

---

22 November 2006

## **Eros International Plc (“Eros” or the “Group”) Interim Results for the six months ended 30 September 2006**

### **Financial Highlights**

- Turnover up 48% to US\$21.8m (pro forma aggregated 2005: US\$14.7m)
- EBITDA before IPO costs up 38% to US\$14.5m (pro forma aggregated 2005: US\$10.5m)
- Profit before tax, goodwill amortisation and IPO costs up 102% to US\$9.0m (pro forma aggregated 2005: US\$4.4m)
- Gross profit margin increased to 58.3% (pro forma 2005 aggregated: 51.9%)

### **Operating Highlights**

- Successful entry into the growing Indian theatrical arena
- Ongoing output deals confirmed with a number of production houses like K Sera Sera
- New media exploitation deals agreed with Comcast, RTL Holland and Movielink
- Catalogue acquisitions to augment the existing library of 1300 titles
- Successful launch of the Eros Music label
- Stepped increase in Co-productions

### **New deals announced today**

- New content deal signed with Big Screen Entertainer
- Four film output deal entered into with Rose Movies

### **Outlook**

- Content – Visibility of co-productions, output deal targets and acquisitions
- Distribution – Visibility of forthcoming new releases, syndication deals and new media launch on Intel ViiV platform

### **Kishore Lulla, Chairman & Chief Executive, commented:**

“Since our flotation we have focused on pursuing our key strategic objectives as a vertically integrated group within the Indian media and entertainment arena. The success of these initiatives has contributed to strong organic growth and coupled with the phenomenal growth in the Indian media sector, we believe that Eros is well positioned to take advantage of the opportunities presented by the sector.”

For further information, please contact:

**Kishore Lulla**, Chairman and Chief Executive

**Jyoti Deshpande**, Group COO & Commercial Director –

Tel: 020 8963 8778 or email: [jyoti.deshpande@erosintl.com](mailto:jyoti.deshpande@erosintl.com)

**Andrew Heffernan**, Group Chief Financial Officer –

Tel: 020 8963 8410 or email: [andrew.heffernan@erosintl.com](mailto:andrew.heffernan@erosintl.com)

Brunswick – 020 7404 5959

\* Pro forma aggregated comparatives have been shown for illustrative purposes only. Eros International Plc was incorporated on 31 March 2006 and the pro forma aggregated figures are prepared to show the hypothetical situation if the formation of the group had taken place at 1 April 2005. The figures have been prepared on a comparable basis to that used in the AIM Admission document.

---

## **Chief Executive and Chairman's Statement**

The Indian entertainment industry is worth US\$ 4.5 billion growing at 18% CAGR and expected to cross USD\$10 billion by 2010. A mere 13,000 cinemas across the length and breadth of India service some 3.1 billion tickets sold every year with ticket prices on the rise on account of the growing multiplexes. Out of the 100 odd films released every year, not more than 3-4 come from any single production house, such is the level of fragmentation. To compound this, the distribution and exhibition arenas are heavily localised as well.

In many ways, the Indian film industry is in a position that Hollywood was in the 1930s, before the consolidation and emergence of the vertically integrated studios.

Eros has enjoyed an aggregate market share<sup>1</sup> of 35% over the last decade especially in the international space and as per IBOS reports, every year for the last 10 years, over a third of the top 50 grossing titles have been Eros films. Having acquired over 1300 leading titles over the last thirty years, the Eros business model is built on owning valuable content and exploiting it across the world on all possible formats including cinema, DVD, television syndication, rights licensing and new media in USA, Europe, Australia, South Africa, the Middle East to South East Asia. Pioneering and ground-breaking new media initiatives like the alliances with Comcast and Intel allow Eros to stay ahead of the game.

Eros has taken an active lead in the first phase of consolidation of the fragmented Indian film industry by locking up content through output deals, acquisitions and co-productions (both catalogue and new releases) as well as signing up talent (actors, directors, technicians) and leveraging it across its extensive distribution network globally.

This is already giving Eros a sustainable competitive advantage and making it one of the first and few companies in the fragmented sector to operate along the lines of a true 'studio' model.

<sup>1</sup> Based on EDI Nielsen UK Box Office Figures

---

## **Eros International Plc**

### **Interim Results for the six months ended 30 September 2006**

#### **Overview for the period**

We are delighted to announce Eros's first interim results for the six months ended 30 September 2006 since joining AIM on 4 July 2006. In the period Group turnover increased by US\$7.1m to US\$21.8m (pro forma aggregated 2005: US\$14.7m) and EBITDA increased by US\$2.8m to US\$13.3m (pro forma 2005: US\$10.5m). Profit before tax, goodwill amortisation and IPO costs increased by 102% to US\$9.0m (pro forma aggregated 2005: US\$4.4m). This has been achieved through organic growth, continued investment in the future content pipeline and in the case of turnover the contribution from our US subsidiary which was a joint venture in the comparable period in 2005.

Since admission to AIM, Eros has remained focused on delivering its key strategic objectives of co-producing, acquiring and exploiting content across formats, expanding its extensive global distribution network, making in-roads in new media digital opportunities and beginning to consolidate its overall market leadership position within the fragmented \$4.5 billion Indian entertainment industry.

The financial results as anticipated will be skewed towards the second half of the financial year due to the higher volume of scheduled releases in the remainder of the current financial year including *Salaam-e-Ishq*, *Provoked*, *Speed*, *I See You* and *Nanhe Jaisalmer* as well as the timing of execution of syndication deals.

Eros will continue to focus on its strategic priorities including ensuring the steady availability of quality film content for distribution through its global network. Initiatives may involve growth enhancing acquisitions or joint ventures where appropriate.

#### **Results by Division**

##### **International Distribution**

Eros' International Division exploits the film content intellectual property held by the Group for cinema, home entertainment, rights licensing and new media channels through its global distribution network. Three decades of market leadership has been built by releasing 20-25 new films every year and by exploiting a valuable catalogue of 1300 films.

|          | <b>6 months to<br/>30 September<br/>2006</b> | Pro Forma<br>aggregated 6<br>months to 30<br>September<br>2005 |
|----------|--|--|
|          | <b>US\$'000</b>                              | US\$'000   |
| Turnover | <b>17,807</b>                                | 13,938   |
| EBITDA   | <b>11,610</b>                                | 9,510  |

---

In the six months to 30 September 2006 the group released two major films, *Omkaara* and *Lage Raho Munna Bhai*. *Omkaara*, a powerful Indian adaptation of Shakespeare's Othello, received critical acclaim and grossed over \$3.1 million at the box office internationally. The film has been selected for the Cairo Film Festival, Palm Springs festival and is being screened for the Golden Globes. *Lage Raho Munna Bhai*, a comedy, has grossed \$5.6 million internationally since its release in September. It also received tax-free status from the Government of India. The film has been entered as an independent entry to the 2007 Academy Awards.

The group is actively pursuing its strategy to syndicate its film catalogue across a number of platforms around the world. In addition to cinema distribution, the group continues to focus on expanding the Home Entertainment mainstream distribution network. Eros titles are now available through HMV, Virgin, Tesco, Asda, Sainsbury and Amazon amongst others channels. Eros plans to launch its first set of high definition titles in the near future with current successful box office releases and digitally remastered Classic titles from the catalogue.

The group also continues to focus on developing new markets and has made a modest but successful beginning in licensing part of its catalogue content in separate deals for China, Romania, Spain and Egypt.

Key international strategic deals concluded in the period include:

**'Comcast'** – In September 2006, Eros launched North America's first Bollywood subscription video-on-demand service on the Comcast cable network, representing a significant milestone in its new media strategy. Eros is Comcast's sole and exclusive provider for such a service, aiming to target the large South Asian audience in the US. Comcast Corporation is the leading provider of cable, entertainment and communications products and services in the US, with 23.3 million cable customers.

**'Movielink'** – In July 2006, Eros launched its exclusive branded Bollywood video-on-demand movie download service on Movielink in the U.S. The Movielink service, which is owned and operated by a joint venture of Metro-Goldwyn-Mayer Studios, Paramount Pictures, Sony Pictures Entertainment, Universal Studios and Warner Bros, now includes popular Bollywood films available for rental or download-to-own.

**'RTL Holland'** – In June 2006, Eros launched a digital movie download service with RTL, Europe's largest TV, Radio and Production Company, to exclusively provide Eros' Bollywood movies for on-demand delivery in the Netherlands through RTL's Internet-based platform. RTL Group operates in Germany, France, Belgium, the Netherlands, UK, Luxembourg, Spain, Portugal, Russia, Hungary and Croatia, offering Eros opportunities to extend their relationship beyond Holland.

Eros also has similar ongoing video-on-demand deals with Homechoice in the UK and Rogers Cable in Canada.

**'Intel'** - In January 2006 Eros announced a strategic partnership with Intel Corporation to make Eros' digital content portal and future digital video services available for on-demand delivery over the Internet for the first time via Intel® Viiv™ technology. The service is due to go live in January 2007 and will offer Day and Date Premieres with cinema release starting with the film, *I*

---

*See You.* Intel ViiV technology is designed to make it easier for families to download, view, manage and share digital entertainment on a wide variety of viewing screens including televisions.

## India Division

The Group's India division has historically exploited home entertainment content of Bollywood and Hollywood films in the Indian sub continent, together with airline and television rights syndication. In the six months to 30 September 2006, as anticipated at the time of the IPO, Eros also successfully entered into the Indian theatrical distribution and music distribution business with the release of Omkara in India.

The Group has also continued to enhance and augment its existing catalogue of 1300 titles and has made several key catalogue acquisitions in the period including securing a movie deal of blockbuster hits from the 1980s across formats. This will continue to offer a leverage for home entertainment including high definition, new media and television syndication.

|          | <b>6 months to<br/>30 September</b> | Pro Forma<br>aggregated 6<br>months to 30<br>September<br>2005 |
|----------|-------------------------------------|--|
|          | <b>US\$'000</b>                     | US\$'000   |
| Turnover | <b>3,690</b>                        | 2,710  |
| EBITDA   | 2,160                               | 790  |

## Content Consolidation

In line with the Group's overall strategy as stated at the time of IPO, Eros has set out to consolidate the fragmented Indian film production industry by entering into a number of output deals with established production houses and industry talent. This will lock up content for the Group's distribution channels both Internationally and within India on a long-term basis. The market is evolving from quasi-film finance model to co-production model in order to secure content for the distribution pipeline. This makes Eros one of the first and few companies in the fragmented sector to operate along the lines of a true studio model.

The Indian operations continue to drive the content acquisition activities for the Group including output deals with established production houses.

Key output deals concluded in the period include:

**K Sera Sera** - A five-year output deal was agreed with Bombay Stock Exchange listed production house K Sera Sera, to co-produce and exclusively handle global distribution of its forthcoming films. The deal gives Eros a first option on all of K Sera Sera's projects without having to commit upfront to financing or distributing them. The deal also includes at least three projects with leading A-list star, Salman Khan. The first film out of the deal '*Nanhe Jaisalmer*' is due to be released before the financial year end. This will be followed by Salman Khan and Govinda starring in a film directed by David Dhawan entitled '*Partner*'.

---

**Big Screen Entertainer** - Following on from the association on Omkara, the Group has taken a 64% stake in Big Screen. Big Screen has signed up leading actor Ajay Devgan for future projects as well as talented Directors like Rohit Sheety, Soham and Anil Devgan. Two productions are already underway, one of which titled '*No Smoking*' starring John Abraham is expected to be premiered at the Cannes Film Festival in May 2007.

**Rose Movies** –The Group recently concluded an output deal with Rose Movies, spearheaded by Goldie Behl who has a proven track record in television production and film direction. The group's association with Rose began when it distributed Goldie's first film *Bus Itna Sa Khwab Hain*. The four-movie output deal will commence with *Drona*, a costume drama starring leading actor Abhishek Bachchan and ex Miss World Priyanka Chopra in December 2006.

### **Co-Productions**

In light of the increasing corporatisation of the Indian film industry, Eros is progressively moving towards a model where it will effectively become a co-producer of a film and, in return for the provision of some of the film's production cost, it will receive not only international distribution rights but also a share of those rights traditionally and previously retained by the film's production company.

Following the runaway success of Eros's first co-production '*Waqt - A Race Against Time*', which was the UK's top grossing Bollywood film in 2005, this financial year's first co-production was Omkara with Big Screen Entertainer. An Indian adaptation of Shakespeare's Othello, Omkara has received wide critical acclaim and is heading for several prestigious award nominations besides being a box office success.

### **India Distribution**

India has long been one of the largest theatrical markets by number of admissions with annual ticket sales of over 3.1 billion. As investment is made into multiplex screens the overall ticket prices are increasing which reflects in increased gross box office receipts and larger distributor and producer revenue shares. *Lage Raho Munna Bhai* has reported gross Indian theatrical revenues of circa \$40 million in 2006 which is a marked increase on previous blockbuster hits. This is in part a result of the success of the movie itself but also reflects the increased revenue per head.

While traditionally Eros has focused on the international markets, the growth of the multiplexes in India and the Group's backward integration into co-productions present an opportunity for Eros to tap into the multi billion market potential offered by India. It is anticipated that at least a fifth of the total movies distributed this year through the Eros pipeline will include distribution in India.

Against this background, *Omkara*, which was Eros's first co-production for the year, also signalled the Group's first move into Indian theatrical distribution. Being associated with a critically acclaimed film upon launch has been positively received in the marketplace among

---

trade and consumers. Further Indian theatrical distribution in the period to March 2007 is planned for *Mr Black Mr White*, *Salaam-e-Ishq*, *Chinni Kum*, and *Provoked*.

The Group has successfully distributed Bollywood and Hollywood content in VCD and DVD formats in India for a numbers of years. Having already released titles like *Kill Bill*, *Aviator* and *Phantom of the Opera*, the Group continues to secure distribution rights for Hollywood titles like *Rambo*. Following the double digit growth of the home entertainment market in India with falling prices of DVD players and increasing consumerism, the Group is well placed to be a major player in the arena. It is anticipated that home entertainment distribution in India will be a significant area of growth in the years to come.

## **Music**

In line with the Group's strategy to take advantage of the opportunities offered in the era of digital convergence, Eros has now established a music publishing and digital distribution division. Eros Music Division will utilise the Group's existing home entertainment distribution and online and new media technology infrastructure, resulting in minimal upfront investment. It is a logical business extension for Eros as part of its overall value chain integration strategy. With the lucrative mobile music downloads market and other avenues of 'licensed' digital revenue being built on the rapid wireless uptake growing at 80% CAGR in India, the Group believes that the timing is suitable to enter this sector. The Music industry is already estimated at \$160 million, double that of the Radio market in India.

In the period music contributed to the group's results for the first time with turnover of US\$310,000 and EBITDA of US\$30,000.

Omkara's music featured in the Top 10 charts in India and the Group was not only able to exploit it via distribution of Audio cassettes and CDs but also offer it for mobile downloads with some key tie-ups, signalling the positive outlook for this division.

The Film Music albums and soundtrack planned for release by Eros during the financial year ending March 2007 include *I See You*, *Kudiyon Ka Hain Zamana*, *Mr Black Mr White*, *Chinni Kum* and *Provoked*.

---

## **Outlook**

Eros recognises that managing growth and change are critical success factors and Eros strives to achieve this by remaining focused on its core competencies and having a strategy to consolidate its position within the sector.

The Group will continue to take advantage of its vertically integrated business model. This will see more output deals, further co-productions and acquisitions, catalogue augmentation, and talent tie-ups in the content arena.

The Group will also focus on expanding its extensive global distribution network with special focus on syndication, new media while tapping into the growing Indian market.

---

## **Financial Overview**

### Earnings per share

Basic earnings per share in the period ended 30 September 2006 was 7.5 cents per share based on the profit on ordinary activities after taxation of US\$6,994,000 divided by the weighted average number of shares in issue during the period of 93,607,954. In calculating the earnings per share the shares issued as part of the group formation have been treated as being in issue from 31 March 2006.

Adjusted earnings per share after adding back IPO costs and goodwill amortisation were 9.1 cents per share. There was no material dilutive effect of options on either earnings per share figure.

### Overheads

The increase in other administration costs reflects additional costs taken on as part of the floatation of the company, the effect of the US subsidiary costs now being shown within the group rather than as a joint venture and the investment in infrastructure as part of the move into the Indian Theatrical distribution business combined with back office support and IT systems.

### Taxation

The Group corporation tax charged in the first half is based upon the expected charge for the full year, taking account of available losses within the US operations. The full year charge is expected to be at an effective rate of approximately 5% of profit before tax and goodwill amortisation.

### Goodwill

As part of the formation of the group, goodwill of US\$17.25m arose. This is being amortised over 20 years which is the directors' estimate of its useful life. The figure is based upon certain accounting fair value adjustments which will be subject to review before the year end.

### International Financial Reporting Standards ("IFRS")

Eros will be required to report under IFRS for the first time in the year ended 31 March 2008. An update on the effect this transition will have is to be provided with the full year results for 31 March 2007.

CONSOLIDATED SUMMARISED PROFIT AND LOSS ACCOUNT

|   | <b>Unaudited<br/>6 months to<br/>30<br/>September<br/>2006<br/>US\$'000</b> | Pro Forma<br>aggregated<br>6 months to<br>30<br>September<br>2005<br>US\$'000 | Pro Forma<br>aggregated<br>12 months<br>to 31 March<br>2006<br>US\$'000 |
|---|---|---|---|
| Turnover: group and share of joint ventures   | <b>21,807</b>   | 16,648  | 44,722  |
| Less: share of joint ventures turnover        | -   | (1,949)   | (1,949)   |
|   | <b>21,807</b>   | 14,699  | 42,773  |
| Film amortisation                             | <b>(5,469)</b>  | (4,682)   | (10,564)  |
| Other cost of sales                           | <b>(3,619)</b>  | (2,388)   | (5,267)   |
| Total cost of sales                           | <b>(9,088)</b>  | (7,070)   | (15,831)  |
| Gross profit                                  | <b>12,719</b>   | 7,629   | 26,942  |
| IPO costs                                     | <b>(1,129)</b>  | -   | -   |
| Goodwill amortisation                         | <b>(442)</b>  | -   | -   |
| Other administration costs                    | <b>(3,826)</b>  | (2,010)   | (5,948)   |
| Total administration costs                    | <b>(5,397)</b>  | (2,010)   | (5,948)   |
|   | <b>7,322</b>  | 5,619   | 20,994  |
| <b>Operating profit</b>                       |   |   |   |
| Share of operating loss of<br>Joint venture   | -   | (122)   | (122)   |
|   | <b>7,322</b>  | 5,497   | 20,872  |
| Net interest and other similar charges        | <b>58</b>   | (1,077)   | (2,437)   |
|   | <b>7,380</b>  | 4,420   | 18,435  |
| Profit on ordinary activities before taxation | <b>7,380</b>  |   |   |
| Tax on profit on ordinary activities          | <b>(386)</b>  |   |   |
| Profit on ordinary activities after taxation  | <b>6,994</b>  |   |   |
| Earnings per share                            |   |   |   |
| - basic                                       | <b>7.5 cents</b>  |   |   |
| - basic adjusted earnings per share           | <b>9.1 cents</b>  |   |   |

All turnover and operating profit arose from acquisitions in the period.

CONSOLIDATED SUMMARISED BALANCE SHEET AT 30 SEPTEMBER 2006

---

|  | <b>Unaudited<br/>US\$'000</b> |
|--|-------------------------------|
| <b>Fixed assets</b>  |                               |
| Intangible assets  | 45,997                        |
| Investments  | 10                            |
| Tangible assets  | <u>3,394</u>                  |
|  | <u>49,402</u>                 |
| <br>   |                               |
| <b>Current assets</b>  |                               |
| Stocks   | 1,816                         |
| Debtors  | 33,427                        |
| Cash at bank and in hand                                       | <u>17,622</u>                 |
|  | <u>52,865</u>                 |
| <br>   |                               |
| <b>Creditors: amounts falling due within one year</b>          | <u>(26,365)</u>               |
| <br>   |                               |
| <b>Net current assets</b>                                      | <u>26,500</u>                 |
| <br>   |                               |
| <b>Total assets less current liabilities</b>                   | 75,902                        |
| <br>   |                               |
| <b>Creditors: amounts falling due after more than one year</b> | <u>(876)</u>                  |
|  | <u>75,026</u>                 |
| <br>   |                               |
| <b>Capital and reserves</b>                                    |                               |
| Called up share capital  | 18,200                        |
| Share premium account  | 50,729                        |
| Profit and loss account  | <u>6,107</u>                  |
| <b>Shareholders' funds</b>                                     | <u>75,026</u>                 |

## CONSOLIDATED SUMMARISED CASH FLOW STATEMENT

---

|   | <b>Unaudited<br/>6 months to<br/>30<br/>September<br/>2006<br/>US\$'000</b> |
|---|---|
| Net cash inflow from operating activities       | <b>11,995</b>   |
| Returns on investments and servicing of finance | <b>(849)</b>  |
| Taxation  | <b>-</b>  |
| Capital expenditure and financial investment    | <b>(18,260)</b>   |
| Acquisitions and disposals                      | <b>(24,481)</b>   |
| Financing (net of costs)                        | <b>31,501</b>   |
| Decrease in cash                                | <b><u>(94)</u></b>  |

## OTHER PRIMARY STATEMENTS

---

### STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES

|   | <b>Unaudited<br/>6 months to<br/>30<br/>September<br/>2006<br/>US\$'000</b> |
|---|---|
| Profit for the financial period                                   | 6,994   |
| Currency differences on foreign currency net investments          | <u>(892)</u>  |
| Total gains and losses recognised since last financial statements | <u><u>6,102</u></u>   |

### RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

|  | <b>Unaudited<br/>6 months to<br/>30<br/>September<br/>2006<br/>US\$'000</b> |
|--|---|
| Profit for the period                    | 6,994   |
| Other recognised gains and losses        | (892)   |
| FRS 20 share based payment               | 5   |
| Issue of shares net of expenses          | <u>68,929</u>   |
| Net increase in shareholders' funds      | <u>75,036</u>   |
| Shareholders' funds at 31 March 2006     | -   |
| Shareholders' funds at 30 September 2006 | <u><u>75,036</u></u>  |

---

## **1 BASIS OF PREPARATION**

The interim financial statements have been prepared in accordance with applicable accounting standards and under the historical cost convention except that certain freehold properties are shown at their revalued amounts.

The accounting policies of the group were set out in the group's Admission to AIM document and major policies are shown below. The policies have remained unchanged throughout the 6 months ended September 2006.

The pro forma results for the 12 months ended 31 March 2006 and the 6 months ended 30 September 2005 comprise the aggregation of the actual results of Eros Network Limited and its subsidiaries, Eros Worldwide FZ LLC and its subsidiaries, Eros Digital Pvt Limited and B On Demand (EU) Limited for the relevant periods on the basis of the current accounting policies. Additionally the actual results of Eros Media Limited, Evron Limited, Windmill Corporation Limited and Stanning Corporation whose trade and assets were acquired by Eros Worldwide FZ LLC have been included within the aggregation.

## **2 ACCOUNTING POLICIES**

### *Basis of consolidation*

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company (its subsidiaries) made up to 31 March each year. Control exists when the Company has the power, directly or indirectly, to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

On acquisition, the assets and liabilities and contingent liabilities of a subsidiary are measured at their fair values at the date of acquisition. Any excess of the cost of acquisition over the fair values of the identifiable net assets acquired is recognised as goodwill.

The results of subsidiaries acquired are included in the consolidated financial statements from the effective date of acquisition.

Where necessary, adjustments are made to the financial statements of subsidiaries to bring the accounting policies used into line with those used by the Group. All intra-Group transactions, balances, income and expense are eliminated on consolidation.

### *Intangible fixed assets*

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

- 
- *Investments in Films and associated rights*  
Investments in Films and associated rights, including acquired rights and distribution advances, are stated at amortised cost less provision for impairment. A charge is made to write down the cost of completed rights over their estimated useful lives.
  - *Trademarks and Copyrights*  
A charge is made to write down the cost of trademarks and copyrights on a straight-line basis over their useful lives, of up to 20 years. The estimated useful life for determining the amortisation charge is reviewed annually and any further provision for impairment is charged against profit and loss in the year concerned.
  - *Subsequent expenditure*  
Subsequent expenditure on capitalised intangible assets is included only when it increases the future economic benefits embodied in the specific asset to which it relates.

#### *Share based payment*

The fair value of shares or options granted is recognised as an employee expense with a corresponding increase in equity. The fair value is measured at the grant date and spread over the period during which the recipient becomes unconditionally entitled to payment. The fair value of share options granted is measured using the Black Scholes formula, each taking into account the terms and conditions upon which the grants were made. The amount recognised as an expense is adjusted to reflect the actual number of shares or options that vest.

#### *Revenue recognition*

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

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

The following additional criteria apply for the following revenue streams:

- **Theatrical**  
Revenue is stated at the minimum guarantee plus declared share of box office receipts in excess of the minimum guarantee.
- **Consumer products**  
DVD and Video Revenue is recognised on the date the license revenue is contracted or declared. Provision is made for returns where applicable.

- 
- New Media  
New Media revenues are recognised at the earlier of when the content is assessed or declared.

### 3 EARNINGS PER SHARE

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

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

Reconciliations of the earnings and weighted average number of shares used in the calculated are set out below.

|  | US\$'000                |
|--|-------------------------|
| <b>For basic earnings per share</b>    |                         |
| Profit for the financial period        | <u>6,994</u>            |
| <b>For adjusted earnings per share</b> |                         |
| Profit for the financial period        | 6,994                   |
| Add back:                              |                         |
| Goodwill amortisation                  | 442                     |
| IPO costs                              | <u>1,129</u>            |
|  | <u>8,565</u>            |
|  | <b>Number of shares</b> |
| <b>For basic earnings per share</b>    | <b>93,607,954</b>       |
| Share options                          | <u>93,657</u>           |
| For diluted earnings per share         | <u>93,701,611</u>       |

---

**4 NET CASH INFLOW FROM OPERATING ACTIVITIES**

|                                      | <b>Unaudited<br/>6 months to<br/>30<br/>September<br/>2006</b> |
|--------------------------------------|--|
|                                      | <b>US\$'000</b>  |
| Operating profit                     | 7,322  |
| Depreciation                         | 90   |
| Goodwill amortisation                | 442  |
| Film amortisation                    | 5,469  |
| Movement in stock                    | 590  |
| Movement in debtors                  | (2,690)  |
| Movement in creditors                | 772  |
| Net inflow from operating activities | <u>11,995</u>  |

---

**5 RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN NET DEBT**

|  | <b>Unaudited<br/>6 months to<br/>30<br/>September</b> |
|--|---|
|  | <b>US\$'000</b>                                       |
| Movement in cash in the period           | (94)  |
| Cash outflow from financing              | 4,621   |
| Loans acquired with subsidiary           | (5,497)   |
| Effect of foreign exchange changes       | 907   |
|  | <hr/>   |
| Movement in net debt/funds in the period | (63)  |
| Net funds at 31 March 2006               | -   |
|  | <hr/>   |
| Net debt at 30 September 2006            | <u>(63)</u>   |

**6 PUBLICATION OF NON-STATUTORY ACCOUNTS**

The financial information set out in this interim report does not constitute statutory accounts as defined in section 240 of the Companies Act 1985.