 Lakhs has been provided for during the year

NOTES

to the consolidated financial statements for the year ended 31 March 2012

Particulars	(Rs. in Lakhs)	
	As at 31 March 2012	As at 31 March 2011
NOTE 3.11: NON-CURRENT INVESTMENTS		
Long-term, trade and valued at cost unless stated otherwise		
Equity shares (unquoted)		
In fellow subsidiary		
Eros Digital Private Limited		
20 (Previous Year 20) equity shares of Rs 10 each, fully paid-up	-	-
In other entity		
Triple Com Media Private Limited		
200,000 (Previous Year 200,000) equity shares of Rs 10 each, fully paid-up	800	800
TOTAL	800	800

Particulars	(Rs. in Lakhs)	
	As at 31 March 2012	As at 31 March 2011
NOTE 3.12 : DEFERRED TAX ASSET (NET)		
Deferred Tax Asset arising on account of		
Provision for gratuity and compensated absences	4	1
Disallowances under the Income Tax Act, 1961	5	-
Unabsorbed business losses	386	26
Maharashtra Value Added Tax and Central Sales Tax provision	-	5
On timing difference between book depreciation and depreciation as per Income Tax Act, 1961	4	42
	399	74
Deferred Tax liability arising on account of		
On timing difference between book depreciation and depreciation as per Income Tax Act, 1961	254	-
	254	-
TOTAL	145	74

Particulars	(Rs. in Lakhs)	
	As at 31 March 2012	As at 31 March 2011
NOTE 3.13 : LONG TERM LOANS AND ADVANCES		
Unsecured, considered good		
Loans and advances to related parties (Refer note 3.33 (iii))	57	818
Security desposits	236	808
Advances receivable/recoverable in cash / kind	657	49
TOTAL	950	1,675

NOTES

to the consolidated financial statements for the year ended 31 March 2012

Particulars	As at 31 March 2012	(Rs. in Lakhs) As at 31 March 2011
NOTE 3.14: OTHER NON CURRENT ASSETS		
Deposits with maturity of more than twelve months (Refer note 3.18)	155	725
Advance for film co production	538	539
TOTAL	693	1,264

Particulars	As at 31 March 2012	(Rs. in Lakhs) As at 31 March 2011
NOTE 3.15: CURRENT INVESTMENTS		
Investment in Mutual Funds (valued at lower of cost and fair value, unless otherwise stated)		
Birla Sun Life Short Term FMP - Series 7 Growth (50,000,000 units matured during the year)	-	5,096
ICICI Prudential Interval Fund II (258,809,085.90 units matured during the year)	-	2,588
IDFC FMP - 100 days - S 1 Growth (25,355,507.13 units matured during the year)	-	2,536
Kotak QIP - Series 9 - Growth (35,711,985.68 units matured during the year)	-	4,001
UTI FIIF Series II - Quarterly Interval Plan - VII - Instr Growth Option (5,184,390.78 units matured during the year)	-	526
Birla Sun Life Savings Fund - Institutional Plan - Growth (247,057.18 units purchased during the year)	500	-
Birla Sun Life Dynamic Bond Fund-Retail Plan-Growth (24,511.17 units purchased during the year)	4	-
Birla Sun Life Dynamic Bond Fund-Retail Plan-Growth (5,504,661.58 units purchased during the year)	950	-
ICICI Prudential Interval Fund - Quarterly Interval Plan I - Institutional Growth (25,460,385 units purchased during the year)	2,896	-
TOTAL	4,350	14,747

Particulars	As at 31 March 2012	(Rs. in Lakhs) As at 31 March 2011
Current investments include		
Aggregate amount of unlisted but quoted investments	954	-
Aggregate amount of listed and quoted investments	-	3,062
Aggregate amount of listed but not quoted investments	2,896	11,685
Aggregate amount of unquoted and unlisted investments	500	-
TOTAL	4,350	14,747

NOTES

to the consolidated financial statements for the year ended 31 March 2012

Particulars	(Rs. in Lakhs)	
	As at 31 March 2012	As at 31 March 2011
NOTE 3.16: INVENTORIES		
(As taken, valued and certified by the management)		
(valued at lower of cost and net realisable value)		
Film rights	337	251
Raw film prints	150	85
VCD/DVD/Audio CD	216	132
TOTAL	703	468

Particulars	(Rs. in Lakhs)	
	As at 31 March 2012	As at 31 March 2011
NOTE 3.17: TRADE RECEIVABLES		
Overdue for a period exceeding six months from the date they are due for payment		
Unsecured, considered doubtful	10	244
Less : Trade receivables written off	(10)	(244)
	-	-
Unsecured, considered good	3,217	472
Others		
Unsecured, considered good (Refer note 3.33 (ii))	21,280	12,877
TOTAL	24,497	13,349

Particulars	(Rs. in Lakhs)	
	As at 31 March 2012	As at 31 March 2011
NOTE 3.18: CASH AND BANK BALANCES		
Cash and cash equivalents		
a. Balances with banks -		
i) On current accounts	13,616	6,715
ii) On deposit accounts with maturity of less than three months	35	7,225
b. Cheques/drafts on hand	-	378
c. Cash on hand	29	21
	13,680	14,339
Other bank balances		
i) Deposits with maturity of more than three months but less than twelve months	15,687	15
ii) Deposits with maturity of more than twelve months	155	725
iii) In margin money accounts	669	-
	16,511	740
Less : amounts disclosed under other non current assets (Refer note 3.14)	155	725
	16,356	15
TOTAL	30,036	14,354

NOTES

to the consolidated financial statements for the year ended 31 March 2012

Particulars	(Rs. in Lakhs)	
	As at 31 March 2012	As at 31 March 2011
NOTE: 3.19: SHORT TERM LOANS AND ADVANCES		
Unsecured, considered good		
Loans and advances to related parties (Refer note 3.33 (iii))	-	-
Security desposits	508	104
Advances receivable/recoverable in cash /kind	2,200	1,784
Loans and advances to employees	346	132
TOTAL	3,054	2,020

Particulars	(Rs. in Lakhs)	
	As at 31 March 2012	As at 31 March 2011
NOTE 3.20: OTHER CURRENT ASSETS		
Advances against film production	4,823	6,522
Interest accrued	465	27
Prepaid expenses	346	403
Income tax (net)	875	3,017
TOTAL	6,509	9,969

Particulars	(Rs. in Lakhs)	
	For the year ended 31 March 2012	For the year ended 31 March 2011
NOTE 3.21: REVENUE FROM OPERATIONS		
Sale/distribution/exhibition of films and other rights	94,388	70,697
TOTAL	94,388	70,697

Particulars	(Rs. in Lakhs)	
	For the year ended 31 March 2012	For the year ended 31 March 2011
NOTE 3.22: OTHER INCOME		
Net gain on foreign currency transactions and translation	-	296
Interest income (others)	174	32
Net gain on sale of current investments	1,114	397
Other non-operating income (net)	642	170
TOTAL	1,930	895

NOTES

to the consolidated financial statements for the year ended 31 March 2012

Particulars	(Rs. in Lakhs)	
	For the year ended 31 March 2012	For the year ended 31 March 2011
NOTE 3.23: PURCHASES / OPERATING EXPENSES		
Film rights cost	22,361	18,326
Amortisation of film rights	34,769	24,350
Home entertainment products related cost	320	316
Print and digital distribution cost	3,834	3,431
Processing and other direct cost	569	357
Shipping, packing and forwarding expenses	465	390
Selling and distribution expenses	4,227	2,343
TOTAL	66,545	49,513

Particulars	(Rs. in Lakhs)	
	For the year ended 31 March 2012	For the year ended 31 March 2011
NOTE 3.24: CHANGES IN INVENTORIES OF FINISHED GOODS		
Inventories at the end of the year of		
Finished goods	703	468
	703	468
Inventories at the beginning of the year of		
Finished goods	411	552
	411	552
TOTAL	(292)	84

Particulars	(Rs. in Lakhs)	
	For the year ended 31 March 2012	For the year ended 31 March 2011
NOTE 3.25: EMPLOYEE BENEFITS EXPENSE		
Salaries, wages and bonus	2,010	1,894
Contributions to provident fund and other funds	118	177
Employees stock option compensation	85	420
Staff welfare expenses	42	37
TOTAL	2,255	2,528

NOTES

to the consolidated financial statements for the year ended 31 March 2012

Particulars	(Rs. in Lakhs)	
	For the year ended 31 March 2012	For the year ended 31 March 2011
NOTE 3.26: FINANCE COSTS		
Interest expense on		
Borrowings	2,051	1,169
Car loan	6	6
Security deposits	3	38
Other borrowing costs	66	41
	2,126	1,254
Less: Interest received	(782)	(315)
TOTAL	1,344	939

Particulars	(Rs. in Lakhs)	
	For the year ended 31 March 2012	For the year ended 31 March 2011
NOTE 3.27: OTHER EXPENSES		
Power and fuel	146	152
Rent	505	595
Repairs and maintenance	110	64
Insurance	66	45
Rates and taxes	34	3
Computer expenses	25	16
Legal and professional	1,206	881
Corporate reporting charges	38	17
Commission and sitting fees directors	335	109
Payments to auditors	68	61
Communication expenses	131	134
Travelling and conveyance	373	228
Printing and stationery	22	22
Subscription and membership fees	10	20
Donations and contributions	31	2
Content advances written off (Refer note 3.10)	206	1
Provision for doubtful content advances (Refer note 3.10)	265	-
Sundry balance written off	20	57
Loss on fixed assets sold / scrapped / written off	115	25
Bad debts	10	244
Bank charges	54	45
Net loss on foreign currency transactions and translation (other than considered as finance cost)	345	1
Miscellaneous expenses	526	236
TOTAL	4,641	2,958

NOTES

to the consolidated financial statements for the year ended 31 March 2012

NOTE 3.28 RELATED PARTY INFORMATION

In accordance with the requirements of Accounting Standard 18, "Related Party Disclosures" notified by the Central Government under the Companies Act, 1956, the details of related party transactions are given below :

a) List of related parties :	
Description of relationship	Names of related parties
Ultimate Holding Company	Eros International PLC, Isle of Man
Holding Company	Eros Worldwide FZ-LLC, Dubai
Fellow Subsidiary	Eros Digital Private Limited
Entities having common control	Eros International Ltd United Kingdom
Key Management Personnel (KMP)	Mr. Naresh Chandra – Non Executive Chairman and Independent Director
	Mr. Sunil Lulla – Executive Vice Chairman and Managing Director
	Mr Kishore Lulla – Executive Director
	Mrs Jyoti Deshpande – Executive Director (resigned on 27 May 2011)
	Mr. Dharendra Swarup – Non Executive Independent Director
Relatives of KMP	Dr. Shankar Acharya – Non Executive Independent Director
	Mr. Vijay Ahuja – Executive Director
	Mrs. Meena A. Lulla
	Mr. Arjan G. Lulla
	Mrs. Manjula K Lulla
Company in which KMP / Relatives of KMP can exercise significant influence	Mrs. Krishika Lulla
	Ms. Nitu Lulla
	Shivam Enterprises

NOTES

to the consolidated financial statements for the year ended 31 March 2012

b) Details of related party transactions during the year

Particulars	Ultimate Holding Company	Holding Company	Fellow Subsidiaries	Entities having common control	KMP	Relatives of KMP	Entities in which KMP / relatives of KMP have significant influence	Total
Salary and perquisites	-	-	-	-	267 (256)	-	-	267 (256)
Purchases of film rights/ raw stock /DVD'S	-	-	-	4,332	-	-	-	4,332
Sale of film rights	-	30,863 (21,554)	-	41	-	-	-	30,904 (21,554)
Sale of Prints/VCD/DVD	-	2,060 (1,845)	-	22 (129)	-	-	-	2,082 (1,974)
Sale of studio services	-	1,138 (999)	-	-	-	-	-	1,138 (999)
Investment in Shares of the Company	-	-	-	-	-	-	-	-
66,306,500 equity shares were allotted as fully paid up bonus shares in the financial year 2009-10 by capitalisation of the surplus in the consolidated statement of profit and loss of the Company	-	958 (463)	-	-	-	-	-	958 (473)
Rent Paid immediately preceeding the reporting date	-	-	-	(10)	42 (42)	46 (46)	-	88 (88)
Reimbursements paid	-	-	-	-	-	-	-	-
Interest received/receivable	-	-	-	(7)	-	-	-	(7)
Content advances / loan given	-	(17)	-	-	-	-	-	(17)
Advances/loans given	-	-	-	-	-	-	-	-
Recovery of advances/loans given	-	-	0 (0)	13 (904)	-	-	-	13 (904)
Advances/loans taken	-	3,164	-	83 (1,480)	-	-	-	(1,480) 3,247
Repayment of advances/loans taken	2 (579)	17,569 (5,581)	-	2 (7)	-	-	-	17,573 (6,180)
Recovery of deposits given	-	-	(13)	-	26 (17)	-	-	26 (17)
Balances outstanding at the end of the year	-	-	-	-	-	-	-	-
Trade receivables	-	11,442 (7,567)	-	3 (4)	-	-	-	11,445 (7,571)
Short term loans and advances	-	-	-	867 (710)	-	240 (9)	-	1,107 (719)
Long term loans and advances	-	-	-	-	-	75 (332)	57 (57)	132 (389)
Long term liabilities	8,798 (7,679)	-	-	726 (563)	-	-	-	9,524 (8,242)
Trade and other payables	-	-	-	1,099 (657)	-	-	-	1,099 (675)
Other current liabilities	(15) 17	(3) 9,159	-	21 (23)	-	2	-	9,199 (23,600)
Note: Figures in bracket relates to the previous year	(15)	(23,562)	-	-	-	-	-	-

NOTES

to the consolidated financial statements for the year ended 31 March 2012

Particulars	(Rs. in Lakhs)	
	As at 31 March 2012	As at 31 March 2011
NOTE 3.29 CONSOLIDATED STATEMENT OF CONTINGENT LIABILITIES		
Bank Guarantees in favour of various Government Authorities	203	270
Corporate guarantee to a bank for loans availed by subsidiary company	500	500
Sales tax/cess claims disputed by the Company	1,671	1,671
Claims against the company not acknowledged as debts	1,604	1,597
Income tax and interest demands raised by authorities and disputed by the company	58	34
Maharashtra Value Added Tax and Central Sales Tax Liability on the sale or lease of Copy Rights under the MVAT Act and disputed by the Company and the Industry.	2,048	1,259
TOTAL	6,084	5,331

The Finance Act 2010 has levied service tax on transferring temporarily of permitting use or enjoyment of movies copyrights with effect from 1 July 2010. The Industry has jointly protested through various actions and also few leading film studios and production houses have filed the Writ Petition in Mumbai High Court challenging the constitutionality and the legality of this entry, since it is already a taxing entry with State Governments as sales by way of transfer of the right to use and is already subjected to Sales Tax / Value Added Tax. The company has also filed the writ on the same and has challenged the constitutional validity of the levy.

NOTE 3.30 SEGMENT INFORMATION

a. Primary segment information

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

b. Secondary segment information

The principal geographic areas in which the Company operates based on location of customers are Within India and Outside India.

	(Rs. in Lakhs)	
	Year ended 31 March 2012	Year ended 31 March 2011
Revenue by Geographical Market		
Outside India	38,009	36,706
Within India	58,309	34,886
	96,318	71,592
Carrying Amount of Segment Assets		
Outside India	27,080	21,386
Within India	140,335	115,219
	167,415	136,605

NOTE 3.31 EARNINGS PER SHARE

The basic earnings per equity share are computed by dividing the net profit attributable to the equity shareholders for the year by the weighted average number of equity shares outstanding during the reporting period. The number of shares used in computing diluted earnings per share comprises the weighted average number of shares considered for deriving basic earnings per share and also the weighted average number of equity shares, which may be issued on the conversion of all dilutive potential shares,

NOTES

to the consolidated financial statements for the year ended 31 March 2012

unless the results would be anti dilutive. The earnings per share is calculated as under:

Particulars	For the year ended 31 March 2012	For the year ended 31 March 2011
Net Profit after tax and after minority interest (Rs. in Lakhs)	14,784	11,724
Weighted average number of equity shares outstanding during the year		
Basic	91,495,637	81,105,630
Diluted	91,495,637	81,694,582
Earnings per share (in Rs.)		
Basic	16.16	14.45
Diluted	16.16	14.35
Nominal value of shares (in Rs.)	10.00	10.00

NOTE 3.32 DEFERRAL OF EXCHANGE DIFFERENCES

The Company has, consequent to the notification issued by the Ministry of Corporate Affairs on 29 December 2011 giving an option to the companies to amortise the exchange differences pertaining to long term foreign currency monetary items up to 31 March 2020 (from 31 March 2012 earlier), adopted the said option given under paragraph 46 of Accounting Standard 11. Net foreign exchange aggregating to Rs. 124 Lakhs has been capitalised to the Intangibles during the year out of which the Company has charged an amount of Rs. 75 Lakhs to the consolidated statement of profit and loss as per the amortisation policy of the Company

Note 3.33 (i) Trade receivables includes the following amount due from subsidiaries, their step-down subsidiaries and companies under the same management :

Name of the Party	As at 31 March 2012	(Rs. in Lakhs) As at 31 March 2011
Eros Worldwide FZ LLC	11,442	7,567
EM Publishing Private Limited	3	4
TOTAL	11,445	7,571

(ii) Long term loans and advances to firm under the same management :

Name of the Party	As at 31 March 2012	(Rs. in Lakhs) As at 31 March 2011
Shivam Enterprises	57	-
TOTAL	57	-

(iii) Short term loans and advances to related parties, their step down subsidiaries and companies under the same management comprises the following:

Name of the Party	As at 31 March 2012	(Rs. in Lakhs) As at 31 March 2011
Eros International Limited	867	710
Eros Digital Private Limited	-	-
TOTAL	867	710

(iv) Advances (including deposits) to directors and relatives of directors comprise as follows:

NOTES

to the consolidated financial statements for the year ended 31 March 2012

Name of the Party	(Rs. in Lakhs)	
	As at 31 March 2012	As at 31 March 2011
Sunil Lulla	232	257
Manjula Lulla	83	84
TOTAL	315	341

NOTE 3.34 DUES TO MICRO, SMALL AND MEDIUM ENTERPRISE

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

Note 3.35

Pursuant to the provisions of Clause 43A of the Listing agreement with the exchanges, the utilisation of the net proceeds of the IPO as stated in the Prospectus dated 23 September 2010 and aggregating Rs. 35,000 Lakhs is as follows :

(Rs. in Lakhs)	
Description	Amount
Gross proceeds of the Issue	35,000
Issue Expenses	(3,146)
Net Proceeds of the Issue	31,854

(Rs. in Lakhs)			
Description	Projected	Actuals	Balance
Acquiring and co-producing, Indian films including primarily Hindi language films as well as certain Tamil and Other regional language films	28,000	28,000	(2,074)
General Corporate Purposes	3,854	1,780	2,074
TOTAL	31,854	31,854	-

Note 3.36

Balances of certain trade receivables, loans and advances and trade payables in respect of certain films are subject to confirmation reconciliation and subsequent adjustment, if any. In the opinion of the management such adjustments are not likely to be material.

Note 3.37

The financial statements for the year ended 31 March 2011 had been prepared as per the then applicable, pre-revised Schedule VI to the Companies Act, 1956. Consequent to the notification of Revised Schedule VI under the Companies Act, 1956, the financial statements for the year ended 31 March 2012 are prepared as per Revised Schedule VI. Accordingly, the previous year figures have also been reclassified to conform to this year's classification. The adoption of Revised Schedule VI for previous year figures does not impact recognition and measurement principles followed for preparation of financial statements.

Note 1 to 3.37 which forms an integral part of the financial statements.

For and on behalf of the Board of Directors

Sunil Lulla

Executive Vice Chairman and Managing Director

Kishore Lulla

Executive Director

Kamal Jain

Group Chief Financial Officer (India)

Rajesh Bhatia

Company Secretary and Compliance Officer

Place: Mumbai

Date: 26 May 2012

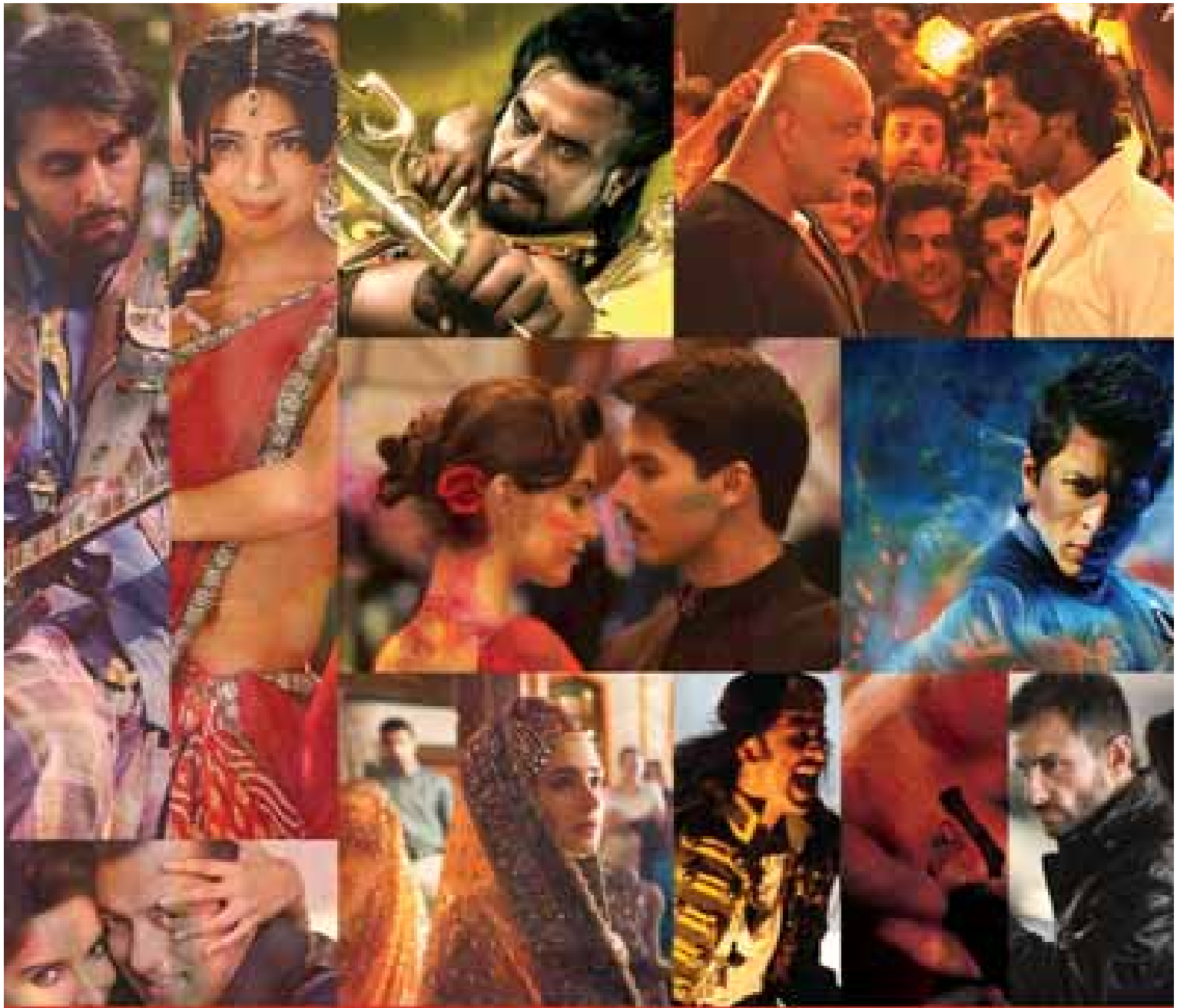
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NOTES





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