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This document comprises an admission document which has been drawn up in accordance with the AIM Rules and has been issued in connection with the proposed admission to trading of the Ordinary Shares of the Company to the AIM market of the London Stock Exchange (“AIM”). Ordinary Shares must not and will not be offered to the public in the United Kingdom (within the meaning of section 102B of the FSMA), save in circumstances where it is lawful to do so without an approved prospectus (within the meaning of section 85 FSMA) being made available to the public before the offer is made. Accordingly this document does not constitute a prospectus as defined in the AIM Rules.

This document has not been registered or filed as a prospectus with any governmental or other authority in the Isle of Man and this document and the issue of the Ordinary Shares have not been approved or commented upon by the Isle of Man Financial Supervision Commission or any other governmental or regulatory authority in or of the Isle of Man. This document may only be issued by or on behalf of the Company, or by or on behalf of any person who is or has been engaged or interested in the formation of the Company, to persons falling within the ambit of the Companies (Private Placements) (Prospectus Exemptions) Regulations 2000 of the Isle of Man, including (without limitation) persons whose ordinary activities involve them in acquiring, holding, managing or disposing of shares or debentures (as principal or agent) for the purposes of their businesses.

Application has been made for all of the Ordinary Shares in issue immediately following the Placing to be admitted to trading on AIM. It is expected that admission of, and dealings in, the Ordinary Shares will commence on AIM on 4 July 2006.

AIM is a market designed primarily for emerging or smaller companies to which a higher investment risk tends to be attached than to larger or more established companies. AIM securities are not admitted to the official list of the UK Listing Authority. A prospective investor should be aware of the risks of investing in such companies and should make the decision to invest only after careful consideration and, if appropriate, consultation with an independent financial adviser. London Stock Exchange plc has not itself examined or approved the contents of this document.

Your attention is drawn to the section entitled “Risk Factors” set out in Part II of this document for a discussion of certain factors which should be taken into account in considering whether or not to acquire Ordinary Shares. The whole of this document should be read in light of these risk factors.

The Group has been formed by combining distinct, independently owned and managed groups of companies into the Group shortly before the date of this document as part of the Admission and as such there is a very limited relevant operating history as a Group. However, for ease of reference and simplicity of understanding, references are made to “the Group” throughout this document as if all of the Company’s present subsidiaries had formed part of one group during the period referred.

Eros International plc

(Incorporated in the Isle of Man with registration number 116107C)

Placing of 15,625,000 Ordinary Shares at 176 pence per Share and Admission to Trading on AIM

Nominated Adviser, Broker and Underwriter
Evolution Securities Limited

SHARE CAPITAL

(Immediately following the Placing)

<i>Authorised</i>			<i>Issued</i>	
<i>Amount</i>	<i>Number</i>		<i>Amount</i>	<i>Number</i>
£20,000,000	200,000,000	Ordinary Shares of 10p each	£10,000,000	100,000,000

All the Ordinary Shares will, on Admission, rank *pari passu* in all respects and will rank in full for all dividends and other distributions declared, made or paid in respect of Ordinary Shares after Admission.

This document does not constitute an offer to sell or the solicitation of an offer to buy shares in any jurisdiction in which such offer is unlawful. In particular, except as otherwise described herein, this document is not for distribution in or into the United States, Canada, Australia or Japan or to any national, resident or citizen of the United States, Canada, Australia or Japan. In addition, the Placing Shares (as defined below) have not been, and will not be, registered under the US Securities Act of 1933, as amended (the “US Securities Act”) or under any state securities laws and may not be offered or sold in the United States to, or for the account or benefit of, US persons (as defined in Regulation S promulgated under the US Securities Act). The Placing Shares are being offered only to non-US persons outside the United States in transactions exempt from the registration requirements of the US Securities Act in reliance on Regulation S. Purchasers of the Placing Shares may not offer to sell, pledge or otherwise transfer the Placing Shares in the United States to, or for the account or benefit of, US persons (other than distributors) unless such offer, sale, pledge or transfer is registered under the US Securities Act or an exemption from registration is available. Further information regarding the significant restrictions on resale and/or transfer that are applicable to the Ordinary Shares is set out in Part VI of this document. Hedging transactions involving the Ordinary Shares may not be conducted, directly or indirectly, unless in compliance with the US Securities Act. The Company does not currently plan to register any Ordinary Shares under the US Securities Act.

Evolution Securities Limited, through its selling agents, may arrange for the sale of US Shares in the United States only to persons reasonably believed to be “qualified institutional buyers” within the meaning of Rule 144A under the US Securities Act (“QIBs”) or “accredited investors” within the meaning of Rule 501(a)(1), (2), (3), (7) or (8) under the US Securities Act (“Institutional Accredited Investors”) in reliance on Rule 144A under the US Securities Act, Regulation D under the US Securities Act or pursuant to another exemption from, or in a transaction not subject to, the registration requirements of the US Securities Act. The Placing Shares and the Sale Shares to be placed outside the United States are being offered and sold in reliance on Regulation S under the US Securities Act.

The Ordinary Shares have not been and will not be registered under the securities legislation of any province or territory of Canada, Australia or Japan. Accordingly, the Ordinary Shares may not, subject to certain exceptions, be offered, or sold directly or indirectly, in or into Canada, Australia or Japan or to any national, citizen or resident of Canada, Australia or Japan.

Evolution has been appointed as nominated adviser and broker to the Company. In accordance with the AIM Rules, Evolution has confirmed to the London Stock Exchange that it has satisfied itself that the Directors have received satisfactory advice and guidance as to the nature of their responsibilities and obligations to ensure compliance by the Company with the AIM Rules and that, to the best of its knowledge and belief, having made due and careful enquiry, all relevant requirements of the AIM Rules have been complied with. No liability whatsoever is accepted by Evolution for the accuracy of any information or opinions contained in this document or for the omission of any material information, for which it is not responsible.

Evolution is regulated by the Financial Services Authority and is acting exclusively for the Company and no-one else in connection with the proposed Placing and Admission. Evolution will not regard any other person as its customer or be responsible to any other person for providing the protections afforded to customers of Evolution nor for providing advice in relation to the transactions and arrangements detailed in this document. Evolution is not making any representation or warranty, express or implied, as to the contents of this document.

In making any investment decision in respect of the Placing, no information or representation should be relied upon in relation to the Placing or in relation to the Ordinary Shares other than as contained in this document. No person has been authorised to give any information or make any representation other than that contained in this document and, if given or made, such information or representation must not be relied upon as having been authorised by Eros International Plc or Evolution Securities Limited, their respective directors, employees or professional advisers.

The Placing Shares are being offered to certain institutional investors in the United Kingdom. The distribution of this document outside the United Kingdom may be restricted by law and, therefore, persons outside the United Kingdom who receive this document should inform themselves about and observe any restrictions as to the placing of the Placing Shares and the distribution of this document in the relevant jurisdiction. Any failure to comply with these restrictions may constitute a breach of the securities laws of the relevant jurisdiction.

No action has been taken or will be taken by the Company, its Directors, the Vendor or Evolution Securities Limited that would permit a public offering of the Ordinary Shares or the possession or distribution of this document or any other offering or publicity materials relating to the Ordinary Shares in any country or jurisdiction where action for that purpose is required, other than in the United Kingdom. This document does not constitute an offer to sell or a solicitation of an offer to buy or subscribe for Ordinary Shares to any person to whom, or in any jurisdiction where, such offer or solicitation would be unlawful.

The contents of this document should not be construed as legal, business or tax advice. Each prospective investor should consult their own legal adviser, independent financial adviser or tax adviser for legal, financial or tax advice.

The Placing is conditional, *inter alia*, on Admission taking place on or before 4 July 2006 (or such later date as the Company and Evolution Securities Limited may agree, being not later than 31 July 2006).

NOTICE TO PROSPECTIVE INVESTORS IN THE UNITED STATES

Under the Placing, the Placing Shares as well as the Sale Shares to be placed outside the United States will be offered and sold in the United Kingdom and elsewhere outside the United States in reliance on Regulation S under the US Securities Act. In addition, the US Shares may be offered and sold in the United States to QIBs or Institutional Accredited Investors in reliance on Rule 144A under the US Securities Act, Regulation D under the US Securities Act or pursuant to another exemption from, or in a transaction not subject to, the registration requirements under the US Securities Act.

THE ORDINARY SHARES DESCRIBED IN THIS DOCUMENT HAVE NOT BEEN APPROVED OR DISAPPROVED BY THE UNITED STATES SECURITIES AND EXCHANGE COMMISSION (THE “SEC”), ANY STATE SECURITIES COMMISSION IN THE UNITED STATES OR ANY OTHER REGULATORY AUTHORITY IN THE UNITED STATES, NOR HAVE ANY OF THE FOREGOING AUTHORITIES PASSED ON OR ENDORSED THE MERITS OF THE OFFER OR THE ACCURACY OR ADEQUACY OF THE INFORMATION CONTAINED IN THIS DOCUMENT. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENCE IN THE UNITED STATES.

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NEITHER THE FACT THAT A REGISTRATION STATEMENT OR AN APPLICATION FOR A LICENCE HAS BEEN FILED UNDER CHAPTER 421-B OF THE NEW HAMPSHIRE REVISED STATUTES WITH THE STATE OF NEW HAMPSHIRE NOR THE FACT THAT A SECURITY IS EFFECTIVELY REGISTERED OR A PERSON IS LICENSED IN THE STATE OF NEW HAMPSHIRE CONSTITUTES A FINDING BY THE SECRETARY OF STATE OF NEW HAMPSHIRE THAT ANY DOCUMENT FILED UNDER CHAPTER 421-B IS TRUE, COMPLETE AND NOT MISLEADING. NEITHER ANY SUCH FACT NOR THE FACT THAT AN EXEMPTION OR EXCEPTION IS AVAILABLE FOR A SECURITY OR A TRANSACTION MEANS THAT THE SECRETARY OF STATE HAS PASSED IN ANY WAY UPON THE MERITS OR QUALIFICATIONS OF, OR RECOMMENDED OR GIVEN APPROVAL TO, ANY PERSON, SECURITY OR TRANSACTION. IT IS UNLAWFUL TO MAKE, OR CAUSE TO BE MADE, TO ANY PROSPECTIVE PURCHASER, CUSTOMER OR CLIENT ANY REPRESENTATION INCONSISTENT WITH THE PROVISIONS OF THIS PARAGRAPH.

NOTICE TO PROSPECTIVE INVESTORS IN SINGAPORE

This document has not been registered as a prospectus with the Monetary Authority of Singapore. Accordingly, this document and any other document or material in connection with the offer or sale, or invitation for subscription or purchase, of Placing Shares may not be circulated or distributed, nor may Placing Shares be offered or sold, or be made the subject of an invitation for subscription or purchase, whether directly or indirectly, to persons in Singapore other than (i) to an institutional investor under section 274 of the Securities and Futures Act, Chapter 2889 of Singapore (the “SFA”), (ii) to a relevant person pursuant to Section 275(1), or any person pursuant to section 275(1A), and in accordance with the conditions specified in section 275 of the SFA or (iii) otherwise pursuant to, and in accordance with the conditions of, any other applicable provision of the SFA.

Where Placing Shares are subscribed or purchased under section 275 by a relevant person which is

- (a) a corporation (which is not an accredited investor (as defined in section 4A of the SFA)) the sole business of which is to hold investments and the entire share capital of which is owned by one or more individuals, each of whom is an accredited investor, or
- (b) a trust (where the trustee is not an accredited investor) whose sole purpose is to hold investments and each beneficiary of the trust is an individual who is an accredited investor,

shares, debentures and units of shares and debentures of that corporation or the beneficiaries’ rights and interest (howsoever described) in that trust shall not be transferred within 6 months after that corporation or that trust has acquired the Placing Shares pursuant to an offer made under section 275 except

- (1) to an institutional investor (for corporations, under section 274 of the SFA) or to a relevant person defined in section 275(2) of the SFA, or to any person pursuant to an offer that is made on terms that such shares, debentures and units of shares and debentures of that corporation or such rights and interest in that trust are acquired at a consideration of not less than S\$200,000 (or its equivalent in a foreign currency) for each transaction, whether such amount is to be paid for in cash or by exchange

of securities or other assets, and further for corporations, in accordance with the conditions specified in section 275 of the SFA,

- (2) where no consideration is or will be given for the transfer, or
- (3) where the transfer is by operation of law.

AVAILABLE INFORMATION

To permit compliance with Rule 144A under the US Securities Act in connection with the offer and resale of the US Shares, for so long as any US Shares are “restricted securities” within the meaning of Rule 144(a)(3) under the US Securities Act, the Company will be required to furnish, upon request of a holder of a US Share, to such holder and a prospective purchaser designated by such holder, the information required to be delivered under Rule 144A(d)(4) under the US Securities Act if at the time of the request the Issuer is not a reporting company under Section 13 or Section 15(d) of the United States Securities Exchange Act of 1934, as amended (the “**Exchange Act**”), or exempt from reporting pursuant to Rule 12g3-2(b) under the Exchange Act.

The Company is furnishing this document in connection with an offering exempt from the registration requirements under the US Securities Act solely for the purpose of enabling a prospective investor to consider the acquisition of the US Shares described herein. The information contained in this document has been provided by the Company and other sources specifically identified herein. This document is being furnished on a confidential basis to persons in the United States. Any reproduction or distribution of this document, in whole or in part, in the United States and any disclosure of its contents or use of any information contained in this document in the United States for any purpose, other than considering an investment by the recipient in the US Shares, is prohibited. By accepting delivery of this document, each potential investor in the US Shares will be deemed to have agreed to the foregoing.

ENFORCEMENT OF JUDGEMENTS

Eros is a public limited company incorporated under the laws of the Isle of Man. The majority of the Company’s assets are located outside of the United States. Other than Himanshu Roger Vakharia, none of the Directors is a citizen or resident of the United States. As a result, it may not be possible for investors to effect service of process within the United States upon the Company or such persons or to enforce outside the United States judgements obtained against the Company or such persons in the United States, including, without limitation, judgements based upon the civil liability provisions of the United States federal securities laws or the laws of any state or territory of the United States. In addition, awards of punitive damages in actions brought in the United States or elsewhere may be unenforceable outside the United States. Investors may also have difficulties enforcing, in original actions brought in courts in jurisdictions outside the United States, liabilities under US securities laws.

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PLACING STATISTICS

Placing Price	£1.76
Number of Placing Shares	12,784,091
Gross proceeds of the Placing available to the Company	£22.5 million
Estimated net proceeds of the Placing available to the Company	£20.0 million
Number of Sale Shares	2,840,909
Gross proceeds of the Placing available to the Vendor	£5.0 million
Number of Ordinary Shares in issue immediately following Admission	100,000,000
Market capitalisation of the Company on Admission at the Placing Price	£176.0 million
Placing Shares and Sale Shares as a percentage of the Enlarged Issued Share Capital	15.63%

EXPECTED TIMETABLE OF PRINCIPAL EVENTS

Admission and dealings in the Ordinary Shares to commence on AIM	8.00 a.m. on 4 July 2006
CREST accounts credited by	8.00 a.m. on 4 July 2006
Despatch of definitive share certificates by	11 July 2006

DIRECTORS, SECRETARY AND ADVISERS

Honorary Life President	Arjan Gobindram Lulla
Directors	Kishore Kumar Lulla (<i>Chairman and Chief Executive Officer</i>) Vijay Mohandas Ahuja (<i>Vice Chairman and President – International</i>) Sunil Kumar Lulla (<i>Executive Director and President – India</i>) Jyoti Sanjay Deshpande (<i>Chief Operating Officer and Commercial Director</i>) Dilip Jayantilal Thakkar (<i>Non-executive Director</i>) Himanshu Roger Vakharia (<i>Non-executive Director</i>)
Registered Office	15-19 Athol Street, Douglas Isle of Man IM1 1LB British Isles
Company Secretary	Richard Vanderplank 15-19 Athol Street, Douglas Isle of Man IM1 1LB British Isles
Nominated Adviser and Broker	Evolution Securities Limited 100 Wood Street London EC2V 7AN United Kingdom
Co-Distribution Agent	Evolution Securities China 5th Floor 29-30 Cornhill London EC3V 3NF
Corporate Advisers	Firecrest Hambro Limited 4 Park Place London SW1A 1LP United Kingdom
UK Legal Advisers	Howard Kennedy 19 Cavendish Square London W1A 2AW United Kingdom
Isle of Man Legal Advisers to the Company	Cains Advocates Limited 15-19 Athol Street, Douglas Isle of Man IM1 1LB British Isles
Isle of Man Administrator and Registrar	Equity Limited 15-19 Athol Street, Douglas Isle of Man IM1 1LB British Isles
Reporting Accountants	Grant Thornton UK LLP (the UK member of Grant Thornton International) Grant Thornton House Melton Street London NW1 2EP
Auditors	Grant Thornton (the Isle of Man member of Grant Thornton International) P.O. Box 307 19-21 Circular Road Douglas Isle of Man IM99 2BE
Solicitors to the Placing	Simmons & Simmons CityPoint One Ropemaker Street London EC2Y 9SS United Kingdom
CREST Service Provider	Computershare Investor Services (Channel Islands) Limited Ordnance House 31 Pier Road St Helier Jersey JE4 8PW

PART I

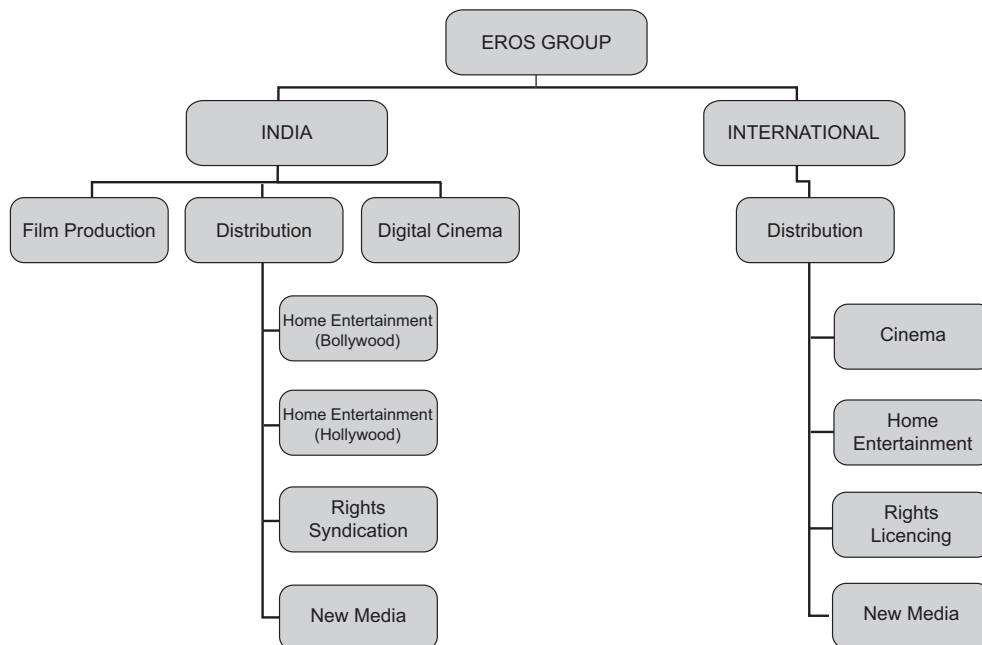
INFORMATION ON THE GROUP

Introduction

Eros is an integrated international media and entertainment group that owns and distributes Bollywood content globally in a variety of formats. Founded in 1977, with an extensive film library containing in excess of 1,300 titles, the Group has a worldwide distribution network and more than 110 employees based in the UK, India, the US, United Arab Emirates, Australia and Fiji.

Eros typically acquires films under production by part financing the films through their stages of production in exchange for certain media distribution rights. Eros is then able to exploit these rights through cinemas, home entertainment, broadcast channels and other modes of licensing. The Directors believe that the Group's proven ability to execute profitable content rights deals is based upon its powerful catalogue of titles and access to a steady flow of new movie releases, and that this positions Eros strongly to exploit both new geographic markets and new media opportunities.

Eros' global business will operate through its International and Indian divisions, as follows:



These divisions are described further in the "Operating Activities" section below.

Over the years Eros has acquired and distributed, outside India, an average of 35 films a year. According to Nielsen EDI, Eros has an average Bollywood box office market share of 35 per cent. in the UK over the past 10 years, demonstrating its market leadership and consistent track record. Other important distribution markets for the Group are the US, South Africa, the Middle East, the Far East and Continental Europe.

Eros' first major co-production venture, *Waqt – A Race Against Time*, was the highest grossing Bollywood film in the UK in 2005. The Group intends to progressively increase its production activities to gain a footing within the content supply chain, whilst also continuing to acquire new films from production companies.

Eros recently launched www.bondemand.tv, an online Bollywood movie, music and mobile download service and Intel Corporation announced an arrangement with the Group to further develop this initiative using Intel's new ViiV technology, which is intended to allow consumers to receive content flowing via their PC to their television.

Vertical integration, into film production, into New Media and Digital Cinema Exhibition has been identified as a key strategic area that the Directors believe will assist the Group to capitalise on its core competencies and strengthen its competitive advantage.

Over the 3 year period to 31 March 2006, the Group estimates that, on a pro forma basis, it has generated cumulative revenues of approximately \$93 million, with a CAGR of approximately 40 per cent. On the basis detailed below under 'Financial Information', in the year ended 31 March 2006, the Directors estimate that the Group generated pro forma turnover of not less than \$44.2 million and pro forma profits before tax and goodwill amortisation of not less than \$18.2 million.

History

The business of Eros was founded in India in 1977 by Arjan Lulla, to explore the opportunity to export Indian films and, in 1988, Kishore Lulla and Vijay Ahuja expanded the business into the UK.

In 1992 Eros distributed its first Bollywood film into cinemas in the UK. The film was called *Khuda Gawah* and starred Bollywood superstar, Amitabh Bachchan. Eros launched its US operations in 1997, by setting up Eros Entertainment Inc. as a joint venture. *Dil Se*, starring superstar Shah Rukh Khan was distributed by Eros in the UK and became the first Indian film to reach the top 10 in the UK Box Office Charts in 1998. In the Directors' view, this marked the beginning of the move towards the current position in the UK market, where films such as *Devdas* and *Waqt* were shown principally in multiplex cinema chains as well as dedicated Indian cinemas. In 2000, Eros agreed to provide content to B4U Movies and B4U Music, which are worldwide, 24 hour, Bollywood movie and music channels broadcast over major satellite and cable networks such as BSKyB, DISH Network, Multichoice and ART. The ultimate majority shareholders of the Company beneficially own not less than 24 per cent. of L.M.B. Holdings, which operates the B4U channels. The Company has an option over this interest, further details of which are set out below under 'B4U Option'.

In 2000 Eros began distributing Bollywood films to multiplex cinema chains in South Africa and, in 2001 Eros opened its Dubai office.

At the Cannes film festival in 2002, Eros premiered *Devdas*, considered by many to be one of the most high profile Bollywood films to date. In 2002, mainstream retail chains in the UK such as HMV and Virgin began to sell Eros' DVDs. In order to be able to cater for what the Directors considered to be the growing demand in the Pacific Rim, Eros commenced operations in Fiji in March 2004 and its Australian business followed later that year. In 2005, Eros contracted with Video Networks Limited (which operates Homechoice, the UK video on demand ("VOD") service) to provide content and manage its entire South Asian media offering for the UK. Also in 2005, the Company acquired the outstanding 50 per cent. interest in Eros Entertainment Inc.

Earlier this year, Eros launched www.bondemand.tv, which has been positioned by the Company as a global online Bollywood movie, music and mobile download service. The Group also announced an arrangement with Intel Corporation to enable Eros' digital content library for Intel's ViiV platform, which is intended to allow consumers to enjoy content received via their PCs on their TVs.

In early 2006, Eros signed a distribution deal with a German distributor called Eurovideo GmbH (part of the Bavaria Film GmbH), to distribute German language dubbed versions of its Bollywood content into Germany. The Directors believe that this deal is representative of the opportunities currently available to the Group enabling it to expand into new geographic markets and formats.

Market Opportunity and Background

The Directors anticipate that the key growth drivers for the Indian entertainment industry over the next five years will be overseas demand, the growth of Crossover markets, the emergence of the home video market and New Media. With the increased corporatisation of the Indian film industry, an important part of the Group's strategy is to increase its presence in India as the market matures. As a vertically integrated business with a presence across the value chain, as well as brand recognition, the Directors believe that the Group is well positioned to leverage its market position internationally and further capitalise on the growth of the Indian market, by consolidating the fragmented industry.

According to a PricewaterhouseCoopers (“PwC”) report entitled “The Indian Entertainment Industry – An Unfolding Opportunity” published in March 2005, the Indian entertainment industry is currently valued at \$4.5 billion per annum and, with an expected CAGR of 18 per cent. a year, is set to be over \$10 billion by 2010. The increase in disposable income of the Indian population brought about by the favourable global economic climate, combined with a booming services sector, particularly in the software and IT-enabled industry, suggest that the growth in the entertainment sector in India is set to accelerate even further.

The Indian economy has recently emerged as the fourth largest economy in the world based on purchasing power parity. According to the PwC report, 180 million people are expected to move into the consuming and rich classes over the next 5 years. Together with an average of 30-40 million people joining the middle class each year, the inherent rise in income over recent years has seen a significant increase in the demand for mobile phones, televisions, music systems and other similar goods.

Strategy

The Directors plan to build upon the Group’s position as a significant media group with a global presence, specialising in Bollywood content. As a leading player in what the Directors consider to be an otherwise highly fragmented market, the Directors believe that, in an era of digital convergence, the Group is well placed, through a strategy of vertical integration, to consolidate its position through both strengthening its large library of content rights across a range of media formats and continuing to expand its extensive distribution network.

The Directors believe the following to be the Group’s key strategic initiatives.

- *Acquiring and exploiting content.* The Group aims to strengthen and enlarge its existing library of content through the creation, acquisition and exploitation of new film rights, including catalogues, as well as digitising and repackaging its existing content library in new formats such as music video compilations, and reformatting for New Media distribution through mobile devices and other formats, such as mobisodes, as well as for HD DVD technology.
- *Consolidating the fragmented Indian film production market place.* The Indian film industry has typically been characterised by independent producers making small numbers of films annually. There are no dominant studios as in Hollywood. The Group has already entered into its first co-production deals as described below. In addition to planned output deals with other production houses, the Directors have identified an opportunity to consolidate the fragmented Indian film production industry through selective acquisitions of film production companies. They also believe there will be opportunities to acquire companies which own catalogues of content in areas related to film, such as music.
- *Pioneering digital market convergence.* The Board considers that the Group has already gained a foothold in the New Media market through the introduction of its www.bondemand.tv service as well as through its relationships with Intel and Homechoice, Rogers Cable, Vodafone RTL Holland and Movielink. The Directors believe that HD TV and HD DVD could present further growth opportunities for the Group enabling it to generate further revenues from relicensing its catalogue in these new formats to new customers.
- *Developing new market segments and Crossover markets.* The Group has successfully opened new markets for its content by providing subtitled and dubbed versions of Bollywood films through television and home video in markets such as Germany, Russia, Indonesia, Malaysia, Thailand, Fiji, South Africa and United Arab Emirates. In many of these markets, the Directors believe that the audiences have been predominantly the locals in these countries over and above the expatriate Indian community. The Group intends to further increase its revenues by growing, and breaking into, diverse geographic territories, and by selling to both the Indian diaspora audience as well as to wider Crossover markets.

A particular opportunity arises from the recent relaxation of trade barriers between India and Pakistan, thus potentially opening a large new market to the Group, which already has an affinity to Bollywood content.

- *Distributing Hollywood and Bollywood home entertainment content in India.* Sales of home entertainment equipment in India have grown strongly as disposable incomes have risen for the expanding middle classes. In addition to Bollywood titles, the Group has had success in distributing both original and Hindi dubbed Hollywood films on VCD and DVD formats to the home entertainment market in India. The Directors believe that there is an excellent opportunity to grow this market sector and to explore alliances with the Hollywood studios to this end.
- *Developing Indian digital cinema opportunities.* The Directors believe they have identified an opportunity to exhibit newly released films in digital cinemas in India, where only around 13,000 screens serviced 3.1 billion tickets sold in 2005. The Group intends to identify and develop two-screen digital cinema sites in a number of what the Directors consider to be key 'rural-rich' towns in India. The Group has identified and researched a business model for this venture, which would produce its first revenues in the financial year ended 31 March 2008 and, which would involve only limited capital expenditure through the use of partners and joint ventures.

Key Strengths

The Directors believe that the following are the key strengths of the Group:

- *Strong brand and global recognition founded on a long history of success*
The business of Eros was founded in 1977 and the Group has since become what the Directors consider to be a market leader in the international distribution of Bollywood films.
- *Valuable and extensive content library*
Eros owns intellectual property rights, generally across all media formats, to many of what the Directors view as being Bollywood's most successful films. The Group's film catalogue currently stands at over 1,300 films (and contains in excess of 5,000 music videos). In the financial year ended 31 March 2006, the Directors estimated the catalogue revenues to exceed the revenues from new releases and with a substantially higher EBITDA margin than new releases. The Directors believe that this trend will continue and digital convergence will be an important new opportunity for further exploitation of this extensive library.
- *Well developed international network*
Over the years, the Group has built an international network of offices, as well as contacts with distribution outlets, producers, directors and many prominent figures within the Indian film industry and distribution arena. This gives the Group the opportunity to selectively acquire as well as exploit quality content.
- *Management record*
The Group has a strong management team with considerable specialist industry experience who have been associated with the Group for several years.
- *Long-term strategic relationships and diverse client base*
The Directors believe that the Group has a reputation in its industry as a reliable distributor of high quality Bollywood films, which has enabled the Group to build relationships with major international broadcasters. Some of the relationships the Group has forged over the years are with Intel, Homechoice, Rogers Cable Canada, BBC, Channel 4, BSkyB, DirecTV, SABC South Africa, SBS Australia, RTL 2, HMV, Virgin, Tesco, Amazon, Asda, Vue, Cineworld, Asia TV and major Indian broadcasting channels such as Sahara, Sony and Zee.

Operating Activities

Eros, as an owner-distributor of Bollywood content, exploits its extensive film library in a number of formats on a worldwide basis.

Intellectual property

Eros owns film distribution rights in over 1,300 films, including high profile films such as *Devdas*, *Paheli*, *No Entry* and *Waqt – A Race Against Time*. The rights acquired are, in the majority of cases, exclusive and in all sizes, modes and formats, including dubbing and sub-titling in any language and are usually for existing and future media. The majority of the rights held by the Group are for the whole world excluding India. The Group has been progressively acquiring home entertainment rights for India.

All of the registered trademarks and domain names which are used in the business are owned by the Group.

International operations

The Group's international operations, which have been established to exploit this intellectual property, are divided into the following main divisions:

- *Cinema*

The Directors believe that Eros has played a significant part in increasing the exposure of Bollywood films internationally by distributing them to multiplex cinema chains like Cineworld, UCI and Vue in the UK, Ster-Kinekor and Nu Metro chains in South Africa and Regal in US. Such is the appeal in the UK that Bollywood films often appear in the top 10 rankings of box office takings. Eros is a member of the FDA (Film Distributors' Association) in the UK.

- *Home Entertainment*

The Group has built a large international specialist dealer network of traditional videos, VCDs and DVDs. Eros sells its content to wholesalers and, directly or indirectly, to high street retailers, such as HMV, Virgin and Tesco in the UK, as well as via its website www.erosentertainment.com, Amazon and other e-commerce portals. Eros sells into existing geographical markets such as the US, Europe, Middle East, South Africa, Mauritius, South East Asia, Australia and Fiji. In addition, it has recently begun distributing subtitled and dubbed language versions of Bollywood films into new markets such as Germany, Russia and Indonesia. It intends to re-release some of the most popular films in its catalogue in high definition versions, once HD DVD players have reached a reasonable level of consumer penetration.

- *Rights Licensing*

Eros has a large network of clients to whom it has been licensing television content for a number of years. The rights include Free TV, Pay TV, Cable TV, Satellite, Video On Demand, Pay Per View and other broadcasting rights. Clients include major channels and platforms around the world such as BBC, Channel 4, DirecTV, SABC South Africa, SBS Australia and RTL 2 as well as broadcasters from the Indian sub-continent such as Sahara, Zee and Sony. Furthermore, participating in trade fairs such as the Cannes film festival, MIPCOM, MIPTV and NATPE has also helped Eros build an international network of contacts in the broadcasting industry. The Group is witnessing growing demand for subtitled language versions of films, which it expects will continue with the introduction of HD TV.

- *New Media*

Eros' New Media strategy revolves around three business models - (1) online services; (2) video-on-demand via cable and (3) wireless and mobile.

Eros recently established its online Bollywood entertainment service, www.bondemand.tv, which offers a large selection of movies and music videos on a rental, subscription, download and streaming basis. In January 2006, Intel announced an arrangement with Eros which is intended to allow consumers to access Eros content via Intel ViiV enabled PCs directly to their televisions. This offering is anticipated to receive its major launch in the third quarter of 2006. Eros has been negotiating distribution arrangements with a number of online services to secure wider distribution for its content

and brand. Eros has also signed a contract with RTL Holland's online interactive service (RTL is part of the Bertelsmann Group).

As part of its cable VOD strategy, Eros has entered into an alliance with Video Networks Limited to provide B on Demand movies and music on the Homechoice service and also manage their South Asian content offering. Eros has also agreed with Rogers Cable Canada to be their primary supplier of Bollywood VOD content on their Bollywood film service.

As part of its mobile strategy, Eros has launched www.bollywoodmobiles.com. This site offers Bollywood ringtones, polyphonics, true tones, wallpapers, star posters, movie posters and video downloads internationally. The Directors believe these downloads to be a potential area of growth, particularly when 3GSM phones become more common, and the Group is already reformatting its content to suit the mobile interface and intends to create 'mobisodes' and other short-form programming from the Eros library. Eros already supplies content to Vodafone, Orange and other major mobile telephone operators in the UK. It also has an agreement with Vodafone Fiji to distribute content to its subscribers.

Indian operations

- *Home Entertainment (Bollywood)*

Eros has in place a distribution network in India for distributing Bollywood titles on VCD and DVD formats. Eros has agreements with major wholesale and retail chains in India such as Planet M and Archies to distribute titles and also distributes to local outlets. Presently in India, the trend is gradually shifting towards DVDs as DVD player prices in India are currently reducing and major consumer electronic multinational corporations such as Sony, Panasonic, Toshiba and Philips as well as local brands such as Videocon and Onida are providing the market with DVD players.

- *Home Entertainment (Hollywood)*

Since 2003, Eros has distributed original and dubbed Hollywood studio content on VCD and DVD formats in India, the world's second largest English speaking nation. The Group has distribution rights to over 100 Hollywood titles and has released titles such as the *Aviator* and *Kill Bill, Volumes 1 and 2*. The Directors are encouraged by the sales of these titles and intend to expand the Group's portfolio of Hollywood titles to sell through its existing distribution pipeline.

- *Rights Syndication*

Eros licenses rights to cable channels, major satellite television channels, Doordarshan (which is the Indian equivalent of the BBC) and also supplies content to major airlines such as British Airways and Air India, Deutsche Lufthansa AG, Air Arabia, Northwest Airlines and Swiss Air.

- *New Media*

The New Media initiatives being undertaken in the international division will also be exploited by the Group in India. Mobile and wireless uptake growth in India has been growing at over 80 per cent. CAGR in recent years. This segment is anticipated by the Directors to develop faster than broadband in the short to medium term.

Indian film production

Historically, Eros has secured its international distribution rights to films which are in the course of production by providing part of a film's total cost paid over several instalments. Eros' first major co-production venture was *Waqt – A Race Against Time*, which was the top grossing Bollywood film in the UK in 2005 grossing over £860,000 (Source: Nielsen EDI data). 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. Out of 20-25 films that Eros intends to release in cinemas every year, it intends to produce or co-produce at least 3 each year. This year contracts have already been signed for 3 of

these. Over time it is intended that some of these co-productions will be in Crossover genres, for instance on British Asian or American Asian subjects as well as mainstream Bollywood styles.

Directors and Senior Management

Brief biographies of the Directors, the Advisory Board and other senior management are set out below. Paragraph 6 of Part VI of this document contains further details of current and past directorships and certain other information regarding the Directors.

The Board is currently seeking to appoint a third non-executive director following Admission.

Honorary Life President

Arjan Lulla, age 72

Since founding Eros in 1977 in India, Mr Lulla has played an integral role in developing the business into one of the largest content owners and international distributors of Bollywood media.

Executive Directors

Kishore Lulla – Chairman and Chief Executive Officer, age 44

Mr Lulla has over 18 years of management experience in Bollywood film distribution. He co-founded Eros UK in London in 1988. He played a significant role in the launch of the UK's first 24 hour Bollywood digital satellite and pay TV channel on the BSkyB platform. Throughout his tenure he has been instrumental in evolving Eros from a film distribution company into an international vertically integrated content business. He is a member of BAFTA and the Young President's Organisation and has a Bachelor's degree in Arts from Mumbai University.

Vijay Ahuja - Vice Chairman and President - International, age 49

Mr Ahuja co-founded Eros' UK business in 1988 with Kishore Lulla and has since played an important role in implementing the key international strategies of Eros, helping expand the business to its present scale by making a significant contribution to developing the South East Asian markets for Eros, such as Singapore, Malaysia, Indonesia and Hong Kong. He has a degree in Commerce from Mumbai University.

Sunil Lulla – Executive Director and President - India, age 41

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

Jyoti Deshpande – Chief Operating Officer and Commercial Director, age 35

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

Non-Executive Directors

Dilip Thakkar – Non-executive director, age 69

Mr Thakkar, a practicing Chartered Accountant since 1961, brings to the Board significant financial experience and expertise. He is a senior partner of M/S Jayantilal Thakkar & Co and a member of the Institute of Chartered Accountants in India. In 1986 he was appointed by the Reserve Bank of India as a Member of the Indian Advisory Board for HSBC Bank and the British Bank of the Middle East for a period of 8 years. He is the former President of the Bombay Chartered Accountants' Society and was then Chairman of its International Taxation Committee. He has a degree in Commerce and Law from Mumbai University.

Roger Vakharia – Non-executive director, age 42

Mr Vakharia served at Intel Corporation between 1995 and 2006, holding a series of senior management positions in various Intel divisions driving sales, marketing, relationship management and business strategy, predominantly focused on the media and entertainment content industry. He recently served as Managing Director of Global Content Alliances with Intel's Digital Home Group where he fostered extensive relationships with the entertainment industry. These included prominent alliances including Revelations Entertainment, a production company co-founded by actor Morgan Freeman and producer Lori McCreary - the alliance led to the launch of "Intel/Revelations Digital Home Open House" in Hollywood and incubated a digital entertainment venture ClickStar, focused on broadband delivery of first run feature films and artist-created channels. He has a degree in Management and MBA in Technology Management from the University of Phoenix.

Advisory Board

Richard Cottrell

Mr Cottrell previously served at EMI as sales and distribution director for EMI Records Group UK & Ireland. He was then promoted first to Senior Director of Commercial Operations in 1995 and then to managing director of Commercial Marketing, Sales and Distribution the following year before moving to the US to head music distribution in 1997. Prior to EMI he spent 11 years working in various commercial roles at Coca-Cola Schweppes Beverages.

Richard Greco

Mr Greco brings to the Board over 25 years of experience in telecommunications. He was the founder, Chairman and CEO of Bulldog Communications Limited, a UK based provider of broadband services which he sold to Cable and Wireless in May 2004. Prior to Bulldog, Mr Greco was CEO and Director of NASDAQ listed, UK-based, ICO Global Communications, a global mobile satellite services provider. He served as President of NASDAQ listed Orion (Loral-Cyberstar), the world's leading provider of satellite-based internet connectivity services. He also spent 10 years at Northern Telecom (Nortel) in senior global marketing, sales and general management positions. Currently, Mr Greco is the Chairman and CEO of Treasure Investments Limited, a company that invests in broadband enabled services and technology companies. He has a degree in Accounting from the Pennsylvania State University.

Senior Management

Andrew Heffernan, ACA – Chief Financial Officer, age 39

A qualified Chartered Accountant, Mr Heffernan was an Audit Manager with Grant Thornton from 1991-1996, mainly handling media clients. From 1996-2001 Mr Heffernan was a self-employed consultant retained by a number of Film and Television Production clients. In 2001 Mr Heffernan went back to Grant Thornton with the specific brief of building its media and entertainment practice in its chosen fields of Film, Television and Computer Games with responsibilities spanning corporate finance, consultancy and audit. Mr Heffernan regularly speaks at media finance seminars and recently co-published a survey entitled "What do we tell the shareholders?" relating to media accounting policies.

Ken Naz – President US, age 46

Mr Naz has been with Eros since 1997. In 1982, Mr Naz joined Cineplex Odeon Theatres and during his tenure rose to senior management before joining A Theatre Near You Inc in 1995, operating cinemas in several states and provinces in Canada. As Chief Operating Officer Mr Naz was instrumental in increasing sales and opening new locations. At Eros Mr Naz has helped to develop the business to new levels including opening with multiple prints, taking the films to mainstream locations, developing several new business opportunities and opening up the Home Entertainment market. Mr Naz has a degree in Business and Marketing from Toronto University.

Financial Information***Historical Financial Information***

Potential investors should read the whole of this document and not rely on the following summarised information.

The financial information of the constituent parts of the Group over the period of three years and nine months ended 31 December 2005 is set out in Part III of this document and the pro forma Group financial information for the nine month period ended 31 December 2005 is set out in Part V of this document.

Group turnover for the nine months ended 31 December 2005, on a pro forma basis, was \$32.2 million and, on a pro forma basis, the Group generated profit before tax and goodwill amortisation of \$11.2 million. These figures, and the estimated figures for the year ended 31 March 2006 detailed below, reflect strong growth driven principally by further exploitation of the Group's existing catalogue of titles, primarily through television licensing deals with specialist Indian television networks as well as dubbed DVD distribution deals.

Profit Estimate for the year ended 31 March 2006

On the basis set out below, the Directors, having made due and careful enquiry, estimate that for the year ended 31 March 2006 the Group's pro forma turnover and pro forma profit before tax and goodwill amortisation were not less than \$44.2 million and \$18.2 million respectively.

Basis of preparation

The estimated Group turnover and profit before tax and goodwill amortisation for the year ended 31 March 2006 are pro forma estimates as the Group comprised separate, distinct groups of companies during this period which were not reorganised into the Group until after 31 March 2006. Because of the nature of pro forma financial information, pro forma turnover and profit estimates address a hypothetical situation rather than the actual financial results of the Group.

The pro forma Group turnover and profit estimates have been prepared based on the historic financial information for the nine month period ended 31 December 2005 for Eros Network Limited, Eros Multimedia Private Limited, the Eros Offshore group and Eros Worldwide FZ LLC, set out in Parts III C, III E, III G and III I of this document respectively, and the unaudited management accounts for the three months ended 31 March 2006 of Eros Network Limited, Eros Multimedia Private Limited, the Eros Offshore group and Eros Worldwide FZ LLC.

The pro forma Group turnover and profit estimates have been derived from an aggregation of individual turnover and profit estimates for Eros Network Limited, Eros Multimedia Private Limited, the Eros Offshore group and Eros Worldwide FZ LLC for the year ended 31 March 2006. All inter-company or inter-group transactions and all inter-company or inter-group profits have been eliminated on aggregation. For the purposes of the pro forma turnover and profit estimates, Eros Network Limited's US subsidiary, Eros Entertainment Inc., has been treated as a subsidiary of the Group for that part of the year ended 31 March 2006 in which it was a subsidiary of Eros Network Limited and as a joint venture of the Group for that part of the year ended 31 March 2006 in which it was a joint venture of Eros Network Limited.

The pro forma Group turnover and profit estimates have been prepared under the historical cost convention on a basis consistent with that used to prepare the Pro forma Profit and Loss Account for the nine months to 31 December 2005 as described in Part V B of this document and in accordance with the accounting policies described in Parts III C, III E, III G and III I of this document.

A number of key contracts have made a significant contribution to the pro forma Group turnover and profit estimates. Revenues under these contracts have been recognised in accordance with the accounting policies described in Parts III C, III E, III G and III I of this document. In particular, minimum guaranteed revenues under contracts have been recognised in the year ended 31 March 2006 when, inter alia, the following recognition criteria have been met:

- all performance conditions under the contract have been satisfied;
- the income is fixed and determinable; and
- recoverability is reasonably assured.

In arriving at the pro forma Group profit estimate, an adjustment has been made to the aggregated film rights amortisation costs for the year ended 31 March 2006 in Eros Network Limited, Eros Multimedia Private Limited, the Eros Offshore group and Eros Worldwide FZ LLC to base the pro forma Group film rights amortisation cost on an estimate of the fair value of film rights. The pro forma Group film rights amortisation cost deducted in arriving at the pro forma Group profit estimate represents 40 per cent. of Group-wide third party film rights acquisition costs incurred in the year ended 31 March 2006 and 15 per cent. of Group-wide third party film rights acquisition costs incurred in each of the years ended 31 March 2005, 2004, 2003 and 2002. This is the policy to be adopted by the Company in its next published report and accounts.

No other fair value adjustments have been taken into account in arriving at the pro forma Group profit estimate. Therefore, no expense for goodwill amortisation is included in arriving at the pro forma Group profit estimate.

In arriving at the pro forma Group turnover estimate and pro forma Group profit before tax and goodwill amortisation estimate the Directors have assessed material debtor balances due as at 31 March 2006 and consider them to be collectable.

Current Trading and Prospects

From 31 December 2005, the date to which the last reported financial information for the constituent parts of the Group was prepared, to the date of this document, the Group has continued to trade in line with the Directors' expectations. In the year to 31 March 2006, the Directors estimate that total turnover for the Group increased by almost 70 per cent. when compared to the same period in the previous year.

The Directors are confident of achieving further growth in revenues and profitability in the current financial year. This growth is anticipated to be derived principally from existing areas of the business. With a modest increase in the number of new titles planned for release, the Directors anticipate increased rights licensing across diverse markets to be the key growth driver, with greater contributions also from co-production (where three titles are planned, against one for the year ended 31 March 2006) and the first revenues from New Media sources.

B4U Option

The Company has been granted an option to acquire Acacia Investments (a company which is ultimately owned by a discretionary trust of which Kishore Lulla, Vijay Ahuja and Sunil Lulla are amongst the beneficiaries). Acacia Investments beneficially owns not less than 24 per cent. of L.M.B. Holdings (B4U Music and B4U Movies). The purchase price for the option shares is US\$9,570,000, representing a 10 per cent. premium to the par value of the shares (plus accrued interest as at the date of exercise).

The option is exercisable at the earlier of 24 months from 27 June 2006, within six months of a change of control of L.M.B. Holdings or within one month of a flotation of L.M.B. Holdings.

Reasons for the Placing and Use of Proceeds

The placing of Placing Shares will raise approximately £20.0 million, net of expenses, for the Company. It is intended that the proceeds will be used as follows:

- to acquire content;
- to repay part of the Group's borrowings, which are principally short-term working capital facilities;
- to buy rights in new releases; and
- to finance co-productions.

The Directors believe that Admission will raise the international profile of the Group, promoting further awareness of its business. Furthermore, the Directors believe that Admission will provide liquidity for the Shares and a value for the Group which, in conjunction with the Company's proposed share incentive arrangements, will help the Company to continue to attract, motivate and retain high calibre employees.

Dividend Policy

Initially, the Directors intend to re-invest profits in the Group, but they currently intend to declare a maiden interim dividend in respect of the six months ending 30 September 2007 and to adopt a progressive policy thereafter having regard to the working capital requirements of the Group.

Share Option Schemes

The Group intends to adopt the Share Options Schemes in order to recognise the performance of, retain and incentivise, certain Directors and employees. The Company adopted an unapproved share option scheme on 17 May 2006 under which it has granted options to certain executive Directors and senior management. The Scheme provides for the award of shares which vest over a five year period based on achievement by the Company of an IPO and the individual remaining in the employment of the Company. Further particulars of these options are set out in paragraph 7.1 of Part VI.

The Company intends to put in place further share option schemes shortly after Admission. Share options granted after Admission will be subject to performance criteria specified by the remuneration committee of the Board and, save in exceptional circumstances, will not be granted at an exercise price which is below the average market value of an Ordinary Share on the three business days immediately prior to grant.

Details of the Placing

On Admission, the Company will have 100,000,000 Ordinary Shares in issue and a market capitalisation of £176.0 million at the Placing Price. The Placing includes the issue of 12,784,091 new Placing Shares to raise £20.0 million, net of expenses for the Company.

All of the Placing Shares being offered in the Placing are being placed by Evolution and its selling agents with institutional and other investors and the Placing has been fully underwritten by Evolution pursuant to the Placing Agreement.

The new Placing Shares will represent 12.78 per cent. of the Enlarged Issued Share Capital following the Placing and will rank *pari passu* in all respects with the Existing Ordinary Shares, on Admission. The Company, the Directors and Evolution have entered into a Placing Agreement dated 27 June 2006 under which Evolution has agreed, conditional upon, *inter alia*, Admission taking place on or before 8.00 am on 4 July 2006 (or such later time and date as the Company and Evolution shall agree, being not later than 8.00 am on 31 July 2006) to use its reasonable endeavours, as agent for the Company, to arrange for places to acquire the Placing Shares failing which Evolution will itself acquire the Placing Shares.

The Placing Agreement contains certain warranties from the Company, the Directors and the Vendor in favour of Evolution and, in addition, the Company and the Vendor have agreed to give certain indemnities to Evolution and a tax indemnity has been given to the Company by certain of the Directors and the Vendor. The Placing Agreement also contains provisions which enable Evolution to terminate the Placing Agreement

in certain circumstances prior to Admission. If this right is exercised the Placing will lapse. The liability of the Directors under the Placing Agreement is subject to certain limitations as to amount and time.

Under the Placing, the Placing Shares will be offered and sold in the United Kingdom and elsewhere outside the United States in reliance on Regulation S under the US Securities Act. In addition, the US Shares will be purchased by Evolution and offered and resold in the United States to QIBs and Institutional Accredited Investors in reliance on Rule 144A under the US Securities Act, Regulation D under the US Securities Act or pursuant to another exemption from, or in a transaction not subject to, the registration requirements under the US Securities Act.

The Vendor, Beech, will sell an aggregate of 2,840,909 Sale Shares pursuant to the terms of the Placing Agreement, in aggregate raising gross proceeds of approximately £5.0 million (at the Placing Price). The Company will not receive any proceeds from the sale of the Sale Shares by the Vendor.

In addition, the Company and the Vendor have granted to Evolution an option (such option to lapse on the 45th day following Admission) to procure subscribers or purchasers (as the case may be) for additional Ordinary Shares at a price or prices to be agreed in each case between the Company and/or the Vendor (as the case may be) with Evolution (being not less than the Placing Price) raising up to a further £8.25 million (before expenses).

Further details of the Placing Agreement are set out in paragraph 10 of Part VI of this document.

Lock Up and Orderly Trading Arrangements

The Directors and the Vendor who, following Admission, will, in aggregate, have an interest in approximately 84.37 per cent. of the Enlarged Issued Share Capital, have given undertakings in the Placing Agreement not to sell, charge or grant any interests over any Ordinary Shares held by them (subject to certain exemptions) during the 12 month period commencing on Admission. In addition, the Directors and the Vendor have undertaken to consult Evolution prior to any disposal and to make any disposal through the Company's broker for a 12 month period thereafter in order to maintain an orderly market in the Shares.

CREST, Settlement and Dealings

CREST is a paperless settlement system enabling title to securities to be evidenced otherwise than by certificate and transferred otherwise than by written instrument, in accordance with the CREST Regulations. The Company's articles of association permit the holding of Ordinary Shares to be evidenced in uncertificated form in accordance with the CREST Regulations. The Directors have applied for the Ordinary Shares other than the US Shares to be admitted to CREST with effect from Admission and CRESTCo Limited has agreed to such admission. Accordingly, settlement of transactions in the Ordinary Shares other than the US Shares following Admission may take place within the CREST system if Shareholders so wish.

CREST is a voluntary system and holders of Ordinary Shares other than the US Shares who wish to receive and retain share certificates will be able to do so.

Corporate Governance

The Directors intend to take account of the requirements of the Corporate Governance Guidelines of the Quoted Companies Alliance to the extent that they consider it appropriate and having regard to the Company's size, board structure, stage of development and resources.

Since the Company is not currently subject to the rules and regulations of one of the US national securities exchanges or national securities associations such as the New York Stock Exchange, the American Stock Exchange, Nasdaq or of the London Stock Exchange, the Company is not required to comply with the corporate governance requirements imposed by these organisations pursuant to any applicable regulations issued by the US Securities and Exchange Commission under the Sarbanes-Oxley Act of 2002 or the London Stock Exchange.

Upon Admission, the Board will consist of 6 directors, 2 of whom will be independent non-executive Directors, in accordance with Corporate Governance Guidelines of the Quoted Companies Alliance. The Board wishes to appoint a third non-executive director as soon as practicable after Admission.

The Company will hold regular board meetings. The Directors will be responsible for formulating, reviewing and approving the Group's strategy, budget and major items of capital expenditure. The Directors have established an audit committee, a remuneration committee and a nomination committee with formally delegated rules and responsibilities. Each of these committees will meet as and when appropriate save in the case of the audit committee which will meet at least twice each year.

On Admission the audit committee will be comprised of Messrs. Thakkar and Vakharia, and will be chaired by Mr Thakkar. The audit committee will, *inter alia*, determine and examine matters relating to the financial affairs of the Company including the terms of engagement of the Company's auditors and, in consultation with the auditors, the scope of the audit. It will receive and review reports from management and the Company's auditors relating to the half yearly and annual accounts and the accounting and the internal control systems in use throughout the Group.

The remuneration committee of the Company, comprising Messrs. Thakkar and Vakharia, will be chaired by Mr. Thakkar. The remuneration committee will review and make recommendations in respect of the Directors' remuneration and benefits packages, including share options and the terms of their appointment. The remuneration committee will also make recommendations to the Board concerning the allocation of share options to employees.

The nomination committee, currently comprising Messrs. Thakkar and Vakharia with Mr Thakkar as its Chairman, is responsible for considering Board appointments, reviewing the Board structure, recommending the continuation (or not) in service of directors and overall (having regard to the interests of the Shareholders) seeking to ensure that a formal and transparent procedure exists for the appointment of new Directors.

Once appointed, the third non-executive director will be invited to join certain of these Board committees.

Share Dealing Code

The Company has adopted a share dealing code for Directors and employees of the Company and will take proper steps to ensure compliance by such persons.

Taxation Information for Shareholders

The attention of investors is drawn to the information regarding taxation which is set out at paragraphs 21 and 22 in Part VI of this document. These details are, however, intended only as a general guide to the current taxation law position in the UK and the Isle of Man for certain types of investor. Investors who are in any doubt as to their tax position or who are subject to tax in jurisdictions other than the UK and the Isle of Man are strongly advised to consult their professional advisers.

Further Information

Potential investors should read the whole of this document which provides additional information on the Company and the Placing and not rely on summaries or individual parts only. Investors' attention is drawn, in particular, to the Risk Factors set out in Part II of this document and the additional information set out in Part VI of this document.

PART II

RISK FACTORS

An investment in the Ordinary Shares involves a high degree of risk. Accordingly, prospective investors should carefully consider the specific risk factors set out below in addition to the other information contained in this document before investing in Ordinary Shares.

The Directors consider the following risks and other factors to be most significant for potential investors in the Company, although the risks set out below do not necessarily represent all those risks associated with investment in the Company, and are not set out in any particular order of priority. There may be additional risks and uncertainties of which the Directors are unaware which may have an adverse effect on the business of the Group or the Ordinary Shares.

If any of the following risks actually occur, the Group's business, financial condition, capital resources, results or future operations could be materially adversely affected. In such a case, the price of the Ordinary Shares could decline and investors may lose all or part of the value of their investment.

RISK FACTORS ASSOCIATED WITH THE GROUP'S BUSINESS AND INDUSTRY

The Group may need additional access to capital in the future

The Group's capital requirements depend on numerous factors, including its ability to expand its business. If its capital requirements vary materially from its current plans, the Group may require further financing. Any additional equity financing may be dilutive to Shareholders, and debt financing, if available, may involve restrictions on financing and operating activities and adversely affect the Company's dividend policy. In addition, there can be no assurance that the Group will be able to raise additional funds when needed or that such funds will be available on terms favourable or acceptable to the Group. If the Group is unable to obtain additional financing as needed, the Group may be required to reduce the scope of its operations or anticipated expansion or to cease trading.

The Group has a very limited operating history as a combined business

The Group is the product of the combination of separate, distinct groups of companies. This reorganisation was undertaken shortly prior to the date of this document. As such there is a very limited relevant operating history as a Group. This may make an evaluation of an investment in the Group difficult.

Adoption of new integrated accounting systems

The constituent parts of the Group historically used separate accounting systems. A new set of financial control and reporting procedures is being implemented in conjunction with the reorganisation of the Group and Admission. If migration of the constituent parts of the Group to a new group-wide accounting and control system suffers delays, there could be an adverse effect on the business.

Management of future growth

The Group's plans to continue its growth will place additional demand on its management, customer support, marketing, administrative and technological resources. If the Group is unable to manage its growth effectively its business, operations or financial condition may deteriorate.

The Group will consider future acquisition opportunities. If the Group is unable successfully to integrate an acquired company or business, the acquisition could lead to disruptions to the business. If the operations or assimilation of an acquired business does not accord with the Group's expectations, the Group may have to decrease the value afforded to the acquired business or realign the Group's structure.

The Company must maintain and grow its customer base to enhance its business

The Company has established relationships with various media, communications, distribution and technology companies. The Company's failure to maintain or renew these relationships or to establish and

capitalise on new ones, could harm its business. The Company may not achieve the strategic objectives of these relationships, and parties that have such relationships with the Company may not perform their obligations as agreed upon.

The Group relies on a small number of key personnel

The nature of the Group and its business model creates reliance upon a relatively small number of Directors and key personnel and the loss of any Director or any key member of management could affect the Group's performance and continuing ability to compete effectively. However, the Company has sought to mitigate this risk by securing keyman insurance to a value of £10 million in relation to Kishore Lulla.

The Group may suffer from the loss of potential or existing contracts and/or customers

The Group will rely on its continuing ability to maintain current, and to secure additional, contracts with customers to generate its revenue. Investors should note that there can be no assurance that its existing customers will continue to conduct the same level of business with it in the future. The Group has entered into a number of significant distribution agreements, the financial terms of which are commercially sensitive and subject to confidentiality restrictions. Consequently, these terms are not disclosed in this document. However, the loss of some of these contracts may materially affect the financial condition or prospects of the Group.

The Company may be unable to make dividend payments

All dividends or other distributions will be made at the discretion of the Directors. The payment of any initial dividend and the achievement of any future dividend increases in accordance with the Company's dividend policy will depend upon a number of factors, including the availability of sufficient distributable reserves.

Piracy and counterfeit goods

Piracy of media products, including digital and internet piracy and sale of counterfeit consumer products, may decrease revenue received from the exploitation of the Group's products. Content piracy is extensive in many parts of the world and is made easier by technological advances and the conversion of product into digital formats, which facilitates the creation, transmission and sharing of high quality unauthorised copies of media products, on videotapes and DVDs, from pay-per-view through to set top boxes and other devices and through unlicensed broadcasts on free TV and the internet. The proliferation of unauthorised copies and piracy of these products has an adverse effect on the Group's business because these products reduce the revenue it receives from its legitimate products. Even when preventative measures and technologies are applied, there can be no assurance that the highest levels of security and anti-piracy measures will prevent piracy. Similar concerns are present in connection with the sale of counterfeit goods bearing the Group's brand.

Potential litigation costs

The Group may be required to litigate in the future to enforce its intellectual property rights, to determine the validity and scope of the proprietary rights of others, or to defend against claims of infringement or invalidity. Any such litigation could result in substantial costs and diversion of resources and could have a material adverse effect on the business, financial condition or results of operations.

The Group may suffer from unanticipated events

There is no certainty that the Group will be able to successfully penetrate some or all or any of its target markets or that unanticipated expenses or problems or technical difficulties will not occur which would result in material delays in its implementation or even deviation from its original plans.

Exchange rate risk

The proceeds of the Placing will be received in pounds sterling. This may give rise to an exchange rate risk against US dollars, being the Group's functional and reporting currency.

The Group's share price will be reported in pounds sterling. However, its reporting currency and the market for foreign exchange rates may cause a mismatch between actual returns and investors' expectations of returns, and also effect the share price.

The Group comprises international companies and is exposed to general economic, political and regulatory conditions and risks in the countries in which it has significant operations

The Group operates in the global market and has customers and suppliers in many countries, in particular in India. Consequently, its business and financial results are affected, directly and indirectly, by world economic, political and regulatory conditions. Conditions such as the uncertainties associated with war, terrorist activities, epidemics, pandemics, political instability, tax legislation or exchange rate controls in any of the countries in which the Group operates could affect it, among other things, by causing increased security costs, insurance premiums, higher taxes and other expenses. These conditions could also result in or lengthen economic recession in Asia, Europe, the United States or elsewhere.

Production risk

The Group's involvement in production could lead to losses if the films are commenced but not finished, and no completion bond is in place to cover the expended production cost, or if they do not enjoy box office success.

Forward-looking statements

This document contains certain forward-looking statements with respect to the financial condition, results of operations and business of the Group and certain plans and objectives of the Group with respect thereto. By their nature, forward-looking statements involve risk and uncertainty, because they relate to events and depend on circumstances that will occur in the future and the factors described in the context of such forward-looking statements in this document could cause actual results and developments to differ materially from those expressed in or implied by such forward-looking statements. Although the Group believe that the expectations reflected in such forward-looking statements are reasonable, the Group can give no assurance that such expectations will prove to have been correct.

In particular, the Group may not in the future receive licences in respect of films in the same number, or of the same importance, or with respect to the same media and territories as in the past. Further, the New Media, Crossover markets and third party distribution outlets may not expand in the same way or to the same extent as anticipated.

RISK FACTORS ASSOCIATED WITH THE SHARES

AIM

Application is to be made for the Existing Ordinary Shares and the Placing Shares to be admitted to trading on AIM. AIM is a market designed primarily for emerging or smaller companies. The rules of this market are less demanding than those of the Official List of the United Kingdom Listing Authority. The London Stock Exchange has not itself examined or approved the contents of this document. The future success of AIM and liquidity in the market for Ordinary Shares cannot be guaranteed. In particular, the market for Ordinary Shares may be, or may become, relatively illiquid and, therefore, such Ordinary Shares may be or may become difficult to sell.

Share price volatility and liquidity

The share price of certain companies can be highly volatile and share holdings illiquid. The price at which the Ordinary Shares are traded and the price at which investors may realise their Ordinary Shares will be influenced by a large number of factors, some specific to the Company and its operations and some which may affect companies trading on AIM generally. These factors could include the performance of the Company, large purchases or sales of the Ordinary Shares, legislative changes and general economic, political or regulatory conditions. Prospective investors should be aware that the value of an investment in the Company may go down as well as up and that the market price of the Ordinary Shares may not reflect the underlying value of the Group. Investors may therefore realise less than, or lose all of, their investment.

Certain Shareholders will continue to have substantial control over the Company after the Placing

On Admission Beech will beneficially own, in aggregate, approximately 84.37 per cent. of the Enlarged Issued Share Capital. Beech is indirectly owned by discretionary trusts established for the benefit of members of the Lulla and Ahuja families. As a result Beech will be able to exercise significant control over all matters requiring Shareholder approval, which could prevent an outside party from acquiring or merging with the Group. The ability of Beech to prevent or delay such transactions could cause the price of the Ordinary Shares to decline.

Shares available for future sale

The Company is unable to predict whether substantial amounts of Ordinary Shares will be sold in the open market following termination of the lock-up arrangements in the Placing Agreement. Any sales of substantial amounts of Ordinary Shares in the open market, or the perception that such sales might occur, could materially and adversely affect the market price of the Ordinary Shares.

PART III

HISTORICAL FINANCIAL INFORMATION

The historical financial information on the Group for the three years ended 31 March 2005 and the nine months ended 31 December 2005 is presented in this Part III as follows:

- Parts III A and III B – the historic financial information on Eros International plc and the accountant's report thereon
- Parts III C and III D – the historic financial information on Eros Network Limited and the accountant's report thereon
- Parts III E and III F – the historic financial information on Eros Multimedia Private Limited and the accountant's report thereon
- Parts III G and III H – the historic financial information on the Eros Offshore Group and the accountant's report thereon
- Parts III I and III J – the historic financial information on Eros Worldwide FZ LLC and the accountant's report thereon

The historic financial information for the Group has not been presented on an aggregated basis as the Group comprised separate, distinct groups of companies during the period covered by the historic financial information and those separate, distinct groups of companies were not under common management or control.

As the financial information on Eros Network Limited, Eros Multimedia Private Limited, the Eros Offshore Group and Eros Worldwide FZ LLC included in this Part III is not aggregated, the financial information presented for each separate, distinct group includes balances owed to or due from the other groups of companies and transactions with the other groups of companies, including profits made on those transactions.

Had the Group existed in its present form throughout the periods covered by the financial information in this Part III, the results of the Group on a consolidated basis would have been different from the sum of the profits presented in Parts III C, III E, III G and III I as inter-group transactions and inter-group profits would have been eliminated.

Investors should, therefore, not assume that the historic results of the Group on an aggregated basis would have been the same as the sum of the historic results of Eros Network Limited, Eros Multimedia Private Limited, the Eros Offshore Group and Eros Worldwide FZ LLC presented in this Part III.

PART III A

HISTORICAL FINANCIAL INFORMATION ON EROS INTERNATIONAL PLC

1. Introduction

The financial information on Eros International plc (“the Company”), which has been prepared solely for the purpose of the AIM Admission Document of the Company, contained in this Part III A, does not constitute audited statutory accounts within the meaning of section 240 of the Companies Act.

2. Basis of preparation

The financial information has been prepared under the historical cost convention and in accordance with accounting principles generally accepted in the United Kingdom. The Company has not completed its first accounting period and no statutory financial statements have been prepared, audited or filed since incorporation. The financial information set out below is based on the transactions of the Company from incorporation on 31 March 2006 to 31 May 2006. Save as disclosed in paragraph 12 of Part VI of this AIM Admission Document, the Company has not entered into any material contracts at 31 May 2006.

3. Responsibility

The Directors of Eros International plc are responsible for the historical financial information on the Company and the contents of the AIM Admission Document in which it is included.

4. Statutory information

Eros International plc was incorporated in the Isle of Man on 31 March 2006.

5. Financial Information as at 31 May 2006

	<i>Note</i>	<i>US\$'000</i>
Cash		—
Net Assets		—
Represented by:		
Share capital		
Issued, allotted and paid up 2 ordinary shares of 10 pence each	8	—

6. Accounting Policies

6.1 *Basis of preparation*

The financial information has been prepared on a historical cost basis and in accordance with applicable UK accounting standards.

6.2 *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.

6.3 *Intangible assets*

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

- *Investments in Films and associated rights*

Investments in Films and associated rights, including acquired rights and distribution advances in respect of completed films, are stated at amortised cost less provision for impairment.

A charge is made to write down the cost of completed rights over 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.

6.4 *Share based payments*

The fair value of shares or options granted is recognised as an employee expense with a corresponding increase in equity. The fair value is measured at the grant date and spread over the period during which the recipient becomes unconditionally entitled to payment.

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

6.5 *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 or 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 in respect of these revenue streams:

- *Theatrical*
Revenue is stated at the minimum guarantee due, where applicable, plus the Group's 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 accessed or declared.

7. Profit and loss account

No profit and loss account has been prepared as the company did not trade during the period.

8. Share Capital

The Company was incorporated in the Isle of Man on 31 March 2006.

The total authorised share capital of the Company is £2,000 comprising 20,000 shares of 10 pence each.

As of today's date, the Company has carried out no trading and the only transactions of the Company have been as follows:

- On incorporation, the authorised share capital of the Company was £2,000, divided into 20,000 ordinary shares of 10 pence each.
- On incorporation, 2 ordinary shares of 10 pence each were allotted, called up and fully paid at par value.

9. Post balance sheet events

By a share exchange agreement dated 27 June 2006, the Company acquired the entire issued share capital of Eros Network Limited from Beech in consideration for the issue to them of, in aggregate 235 shares in the capital of the Company.

By a share exchange agreement dated 27 June 2006, the Company acquired the entire issued share capital of Eros Worldwide FZ LLC from Beech in consideration for the issue to Beech of 941 shares in the capital of the Company.

By a share purchase agreement dated 27 June 2006, the Company acquired the entire issued share capital of B on Demand (EU) Limited from Beech in consideration for the payment of US\$1 in cash.

PART III B

ACCOUNTANT'S REPORT ON EROS INTERNATIONAL PLC

Grant Thornton 

The Directors
Eros International plc
15-19 Athol Street
DOUGLAS
Isle Of Man
IM1 1LB

Grant Thornton UK LLP
Grant Thornton House
Melton Street
Euston Square
London
NW1 2EP

27 June 2006

Dear Sirs

EROS INTERNATIONAL PLC

We report on the financial information set out in Part III A. This financial information has been prepared for inclusion in the AIM admission document dated 27 June 2006 of Eros International plc (the "Admission Document") on the basis of the accounting policies set out in note 6 on pages 26 to 28. This report is required by Schedule Two of the AIM Rules and is given for the purpose of complying with that Schedule and for no other purpose.

Save for any responsibility arising under paragraph (a) of Schedule Two of the AIM Rules to any person as and to the extent there provided, to the fullest extent permitted by law we do not assume any responsibility and will not accept any liability to any other person for any loss suffered by any such other person as a result of, arising out of, or in connection with this report.

RESPONSIBILITIES

The Directors of Eros International plc are responsible for preparing the financial information on the basis of preparation set out in note 2 to the financial information on page 26 and in accordance with the accounting policies set out in note 6 on pages 26 to 28.

It is our responsibility to form an opinion as to whether the financial information gives a true and fair view, for the purposes of the Admission Document, and to report our opinion to you.

BASIS OF OPINION

We conducted our work in accordance with the Standards for Investment Reporting issued by the Auditing Practices Board in the United Kingdom. Our work included an assessment of evidence relevant to the amounts and disclosures in the financial information. It also included an assessment of the significant estimates and judgements made by those responsible for the preparation of the financial information and whether the accounting policies are appropriate to the entity's circumstances, consistently applied and adequately disclosed.

We planned and performed our work so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial information is free from material misstatement, whether caused by fraud or other irregularity or error.

OPINION

In our opinion, the financial information gives, for the purposes of the Admission Document, a true and fair view of the state of affairs of Eros International plc as at the date stated in accordance with the basis of preparation set out in note 2 on page 26 and in accordance with the accounting policies as described in note 6 on pages 26 to 28.

DECLARATION

For the purposes of Paragraph (a) of Schedule Two of the AIM Rules we are responsible for this report as part of the Admission Document and declare that we have taken all reasonable care to ensure that the information contained in this report is, to the best of our knowledge, in accordance with the facts and contains no omission likely to affect its import. This declaration is included in the Admission Document in compliance with Schedule Two of the AIM Rules.

Yours faithfully

GRANT THORNTON UK LLP

PART III C

HISTORICAL FINANCIAL INFORMATION ON EROS NETWORK LIMITED AND ITS SUBSIDIARY UNDERTAKINGS ("THE EROS UK GROUP")

1. Introduction

The consolidated financial information on Eros Network Limited ("ENL") and its subsidiary undertakings ("the Eros UK Group"), which has been prepared solely for the purpose of the AIM Admission Document of Eros International plc, contained in this Part III C, does not constitute audited statutory accounts within the meaning of section 240 of the Companies Act.

2. Basis of preparation

ENL is involved in the acquisition and exploitation of film rights. The financial information in relation to ENL has been prepared on the basis of its audited consolidated financial statements prepared in Pounds Sterling, making such adjustments as considered appropriate, including adjustments to present the financial information in US Dollars. For the purposes of this AIM Admission Document and in order to be consistent with other historical financial information presented in Parts IIIA, IIIE, IIIG and III I of this document, the financial information is presented in US Dollars and has been prepared using the closing rate to convert the balance sheets and average rates to convert the profit and loss accounts. Any movement in the opening net assets due to changes in exchange rates has been taken directly to reserves.

This information has been prepared under the historical cost convention and in accordance with accounting principles generally accepted in the United Kingdom.

3. Responsibility

The Directors of Eros International plc are responsible for the historical consolidated financial information on Eros Network Limited and its subsidiary undertakings and the contents of the AIM Admission Document in which it is included.

4. Statutory information

Eros Network Limited was incorporated in England and Wales on 22 February 2000 under company number 03934248. Its registered address is Unit 23 Sovereign Park, Coronation Road, Park Royal, London NW10 7RQ, United Kingdom.

ENL has four subsidiary undertakings – Eros International Limited, which is registered in England and Wales, Eros Entertainment Inc, which is registered in the United States of America, Eros Pacific Limited, which is registered in Fiji and Eros Australia Pty Limited, which is registered in Australia.

During the periods covered by the historic financial information Eros Network Limited owned 99.99 per cent. of Eros International Limited and Eros International Limited owned or beneficially owned 100 per cent. of Eros Pacific Limited and Eros Australia Pty Limited (since their dates of incorporation). The minority interest in Eros International Limited was transferred to Eros Network Limited on 7 October 2005. Eros Entertainment Inc was 50 per cent. owned by Eros International Limited up to 7 October 2005 and 100 per cent. thereafter.

5. Consolidated profit and loss accounts of the Eros UK Group

		<i>For the year ended 31 March 2003 US\$'000</i>	<i>For the year ended 31 March 2004 US\$'000</i>	<i>For the year ended 31 March 2005 US\$'000</i>	<i>For the 9 months ended 31 December 2005 US\$'000</i>
Turnover : group and share of joint ventures	11.1	21,455	22,412	24,040	22,030
Less : share of joint ventures turnover		(732)	(3,442)	(3,090)	(3,898)
Group turnover		20,723	18,970	20,950	16,183
Continuing operations		–	–	–	1,949
Acquisitions		20,723	18,970	20,950	18,132
Cost of sales		(16,892)	(15,481)	(17,774)	(14,325)
Gross profit		3,831	3,489	3,176	3,807
Administrative expenses		(3,978)	(4,512)	(4,054)	(2,270)
Other operating income		–	–	613	5
Operating profit/(loss)		(147)	(1,023)	(265)	1,568
Continuing operations		–	–	–	(26)
Acquisitions		(147)	(1,023)	(265)	1,542
Share of operating profit/(loss) of joint venture		(627)	(17)	78	(122)
Profit/(loss) on ordinary activities before interest		(774)	(1,040)	(187)	1,420
Net interest (payable)/receivable	11.2	443	1,157	(304)	(2,211)
Profit/(loss) on ordinary activities before taxation	11.1	(331)	117	(491)	(791)
Tax on profit/(loss) on ordinary activities	11.4	(232)	(164)	223	(124)
Loss on ordinary activities after taxation		(563)	(47)	(268)	(915)
Minority interest – equity	11.15	–	(9)	–	–
Loss for the financial period	11.16	(563)	(56)	(268)	(915)

6. Consolidated balance sheets of Eros Network Limited

		<i>As at</i> <i>31 March</i> <i>2003</i> <i>US\$'000</i>	<i>As at</i> <i>31 March</i> <i>2004</i> <i>US\$'000</i>	<i>As at</i> <i>31 March</i> <i>2005</i> <i>US\$'000</i>	<i>As at</i> <i>31 December</i> <i>2005</i> <i>US\$'000</i>
	<i>Note</i>				
Fixed assets					
Intangible assets	11.5	–	–	–	744
Tangible assets	11.6	1,800	2,160	2,132	1,954
Investments	11.7	2	650	1,243	–
		<u>1,802</u>	<u>2,810</u>	<u>3,375</u>	<u>2,698</u>
Current assets					
Stocks	11.8	489	935	481	1,247
Film advances		17,445	15,779	12,658	10,512
Debtors	11.9	11,391	7,712	9,493	13,569
Cash at bank and in hand	11.19	269	361	363	423
		<u>29,594</u>	<u>24,787</u>	<u>22,995</u>	<u>25,751</u>
Creditors: amounts falling due within one year	11.10	(30,063)	(25,940)	(25,019)	(28,321)
Net current liabilities		<u>(469)</u>	<u>(1,153)</u>	<u>(2,024)</u>	<u>(2,570)</u>
Total assets less current liabilities		1,333	1,657	1,351	128
Creditors: amounts falling due after more than one year	11.11	–	–	–	(16)
Provisions for liabilities	11.12	(269)	(359)	(296)	–
		<u>1,064</u>	<u>1,298</u>	<u>1,055</u>	<u>112</u>
Capital and reserves					
Called up share capital	11.14	2	2	2	2
Revaluation reserve	11.15	724	1,016	1,045	954
Profit and loss account	11.15	335	267	(6)	(857)
Total equity shareholders' funds	11.16	1,061	1,285	1,041	99
Minority interest – equity	11.15	3	13	14	13
		<u>1,064</u>	<u>1,298</u>	<u>1,055</u>	<u>112</u>

7. Consolidated cash flow statements of Eros Network Limited

		<i>For the year ended 31 March 2003 US\$'000</i>	<i>For the year ended 31 March 2004 US\$'000</i>	<i>For the year ended 31 March 2005 US\$'000</i>	<i>For the 9 months ended 31 December 2005 US\$'000</i>
Net cash inflow/(outflow) from operating activities	11.17	474	(3,600)	468	1,346
Returns on investments and servicing of finance					
Bank interest received		–	1	–	–
Bank interest paid		(306)	(440)	(669)	(849)
Net cash outflow from returns on investments and servicing of finance		(306)	(439)	(669)	(849)
Taxation		(519)	(167)	(97)	(24)
Capital expenditure and financial investment					
Purchase of tangible fixed assets		(124)	(18)	(8)	(44)
Investment in joint venture		–	(648)	(593)	–
Net cash outflow from capital expenditure and financial investment		(124)	(666)	(601)	(44)
Acquisitions					
Purchase of subsidiary undertakings	11.5	–	–	–	(500)
Net cash acquired with subsidiaries		–	–	–	34
Net cash outflow from acquisitions		–	–	–	(466)
Equity dividends paid		–	–	(17)	–
Financing					
Receipt of bank loan (net of repayments)		304	4,964	918	97
(Decrease)/increase in cash	11.18	(171)	92	2	60

8. Statement of total recognised gains and losses of Eros Network Limited

	<i>For the year ended 31 March 2003 US\$'000</i>	<i>For the year ended 31 March 2004 US\$'000</i>	<i>For the year ended 31 March 2005 US\$'000</i>	<i>For the 9 months ended 31 December 2005 US\$'000</i>
Loss for the financial period	(563)	(56)	(268)	(915)
Surplus on revaluation of freehold property	–	176	–	–
Currency differences on foreign currency net investments	–	104	24	(27)
Total gains and losses recognised for the financial period	<u>(563)</u>	<u>224</u>	<u>(244)</u>	<u>(942)</u>

9. Note of historical cost profit and losses of Eros Network Limited

	<i>For the year ended 31 March 2003 US\$'000</i>	<i>For the year ended 31 March 2004 US\$'000</i>	<i>For the year ended 31 March 2005 US\$'000</i>	<i>For the 9 months ended 31 December 2005 US\$'000</i>
(Loss)/profit on ordinary activities before taxation	(331)	117	(491)	(791)
Difference between historical cost depreciation charge and depreciation charge based on revalued amounts	–	5	1	3
Historical cost (loss)/profit on ordinary activities before taxation	<u>(331)</u>	<u>122</u>	<u>(490)</u>	<u>(788)</u>
Historical cost (loss)/profit retained	<u>(563)</u>	<u>61</u>	<u>(267)</u>	<u>(912)</u>

10. Accounting policies of Eros Network Limited

10.1 Basis of preparation

The financial information has been prepared under the historical cost convention except for the revaluation of certain freehold properties and in accordance with applicable United Kingdom accounting standards.

The principal accounting policies of the Eros UK Group are set out below.

10.2 Basis of consolidation

The financial information consolidates that of Eros Network Limited and of its subsidiary undertakings drawn up for each of the years ended 31 March 2003, 2004, 2005 and for the 9 months period ended 31 December 2005.

10.3 Turnover

Turnover is the total amount receivable by the Eros UK Group for goods supplied and services provided, excluding VAT and trade discounts.

Turnover arising from theatrical distribution of motion pictures is the percentage share of box office achieved by each film. For amounts received where a film has not yet been released, this is recognised as deferred income. Income on distribution rights is recognised on the later of the date the agreement is signed and the date of delivery of the film.

10.3 *Turnover (continued)*

Revenue is recognised when the following conditions have been met:

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

10.4 *Tangible fixed assets and depreciation*

Tangible fixed assets are stated at cost or valuation, net of depreciation and any provision for impairment. Depreciation is calculated to write down cost less estimated residual value of all tangible fixed assets other than freehold land by using the reducing balance method over their expected useful lives. The rates applicable are:

Computer equipment	25%	reducing balance
Freehold buildings	2.5%	reducing balance
Fixtures and fittings	15%	reducing balance
Motor vehicles	25%	reducing balance

10.5 *Operating leases*

Rentals under operating leases are charged on a straight-line basis over the lease term.

10.6 *Stock and work in progress*

Stock which comprises videos and DVD's are valued at the lower of cost and net realisable value of each item or group of items, after making due allowance for obsolete and slow moving items.

10.7 *Film advances*

Film advances represent amounts paid to secure distribution rights in films. Advances are written off according to the rights acquired and their expected income. The amortisation period for these rights is between one and five years and is on average three years.

In addition amounts paid where a film has not yet been released or has yet to be delivered to the company are also included within this heading.

10.8 *Investments*

Investments are included at cost less amounts written off. Profits or losses arising from disposals of fixed asset investments are treated as part of the result from ordinary activities.

10.9 *Deferred taxation*

Deferred tax is recognised on all timing differences where the transactions or events that give the Eros UK Group an obligation to pay more tax in the future, or a right to pay less tax in the future, have occurred by the balance sheet date. Deferred tax assets are recognised when it is more likely than not that they will be recovered.

Deferred tax is measured using rates of tax that have been enacted or substantively enacted by the balance sheet date.

10.10 *Foreign currency*

Transactions in foreign currencies are translated at the exchange rate ruling at the date of the transaction. Monetary assets and liabilities in foreign currencies are translated at the rates of exchange ruling at the balance sheet date. Any gain or loss arising from a change in exchange rates subsequent to the date of the transaction is included as an exchange gain or loss in the profit and loss account.

The financial statements of foreign subsidiaries and joint ventures are translated at the rate of exchange ruling at the balance sheet date. The exchange differences arising from the retranslation of the opening net investment in subsidiaries are taken directly to reserves.

10.11 Retirement benefits

Contributions to defined contribution schemes are charged to the profit and loss account as they become payable.

10.12 Goodwill

Goodwill, being the excess of purchase consideration over the fair value of net assets acquired, is capitalised on acquisition and amortised over 20 years less any provision for impairment.

10.13 Joint ventures

The group reports its interest in jointly controlled entities using equity accounting and its share of the entities' profit or loss is accounted for in the group's profit and loss account. Where unrealised profits and losses arise from transactions with an entity these profits or losses are eliminated to the extent of the group's interest in the joint venture.

11. Notes to the financial information of Eros Network Limited

11.1 Turnover and profit/(loss) on ordinary activities before taxation

The analyses of turnover by class of business and geographical segment have not been disclosed as the directors consider it would be prejudicial to the business of the Eros UK Group.

The profit/(loss) on ordinary activities before taxation is stated after:

	<i>For the year ended 31 March 2003 US\$'000</i>	<i>For the year ended 31 March 2004 US\$'000</i>	<i>For the year ended 31 March 2005 US\$'000</i>	<i>For the 9 months ended 31 December 2005 US\$'000</i>
Auditors' remuneration:				
Audit services	30	37	38	34
Non-audit services	8	11	10	11
Depreciation and amortisation:				
Owned tangible assets	80	121	98	76
Intangible assets	–	–	–	9
Exchange differences	(747)	(386)	1,154	–
	<hr/>	<hr/>	<hr/>	<hr/>

The cost of sales and administrative expenses include the following amounts in respect of continuing operations and acquisitions during the period ended 31 December 2005.

	<i>Continuing Operations US\$'000</i>	<i>Acquisitions US\$'000</i>	<i>Total US\$'000</i>
Cost of sales	12,933	1,392	14,325
Administrative expenses	1,687	583	2,270
	<hr/>	<hr/>	<hr/>

11.2 Net interest payable

	<i>For the year ended 31 March 2003 US\$'000</i>	<i>For the year ended 31 March 2004 US\$'000</i>	<i>For the year ended 31 March 2005 US\$'000</i>	<i>For the 9 months ended 31 December 2005 US\$'000</i>
On bank loans and overdrafts	306	415	636	584
Share of interest payable by joint venture	–	25	33	21
Other interest payable and similar charges	–	–	–	244
Foreign exchange (gains)/losses on financing	(749)	(1,596)	(365)	1,362
	<u>(443)</u>	<u>(1,156)</u>	<u>304</u>	<u>2,211</u>
Other interest receivable and similar income	–	(1)	–	–
	<u>(443)</u>	<u>(1,157)</u>	<u>304</u>	<u>2,211</u>

Foreign exchange (gains)/losses on financing represent the exchange differences on the Eros UK Group's bank facilities and related party loans, which are predominantly US Dollar-denominated.

As the functional currency of the Eros UK Group is Sterling, retranslation of US Dollar-denominated balances results in exchange differences. In preparation of this financial information, these exchange differences have been translated into the US Dollar reporting currency using the average rate.

11.3 Directors and employees

Staff costs during the period were as follows:

	<i>For the year ended 31 March 2003 US\$'000</i>	<i>For the year ended 31 March 2004 US\$'000</i>	<i>For the year ended 31 March 2005 US\$'000</i>	<i>For the 9 months ended 31 December 2005 US\$'000</i>
Wages and salaries	1,117	1,287	1,298	881
Social security costs	114	141	148	233
Other pension costs	22	23	23	16
	<u>1,253</u>	<u>1,451</u>	<u>1,469</u>	<u>1,130</u>

The average number of employees of the Eros UK Group during the period was:

	<i>For the year ended 31 March 2003 Number</i>	<i>For the year ended 31 March 2004 Number</i>	<i>For the year ended 31 March 2005 Number</i>	<i>For the 9 months ended 31 December 2005 Number</i>
Distribution	17	16	16	28
Administration	8	6	6	7
	<u>25</u>	<u>22</u>	<u>22</u>	<u>35</u>

11.3 Directors and employees (continued)

Remuneration in respect of directors was as follows:

	<i>For the year ended 31 March 2003 US\$'000</i>	<i>For the year ended 31 March 2004 US\$'000</i>	<i>For the year ended 31 March 2005 US\$'000</i>	<i>For the 9 months ended 31 December 2005 US\$'000</i>
Emoluments	461	535	551	378
Pension contributions to money purchase pension schemes	20	23	23	16
	<u>481</u>	<u>558</u>	<u>574</u>	<u>394</u>

During each period 2 directors participated in money purchase pension schemes.

The amounts set out above include remuneration in respect of the highest paid director as follows:

	<i>For the year ended 31 March 2003 US\$'000</i>	<i>For the year ended 31 March 2004 US\$'000</i>	<i>For the year ended 31 March 2005 US\$'000</i>	<i>For the 9 months ended 31 December 2005 US\$'000</i>
Emoluments	197	229	236	161
Pension contributions to money purchase pension schemes	10	11	12	8
	<u>207</u>	<u>240</u>	<u>248</u>	<u>169</u>

11.4 Tax on profit/(loss) on ordinary activities

The tax charge is based on the profit/(loss) for the period and represents:

	<i>For the year ended 31 March 2003 US\$'000</i>	<i>For the year ended 31 March 2004 US\$'000</i>	<i>For the year ended 31 March 2005 US\$'000</i>	<i>For the 9 months ended 31 December 2005 US\$'000</i>
United Kingdom corporation tax at 30%	232	156	(36)	(170)
Overseas tax	–	–	–	99
Share of tax charge on joint venture	–	23	–	17
Total current tax charge/(credit)	<u>232</u>	<u>164</u>	<u>(36)</u>	<u>(54)</u>
Deferred tax	–	–	(187)	178
Tax on profit/(loss) on ordinary activities	<u>232</u>	<u>164</u>	<u>(223)</u>	<u>124</u>

The tax assessed for the period is lower than the standard rate of corporation tax in the United Kingdom. The differences are explained as follows:

	<i>For the year ended 31 March 2003 US\$'000</i>	<i>For the year ended 31 March 2004 US\$'000</i>	<i>For the year ended 31 March 2005 US\$'000</i>	<i>For the 9 months ended 31 December 2005 US\$'000</i>
Profit/(loss) on ordinary activities before tax	(331)	117	(491)	(791)
Profit/(loss) on ordinary activities multiplied by standard rate of corporation tax in the United Kingdom of 30%	(99)	35	(147)	(237)
Effect of:				
Expenses not deductible for tax purposes	45	98	44	(8)
Capital allowances for the period less than depreciation	8	2	(4)	(9)
Adjustment in respect of prior periods	13	33	(118)	8
Foreign Tax	–	–	–	159
Increase in losses	265	–	190	33
Marginal relief	13	(2)	(1)	–
Other differences	(13)	(2)	–	–
Current period tax charge/(credit)	<u>232</u>	<u>164</u>	<u>(36)</u>	<u>(54)</u>

11.5 Intangible assets

	<i>Goodwill on consolidation US\$'000</i>
On acquisition of Eros Entertainment Inc.	753
Amortisation	(9)
As at 31 December 2005	<u>744</u>

The remaining 50 per cent. of Eros Entertainment Inc. not previously owned was acquired on 7 October 2005. The fair value of the assets and liabilities acquired were as follows:

	<i>Book Value US\$'000</i>	<i>Fair value adjustment US\$'000</i>	<i>Fair Value US\$'000</i>
Tangible assets	34	–	34
Stock	1,232	(331)	901
Debtors	2,449	(108)	2,341
Cash	34	–	34
Bank overdraft	(2,231)	–	(2,231)
Creditors	(625)	–	(625)
Net assets acquired	<u>893</u>	<u>(439)</u>	<u>454</u>
Goodwill			<u>753</u>
Consideration			<u>1,207</u>
Consideration:			<i>US\$'000</i>
Transfer of net investment – (note 11.7)			707
Cash consideration			500
			<u>1,207</u>

The reduction in fair value of stock represents a provision for unrealised profit on stock sold by the Eros UK Group to Eros Entertainment Inc. The adjustment to debtors represents an adjustment to the fair value of a trade debtor balance.

The consideration was made up of amounts previously invested by way of capital contributions to Eros Entertainment Inc. and the transfer of the remaining 50 per cent. of shares was triggered by the vendor being paid all amounts owed to him by Eros Entertainment Inc.

In the period from 1 April 2005 to 7 October 2005 the loss after taxation of Eros Entertainment Inc. was US\$283,000. The profit after taxation for the year ended 31 March 2005 was US\$222,000.

Eros Entertainment Inc contributed a net cash outflow of US\$49,000 to operating activities and a net cash outflow of US\$10,000 in respect of the servicing of finance in the period following its acquisition:

11.6 Tangible assets

	<i>Freehold Property US\$'000</i>	<i>Fixtures & Fittings US\$'000</i>	<i>Computer Equipment US\$'000</i>	<i>Total US\$'000</i>
Cost or valuation				
At 1 April 2005	2,035	405	147	2,587
Acquisition of subsidiary undertaking	–	78	6	84
Foreign exchange movement	(171)	(37)	(12)	(220)
Additions	–	35	9	44
At 31 December 2005	<u>1,864</u>	<u>481</u>	<u>150</u>	<u>2,495</u>
Depreciation				
At 1 April 2005	145	237	73	455
Acquisition of subsidiary undertaking	–	48	2	50
Foreign exchange movement	(12)	(23)	(5)	(40)
Provided in the period	31	33	12	76
At 31 December 2005	<u>164</u>	<u>295</u>	<u>82</u>	<u>541</u>
Net book value at 31 December 2005	<u>1,700</u>	<u>186</u>	<u>68</u>	<u>1,954</u>
	<i>Freehold Property US\$'000</i>	<i>Fixtures & Fittings US\$'000</i>	<i>Computer Equipment US\$'000</i>	<i>Total US\$'000</i>
Cost or valuation				
At 1 April 2004	1,978	390	139	2,507
Additions during the year	–	4	4	8
Foreign exchange movement	57	11	4	72
At 31 March 2005	<u>2,035</u>	<u>405</u>	<u>147</u>	<u>2,587</u>
Depreciation				
At 1 April 2004	97	200	50	347
Provided in the year	46	30	22	98
Foreign exchange movement	2	7	1	10
At 31 March 2005	<u>145</u>	<u>237</u>	<u>73</u>	<u>455</u>
Net book value at 31 March 2005	<u>1,890</u>	<u>168</u>	<u>74</u>	<u>2,132</u>

11.6 *Tangible assets (continued)*

	<i>Freehold Property US\$'000</i>	<i>Fixtures & Fittings US\$'000</i>	<i>Computer Equipment US\$'000</i>	<i>Motor Vehicles US\$'000</i>	<i>Total US\$'000</i>
Cost or valuation					
At 1 April 2003	1,687	321	120	13	2,141
Additions	–	18	–	–	18
Disposals	–	–	–	(15)	(15)
Surplus on revaluation	22	–	–	–	22
Foreign exchange movement	269	51	19	2	341
At 31 March 2004	<u>1,978</u>	<u>390</u>	<u>139</u>	<u>–</u>	<u>2,507</u>
Depreciation					
At 1 April 2003	181	144	8	8	341
Provided in the year	41	33	41	6	121
Disposals	–	–	–	(15)	(15)
Foreign exchange movement	29	23	1	1	54
Elimination on revaluation	(154)	–	–	–	(154)
At 31 March 2004	<u>97</u>	<u>200</u>	<u>50</u>	<u>–</u>	<u>347</u>
Net book value at 31 March 2004	<u>1,881</u>	<u>190</u>	<u>89</u>	<u>–</u>	<u>2,160</u>
	<i>Freehold Property US\$'000</i>	<i>Fixtures & Fittings US\$'000</i>	<i>Computer Equipment US\$'000</i>	<i>Motor Vehicles US\$'000</i>	<i>Total US\$'000</i>
Cost or valuation					
At 1 April 2002	1,687	317	–	13	2,017
Additions during the year	–	4	120	–	124
At 31 March 2003	<u>1,687</u>	<u>321</u>	<u>120</u>	<u>13</u>	<u>2,141</u>
Depreciation					
At 1 April 2002	126	130	–	5	261
Provided in the year	39	30	8	3	80
Transfer	16	(16)	–	–	–
At 31 March 2003	<u>181</u>	<u>144</u>	<u>8</u>	<u>8</u>	<u>341</u>
Net book value at 31 March 2003	<u>1,506</u>	<u>177</u>	<u>112</u>	<u>5</u>	<u>1,800</u>

Freehold property was last revalued in April 2003 by Messrs Lambert Smith Hampton. The basis of the valuation used was open market value. The surplus of \$176,000 was transferred to prior revaluation reserves of \$724,000.

The effect of the revaluations has been to increase the depreciation charge for the period ended 31 December 2005 by \$15,000 (years ended 31 March 2005, 31 March 2004 and 31 March 2003 by \$20,000).

No provision has been made in the deferred taxation account for the estimated corporation tax that would be payable on disposal at this valuation because, in the opinion of the directors, this asset is unlikely to be disposed of in the foreseeable future.

If freehold property had not been revalued, they would have been included on the historical cost basis at the following amounts:

	<i>Freehold property \$'000</i>
Cost at 1 April 2003	963
Accumulated depreciation	90
Net book amount at 31 December 2005	873

11.7 Investments

Investments represent the Eros UK Group's capital contribution in Eros Entertainment Inc. when it was a 50% joint venture.

	<i>Share of joint venture net liabilities (note 11.12) US\$'000</i>	<i>Capital contribution US\$'000</i>	<i>Total US\$'000</i>
At 1 April 2002	358	2	360
Share of loss for the year	(627)	–	(627)
At 31 March 2003	(269)	2	(267)
Additions	–	648	648
Foreign exchange retranslation	(73)	–	(73)
Share of loss in the year	(17)	–	(17)
At 31 March 2004	(359)	650	291
Additions	–	593	593
Foreign exchange retranslation	(15)	–	(15)
Share of profit in the year	78	–	78
At 31 March 2005	(296)	1,243	947
Share of loss in period	(142)	–	(142)
Foreign exchange translation	(98)	–	(98)
Transfer on acquisition (note 11.5)	536	(1,243)	(707)
At 31 December 2005	–	–	–

At 31 December 2005, Eros Network Limited had an interest in 20% or more of the equity of the following:

<i>Subsidiary undertakings</i>	<i>Country of incorporation</i>	<i>Class of share capital held</i>	<i>Proportion held by parent company</i>	<i>Nature of business</i>
Eros International Limited	England and Wales	Ordinary	99.8%	Distribution
Eros Australia Pty Limited(*)	Australia	Ordinary	100%	Sales
Eros Entertainment Inc(*)	United States	Ordinary	100%	Sales
Eros Pacific Limited(*)	Fiji	Ordinary	100%	Sales

*These subsidiaries are indirectly owned as Eros International Limited holds the interest in Eros Entertainment Inc, Eros Pacific Limited and Eros Australia Pty Limited.

On 7 October 2005 Eros International Limited acquired the remaining 50% of the shares in Eros Entertainment Inc that it did not previously own. Prior to this date Eros Entertainment Inc was accounted for as a joint venture.

11.8 Stocks

	<i>As at 31 March 2003 US\$'000</i>	<i>As at 31 March 2004 US\$'000</i>	<i>As at 31 March 2005 US\$'000</i>	<i>As at 31 December 2005 US\$'000</i>
Stock	489	935	481	1,247

11.9 Debtors

	<i>As at</i> <i>31 March</i> <i>2003</i> <i>US\$'000</i>	<i>As at</i> <i>31 March</i> <i>2004</i> <i>US\$'000</i>	<i>As at</i> <i>31 March</i> <i>2005</i> <i>US\$'000</i>	<i>As at</i> <i>31 December</i> <i>2005</i> <i>US\$'000</i>
Trade debtors	1,563	1,615	1,441	3,239
Amounts due from related undertakings	7,985	6,015	6,230	9,685
Other debtors	299	3	–	137
Prepayments and accrued income	1,497	24	1,576	326
Corporation tax refundable	–	–	–	124
Deferred tax (Note 11.13)	47	55	246	58
	<u>11,391</u>	<u>7,712</u>	<u>9,493</u>	<u>13,569</u>

11.10 Creditors: amounts falling due within one year

	<i>As at</i> <i>31 March</i> <i>2003</i> <i>US\$'000</i>	<i>As at</i> <i>31 March</i> <i>2004</i> <i>US\$'000</i>	<i>As at</i> <i>31 March</i> <i>2005</i> <i>US\$'000</i>	<i>As at</i> <i>31 December</i> <i>2005</i> <i>US\$'000</i>
Bank loans and overdrafts	7,141	10,509	11,062	14,301
Trade creditors	9,824	2,108	1,839	1,662
Amounts owed to related undertakings	5,032	6,599	6,322	10,257
Amounts owed to joint venture undertaking	4,086	719	1,372	–
Corporation tax	211	216	87	–
Social security and other taxes	358	155	159	381
Other creditors	240	127	7	257
Accruals and deferred income	3,153	5,455	4,136	1,463
Other loans	–	34	35	–
Proposed dividends	18	18	–	–
	<u>30,063</u>	<u>25,940</u>	<u>25,019</u>	<u>28,321</u>

The bank loans and overdrafts are secured by a fixed and floating charge over all the assets of the Eros UK Group, cross-company guarantees and a charge over the property in the USA owned by 550 County Avenue Inc, a related party. In addition, Bank of India, the Eros UK Group's lenders, also have a charge over deposits of Manjulla Lulla, wife of Kishore Lulla (a director).

11.11 Creditors: amounts falling due after more than one year

	<i>As at</i> <i>31 March</i> <i>2003</i> <i>US\$'000</i>	<i>As at</i> <i>31 March</i> <i>2004</i> <i>US\$'000</i>	<i>As at</i> <i>31 March</i> <i>2005</i> <i>US\$'000</i>	<i>As at</i> <i>31 December</i> <i>2005</i> <i>US\$'000</i>
Other creditors	–	–	–	16
	<u>–</u>	<u>–</u>	<u>–</u>	<u>16</u>

11.12 Provisions for liabilities

	<i>As at</i> <i>31 March</i> <i>2003</i> <i>US\$'000</i>	<i>As at</i> <i>31 March</i> <i>2004</i> <i>US\$'000</i>	<i>As at</i> <i>31 March</i> <i>2005</i> <i>US\$'000</i>	<i>As at</i> <i>31 December</i> <i>2005</i> <i>US\$'000</i>
Opening balance	(358)	269	359	296
Provided/(reversed) during the period	627	90	(63)	(296)
Closing balance	<u>269</u>	<u>359</u>	<u>296</u>	<u>–</u>

The provision related to the Eros UK Group's share of the balance sheet deficit of its joint venture investment, Eros Entertainment Inc up to the date that it became a subsidiary.

11.13 *Deferred taxation*

There were no material unprovided amounts of deferred taxation at 31 March 2005 or 31 March 2004 or 31 March 2003.

At 31 December 2005, the Eros UK Group has not recognised deferred tax assets of US\$237,000 in respect of federal and state operating losses carried forward in respect of Eros Entertainment Inc. due to uncertainty in relation to the timing of recovery of these losses as a result of limitations in the level of loss relief that the State of New Jersey allows against taxable income.

The deferred tax asset recognised relates to:

	<i>As at</i> <i>31 March</i> <i>2003</i> <i>US\$'000</i>	<i>As at</i> <i>31 March</i> <i>2004</i> <i>US\$'000</i>	<i>As at</i> <i>31 March</i> <i>2005</i> <i>US\$'000</i>	<i>As at</i> <i>31 December</i> <i>2005</i> <i>US\$'000</i>
UK tax losses carried forward	–	–	–	58
Other short term timing differences	47	55	246	–
	<u>47</u>	<u>55</u>	<u>246</u>	<u>58</u>

11.14 *Share capital*

	<i>As at</i> <i>31 March</i> <i>2003</i> <i>US\$'000</i>	<i>As at</i> <i>31 March</i> <i>2004</i> <i>US\$'000</i>	<i>As at</i> <i>31 March</i> <i>2005</i> <i>US\$'000</i>	<i>As at</i> <i>31 December</i> <i>2005</i> <i>US\$'000</i>
Authorised:				
1,000 ordinary shares of £1 each	<u>2</u>	<u>2</u>	<u>2</u>	<u>2</u>
Allotted, called up and fully paid:				
1,000 ordinary shares of £1 each	<u>2</u>	<u>2</u>	<u>2</u>	<u>2</u>

11.15 *Reserves*

	<i>Minority</i> <i>Interest</i> <i>US\$'000</i>	<i>Revaluation</i> <i>reserve</i> <i>US\$'000</i>	<i>Profit and</i> <i>loss account</i> <i>US\$'000</i>
At 1 April 2002	3	724	898
Loss for the year	–	–	(563)
At 31 March 2003	<u>3</u>	<u>724</u>	<u>335</u>
Profit/(loss) for the year	9	–	(56)
Surplus on revaluation of assets	–	176	–
Exchange differences	<u>1</u>	<u>116</u>	<u>(12)</u>
At 31 March 2004	<u>13</u>	<u>1,016</u>	<u>267</u>
Loss for the year	–	–	(268)
Exchange differences	<u>1</u>	<u>29</u>	<u>(5)</u>
At 31 March 2005	<u>14</u>	<u>1,045</u>	<u>(6)</u>
Transfer of excess depreciation on revaluation reserve	–	(3)	3
Exchange differences	(1)	(88)	61
Loss for the period	–	–	(915)
At 31 December 2005	<u>13</u>	<u>954</u>	<u>(857)</u>

11.16 Reconciliation of movements in shareholders' funds

	<i>As at</i> <i>31 March</i> <i>2003</i> <i>US\$'000</i>	<i>As at</i> <i>31 March</i> <i>2004</i> <i>US\$'000</i>	<i>As at</i> <i>31 March</i> <i>2005</i> <i>US\$'000</i>	<i>As at</i> <i>31 December</i> <i>2005</i> <i>US\$'000</i>
Loss for the financial period	(563)	(56)	(268)	(915)
Other recognised gains – property revaluation	–	176	–	–
Foreign exchange movement	–	104	24	(27)
	<u>(563)</u>	<u>224</u>	<u>(244)</u>	<u>(942)</u>
Shareholders' funds at 1 April	1,624	1,061	1,285	1,041
Shareholders' funds at 31 March	<u>1,061</u>	<u>1,285</u>	<u>1,041</u>	<u>99</u>

11.17 Net cash inflow/(outflow) from operating activities

	<i>For the</i> <i>year ended</i> <i>31 March</i> <i>2003</i> <i>US\$'000</i>	<i>For the</i> <i>year ended</i> <i>31 March</i> <i>2004</i> <i>US\$'000</i>	<i>For the</i> <i>year ended</i> <i>31 March</i> <i>2005</i> <i>US\$'000</i>	<i>9 months</i> <i>ended</i> <i>31 December</i> <i>2005</i> <i>US\$'000</i>
Operating profit/(loss)	(147)	(1,023)	(265)	1,542
Depreciation	80	121	98	76
Amortisation	–	–	–	9
Movement in stocks	(16)	(446)	454	135
(Increase)/decrease in debtors	(2,019)	3,687	(1,590)	(1,922)
(Increase)/decrease in film advances	(2,739)	1,666	3,121	2,146
Increase/(decrease) in creditors	5,315	(7,605)	(1,350)	(656)
Net cash inflow/(outflow) from operating activities	<u>474</u>	<u>(3,600)</u>	<u>468</u>	<u>1,346</u>

11.18 Reconciliation of net cash flow to movement in net debt

	<i>As at</i> <i>31 March</i> <i>2003</i> <i>US\$'000</i>	<i>As at</i> <i>31 March</i> <i>2004</i> <i>US\$'000</i>	<i>As at</i> <i>31 March</i> <i>2005</i> <i>US\$'000</i>	<i>As at</i> <i>31 December</i> <i>2005</i> <i>US\$'000</i>
(Decrease)/increase in cash	(171)	92	2	60
Cashflow from debt financing	(304)	(4,964)	(918)	(97)
Debt acquired with subsidiary	–	–	–	(2,231)
Exchange movement	749	1,596	365	(911)
Movement of net debt in period	<u>274</u>	<u>(3,276)</u>	<u>(551)</u>	<u>(3,179)</u>
Net debt at 1 April	(7,146)	(6,872)	(10,148)	(10,699)
Net debt at end of period	<u>(6,872)</u>	<u>(10,148)</u>	<u>(10,699)</u>	<u>(13,878)</u>

11.19 Analysis of net debt

	<i>Cash at bank US\$'000</i>	<i>Bank loans and overdrafts US\$'000</i>	<i>Total US\$'000</i>
Balance at 1 April 2002	440	(7,586)	(7,146)
Cash flow during the year	(171)	(304)	(475)
Exchange movement	–	749	749
Balance at 31 March 2003	269	(7,141)	(6,872)
Cash flow during the year	92	(4,964)	(4,872)
Exchange movement	–	1,596	1,596
Balance at 31 March 2004	361	(10,509)	(10,148)
Cash flow during the year	2	(918)	(916)
Exchange movement	–	365	365
Balance at 31 March 2005	363	(11,062)	(10,699)
Cash flow during the period	60	(97)	(37)
Debt acquired with subsidiary	–	(2,231)	(2,231)
Exchange movement	–	(911)	(911)
Balance at 31 December 2005	423	(14,301)	(13,878)

11.20 Contingent liabilities

The Eros UK Group provided security in respect of Eros Entertainment Inc's bank facility. As at 31 March 2005 the balance outstanding to the bank was US\$2,153,000 (31 March 2004: US\$1,804,000; 31 March 2003: US\$Nil).

11.21 Transactions with directors/and other related parties

During the period Eros Group entered into the following transactions on normal commercial terms with entities under the common ownership of a family trust related to one or more of the directors of the company, and with Eros Entertainment Inc which was related by virtue of it being 50% owned until 7 October 2005.

	<i>As at</i>		
	<i>For the 9 months ended</i>		<i>31 December</i>
	<i>Sales</i>	<i>Purchases</i>	<i>Balance</i>
	<i>US\$'000</i>	<i>US\$'000</i>	<i>US\$'000</i>
Eros Offshore Group companies	–	7,464	552
Eros Multimedia Private Limited and subsidiary undertakings	289	2,306	(785)
Eros Entertainment Inc (as a joint venture)	2,976	–	–
550 County Avenue Inc	–	67	776
Eros Worldwide FZ LLC	–	–	40
B-on Demand (EU) Limited	–	–	327
Olympus Trust	–	–	7

11.21 *Transactions with directors/and other related parties (continued)*

	<i>For the year ended</i>		<i>As at</i>
	<i>31 March 2005</i>		<i>31 March</i>
	<i>Sales</i>	<i>Purchases</i>	<i>Balance</i>
	<i>US\$'000</i>	<i>US\$'000</i>	<i>US\$'000</i>
Eros Offshore Group companies	2,700	10,954	437
Eros Multimedia Private Limited and subsidiary undertakings	994	3,205	8
Eros Entertainment Inc (as a joint venture)	6,032	–	(1,372)
550 County Avenue Inc	–	–	789
Eros Worldwide FZ LLC	–	–	27
Eros Pacific Limited	278	–	58
	<hr/>	<hr/>	<hr/>
	<i>For the year ended</i>		<i>As at</i>
	<i>31 March 2004</i>		<i>31 March</i>
	<i>Sales</i>	<i>Purchases</i>	<i>Balance</i>
	<i>US\$'000</i>	<i>US\$'000</i>	<i>US\$'000</i>
Eros Offshore Group companies	50	6,836	(507)
Eros Multimedia Private Limited and subsidiary undertakings	1,215	4,944	(643)
Eros Entertainment Inc (as a joint venture)	5,843	7	(718)
550 County Avenue Inc	–	–	767
Eros Worldwide FZ LLC	90	–	26
	<hr/>	<hr/>	<hr/>
	<i>For the year ended</i>		<i>As at</i>
	<i>31 March 2003</i>		<i>31 March</i>
	<i>Sales</i>	<i>Purchases</i>	<i>Balance</i>
	<i>US\$'000</i>	<i>US\$'000</i>	<i>US\$'000</i>
Eros Offshore Group companies	–	–	(1,884)
Eros Multimedia Private Limited and subsidiary undertakings	1,784	8,960	705
Eros Entertainment Inc	7,170	–	3,364
550 County Avenue Inc	–	–	752
Eros Worldwide FZ LLC	–	–	16
	<hr/>	<hr/>	<hr/>

Mrs M Lulla, the wife of Mr K Lulla, a director of the company, has provided additional security to the bank in respect of its lending to the group by granting a charge over US\$2,353,000 million of her own assets in each of the above periods. The directors Mr K Lulla and Mr V Ahuja are required by the loan covenants to have key man insurance cover of £250,000 each.

Mr A Lulla, father of Mr K Lulla was owed US\$1,600,000 (2005: US\$1,400,000; 2004: US\$Nil; 2003: US\$Nil) in total during the year to the Eros UK Group, which includes interest calculated at a rate of 8% of US\$157,000 (2005: US\$37,000).

Mr K Lulla owed to the Eros UK Group US\$194,000 as at 31 December 2005 (31 March 2005: US\$Nil, 31 March 2004: US\$71,000 and 31 March 2003: US\$33,000).

Mr V Ahuja owed to the Eros UK Group US\$50,000 as at 31 December 2005 (31 March 2005: US\$7,000 owed from, 31 March 2004: US\$88,000 and 31 March 2003: US\$78,000).

There are no other related party transactions.

11.22 *Leasing commitments*

The Eros UK Group has an annual commitment of US\$270,000 which expires within five years in respect of the leasehold premises leased by Eros Entertainment Inc from 550 County Avenue Inc, a related party.

PART III D

ACCOUNTANT'S REPORT ON EROS NETWORK LIMITED

Grant Thornton 

The Directors
Eros International plc
15-19 Athol Street
DOUGLAS
Isle Of Man
IM1 1LB

Grant Thornton UK LLP
Grant Thornton House
Melton Street
Euston Square
London
NW1 2EP

27 June 2006

Dear Sirs

EROS NETWORK LIMITED AND ITS SUBSIDIARY UNDERTAKINGS (THE EROS UK GROUP)

We report on the financial information set out in Part III C. This financial information has been prepared for inclusion in the AIM admission document dated 27 June 2006 of Eros International plc (the "Admission Document") on the basis of the accounting policies set out in note 10 on pages 35 to 37. This report is required by Schedule Two of the AIM Rules and is given for the purpose of complying with that Schedule and for no other purpose.

Save for any responsibility arising under Paragraph (a) of Schedule Two of the AIM Rules to any person as and to the extent there provided, to the fullest extent permitted by law we do not assume any responsibility and will not accept any liability to any other person for any loss suffered by any such other person as a result of, arising out of, or in connection with this report.

RESPONSIBILITIES

The Directors of Eros International plc are responsible for preparing the financial information on the basis of preparation set out in note 2 to the financial information on page 31 and in accordance with the accounting policies set out in note 10 on pages 35 to 37.

It is our responsibility to form an opinion as to whether the financial information gives a true and fair view, for the purposes of the Admission Document, and to report our opinion to you.

BASIS OF OPINION

We conducted our work in accordance with the Standards for Investment Reporting issued by the Auditing Practices Board in the United Kingdom. Our work included an assessment of evidence relevant to the amounts and disclosures in the financial information. It also included an assessment of the significant estimates and judgements made by those responsible for the preparation of the financial information and whether the accounting policies are appropriate to the entity's circumstances, consistently applied and adequately disclosed.

We planned and performed our work so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial information is free from material misstatement, whether caused by fraud or other irregularity or error.

OPINION

In our opinion, the financial information gives, for the purposes of the Admission Document, a true and fair view of the state of affairs of the Eros UK Group as at the dates stated and of its results, cash flows and recognised gains and losses for the periods then ended in accordance with the basis of preparation set out in note 2 on page 31 and in accordance with the accounting policies as described in note 10 on pages 35 to 37.

DECLARATION

For the purposes of Paragraph (a) of Schedule Two of the AIM Rules we are responsible for this report as part of the Admission Document and declare that we have taken all reasonable care to ensure that the information contained in this report is, to the best of our knowledge, in accordance with the facts and contains no omission likely to affect its import. This declaration is included in the Admission Document in compliance with Schedule Two of the AIM Rules.

Yours faithfully

GRANT THORNTON UK LLP

PART III E

HISTORICAL FINANCIAL INFORMATION ON EROS MULTIMEDIA PRIVATE LIMITED AND ITS SUBSIDIARY UNDERTAKINGS (“THE EROS INDIA GROUP”)

1. Introduction

The consolidated financial information on Eros Multimedia Private Limited (“EMPL”) and its subsidiary undertakings (“the Eros India Group”), which has been prepared solely for the purpose of the AIM Admission Document of Eros International plc, contained in this Part III E, does not constitute audited statutory accounts within the meaning of section 240 of the Companies Act.

2. Basis of preparation

The Eros India Group is involved in the acquisition and exploitation of film rights. The Eros India Group has not historically prepared consolidated financial statements. Audited individual company financial statements have historically been prepared for Eros Multimedia Private Limited and one of its subsidiaries, Shivam Videotech Private Limited. These audited financial statements were presented in Indian Rupees and were prepared in accordance with accounting principles generally accepted in India. No audited financial statements have historically been prepared for its other subsidiary, Copsale Limited.

The Directors have prepared the consolidated financial information on Eros Multimedia Private Limited based on the individual audited financial statements of Eros Multimedia Private Limited and Shivam Videotech Private Limited and the underlying accounting records of Copsale Limited, making such adjustments as considered appropriate, including adjustments to restate the financial information in accordance with accounting principles generally accepted in the United Kingdom, adjustments to eliminate intercompany transactions and balances and adjustments to present the financial information in US dollars.

This information has been prepared under the historical cost convention and in accordance with accounting principles generally accepted in the United Kingdom.

3. Responsibility

The Directors of Eros International plc are responsible for the historical financial information of the Eros India Group and the contents of the AIM Admission Document in which it is included.

4. Statutory information

Eros Multimedia Private Limited (formerly Rishima International Private Limited) was incorporated in India on 18 August 1994 under the registered number 1-80502. Its registered office is 201 Kailash Plaza, Veera Desai Road, Andheri (West), Mumbai-400 053, India.

Eros Multimedia Private Limited has two subsidiary undertakings – Shivam Videotech Private Limited (“Shivam”), which is registered in India, and Copsale Limited, which is registered in the British Virgin Islands. Eros Multimedia Private Limited owned 87.3 per cent. of Shivam Videotech Private Limited and 100 per cent. of Copsale Limited during the periods covered by the historic financial information.

5. Consolidated profit and loss accounts of the Eros India Group

	<i>Note</i>	<i>For the year ended 31 March 2003 US\$'000</i>	<i>For the year ended 31 March 2004 US\$'000</i>	<i>For the year ended 31 March 2005 US\$'000</i>	<i>For the 9 months ended 31 December 2005 US\$'000</i>
Turnover	10.1	14,957	18,788	24,521	16,712
Cost of sales		(12,103)	(17,093)	(23,267)	(13,524)
Gross profit		2,854	1,695	1,254	3,188
Administrative expenses		(1,973)	(1,421)	(1,581)	(1,400)
Other operating income		69	213	40	309
Operating profit/(loss)		950	487	(287)	2,097
Income from investments		9	109	–	–
Net interest payable	10.3	(942)	(793)	(639)	(747)
Profit/(loss) on ordinary activities before taxation	10.1	17	(197)	(926)	1,350
Tax on profit/(loss) on ordinary activities	10.4	24	83	(81)	(318)
Profit/(loss) on ordinary activities after taxation	10.18	41	(114)	(1,007)	1,032
Minority interest		(12)	(14)	(4)	(4)
Profit/(loss) for the financial period	10.17	29	(128)	(1,011)	1,028

All transactions arose from continuing operations

6. Consolidated balance sheets of the Eros India Group

	<i>Note</i>	<i>As at 31 March 2003 US\$'000</i>	<i>As at 31 March 2004 US\$'000</i>	<i>As at 31 March 2005 US\$'000</i>	<i>As at 31 December 2005 US\$'000</i>
Fixed assets					
Intangible assets	10.5	327	536	1,101	1,561
Tangible assets	10.6	1,722	1,643	1,408	1,064
Investments	10.7	86	10	10	10
		<u>2,135</u>	<u>2,189</u>	<u>2,519</u>	<u>2,635</u>
Current assets					
Stock	10.8	3,158	2,543	1,689	2,109
Debtors	10.9	14,250	17,770	19,203	21,084
Cash at bank and in hand	10.10	594	1,319	2,361	2,763
		<u>18,002</u>	<u>21,632</u>	<u>23,253</u>	<u>25,956</u>
Creditors: amounts falling due within one year	10.11	<u>(15,629)</u>	<u>(19,383)</u>	<u>(22,562)</u>	<u>(23,861)</u>
Net current assets		<u>2,373</u>	<u>2,249</u>	<u>691</u>	<u>2,095</u>
Total assets less current liabilities		4,508	4,438	3,210	4,730
Creditors: amounts falling due after more than one year	10.12	(465)	(218)	(10)	(669)
Provision for liabilities	10.14	<u>(126)</u>	<u>(137)</u>	<u>(97)</u>	<u>(64)</u>
		<u>3,917</u>	<u>4,083</u>	<u>3,103</u>	<u>3,997</u>
Capital and reserves					
Called up share capital	10.16	1,190	1,190	1,190	1,190
Exchange reserve	10.17	(48)	228	254	120
Profit and loss account	10.17	2,709	2,580	1,569	2,596
Equity shareholders' funds	10.17	<u>3,851</u>	<u>3,998</u>	<u>3,013</u>	<u>3,906</u>
Minority Interest	10.18	66	85	90	91
		<u>3,917</u>	<u>4,083</u>	<u>3,103</u>	<u>3,997</u>

7. Consolidated cash flow statements of the Eros India Group

	<i>Note</i>	<i>For the year ended 31 March 2003 US\$'000</i>	<i>For the year ended 31 March 2004 US\$'000</i>	<i>For the year ended 31 March 2005 US\$'000</i>	<i>For the 9 months ended 31 December 2005 US\$'000</i>
Net cash inflow/(outflow) from operating activities	10.19	1,361	313	2,566	(963)
Returns on investments and servicing of finance					
Bank interest received		20	44	63	106
Bank interest paid		(962)	(837)	(702)	(855)
Dividend received		9	7	–	–
Net cash outflow from returns on investments and servicing of finance		(933)	(786)	(639)	(747)
Taxation		(207)	(111)	(77)	(125)
Capital expenditure and financial investment					
Purchase of tangible fixed assets		(102)	(149)	(78)	(129)
Purchase of intangible assets		(582)	(1,369)	(2,002)	(997)
Proceeds from sale of investments		5	185	–	–
Disposal of tangible fixed assets		74	–	–	325
Net cash outflow from investing activities		(605)	(1,333)	(2,080)	(801)
Management of liquid resources					
Increase in cash deposits		(346)	(715)	(940)	(456)
Financing					
Receipt of bank loan (net of repayments)		725	2,642	1,271	3,039
(Decrease)/increase in cash	10.20	(5)	10	108	(53)

8. Consolidated statement of total recognised gains and losses for the Eros India Group

	<i>Note</i>	<i>For the year ended 31 March 2003 US\$'000</i>	<i>For the year ended 31 March 2004 US\$'000</i>	<i>For the year ended 31 March 2005 US\$'000</i>	<i>For the 9 months ended 31 December 2005 US\$'000</i>
Profit/(loss) for the financial period		29	(128)	(1,011)	1,028
Currency differences on foreign currency net investments		(48)	276	26	(134)
Total gains and losses recognised for the financial period		(19)	148	(985)	894

9. Accounting Policies of the Eros India Group

9.1 Basis of preparation

The financial information has been prepared under the historical cost convention and in accordance with applicable United Kingdom accounting standards.

9.2 Turnover

Turnover represents amounts receivable on :

- a) Sale of DVDs and Videos: Turnover is recognised when receivable, and on delivery of the DVD's and Videos
- b) Sale of film/serial rights: Turnover is recognised on delivery of film prints/positives/tapes as per terms of agreements.
- c) Income from rendering of studio facilities and services: Turnover is recognised when the studio facilities and/or services are provided.

Revenue is recognised when the following conditions have been met:

- Contractual terms have been agreed
- The contracted sum has been invoiced or is fixed and determinable
- The film right as contracted is complete and assigned and is available for use by the purchaser of that rights
- Collection of revenue is reasonably assured

9.3 Tangible assets and depreciation

Tangible assets are stated at cost net of depreciation and any provision for impairment.

Depreciation is provided on all tangible assets using the reducing balance method at rates calculated to write off the cost, less estimated residual value, of each asset over its expected useful life. The rates applicable are as follows:

Office building	5%
Furniture, fittings and office equipment	13.91% – 18.1%
Computer equipment	40%
Motor vehicles	25.89%
Studio equipment	20%

9.4 Intangible assets and amortisation

Intangible assets represent India territory film rights and are valued at cost of acquisition net of amortisation and any provision for impairment. Intangible assets are amortised in equal annual amounts over their estimated economic lives of up to 4 years.

In the case of Copsale Limited, which is a subsidiary undertaking, all the film rights purchased by it are treated as purchase of intangible assets when acquired and are fully amortised in the year of acquisition in line with the policy followed by other offshore companies (as per Part III G of this document).

All film rights are reviewed at the end of each year by management to determine any impairment in the values, if any, based on expected future realisability of such rights.

9.5 Leased assets

Lease rental costs for assets under operating leases are charged against profits as incurred.

9.6 Stocks

Stocks comprise:

- a) Raw prints/tapes: These are valued at cost on the weighted average cost basis.
- b) DVDs and videos: These are valued at lower of cost and net realisable value after making provision for obsolete or slow moving stocks. Cost is determined on weighted average cost basis.
- c) Film rights: These stocks comprise overseas film rights acquired and not delivered by the end of the period. These overseas rights are valued at the lower of cost and net realisable value.

Where part of the principal rights (generally theatrical, satellite and video rights) have been sold, stocks of residual rights are valued as a proportion of the total cost at a fair value estimated by management. Stocks of old film rights are valued at cost for a period of one year from the date of purchase and thereafter at appropriate realisable values as estimated by management.

All film rights are reviewed at the end of each year by management to determine any impairment in the values, if any, based on expected future realisability of such rights.

9.7 Advances for purchase of film rights

Advances are paid to producers of films during the production of the film. These advances are then adjusted against the acquisition price of the film rights, which are then recorded as intangible assets or stocks for India and overseas rights respectively on completion of the film and delivery of the master print by the producer to the company. Management review all advances periodically to determine their recoverability.

9.8 Deferred taxation

Deferred tax is provided in full on all timing differences which result in an obligation at the balance sheet date to pay more tax, or a right to pay less tax, at a future date, at rates expected to apply when they crystallise based on current tax rates and laws. Timing differences arise from the inclusion of items of income and expenditure in taxation computations in periods different from those in which they are included in financial statements. Deferred tax assets are recognised to the extent that it is regarded as more likely than not that they will be recovered. Deferred tax assets and liabilities are not discounted.

9.9 Foreign currencies

The local currency for EMPL and Shivam Videotech Private Limited is the Indian Rupee (INR) and that of Copsale Limited is the US Dollar. For the purposes of this document and in order to be consistent with other historical information included in Parts III A, III C, III G and III I of this document, the financial information is presented in US dollars and has been prepared by using the closing rate to convert the balance sheet and average rates to convert the profit and loss account. Any movement in the opening net assets due to changes in exchange rates has been taken directly to reserves.

Transactions in foreign currencies are translated in INR or USD (in the case of Copsale) at the exchange rate ruling at the date of the transaction. Monetary assets and liabilities in foreign currencies are translated at the rates of exchange ruling at the balance sheet date. The exchange differences arising from the retranslation of the opening net investment in foreign subsidiaries are taken directly to reserves. All other exchange differences are dealt with through the profit and loss account.

9.10 Retirement benefits and long-term incentive schemes

Contributions to defined contribution pension plans are charged to the profit and loss account as they become payable. Provision for amounts accrued on long term incentive schemes has been made on an arithmetical basis considering the number of years completed by the employees and their current salaries.

9.11 Basis of consolidation

The financial information consolidates that of Eros Multimedia Private Limited and its subsidiary undertakings drawn up for each of the years ended 31 March 2003, 2004, 2005 and for the 9 month period ended 31 December 2005.

9.12 Investments

Investments are stated at cost less any provision required for impairment.

9.13 Joint arrangements that are not entities

EMPL undertakes certain film productions under contractual arrangements with other participants that involve engaging in joint activities that do not create an entity carrying on a trade or business of its own. The Eros India Group includes its share of the income, expenses, assets, liabilities and cash flows of such joint arrangements, measured in accordance with the terms of each arrangement.

9.14 Liquid resources

Funds on deposit that are not accessible within 24 hours have been treated as liquid resources for the purposes of the cash flow statement.

10. Notes to the Financial Information of the Eros India Group

10.1 Turnover and profit/(loss) on ordinary activities before taxation

Class of business segments

The turnover is attributable to the following classes of continuing business:

	<i>For the year ended 31 March 2003 US\$'000</i>	<i>For the year ended 31 March 2004 US\$'000</i>	<i>For the year ended 31 March 2005 US\$'000</i>	<i>For the 9 months ended 31 December 2005 US\$'000</i>
Trading of film rights	13,541	17,540	21,730	13,853
Exploitation of videogram rights	591	997	2,005	1,547
Post production studio services	610	3	216	1,003
Other	215	248	570	309
	<u>14,957</u>	<u>18,788</u>	<u>24,521</u>	<u>16,712</u>

The analysis of turnover by geographical segment has not been disclosed as the Directors consider this disclosure would be seriously prejudicial to the interests of the business

The profit/(loss) on ordinary activities before taxation is stated after:

	<i>For the year ended 31 March 2003 US\$'000</i>	<i>For the year ended 31 March 2004 US\$'000</i>	<i>For the year ended 31 March 2005 US\$'000</i>	<i>For the 9 months ended 31 December 2005 US\$'000</i>
Auditors' remuneration:				
Audit services	11	18	18	14
Non-audit services	2	2	–	35
Depreciation and amortisation:				
Tangible fixed assets, owned	406	365	327	158
Intangible assets	250	1,186	1,441	503
Profit on disposal of fixed assets	20	–	–	59
Foreign currency differences	29	(37)	43	12
	<u> </u>	<u> </u>	<u> </u>	<u> </u>

10.2 Directors and employees

Staff costs during the period were as follows:

	<i>For the year ended 31 March 2003 US\$'000</i>	<i>For the year ended 31 March 2004 US\$'000</i>	<i>For the year ended 31 March 2005 US\$'000</i>	<i>For the 9 months ended 31 December 2005 US\$'000</i>
Wages and salaries	328	406	407	280
Provident fund and gratuity benefits	26	37	33	20
	<u>354</u>	<u>443</u>	<u>440</u>	<u>300</u>

The average number of employees, including executive directors, of the company during the period was:

	<i>For the year ended 31 March 2003 Number</i>	<i>For the year ended 31 March 2004 Number</i>	<i>For the year ended 31 March 2005 Number</i>	<i>For the 9 months ended 31 December 2005 Number</i>
Directors	6	6	5	5
Production	57	57	51	46
Sales and distribution	4	5	5	5
Administration and management	43	45	52	42
	<u>110</u>	<u>113</u>	<u>113</u>	<u>98</u>

Remuneration in respect of directors was as follows:

	<i>For the year ended 31 March 2003 US\$'000</i>	<i>For the year ended 31 March 2004 US\$'000</i>	<i>For the year ended 31 March 2005 US\$'000</i>	<i>For the 9 months ended 31 December 2005 US\$'000</i>
Emoluments	31	77	66	50

10.3 Net interest payable

	<i>For the year ended 31 March 2003 US\$'000</i>	<i>For the year ended 31 March 2004 US\$'000</i>	<i>For the year ended 31 March 2005 US\$'000</i>	<i>For the 9 months ended 31 December 2005 US\$'000</i>
Interest receivable on bank deposits	20	44	63	108
Interest payable on bank overdrafts and loans	(808)	(744)	(668)	(783)
Interest payable on other loans	(154)	(93)	(34)	(72)
	<u>(942)</u>	<u>(793)</u>	<u>(639)</u>	<u>(747)</u>

10.4 Tax on profit/(loss) on ordinary activities

The taxation charge represents:

(a) Analysis of charge in period:

	<i>For the year ended 31 March 2003 US\$'000</i>	<i>For the year ended 31 March 2004 US\$'000</i>	<i>For the year ended 31 March 2005 US\$'000</i>	<i>For the 9 months ended 31 December 2005 US\$'000</i>
The tax (credit)/charge comprises:				
Current tax:				
Corporation tax	142	182	205	168
Overprovision of corporation tax in prior years	–	(20)	–	–
	<u>142</u>	<u>162</u>	<u>205</u>	<u>168</u>
Deferred tax:				
Origination and reversal of timing differences	(166)	(245)	(124)	150
Tax charge/(credit) on profit on ordinary activities	<u>(24)</u>	<u>(83)</u>	<u>81</u>	<u>318</u>

The above tax charge represents the tax charge in the EMPL and Shivam Videotech Private Limited. There is no tax charge on profits in Copsale Limited as no tax is applicable under the laws of British Virgin Islands.

(b) Factors affecting tax charge for the year:

The tax assessed for the period is lower than the standard rate of corporation tax in India. The differences are explained as follows:

	<i>For the year ended 31 March 2003 US\$'000</i>	<i>For the year ended 31 March 2004 US\$'000</i>	<i>For the year ended 31 March 2005 US\$'000</i>	<i>For the 9 months ended 31 December 2005 US\$'000</i>
Profit/(loss) on ordinary activities before tax	<u>17</u>	<u>(197)</u>	<u>(926)</u>	<u>1,350</u>
Profit/(loss) on ordinary activities multiplied by standard rate of corporation tax in India of 36.75%: 2003, 35.875%: 2004, 36.60%: March 2005 and 33.66%: December 2005	7	(71)	(339)	454
Effect of:				
Expenses not deductible for tax purposes	3	20	24	–
Capital allowances for period in excess of depreciation	(13)	6	40	3
Interest on late payment of tax	12	22	21	11
Foreign subsidiary subject to a nil rate of tax	–	–	357	(172)
Other differences	(19)	(29)	26	59
Bad debt provisions	151	234	76	(187)
Adjustments to tax charge in respect of previous periods	–	(20)	–	–
Current period tax charge	<u>142</u>	<u>165</u>	<u>205</u>	<u>168</u>

10.5 Intangible assets

The intangible assets comprise film rights and are as follows:

COST	<i>US\$'000</i>
At 1 April 2002	–
Additions	582
	<hr/>
At 31 March 2003	582
Additions	1,369
Adjustment due to foreign exchange translation	46
Disposals	(31)
	<hr/>
At 31 March 2004	1,966
Additions	2,002
Adjustment due to foreign exchange translation	8
	<hr/>
At 31 March 2005	3,976
Additions	997
Adjustment due to foreign exchange translation	(62)
	<hr/>
At 31 December 2005	4,911
	<hr/>
AMORTISATION	
At 1 April 2002	–
Charge for the year	250
Adjustment due to foreign exchange translation	5
	<hr/>
At 31 March 2003	255
Charge for the year	1,186
Adjustment due to foreign exchange translation	20
Disposals	(31)
	<hr/>
At 31 March 2004	1,430
Charge for the year	1,441
Adjustment due to foreign exchange translation	4
	<hr/>
At 31 March 2005	2,875
Charge for the period	503
Adjustment due to foreign exchange translation	(28)
	<hr/>
At 31 December 2005	3,350
	<hr/>
NET BOOK AMOUNT	
As at 31 December 2005	1,561
	<hr/>
As at 31 March 2005	1,101
	<hr/>
As at 31 March 2004	536
	<hr/>
As at 31 March 2003	327
	<hr/>

10.6 Tangible assets

	<i>Buildings</i> US\$'000	<i>Studio equipment</i> US\$'000	<i>Office equipment, furniture and fixtures</i> US\$'000	<i>Vehicles</i> US\$'000	<i>Capital work in progress</i> US\$'000	<i>Total</i> US\$'000
COST						
At 1 April 2002	188	2,556	368	120	–	3,232
Additions	–	5	36	61	–	102
Foreign exchange translation	5	65	8	4	–	82
Disposals	–	(99)	(2)	(10)	–	(111)
At 31 March 2003	193	2,527	410	175	–	3,305
Additions	–	121	28	–	–	149
Foreign exchange translation	15	201	32	14	–	262
Disposals	–	–	(1)	–	–	(1)
At 31 March 2004	208	2,849	469	189	–	3,715
Additions	–	46	32	–	–	78
Foreign exchange translation	2	23	6	1	–	32
At 31 March 2005	210	2,918	507	190	–	3,825
Additions	3	13	15	51	47	129
Foreign exchange translation	(6)	(91)	(15)	(5)	–	(117)
Disposals	–	(810)	–	(17)	–	(827)
At 31 December 2005	207	2,030	507	219	47	3,010
DEPRECIATION						
At 1 April 2002	23	967	157	57	–	1,204
Charge for the year	9	325	47	25	–	406
Foreign exchange translation	–	26	3	2	–	31
Disposals	–	(51)	(1)	(6)	–	(58)
At 31 March 2003	32	1,267	206	78	–	1,583
Charge for the year	9	278	51	27	–	365
Foreign exchange translation	3	97	18	6	–	124
At 31 March 2004	44	1,642	275	111	–	2,072
Charge for the year	8	251	47	21	–	327
Foreign exchange translation	1	15	2	–	–	18
At 31 March 2005	53	1,908	324	132	–	2,417
Charge for the period	6	110	31	11	–	158
Foreign exchange translation	(2)	(65)	(8)	(3)	–	(78)
Elimination on disposal	–	(550)	–	(11)	–	(561)
At 31 December 2005	57	1,413	347	129	–	1,936
NET BOOK AMOUNT						
As at 31 December 2005	150	617	160	90	47	1,064
As at 31 March 2005	157	1,010	183	58	–	1,408
As at 31 March 2004	164	1,207	194	78	–	1,643
As at 31 March 2003	161	1,260	204	97	–	1,722

10.7 Investments

Investments comprise the following:

	<i>As at</i> <i>31 March</i> <i>2003</i> <i>US\$'000</i>	<i>As at</i> <i>31 March</i> <i>2004</i> <i>US\$'000</i>	<i>As at</i> <i>31 March</i> <i>2005</i> <i>US\$'000</i>	<i>As at</i> <i>31 December</i> <i>2005</i> <i>US\$'000</i>
Listed securities	76	–	–	–
Investment in Scoyt Limited	10	10	10	10
	<u>86</u>	<u>10</u>	<u>10</u>	<u>10</u>

Scoyt Limited which is incorporated in the British Virgin Islands is a dormant, wholly owned subsidiary of Copsale Limited that has never traded.

10.8 Stocks

	<i>As at</i> <i>31 March</i> <i>2003</i> <i>US\$'000</i>	<i>As at</i> <i>31 March</i> <i>2004</i> <i>US\$'000</i>	<i>As at</i> <i>31 March</i> <i>2005</i> <i>US\$'000</i>	<i>As at</i> <i>31 December</i> <i>2005</i> <i>US\$'000</i>
Overseas film rights	3,026	2,288	1,400	1,882
Raw stock/prints	–	101	74	30
DVD and video	132	154	215	197
	<u>3,158</u>	<u>2,543</u>	<u>1,689</u>	<u>2,109</u>

10.9 Debtors

	<i>As at</i> <i>31 March</i> <i>2003</i> <i>US\$'000</i>	<i>As at</i> <i>31 March</i> <i>2004</i> <i>US\$'000</i>	<i>As at</i> <i>31 March</i> <i>2005</i> <i>US\$'000</i>	<i>As at</i> <i>31 December</i> <i>2005</i> <i>US\$'000</i>
Trade debtors	1,550	1,779	2,156	2,019
Due from related undertakings	2,236	7,521	9,769	13,233
Loans to directors	67	267	740	1,037
Film advances	5,053	4,488	3,572	2,356
Other debtors	5,007	3,114	2,242	1,917
Prepayments and accrued income	80	78	119	120
Deferred tax asset (see note 10.15)	257	523	605	402
	<u>14,250</u>	<u>17,770</u>	<u>19,203</u>	<u>21,084</u>

10.10 Cash at bank and in hand

	<i>As at</i> <i>31 March</i> <i>2003</i> <i>US\$'000</i>	<i>As at</i> <i>31 March</i> <i>2004</i> <i>US\$'000</i>	<i>As at</i> <i>31 March</i> <i>2005</i> <i>US\$'000</i>	<i>As at</i> <i>31 December</i> <i>2005</i> <i>US\$'000</i>
Cash at bank and in hand	8	18	120	67
Fixed deposits	586	1,301	2,241	2,697
	<u>594</u>	<u>1,319</u>	<u>2,361</u>	<u>2,763</u>

The amounts held in fixed deposit accounts act as collateral against bank borrowings and are not available to the Eros India Group for working capital purposes. Under a revised facility agreed with Indian Overseas Bank in February 2006, the fixed deposits have been released in return for a charge on a freehold property owned by Sunil Lulla (a director of EMPL) and his relatives.

10.11 Creditors: amounts falling due within one year

	<i>As at</i> <i>31 March</i> <i>2003</i> <i>US\$'000</i>	<i>As at</i> <i>31 March</i> <i>2004</i> <i>US\$'000</i>	<i>As at</i> <i>31 March</i> <i>2005</i> <i>US\$'000</i>	<i>As at</i> <i>31 December</i> <i>2005</i> <i>US\$'000</i>
Bank loans and overdraft	7,891	10,780	12,259	14,639
Trade creditors	3,568	3,636	4,427	3,996
Other creditors	108	117	257	32
Corporation tax	225	302	437	464
Advances from customers	1,139	1,204	1,750	960
Accruals and deferred income	35	35	41	11
Other loans due to third parties	617	666	672	651
Amounts due to related undertakings	2,046	2,643	2,719	3,108
	<u>15,629</u>	<u>19,383</u>	<u>22,562</u>	<u>23,861</u>

Bank loans comprise working capital facilities and are secured by way of a charge on all assets of EMPL, including all film rights, a fixed deposit with the Indian Overseas Bank (see note 10.10) and cross-company guarantees.

All bank loans are further secured by an equitable mortgage of EMPL's freehold property and two freehold properties of the directors as well as a charge on a fixed deposit held by a relative of the directors and a personal guarantee of Sunil Lulla (a director of EMPL) and his father Arjan Lulla. Car and equipment loans are secured against the vehicles and equipments acquired using these facilities.

No repayment terms have been specified for loans taken from third parties and relatives of directors.

10.12 Creditors: amounts falling due after more than one year

	<i>As at</i> <i>31 March</i> <i>2003</i> <i>US\$'000</i>	<i>As at</i> <i>31 March</i> <i>2004</i> <i>US\$'000</i>	<i>As at</i> <i>31 March</i> <i>2005</i> <i>US\$'000</i>	<i>As at</i> <i>31 December</i> <i>2005</i> <i>US\$'000</i>
Bank loans	<u>465</u>	<u>218</u>	<u>10</u>	<u>669</u>

10.13 Maturity of bank loans and overdrafts

Bank borrowings are repayable as follows:

	<i>As at</i> <i>31 March</i> <i>2003</i> <i>US\$'000</i>	<i>As at</i> <i>31 March</i> <i>2004</i> <i>US\$'000</i>	<i>As at</i> <i>31 March</i> <i>2005</i> <i>US\$'000</i>	<i>As at</i> <i>31 December</i> <i>2005</i> <i>US\$'000</i>
In less than one year or on demand	7,891	10,780	12,259	14,639
Between one and two years	334	204	10	541
Between two and five years	131	14	–	128
	<u>8,356</u>	<u>10,998</u>	<u>12,269</u>	<u>15,308</u>

10.14 Provision for liabilities

	<i>As at</i> <i>31 March</i> <i>2003</i> <i>US\$'000</i>	<i>As at</i> <i>31 March</i> <i>2004</i> <i>US\$'000</i>	<i>As at</i> <i>31 March</i> <i>2005</i> <i>US\$'000</i>	<i>As at</i> <i>31 December</i> <i>2005</i> <i>US\$'000</i>
Deferred taxation (see note 10.15)	113	110	62	25
Provision for gratuity payments	13	27	35	39
	<u>126</u>	<u>137</u>	<u>97</u>	<u>64</u>

10.15 Deferred taxation

Deferred taxation is made up as follows:

	<i>As at</i> <i>31 March</i> <i>2003</i> <i>US\$'000</i>	<i>As at</i> <i>31 March</i> <i>2004</i> <i>US\$'000</i>	<i>As at</i> <i>31 March</i> <i>2005</i> <i>US\$'000</i>	<i>As at</i> <i>31 December</i> <i>2005</i> <i>US\$'000</i>
Provisions				
Accelerated capital allowances	118	120	74	38
Other short-term timing differences	(5)	(10)	(12)	(13)
	<u>113</u>	<u>110</u>	<u>62</u>	<u>25</u>
Deferred tax asset				
Bad debt relief	257	523	605	402
	<u>257</u>	<u>523</u>	<u>605</u>	<u>402</u>

10.16 Share capital

The share capital of Eros Multimedia Private Limited is as follows:

	<i>As at</i> <i>31 March</i> <i>2003</i> <i>US\$'000</i>	<i>As at</i> <i>31 March</i> <i>2004</i> <i>US\$'000</i>	<i>As at</i> <i>31 March</i> <i>2005</i> <i>US\$'000</i>	<i>As at</i> <i>31 December</i> <i>2005</i> <i>US\$'000</i>
Authorised:				
6,000,000 Ordinary shares of Indian Rupees 10 each (equivalent to USD 0.23326 each)	1,400	1,400	1,400	1,400
Called up, allotted, and fully paid:				
5,100,000 Ordinary shares of Indian Rupees 10 each (equivalent to USD 0.23326 each)	1,190	1,190	1,190	1,190
	<u>1,190</u>	<u>1,190</u>	<u>1,190</u>	<u>1,190</u>

10.17 Reconciliation of movements in reserves and shareholder's funds

	<i>Profit and loss account</i>	<i>Exchange Reserve</i>	<i>Shareholder's Funds</i>
	<i>US\$ 000</i>	<i>US\$ 000</i>	<i>US\$ 000</i>
At 1 April 2002	2,680	–	3,832
Exchange Reserve	–	(48)	(48)
Retained profit for year	29	–	29
At 31 March 2003	2,709	(48)	3851
Exchange Reserve	(1)	276	275
Retained profit for year	(128)	–	(128)
At 31 March 2004	2,580	228	3,998
Exchange Reserve	–	26	26
Retained profit for year	(1,011)	–	(1,011)
At 31 March 2005	1,569	254	3,013
Exchange Reserve	(1)	(134)	(135)
Retained profit for year	1,028	–	1,028
At 31 December 2005	2,596	120	3,906

10.18 Minority interest

	<i>As at 31 March 2003 US\$'000</i>	<i>As at 31 March 2004 US\$'000</i>	<i>As at 31 March 2005 US\$'000</i>	<i>As at 31 December 2005 US\$'000</i>
At the start of the period	53	66	85	90
Share of profit for the period	12	14	4	4
Exchange differences on translation	1	5	1	(3)
At the end of the period	66	85	90	91

10.19 Net cash inflow from operating activities

	<i>As at 31 March 2003 US\$'000</i>	<i>As at 31 March 2004 US\$'000</i>	<i>As at 31 March 2005 US\$'000</i>	<i>As at 31 December 2005 US\$'000</i>
Operating Profit/(loss)	950	487	(287)	2,097
Depreciation	406	365	327	158
Amortisation	250	1,186	1,441	503
Gratuity Provision	–	13	8	5
(Increase)/Decrease in stock	1	615	854	(420)
(Increase) /Decrease in debtors	(194)	(3,254)	(1,351)	(2,084)
Increase/(Decrease) in creditors	(52)	901	1,574	(1,158)
Net cash inflow/(outflow) from operating activities	1,361	313	2,566	(963)

10.20 Reconciliation of net cash flow to movement in net debt

	<i>As at</i> <i>31 March</i> <i>2003</i> <i>US\$'000</i>	<i>As at</i> <i>31 March</i> <i>2004</i> <i>US\$'000</i>	<i>As at</i> <i>31 March</i> <i>2005</i> <i>US\$'000</i>	<i>As at</i> <i>31 December</i> <i>2005</i> <i>US\$'000</i>
Increase/(decrease) in cash	(5)	10	102	(53)
Cashflow from debt financing	(725)	(2,642)	(1,271)	(3,039)
Cashflow from liquid resources	346	715	940	456
Movement in net debt in period	(384)	(1,917)	(229)	(2,636)
Net debt at 1 April	(7,378)	(7,762)	(9,679)	(9,908)
Net debt at 31 March/December	<u>(7,762)</u>	<u>(9,679)</u>	<u>(9,908)</u>	<u>(12,544)</u>

10.21 Analysis of net debt

	<i>As at</i> <i>31 March</i> <i>2003</i> <i>US\$'000</i>	<i>Cash flow</i> <i>US\$000</i>	<i>As at</i> <i>31 March</i> <i>2004</i> <i>US\$'000</i>
Cash at bank and in hand	8	10	18
Bank loans	(8,356)	(2,642)	(10,998)
	(8,348)	(2,632)	(10,980)
Margin money with bank (liquid resources)	586	715	1,301
	<u>(7,762)</u>	<u>(1,917)</u>	<u>(9,679)</u>

	<i>As at</i> <i>31 March</i> <i>2004</i> <i>US\$'000</i>	<i>Cash flow</i> <i>US\$000</i>	<i>As at</i> <i>31 March</i> <i>2005</i> <i>US\$'000</i>
Cash at bank and in hand	18	102	120
Bank loan	(10,998)	(1,271)	(12,269)
	(10,980)	(1,169)	(12,149)
Margin money with bank (liquid resources)	1,301	940	2,241
	<u>(9,679)</u>	<u>(229)</u>	<u>(9,908)</u>

	<i>As at</i> <i>31 March</i> <i>2005</i> <i>US\$'000</i>	<i>Cash flow</i> <i>US\$000</i>	<i>As at</i> <i>31 December</i> <i>2005</i> <i>US\$'000</i>
Cash at bank and in hand	120	(53)	67
Bank loan	(12,269)	(3,039)	(15,308)
	(12,149)	(3,092)	(15,241)
Margin money with bank (liquid resources)	2,241	456	2,697
	<u>(9,908)</u>	<u>(2,636)</u>	<u>(12,544)</u>

10.22 Capital commitments and contingent liabilities

There are no capital commitments and contingent liabilities within the Eros India Group.

10.23 Related party transactions

The immediate parent undertaking and controlling related party of EMPL is Eros Worldwide FZ LLC, which is incorporated in Dubai, United Arab Emirates. The ultimate parent undertaking is Beech Investments Limited.

	<i>For the year ended 31 March 2003 US\$'000</i>	<i>For the year ended 31 March 2004 US\$'000</i>	<i>For the year ended 31 March 2005 US\$'000</i>	<i>For the 9 months year ended 31 December 2005 US\$'000</i>
<i>Transactions with Directors and Relatives</i>				
<i>Mr Sunil Lulla – Director</i>				
Rent Paid	–	–	2	4
Advances due from Eros India Group	(39)	(46)	(334)	(237)
Advances due to Eros India Group	46	177	499	709
<i>Mrs Meena Lulla – Relative of Director</i>				
Rent Paid	–	6	8	6
Advances due to Eros India Group	25	6	6	1
Advances due from Eros India Group	(1)	(5)	(7)	–
<i>Mr Arjan G Lulla – Relative of Director</i>				
Advances due from Eros India Group	(15)	(15)	(14)	(13)
<i>Mrs Puja Rajani – Relative of Director</i>				
Interest Paid	1	–	–	–
Professional charges paid	3	–	–	8
Advances due from Eros India Group	(5)	(5)	(5)	(5)
<i>Mrs Krishika Lulla – Relative of Director</i>				
Advances due to Eros India Group	18	19	20	19
<i>Mrs Manjulla Lulla – Relative of Director</i>				
Rent paid	27	52	62	61
Advances due to Eros India Group	–	68	281	313
Advances due from Eros India Group	34	–	–	–

Related Entity Transactions

During the period the Eros India Group entered into the following transactions with entities under common ownership of a family trust or directly held by family members related to one of the directors:

	<i>12 months ended 31 March 2003 US\$'000</i>	<i>12 months ended 31 March 2004 US\$'000</i>	<i>12 months ended 31 March 2005 US\$'000</i>	<i>9 months ended 31 December 2005 US\$'000</i>
<i>Shivam Enterprises</i>				
Advances due to Eros India Group	14	87	52	132
<i>Eros Digital Private Limited</i>				
Advances due from Eros India Group	(57)	(62)	(60)	(58)

10.23 Related party transactions (continued)

	<i>For the year ended 31 March 2003 US\$'000</i>	<i>For the year ended 31 March 2004 US\$'000</i>	<i>For the year ended 31 March 2005 US\$'000</i>	<i>For the 9 months ended 31 December 2005 US\$'000</i>
Rishima Combines				
Advances due to Eros India Group	15	16	17	16
Popular Rishima Entertainment				
Advances due to Eros India Group	17	18	18	17
Eros Offshore Group Companies				
Sale of Rights	2,053	12,116	17,557	10,163
Purchase of Rights	2,210	1,550	9,300	3,478
Net balance due to/(from) Eros India Group	985	4,206	7,160	9,260
Eros Network Limited				
Sale of Rights/Prints	8,960	4,944	3,205	2,306
Purchase of Rights	1,784	1,215	994	289
Net balance due to Eros India Group	(705)	643	(8)	785
Eros Entertainment Inc				
Balance due from Eros India Group	–	–	(100)	–
Acacia Investments				
Balance due from Eros India Group	(1)	(1)	(1)	(1)

Sunil Lulla, a director, and his father Ajan Lulla have provided guarantees to secure the Eros India Group's bank borrowings. The total amount under this guarantee amounts to US\$1,551,000 at 31 December 2005 (31 March 2005: US\$1,752,000; 2004: US\$1,933,000; 2003: US\$Nil).

PART III F

ACCOUNTANT'S REPORT ON EROS MULTIMEDIA PRIVATE LIMITED

Grant Thornton 

The Directors
Eros International plc
15-19 Athol Street
DOUGLAS
Isle Of Man
IM1 1LB

Grant Thornton UK LLP
Grant Thornton House
Melton Street
Euston Square
London
NW1 2EP

27 June 2006

Dear Sirs

EROS MULTIMEDIA PRIVATE LIMITED AND ITS SUBSIDIARY UNDERTAKINGS (THE EROS INDIA GROUP)

We report on the financial information set out in Part III E. This financial information has been prepared for inclusion in the AIM admission document dated 27 June 2006 of Eros International plc (the "Admission Document") on the basis of the accounting policies set out in note 9 on pages 56 to 58. This report is required by Schedule Two of the AIM Rules and is given for the purpose of complying with that Schedule and for no other purpose.

Save for any responsibility arising under Paragraph (a) of Schedule Two of the AIM Rules to any person as and to the extent there provided, to the fullest extent permitted by law we do not assume any responsibility and will not accept any liability to any other person for any loss suffered by any such other person as a result of, arising out of, or in connection with this report.

RESPONSIBILITIES

The Directors of Eros International plc are responsible for preparing the financial information on the basis of preparation set out in note 2 to the financial information on page 52 and in accordance with the accounting policies set out in note 9 on page 56 to 58.

It is our responsibility to form an opinion as to whether the financial information gives a true and fair view, for the purposes of the Admission Document, and to report our opinion to you.

BASIS OF OPINION

We conducted our work in accordance with the Standards for Investment Reporting issued by the Auditing Practices Board in the United Kingdom. Our work included an assessment of evidence relevant to the amounts and disclosures in the financial information. It also included an assessment of the significant estimates and judgements made by those responsible for the preparation of the financial information and whether the accounting policies are appropriate to the entity's circumstances, consistently applied and adequately disclosed.

We planned and performed our work so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial information is free from material misstatement, whether caused by fraud or other irregularity or error.

OPINION

In our opinion, the financial information gives, for the purposes of the Admission Document, a true and fair view of the state of affairs of the Eros India Group as at the dates stated and of its results, cash flows and recognised gains and losses for the periods then ended in accordance with the basis of preparation set out in note 2 on page 52 and in accordance with the accounting policies as described in note 9 on page 56 to 58.

DECLARATION

For the purposes of Paragraph (a) of Schedule Two of the AIM Rules we are responsible for this report as part of the Admission Document and declare that we have taken all reasonable care to ensure that the information contained in this report is, to the best of our knowledge, in accordance with the facts and contains no omission likely to affect its import. This declaration is included in the Admission Document in compliance with Schedule Two of the AIM Rules.

Yours faithfully

GRANT THORNTON UK LLP

PART III G

HISTORICAL FINANCIAL INFORMATION ON THE EROS OFFSHORE GROUP

1 Introduction

The aggregated financial information on the Eros Offshore Group, which has been prepared solely for the purpose of the AIM Admission Document of Eros International plc, contained in this Part III G, does not constitute audited statutory accounts within the meaning of section 240 of the Companies Act.

2 Basis of preparation

The Eros Offshore Group comprises four companies: Eros Media Limited, Evron Limited, Stanning Corporation and Windmill Holdings Limited. Stanning Corporation is incorporated in the British Virgin Islands; the other three companies are incorporated in the Republic of Mauritius. These four entities do not form a legal sub-group. However, the financial information with respect to these companies has been presented on an aggregated basis by the Directors as (1) these four companies were under common ownership during the periods being reported on; (2) they each carried on a similar activity during the periods being reported on; and (3) the trade and assets, but not the issued share capital, of each of these companies are to be acquired by Eros Worldwide FZ LLC as per paragraph 12.13 of Part VI of this document.

None of Eros Media Limited, Evron Limited, Stanning Corporation or Windmill Holdings Limited have historically been subject to audit. The financial information has been prepared based on an aggregation of the underlying accounting records of the companies, with adjustments made to restate the financial information in accordance with accounting principles generally accepted in the United Kingdom and to eliminate intercompany balances and intercompany transactions and profits, and is presented in US dollars.

The financial information has been prepared under the historical cost convention and in accordance with accounting principles generally accepted in the United Kingdom.

3 Responsibility

The Directors of Eros International plc are responsible for the historical financial information on the Eros Offshore Group and the contents of the AIM Admission Document in which it is included.

4. Aggregated profit and loss accounts of the Eros Offshore Group

		<i>For the year ended 31 March 2003 US\$'000</i>	<i>For the year ended 31 March 2004 US\$'000</i>	<i>For the year ended 31 March 2005 US\$'000</i>	<i>For the 9 months ended 31 December 2005 US\$'000</i>
Turnover	8.1	5,789	11,350	24,960	20,942
Cost of sales	8.1	(2,856)	(13,644)	(23,928)	(19,282)
Gross profit/(loss)		<u>2,933</u>	<u>(2,294)</u>	<u>1,032</u>	<u>1,660</u>
Administrative expenses		(854)	(666)	(450)	(479)
Profit/(loss) on ordinary activities before taxation	8.1	<u>2,079</u>	<u>(2,960)</u>	<u>582</u>	<u>1,181</u>
Tax on profit on ordinary activities	8.3	–	–	–	–
Profit/(loss) for the financial period	8.8	<u>2,079</u>	<u>(2,960)</u>	<u>582</u>	<u>1,181</u>

All transactions arose from continuing operations. There are no other recognised gains and losses.

5. Aggregated balance sheets of the Eros Offshore Group

		<i>As at 31 March 2003 US\$'000</i>	<i>As at 31 March 2004 US\$'000</i>	<i>As at 31 March 2005 US\$'000</i>	<i>As at 31 December 2005 US\$'000</i>
Fixed assets					
Investments	8.4	–	–	–	–
Current assets					
Debtors	8.5	11,406	9,057	9,369	9,580
Cash at bank and in hand		411	25	17	17
		<u>11,817</u>	<u>9,082</u>	<u>9,386</u>	<u>9,597</u>
Creditors: amounts falling due within one year	8.6	<u>(20,024)</u>	<u>(20,250)</u>	<u>(19,971)</u>	<u>(19,001)</u>
		<u>(8,207)</u>	<u>(11,168)</u>	<u>(10,585)</u>	<u>(9,404)</u>
Capital and reserves					
Share capital	8.7	2	2	2	2
Profit and loss account		<u>(8,209)</u>	<u>(11,170)</u>	<u>(10,587)</u>	<u>(9,406)</u>
Shareholders' deficit	8.8	<u>(8,207)</u>	<u>(11,168)</u>	<u>(10,585)</u>	<u>(9,404)</u>

6. Aggregated cash flow statements of the Eros Offshore Group

		<i>For the year ended 31 March 2003 US\$'000</i>	<i>For the year ended 31 March 2004 US\$'000</i>	<i>For the year ended 31 March 2005 US\$'000</i>	<i>For the 9 months ended 31 December 2005 US\$'000</i>
	<i>Note</i>				
Net cash inflow from operating activities	8.9	377	(386)	(8)	–
Capital expenditure and financial investment					
Sale of investment		25	–	–	–
Financing					
Issue of share capital		1	–	–	–
Increase/(decrease) in cash	8.10	<u>203</u>	<u>(386)</u>	<u>(8)</u>	<u>–</u>

7. Accounting policies of the Eros Offshore Group

7.1 Basis of preparation

The financial information has been prepared under the historical cost convention and in accordance with the applicable United Kingdom accounting standards.

The Eros Offshore Group comprises four entities under common management as follows: i) Evron Limited (a company operating under the laws of the Republic of Mauritius), ii) Windmill Holdings Limited (a company operating under the laws of the Republic of Mauritius), iii) Stanning Corporation (a company operating under the laws of British Virgin Islands) and iv) Eros Media Limited (a company operating under the laws of the Republic of Mauritius).

As set out in Section 2 the Eros Offshore Group financial information aggregates the financial information of the four entities named above and the results of these companies drawn up for each of the years ended 31 March 2003, 2004, 2005 and for the 9 month period ended 31 December 2005. The transactions and balances between the entities have been eliminated in the preparation of the aggregated financial information.

7.2 Revenue

Turnover represents sale of film rights, which would include several rights which the companies have acquired including i) Theatrical and DVD rights ii) Satellite rights iii) Pay TV rights, iv) Cable rights. The turnover is recognised on the basis of assignment of the rights to the purchaser of the rights, and on the basis of a contract with the purchaser.

A sale arises from the sale/lease/exploitation of these rights. A sale is recognised when it is receivable. The Directors consider sales to be receivable when the following conditions have been met:

- Contractual terms have been agreed
- The contracted sum has been invoiced
- The film right as contracted is complete and assigned to the purchaser and is available for use by the purchaser of that right.
- Collection is reasonably assured.

7.3 *Cost of sales*

The cost of sales comprises the purchase of the film rights. The group writes off all film rights acquired at 100% of the cost of purchase in the year of purchase.

7.5 *Deferred taxation*

Deferred tax is provided in full on all timing differences which result in an obligation at the balance sheet date to pay more tax, or a right to pay less tax at a future date at rates expected to apply when they crystallise based on current tax rates and laws. Preferred tax assets are recognised to the extent that it is regarded as more likely than not that they will be recovered. No provision for deferred tax has been provided as the utilisation of tax losses against future profit is not envisaged at this time.

7.6 *Foreign currencies*

The functional and reporting currency of all the entities in the Eros Offshore Group is US Dollars. All transactions are denominated in US Dollars. However monies collected and paid are converted from different currencies, mainly Pounds Sterling and Indian Rupees. Any exchange differences resulting from these transactions have been transferred to the profit and loss account.

8. **Notes to the financial information of the Eros Offshore Group**

8.1 *Turnover and profit/(loss) on ordinary activities before taxation*

The turnover, profit/(loss) before taxation and net assets are attributable to only one segment being the business of trading and exploitation of film rights.

The analysis of turnover, profit before taxation and net assets by geographical segment has not been disclosed as the Directors consider this disclosure would be seriously prejudicial to the interests of the business.

The profit/(loss) on ordinary activities before taxation is stated after:

	<i>For the year ended 31 March 2003 US\$'000</i>	<i>For the year ended 31 March 2004 US\$'000</i>	<i>For the year ended 31 March 2005 US\$'000</i>	<i>For the 9 months ended 31 December 2005 US\$'000</i>
Amortisation – film rights	2,856	13,644	23,928	19,282
Exchange differences	(73)	(2)	–	–

8.2 *Staff costs*

There are no employees with the exception of the directors. No remuneration has been paid to Directors. However the Directors have charged Management fees in some years for their services rendered to the Eros Offshore Group as follows:

	<i>For the year ended 31 March 2003 US\$'000</i>	<i>For the year ended 31 March 2004 US\$'000</i>	<i>For the year ended 31 March 2005 US\$'000</i>	<i>For the 9 months ended 31 December 2005 US\$'000</i>
Management fees	506	500	–	–

8.3 Tax on profit/(loss) on ordinary activities

Taxation is not applicable to Stanning Corporation as it is not subject to corporate tax being incorporated in the British Virgin Islands. Eros Media Limited, Evron Limited and Windmill Holdings Limited are subject to corporation tax at a rate of 3 per cent. in Mauritius although no provision has been made due to the availability of tax losses in each of these entities. No deferred tax assets have been recognised due to uncertainty over the future recoverability of these losses.

8.4 Investments

Eros Media Limited holds 5 per cent. of the issued share capital of New Media Enterprises, Inc, a company registered in Nevada, USA and which is carried at a cost of US\$nil.

8.5 Debtors

	<i>As at</i> <i>31 March</i> <i>2003</i> <i>US\$'000</i>	<i>As at</i> <i>31 March</i> <i>2004</i> <i>US\$'000</i>	<i>As at</i> <i>31 March</i> <i>2005</i> <i>US\$'000</i>	<i>As at</i> <i>31 December</i> <i>2005</i> <i>US\$'000</i>
Trade debtors	1,228	250	388	100
Amounts owed by related undertakings	10,178	8,807	8,981	9,480
	<u>11,406</u>	<u>9,057</u>	<u>9,085</u>	<u>9,580</u>

8.6 Creditors: amounts falling due within one year

	<i>As at</i> <i>31 March</i> <i>2003</i> <i>US\$'000</i>	<i>As at</i> <i>31 March</i> <i>2004</i> <i>US\$'000</i>	<i>As at</i> <i>31 March</i> <i>2005</i> <i>US\$'000</i>	<i>As at</i> <i>31 December</i> <i>2005</i> <i>US\$'000</i>
Trade creditors	10,326	7,347	2,199	1,088
Amounts due to related undertakings	9,698	12,903	17,772	17,913
	<u>20,024</u>	<u>20,250</u>	<u>19,971</u>	<u>19,001</u>

8.7 Share capital

The share capital of the companies within the group comprise of ordinary shares. There are no preferred shares in the books of accounts.

The aggregated share capital of the entities for all of the periods is made up as follows:

	<i>Authorised</i> <i>US\$'000</i>	<i>Authorised</i> <i>No. of Shares</i> <i>'000</i>	<i>Allotted</i> <i>called up and</i> <i>fully paid</i> <i>US\$'000</i>	<i>Allotted</i> <i>called up and</i> <i>fully paid</i> <i>No. of Shares</i> <i>'000</i>
Evron Limited	100	100	1	1
Windmill Holdings Limited	100	100	–	–
Stanning Corporation	2	2	–	–
Eros Media Limited	10,000	10,000	–	1
	<u>10,202</u>	<u>10,202</u>	<u>1</u>	<u>1</u>

8.8 *Reconciliation of movements in shareholders' deficit*

	<i>As at</i> <i>31 March</i> <i>2003</i> <i>US\$'000</i>	<i>As at</i> <i>31 March</i> <i>2004</i> <i>US\$'000</i>	<i>As at</i> <i>31 March</i> <i>2005</i> <i>US\$'000</i>	<i>As at</i> <i>31 December</i> <i>2005</i> <i>US\$'000</i>
Retained profit/(loss) for the period	2,079	(2,960)	582	1,181
Issue of shares	<u>1</u>	<u>–</u>	<u>–</u>	<u>–</u>
Net increase /(decrease) in shareholders' deficit	2,080	(2,960)	582	1,181
Shareholders' deficit at the start of the period	<u>(6,127)</u>	<u>(8,207)</u>	<u>(11,167)</u>	<u>(10,585)</u>
Shareholder's funds at the end of the period	<u>(8,207)</u>	<u>(11,167)</u>	<u>(10,585)</u>	<u>(9,404)</u>

8.9 *Net cash inflow from operating activities*

	<i>As at</i> <i>31 March</i> <i>2003</i> <i>US\$'000</i>	<i>As at</i> <i>31 March</i> <i>2004</i> <i>US\$'000</i>	<i>As at</i> <i>31 March</i> <i>2005</i> <i>US\$'000</i>	<i>As at</i> <i>31 December</i> <i>2005</i> <i>US\$'000</i>
Operating profit/(loss)	2,079	(2,960)	582	1,181
Decrease/(Increase) in debtors	7,101	2,349	(312)	(211)
(Decrease)/Increase in creditors	<u>(8,803)</u>	<u>226</u>	<u>(278)</u>	<u>(970)</u>
	<u>377</u>	<u>(386)</u>	<u>(8)</u>	<u>–</u>

8.10 *Reconciliation of net cash flow to movement in net funds*

	<i>As at</i> <i>31 March</i> <i>2003</i> <i>US\$'000</i>	<i>As at</i> <i>31 March</i> <i>2004</i> <i>US\$'000</i>	<i>As at</i> <i>31 March</i> <i>2005</i> <i>US\$'000</i>	<i>As at</i> <i>31 December</i> <i>2005</i> <i>US\$'000</i>
Increase/(decrease) in cash in the year	203	(386)	(8)	–
Net funds at the start of the period	<u>208</u>	<u>411</u>	<u>25</u>	<u>17</u>
Net funds at end of the period	<u>411</u>	<u>25</u>	<u>17</u>	<u>17</u>

8.11 *Capital commitments*

The Eros Offshore Group had no capital or other commitments as at 31 March 2003, 2004, 2005 and 31 December 2005.

8.12 *Contingent liabilities*

The Eros Offshore Group had no contingent liabilities as at 31 March 2003, 2004, 2005 and 31 December 2005.

8.13 Related party transactions

During the period the Eros Offshore Group entered into the following transactions with entities under the common ownership of a family trust or entities owned or controlled by family members associated with the trust:

	<i>For the year ended 31 March 2003 US\$'000</i>	<i>For the year ended 31 March 2004 US\$'000</i>	<i>For the year ended 31 March 2005 US\$'000</i>	<i>For the 9 months ended 31 December 2005 US\$'000</i>
Related party sales				
Eros Network Limited and subsidiary undertakings	–	6,836	10,954	7,464
Eros Multimedia Private Limited and subsidiary undertakings	2,210	1,550	9,300	3,478
	<u>2,210</u>	<u>1,550</u>	<u>9,300</u>	<u>3,478</u>
	<i>For the year ended 31 March 2003 US\$'000</i>	<i>For the year ended 31 March 2004 US\$'000</i>	<i>For the year ended 31 March 2005 US\$'000</i>	<i>For the 9 months ended 31 December 2005 US\$'000</i>
Related party purchases				
Eros Network Limited and subsidiary undertakings	–	50	2,700	–
Eros Multimedia Private Limited and subsidiary undertakings	2,053	12,116	17,557	10,163
Eros Worldwide FZ LLC	426	75	1,046	6,446
	<u>2,479</u>	<u>12,191</u>	<u>18,603</u>	<u>16,609</u>

The above transactions all relate to the sale and purchase of film rights.

	<i>As at 31 March 2003 US\$'000</i>	<i>As at 31 March 2004 US\$'000</i>	<i>As at 31 March 2005 US\$'000</i>	<i>As at 31 December 2005 US\$'000</i>
Due from related parties				
Eros Network Limited and subsidiary undertakings	5,593	3,594	3,678	6,640
Eros Multimedia Private Limited and subsidiary undertakings	774	1,269	1,244	1,433
Eros Worldwide FZ LLC	25	25	25	25
Acacia Investments	71	71	73	73
Scoyt Limited	1	1	1	1
550 County Avenue Inc.	–	22	22	–
Arjan Lulla	721	832	951	1,121
Manju Lulla	2,988	2,988	2,982	188
	<u>10,178</u>	<u>8,807</u>	<u>8,981</u>	<u>9,456</u>

8.13 *Related party transactions (continued)*

	<i>As at 31 March 2003 US\$'000</i>	<i>As at 31 March 2004 US\$'000</i>	<i>As at 31 March 2005 US\$'000</i>	<i>As at 31 December 2005 US\$'000</i>
Due to related parties				
Eros Entertainment Inc.	115	109	25	–
Eros Network Limited and subsidiary undertakings	3,709	3,085	4,119	7,191
Eros Multimedia Private Limited and subsidiary undertakings	1,759	5,475	8,404	10,693
Eros Worldwide FZ LLC	1,140	1,244	2,290	29
Arjan Lulla	181	196	138	–
Manju Lulla	2,794	2,794	2,794	–
	<u>9,698</u>	<u>12,902</u>	<u>17,772</u>	<u>17,913</u>

Management fees of US\$500,000 were paid to Arjan Lulla in the years ended 31 March 2003 and 31 March 2004. In addition, management fees of US\$160,000 were paid to Eros Worldwide FZ LLC in the year ended 31 March 2004.

PART III H

ACCOUNTANT'S REPORT ON THE EROS OFFSHORE GROUP

Grant Thornton 

The Directors
Eros International plc
15-19 Athol Street
DOUGLAS
Isle Of Man
IM1 1LB

Grant Thornton UK LLP
Grant Thornton House
Melton Street
Euston Square
London
NW1 2EP

27 June 2006

Dear Sirs

THE EROS OFFSHORE GROUP

We report on the financial information set out in Part III G. This financial information has been prepared for inclusion in the AIM admission document dated 27 June 2006 of Eros International plc (the "Admission Document") on the basis of the accounting policies set out in note 7 on pages 74 to 75. This report is required by Schedule Two of the AIM Rules and is given for the purpose of complying with that Schedule and for no other purpose.

Save for any responsibility arising under Paragraph (a) of Schedule Two of the AIM Rules to any person as and to the extent there provided, to the fullest extent permitted by law we do not assume any responsibility and will not accept any liability to any other person for any loss suffered by any such other person as a result of, arising out of, or in connection with this report.

RESPONSIBILITIES

The Directors of Eros International plc are responsible for preparing the financial information on the basis of preparation set out in note 2 to the financial information on page 72 and in accordance with the accounting policies set out in note 7 on pages 74 to 75.

It is our responsibility to form an opinion as to whether the financial information gives a true and fair view, for the purposes of the Admission Document, and to report our opinion to you.

BASIS OF OPINION

We conducted our work in accordance with the Standards for Investment Reporting issued by the Auditing Practices Board in the United Kingdom. Our work included an assessment of evidence relevant to the amounts and disclosures in the financial information. It also included an assessment of the significant estimates and judgements made by those responsible for the preparation of the financial information and whether the accounting policies are appropriate to the entity's circumstances, consistently applied and adequately disclosed.

We planned and performed our work so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial information is free from material misstatement, whether caused by fraud or other irregularity or error.

OPINION

In our opinion, the financial information gives, for the purposes of the Admission Document, a true and fair view of the state of affairs of the Eros Offshore Group as at the dates stated and of its results and cash flows for the periods then ended in accordance with the basis of preparation set out in note 2 on page 72 and in accordance with the accounting policies as described in note 7 on pages 74 to 75.

DECLARATION

For the purposes of Paragraph (a) of Schedule Two of the AIM Rules we are responsible for this report as part of the Admission Document and declare that we have taken all reasonable care to ensure that the information contained in this report is, to the best of our knowledge, in accordance with the facts and contains no omission likely to affect its import. This declaration is included in the Admission Document in compliance with Schedule Two of the AIM Rules.

Yours faithfully

GRANT THORNTON UK LLP

PART III I

HISTORICAL FINANCIAL INFORMATION ON EROS WORDWIDE FZ LLC

1 Introduction

The financial information on Eros Worldwide FZ LLC (“EWW”), which has been prepared solely for the purpose of the AIM Admission Document of Eros International plc, contained in this Part III I, does not constitute audited statutory accounts within the meaning of section 240 of the Companies Act.

2 Basis of preparation

Eros Worldwide FZ LLC has not historically been subject to audit. The financial information in relation to Eros Worldwide FZ LLC has been prepared based on the underlying accounting records of the company and is presented in US dollars.

This information has been prepared under the historical cost convention and in accordance with accounting principles generally accepted in the United Kingdom.

In September 2003, Eros Worldwide FZ LLC acquired 69.61 per cent. of the issued share capital of Eros Multimedia Private Limited, an Indian company. However, Eros Worldwide FZ LLC has not historically prepared consolidated accounts. The financial information in this Part III I represents the individual company financial information of Eros Worldwide FZ LLC, rather than consolidated financial information from the date of acquisition of the interest in Eros Multimedia Private Limited. The financial information of Eros Multimedia Private Limited for the three year period to 31 March 2005 and the nine month period to 31 December 2005 is presented in Part III E of this document. The Directors consider that this presentation is more appropriate, for ease of analysis and comprehension, than including the results of Eros Multimedia Private Limited post-acquisition in consolidated financial information of Eros Worldwide FZ LLC and the results of Eros Multimedia Private Limited prior to acquisition in a separate set of financial information.

3 Responsibility

The Directors of Eros International plc are responsible for the historical financial information on Eros Worldwide FZ LLC and the contents of the AIM Admission Document in which it is included.

4 Statutory information

Eros Worldwide FZ LLC was incorporated as a Free Zone Limited Liability Company in Dubai, United Arab Emirates, on 31 October 2001.

Eros Worldwide FZ LLC’s Licence Number is 30295 and its registered address is Office No. 529, Building No. 8, Fifth Floor, Dubai Media City, P.O. Box 13094, Dubai, United Arab Emirates.

Eros Worldwide FZ LLC had two subsidiary undertakings, Eros Multimedia Private Limited (owned 69.61 per cent.) and Eros Digital Private Limited (owned 99.98 per cent.) during the periods covered by the historic financial information. Eros Digital Private Limited has been dormant since incorporation.

On 31 March 2006 the minority interests in Eros Multimedia Private Limited and its subsidiaries were gifted to Eros Digital Private Limited.

5. Profit and loss accounts of Eros Worldwide FZ LLC

		<i>For the year ended 31 March 2003 US\$'000</i>	<i>For the year ended 31 March 2004 US\$'000</i>	<i>For the year ended 31 March 2005 US\$'000</i>	<i>For the 9 months ended 31 December 2005 US\$'000</i>
Turnover	9.1	426	75	1,046	6,445
Cost of sales		–	–	–	–
Gross profit		<u>426</u>	<u>75</u>	<u>1,046</u>	<u>6,445</u>
Administrative expenses		(26)	(29)	(20)	(16)
Other operating income		–	160	–	–
Profit on ordinary activities before taxation		<u>400</u>	<u>206</u>	<u>1,026</u>	<u>6,429</u>
Tax on profit on ordinary activities	9.3	–	–	–	–
Profit for the financial year	9.9	<u>400</u>	<u>206</u>	<u>1,026</u>	<u>6,429</u>

All transactions arose from continuing operations. There are no other recognised gains and losses.

6. Balance sheets of Eros Worldwide FZ LLC

		<i>As at 31 March 2003 US\$'000</i>	<i>As at 31 March 2004 US\$'000</i>	<i>As at 31 March 2005 US\$'000</i>	<i>As at 31 December 2005 US\$'000</i>
Fixed assets					
Tangible assets	9.4	7	7	6	5
Investment	9.5	25	104	104	104
		<u>32</u>	<u>111</u>	<u>109</u>	<u>109</u>
Current assets					
Debtors	9.6	1,140	1,244	2,289	8,734
Cash at bank and in hand		4	36	28	33
		<u>1,144</u>	<u>1,280</u>	<u>2,317</u>	<u>8,767</u>
Creditors: amounts falling due within one year	9.7	(62)	(71)	(81)	(101)
Net current assets		<u>1,082</u>	<u>1,209</u>	<u>2,236</u>	<u>8,666</u>
Net assets		<u>1,114</u>	<u>1,320</u>	<u>2,346</u>	<u>8,775</u>
Capital and reserves					
Share capital	9.8	–	–	–	–
Profit and loss account		1,114	1,320	2,346	8,775
Shareholders' funds	9.9	<u>1,114</u>	<u>1,320</u>	<u>2,346</u>	<u>8,775</u>

7. Cash flow statements of Eros Worldwide FZ LLC

		<i>For the year ended 31 March 2003 US\$'000</i>	<i>For the year ended 31 March 2004 US\$'000</i>	<i>For the year ended 31 March 2005 US\$'000</i>	<i>For the 9 months ended 31 December 2005 US\$'000</i>
Net cash inflow/(outflow) from operating activities	9.10	11	112	(8)	5
Capital expenditure and financial investment					
Purchase of tangible fixed assets		(7)	(1)	–	–
Purchase of investment		–	(79)	–	–
Net cash outflow from capital expenditure and financial investment		(7)	(80)	–	–
Increase/(decrease) in cash	9.11	4	32	(8)	5

8. Accounting Policies of Eros Worldwide FZ LLC

8.1 Basis of preparation

The financial information has been prepared under the historical cost convention and in accordance with applicable United Kingdom accounting standards. The principal accounting policies of Eros Worldwide FZ LLC have remained unchanged throughout the period and are set out below.

8.2 Acquisitions

EWW has acquired shareholdings in two companies, both are which are registered in India: i) Eros Digital Private Limited and ii) Eros Multimedia Private Limited (“EMPL”).

Eros Digital Private Limited

EWW was allotted 108,489 equity shares of Indian Rupees 10 each (being US\$25,000) on 15 April 2002. This represents a 99.98% shareholding in the company. The remaining 0.02% of the share capital is held by Shivam Videotech Private Limited.

Eros Multimedia Private Limited

On 6 September 2003, EWW acquired 69.61% of the issued share capital of EMPL for consideration of Indian Rupees 3,567,750.

The remaining 30.39% of EMPL was acquired by Eros Digital Private Limited from the other shareholders of Eros Multimedia Private Limited on 29 March 2006. EMPL is therefore presently a 100% subsidiary company of EWW.

The financial information of EMPL has been presented at Part III E of this document.

8.3 Revenue

Turnover represents sale of film rights, which would include several rights which the companies have acquired including i) Theatrical rights ii) Satellite rights iii) Pay TV rights, iv) Cable rights etc. The turnover is recognised on the basis of assignment of the rights to the purchaser of the rights, and on the basis of a contract with the purchaser.

A sale arises from the sale/lease/exploitation of these rights. Sale is recognized when it is receivable. The Director consider sales to be receivable when the following conditions have been met:

- Contractual terms have been agreed
- The contracted sum has been invoiced
- The film right as contracted is complete and assigned to the purchaser and is available for use by the purchaser of that right.
- Collection is reasonably assured.

8.4 *Cost of sales*

The cost of sales comprises of the purchase of the film rights. EWW writes off all film rights acquired at 100% of the cost of purchase in the year of purchase.

Tangible fixed assets and depreciation

Depreciation is provided on all tangible fixed assets at the following rates on the reducing balance basis:

Furniture and fixtures	15% per annum
------------------------	---------------

8.5 *Foreign currencies*

Transactions in foreign currencies are translated at the exchange rate ruling at the date of the transaction. Monetary assets and liabilities in foreign currencies are translated at the rates of exchange ruling at the balance sheet date. The exchange differences arising from the transactions and translation of monetary assets and liabilities are dealt with through the profit and loss account.

The local currency of EWW is the UAE Dirham. For the purposes of this document and in order to be consistent with other historical information included in Parts III A, III C, III E and III G of this document the financial information is presented in US dollars and has been prepared by using the closing rate to convert the balance sheets and average rates to convert the profit and loss accounts. Any movement in the opening net assets due to changes in exchange rates has been taken directly to reserves.

9 Notes to the financial information of Eros Worldwide FZ LLC

9.1 *Turnover and profit on ordinary activities before taxation*

The turnover, profit before taxation and net assets are attributable to only one segment being the business of trading and exploitation of film rights.

The analysis of turnover, profit before taxation and net assets by geographical segment have not been disclosed as the Director considers this disclosure would be seriously prejudicial to the interests of the business.

During the year ended 31 March 2004, profit on ordinary activities before taxation is stated after crediting management fees received from Eros Media Limited of US\$160,000.

9.2 *Staff costs*

EWW has no employees with the exception of the directors, none of whom received any remuneration.

9.3 *Tax on profit on ordinary activities*

Taxation is not applicable to EWW as the company is situated in United Arab Emirates and is exempt from any corporate tax.

9.4 Tangible fixed assets

The tangible fixed assets comprise only one class of fixed assets being furniture and fixtures.

	<i>As at 31 March 2003 US\$'000</i>	<i>As at 31 March 2004 US\$'000</i>	<i>As at 31 March 2005 US\$'000</i>	<i>As at 31 December 2005 US\$'000</i>
Cost				
At the start of the period	–	7	8	8
Additions	7	1	–	–
At the end of the period	<u>7</u>	<u>8</u>	<u>8</u>	<u>8</u>
Accumulated Depreciation				
At the start of the period	–	–	1	2
Charge for the period	–	1	1	1
At the end of the period	<u>–</u>	<u>1</u>	<u>2</u>	<u>3</u>
Net Book Value				
As at 31 March 2003, 2004, 2005 and 31 December 2005	<u>7</u>	<u>7</u>	<u>6</u>	<u>5</u>

9.5 Investments

Investments comprise shares in subsidiary undertakings as set out in note 8.2.

9.6 Debtors

	<i>As at 31 March 2003 US\$'000</i>	<i>As at 31 March 2004 US\$'000</i>	<i>As at 31 March 2005 US\$'000</i>	<i>As at 31 December 2005 US\$'000</i>
Amounts owed by related parties	<u>1,140</u>	<u>1,244</u>	<u>2,289</u>	<u>8,734</u>

9.7 Creditors: amounts falling due within one year

	<i>As at 31 March 2003 US\$'000</i>	<i>As at 31 March 2004 US\$'000</i>	<i>As at 31 March 2005 US\$'000</i>	<i>As at 31 December 2005 US\$'000</i>
Trade and other creditors	–	–	–	7
Amounts due to related parties	62	71	81	94
	<u>62</u>	<u>71</u>	<u>81</u>	<u>101</u>

9.8 Share capital

The issued share capital of EWW is UAE Dirham 1,000 being 1,000 ordinary shares of UAE Dirham 1 each and the authorised share capital is UAE Dirham 500,000 in each period.

9.9 Reconciliation of movements in shareholder's funds

	<i>For the year ended 31 March 2003 US\$'000</i>	<i>For the year ended 31 March 2004 US\$'000</i>	<i>For the year ended 31 March 2005 US\$'000</i>	<i>For the 9 months ended 31 December 2005 US\$'000</i>
Retained Profit for the year	400	206	1,026	6,429
Net increase in shareholder funds	400	206	1,026	6,429
Shareholder's funds at the start of the period	714	1,114	1,320	2,346
Shareholder's funds at end of the period	<u>1,114</u>	<u>1,320</u>	<u>2,346</u>	<u>8,775</u>

9.10 Net cash inflow from operating activities

	<i>For the year ended 31 March 2003 US\$'000</i>	<i>For the year ended 31 March 2004 US\$'000</i>	<i>For the year ended 31 March 2005 US\$'000</i>	<i>For the 9 months ended 31 December 2005 US\$'000</i>
Operating profit	400	206	1,026	6,429
Depreciation	–	1	1	1
Increase in debtors	(425)	(104)	(1,045)	(6,445)
Increase in creditors	36	9	10	20
Net cash inflow/(outflow) from operating activities	<u>11</u>	<u>112</u>	<u>(8)</u>	<u>5</u>

9.11 Reconciliation of net cash flow to movement in net funds

	<i>For the year ended 31 March 2003 US \$'000</i>	<i>For the year ended 31 March 2004 US \$'000</i>	<i>For the year ended 31 March 2005 US \$'000</i>	<i>For the 9 months ended 31 December 2005 US \$'000</i>
Opening Cash & Bank Balances	–	4	36	28
Increase/(decrease) in cash	4	32	(8)	5
Closing Cash & Bank Balances	<u>4</u>	<u>36</u>	<u>28</u>	<u>33</u>

9.12 Capital commitments

EWW had no capital or other commitments as at 31 March 2003, 2004, 2005 and 31 December 2005.

9.13 Contingent liabilities

EWW had no contingent liabilities as at 31 March 2003, 2004, 2005 and 31 December 2005.

9.14 *Related party transactions*

During the period EWW entered into the following transactions with entities under common ownership of a family trust or entities owned or controlled by family members associated with the trust:

Related party sales

	<i>For the year ended 31 March 2003 US\$'000</i>	<i>For the year ended 31 March 2004 US\$'000</i>	<i>For the year ended 31 March 2005 US\$'000</i>	<i>For the 9 months ended 31 December 2005 US\$'000</i>
Evron Limited	426	75	1,046	6,445

Purchases of intangible rights from related parties

EWW acquired various film rights from Copsale Limited on 30 November 2001, Windmill Holdings Limited on 31 March 2003 and Eros Media Limited on 23 December 2004. These film rights were acquired at an amount of US\$ 1 each.

Management fees

EWW received management fees of US\$160,000 from Eros Media Limited.

Balances due from and to related parties are set out below:

	<i>As at 31 March 2003 US\$'000</i>	<i>As at 31 March 2004 US\$'000</i>	<i>As at 31 March 2005 US\$'000</i>	<i>As at 31 December 2005 US\$'000</i>
Due from related parties				
Acacia Investments Holdings Limited	–	–	–	8,706
Evron Limited	1,140	1,215	2,260	–
Eros Media Limited	–	29	29	28
	<u>1,140</u>	<u>1,244</u>	<u>2,289</u>	<u>8,734</u>
Due to related parties				
Eros International Limited	17	25	27	40
Eros Media Limited	25	25	25	25
Arjan Lulla	20	20	29	29
	<u>62</u>	<u>71</u>	<u>81</u>	<u>94</u>

The amounts due from Evron Limited to EWW at 31 December 2005 have been assigned to Acacia Investments Holdings Limited.

PART III J

ACCOUNTANT'S REPORT ON EROS WORLDWIDE FZ LLC

Grant Thornton 

The Directors
Eros International plc
15-19 Athol Street
DOUGLAS
Isle Of Man
IM1 1LB

Grant Thornton UK LLP
Grant Thornton House
Melton Street
Euston Square
London
NW1 2EP

27 June 2006

Dear Sirs

EROS WORLDWIDE FZ LLC

We report on the financial information set out in Part III I. This financial information has been prepared for inclusion in the AIM admission document dated 27 June 2006 of Eros International plc (the "Admission Document") on the basis of the accounting policies set out in note 8 on pages 84 to 85. This report is required by Schedule Two of the AIM Rules and is given for the purpose of complying with that Schedule and for no other purpose.

Save for any responsibility arising under Paragraph (a) of Schedule Two of the AIM Rules to any person as and to the extent there provided, to the fullest extent permitted by law we do not assume any responsibility and will not accept any liability to any other person for any loss suffered by any such other person as a result of, arising out of, or in connection with this report.

Responsibilities

The Directors of Eros International plc are responsible for preparing the financial information on the basis of preparation set out in note 2 to the financial information on page 82 and in accordance with the accounting policies set out in note 8 on pages 84 to 85.

It is our responsibility to form an opinion as to whether the financial information gives a true and fair view, for the purposes of the Admission Document, and to report our opinion to you.

Basis of opinion

We conducted our work in accordance with the Standards for Investment Reporting issued by the Auditing Practices Board in the United Kingdom. Our work included an assessment of evidence relevant to the amounts and disclosures in the financial information. It also included an assessment of the significant estimates and judgements made by those responsible for the preparation of the financial information and whether the accounting policies are appropriate to the entity's circumstances, consistently applied and adequately disclosed.

We planned and performed our work so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial information is free from material misstatement, whether caused by fraud or other irregularity or error.

Opinion

In our opinion, the financial information gives, for the purposes of the Admission Document, a true and fair view of the state of affairs of Eros Worldwide FZ LLC as at the dates stated and of its results and cash flows for the periods then ended in accordance with the basis of preparation set out in note 2 on page 82 and in accordance with the accounting policies as described in note 8 on pages 84 to 85.

Declaration

For the purposes of Paragraph (a) of Schedule Two of the AIM Rules we are responsible for this report as part of the Admission Document and declare that we have taken all reasonable care to ensure that the information contained in this report is, to the best of our knowledge, in accordance with the facts and contains no omission likely to affect its import. This declaration is included in the Admission Document in compliance with Schedule Two of the AIM Rules.

Yours faithfully

GRANT THORNTON UK LLP

Part IV

REPORTING ACCOUNTANTS' REPORT ON THE PROFIT ESTIMATE FOR THE YEAR ENDED 31 MARCH 2006

Grant Thornton 

The Directors
Eros International plc
15-19 Athol Street
DOUGLAS
Isle Of Man
IM1 1LB

Grant Thornton UK LLP
Grant Thornton House
Melton Street
Euston Square
London
NW1 2EP

27 June 2006

Dear Sirs

EROS INTERNATIONAL PLC - REPORT ON PROFIT ESTIMATE

We report on the profit estimate comprising an estimate of pro forma turnover and pro forma profit before tax and goodwill amortisation of Eros International plc (“the Company”) and its subsidiaries (together “the Eros Group”) for the 12 months ended 31 March 2006 (the “Profit Estimate”). The Profit Estimate and the basis on which it is prepared is set out on pages 16 and 17 in “Part I – Information on the Group – Financial Information – Profit Estimate for the year ended 31 March 2006” of this AIM admission document (“the Admission Document”) issued by the Company dated 27 June 2006.

Save for any responsibility arising under paragraph (a) of Schedule Two of the AIM Rules to any person as and to the extent there provided, and save for any responsibility that we have expressly agreed in writing to assume, to the fullest extent permitted by law we do not assume any responsibility and will not accept any liability to any other person for any loss suffered by any such other person as a result of, arising out of, or in connection with this report.

Responsibilities

It is the responsibility of the directors of Eros International plc to prepare the Profit Estimate as though it had been prepared in accordance with paragraphs 13.1 and 13.3 of Annex I of the PD Regulation attached to the AIM Rules.

It is our responsibility to form an opinion as though it had been required by paragraph 13.2 of Annex I of the PD Regulation attached to the AIM Rules as to the proper compilation of the Profit Estimate and to report that opinion to you.

Basis of Preparation of the Profit Estimate

The Profit Estimate has been prepared on the basis stated on pages 16 and 17 of the Admission Document and is based on the historic financial information in Part III of the Admission Document for the nine months ended 31 December 2005 of Eros Network Limited, Eros Multimedia Private Limited, Eros Worldwide FZ LLC and the Eros Offshore Group and the unaudited management accounts for the three months ended 31 March 2006 of Eros Network Limited, Eros Multimedia Private Limited, Eros Worldwide FZ LLC and the Eros Offshore Group. The Profit Estimate is required to be presented on a basis consistent with the accounting policies of the Eros Group.

Basis of opinion

We conducted our work in accordance with the Standards for Investment Reporting issued by the Auditing Practices Board in the United Kingdom. Our work included evaluating the basis on which the historical financial information for the 12 months to 31 March 2006 has been prepared and considering whether the Profit Estimate has been accurately computed using that information and whether the basis of accounting used is consistent with the accounting policies of the Eros Group.

We planned and performed our work so as to obtain the information and explanations we considered necessary in order to provide us with reasonable assurance that the Profit Estimate has been properly compiled on the basis stated.

However, the Profit Estimate has not been audited. The actual results reported, therefore, may be affected by revisions required to accounting estimates due to changes in circumstances, the impact of unforeseen events and the correction of errors in the unaudited management accounts. Consequently, we can express no opinion as to whether the actual results achieved will correspond to those shown in the Profit Estimate and the difference may be material.

Our work has not been carried out in accordance with auditing or other standards and practices generally accepted in the United States of America or the Republic of Singapore and accordingly should not be relied upon as if it had been carried out in accordance with those standards and practices.

Opinion

In our opinion, the Profit Estimate has been properly compiled on the basis stated on pages 16 and 17 and the basis of accounting used is consistent with the accounting policies of the Eros Group set out in paragraph 6 of Part III A on pages 26 to 28 of the Admission Document.

Declaration

For the purposes of Paragraph (a) of Schedule Two of the AIM Rules we are responsible for this report as part of the Admission Document and declare that we have taken all reasonable care to ensure that the information contained in this report is, to the best of our knowledge, in accordance with the facts and contains no omission likely to affect its import. This declaration is included in the AIM admission document in compliance with Paragraph (a) of Schedule Two of the AIM Rules.

Yours faithfully

GRANT THORNTON UK LLP

PART V

PRO FORMA FINANCIAL INFORMATION

PART A: PRO FORMA STATEMENT OF AGGREGATED NET ASSETS

Set out below is an unaudited pro forma statement of aggregated net assets of the Group as at 31 December 2005.

The unaudited pro forma statement of aggregated net assets has been prepared for illustrative purposes only to illustrate the effect on the net assets of the Group of the formation of the Group and the net proceeds of the Placing as if these transactions had taken place as at 31 December 2005.

Because of the nature of pro forma financial information, this pro forma statement of aggregated net assets addresses a hypothetical situation and does not therefore represent the actual financial position of the Group as at 31 December 2005.

The pro forma statement of aggregated net assets has been prepared on the basis described in the notes set out below and after making the adjustments described in those notes.

	<i>Eros</i>	<i>Eros</i>	<i>Eros</i>	<i>Eros</i>	<i>Adjustments</i>				<i>Pro forma</i>
	<i>Network</i>	<i>Offshore</i>	<i>Worldwide</i>	<i>India</i>	<i>Note 2</i>	<i>Note 3</i>	<i>Note 4</i>	<i>Note 5</i>	<i>net assets</i>
	<i>Limited</i>	<i>Group</i>	<i>FZ LLC</i>	<i>Group</i>	<i>Note 2</i>	<i>Note 3</i>	<i>Note 4</i>	<i>Note 5</i>	<i>net assets</i>
	<i>US\$'000</i>	<i>US\$'000</i>	<i>US\$'000</i>	<i>US\$'000</i>	<i>US\$'000</i>	<i>US\$'000</i>	<i>US\$'000</i>	<i>US\$'000</i>	<i>US\$'000</i>
Fixed assets									
Goodwill	744	–	–	–	–	–	26,545	–	27,289
Intangible assets	–	–	–	1,561	–	15,472	–	–	17,033
Tangible assets	1,954	–	5	1,064	–	–	–	–	3,023
Investments	–	–	104	10	–	–	(104)	–	10
	<u>2,698</u>	<u>–</u>	<u>109</u>	<u>2,635</u>	<u>–</u>	<u>15,472</u>	<u>26,441</u>	<u>–</u>	<u>47,355</u>
Current assets									
Stocks – excl films	1,247	–	–	227	–	–	–	–	1,474
Stocks – films	–	–	–	1,882	–	(1,882)	–	–	–
Film advances – UK	10,512	–	–	–	–	(10,512)	–	–	–
Film advances – India	–	–	–	2,356	–	–	–	–	2,356
Debtors	13,569	9,580	8,734	18,728	(29,463)	–	–	–	21,148
Cash at bank and in hand	423	17	33	2,763	–	–	–	36,400	39,636
	<u>25,751</u>	<u>9,597</u>	<u>8,767</u>	<u>25,956</u>	<u>(29,463)</u>	<u>(12,394)</u>	<u>–</u>	<u>36,400</u>	<u>64,614</u>
Creditors: amounts falling due within one year	<u>(28,321)</u>	<u>(19,001)</u>	<u>(101)</u>	<u>(23,861)</u>	<u>29,463</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>(41,821)</u>
Net current assets/ (liabilities)	<u>(2,570)</u>	<u>(9,404)</u>	<u>8,666</u>	<u>2,095</u>	<u>–</u>	<u>(12,394)</u>	<u>–</u>	<u>36,400</u>	<u>22,793</u>
Creditors: amounts falling due after more than one year	(16)	–	–	(669)	–	–	–	–	(685)
Provisions for liabilities and charges	–	–	–	(64)	–	–	–	–	(64)
Net assets/(liabilities)	<u>112</u>	<u>(9,404)</u>	<u>8,775</u>	<u>3,997</u>	<u>–</u>	<u>3,078</u>	<u>26,441</u>	<u>36,400</u>	<u>69,399</u>

Notes

- (1) Eros International plc had no material assets or liabilities at 31 May 2006 as shown in the historical financial information on Eros International Plc set out in Part III A of this document.

The consolidated net assets of Eros Network Limited at 31 December 2005 have been extracted without material adjustment from the historical financial information on Eros Network Limited set out in Part IIIC of this document.

The aggregated net assets of Eros Offshore Group as at 31 December 2005 have been extracted without material adjustment from the aggregated historical financial information on Offshore Group set out in Part III G of this document.

The net assets of Eros Worldwide FZ LLC at 31 December 2005 have been extracted without material adjustment from the historical financial information on Eros Worldwide FZ LLC set out in Part III I of this document.

The consolidated net assets of Eros Multimedia Private Limited at 31 December 2005 have been extracted without material adjustment from the historical financial information on Eros Multimedia Private Limited set out in Part III E of this document.

- (2) The adjustments in the column entitled 'Note 2' represent the elimination of inter-company debtor and creditor balances between the Eros UK Group, the Eros Offshore Group, Eros Worldwide FZ LLC and the Eros India Group.
- (3) The adjustments in the column entitled 'Note 3' represent a fair value adjustment to the carrying value of film rights capitalised in the balance sheets of the Group companies and their sole presentation as intangible assets, as set out in the table below:

	<i>US\$'000</i>
Fair value of film rights	
– within intangible assets	17,033
Less: film rights capitalised in individual balance sheets	
(a) Eros Network Limited (Part III B)	
– within film advances	(10,512)
(b) Eros India Group (Part III D)	
– within stock	(1,882)
– within intangible assets	(1,561)
	3,078

The fair value of film rights has been determined by reference to the original acquisition cost of those rights from third parties and their year of acquisition, with all third party film rights amortised on the basis of 40 per cent. in the year of acquisition and 15 per cent. in each of the following four years, which is the amortisation profile to be adopted by the Company in its next set of consolidated financial statements.

No fair value adjustments arising from acquisition accounting under FRS 6 "Acquisitions and mergers" have been made to the carrying values of the assets and liabilities of the Eros UK Group, the Eros Offshore Group, Eros Worldwide FZ LLC or the Eros India Group in the pro forma statement of aggregated net assets, except for the adjustment to the fair value of intangible film rights set out above.

- (4) The adjustment in the column entitled 'Note 4' represents the acquisition by Eros International Plc of Eros Network Limited, Eros Worldwide FFZ LLC and, indirectly, the acquisition of all the assets and liabilities of the Eros Offshore Group as set out in paragraph 12.13 of Part VI of this document.

The adjustment comprises:

	<i>US\$'000</i>	<i>US\$'000</i>
Consideration:		
Shares issued for the acquisition of Eros Network Limited (Part VI 12.13)		6,600
Shares issued for the acquisition of Eros Worldwide FFZ LLC (Part VI 12.13)		26,399
Cash paid to acquire all the assets and liabilities of the Eros Offshore Group (Part VI 12.13)		–
		32,999
Deduct net assets acquired:		
Eros Network Limited (Part III C)	112	
The Eros India Group (Part III E)	3,997	
The Eros Offshore Group (Part III G)	(9,404)	
Eros Worldwide FZ LLC (Part III I)	8,775	
Less: Intra – Group investments	(104)	
Add: Fair value adjustment in note 3 above	3,078	
		(6,454)
Goodwill		26,545

- (5) The adjustment in the column entitled 'Note 5' represents the net placing proceeds of US\$36.40 million, being gross placing proceeds of US\$40.95 million from the issue of 12,784,091 new ordinary shares in the Company at a placing price of 176 pence per share and an exchange rate of US\$1.82:£1, net of estimated expenses of US\$4.55 million.
- (6) No adjustment has been made for any event save as disclosed above.

PART B: PRO FORMA AGGREGATED PROFIT AND LOSS ACCOUNT

Set out below is an unaudited pro forma aggregated profit and loss account of the Group for the nine months to 31 December 2005. The unaudited pro forma aggregated profit and loss account has been prepared for illustrative purposes only to illustrate the effect on the results of the Group as if the formation of the Group and the Placing had taken place as at 1 April 2005 (being the start of the nine month period to 31 December 2005).

Because of the nature of pro forma financial information, this pro forma aggregated profit and loss account addresses a hypothetical situation and does not therefore represent the actual financial results of the Group for the nine months ended 31 December 2005.

The pro forma aggregated profit and loss account has been prepared on the basis described in the notes set out below and after making the adjustments described in those notes.

	<i>Eros</i>	<i>Eros</i>	<i>Eros</i>	<i>Eros</i>	<i>Adjustments</i>		<i>Pro forma</i>
	<i>Network</i>	<i>Offshore</i>	<i>Worldwide</i>	<i>India</i>	<i>Note 3</i>	<i>Note 4</i>	<i>aggregated</i>
	<i>Limited</i>	<i>Group</i>	<i>FZ LLC</i>	<i>Group</i>	<i>Note 3</i>	<i>Note 4</i>	<i>profit</i>
	<i>US\$'000</i>	<i>US\$'000</i>	<i>US\$'000</i>	<i>US\$'000</i>	<i>US\$'000</i>	<i>US\$'000</i>	<i>and loss</i>
							<i>account</i>
							<i>US\$'000</i>
Turnover: group and share of joint ventures	22,030	20,942	6,445	16,712	(30,021)	–	36,108
Less: share of joint venture turnover	(3,898)	–	–	–	–	–	(3,898)
Group turnover	18,132	20,942	6,445	16,712	(30,021)	–	32,210
Cost of sales – amortisation and films directly expensed	(10,051)	(19,282)	–	(10,111)	27,864	3,038	(8,542)
Cost of sales – other	(4,274)	–	–	(3,413)	2,306	–	(5,381)
Gross profit	3,807	1,660	6,445	3,188	149	3,038	18,287
Administrative expenses	(2,270)	(479)	(16)	(1,400)	(149)	–	(4,314)
Other non-operating income	5	–	–	309	–	–	314
Share of operating profit of JV	(122)	–	–	–	–	–	(122)
PBIT	1,420	1,181	6,429	2,097	–	3,038	14,165
Net interest payable and other finance costs	(2,211)	–	–	(747)	–	–	(2,958)
(Loss)/profit on ordinary activities before taxation	(791)	1,181	6,429	1,350	–	3,038	11,207

Notes

(1) The consolidated profit and loss account of Eros Network Limited for the nine month period ended 31 December 2005 has been extracted without material adjustment from the historical financial information on Eros Network Limited set out in Part III C of this document.

The aggregated profit and loss account of the Eros Offshore Group for the nine month period ended 31 December 2005 has been extracted without material adjustment from the aggregated historical financial information on the Eros Offshore Group set out in Part III G of this document.

The profit and loss account of Eros Worldwide FZ LLC for the nine month period ended 31 December 2005 has been extracted without material adjustment from the historical financial information on Eros Worldwide FZ LLC set out in Part III I of this document.

The consolidated profit and loss account of Eros India Group for the nine month period ended 31 December 2005 have been extracted without material adjustment from the historical financial information on Eros Multimedia Private Limited set out in Part III E of this document.

Eros International Plc had no reported profits or losses for the nine month period ended 31 December 2005.

- (2) No adjustment has been made to the pro forma aggregated profit and loss account of the Group for:
- (a) interest income receivable as a result of the proceeds of the Placing.
- (b) amortisation of any goodwill arising from acquisition accounting under FRS 6 "Acquisitions and mergers".
- (3) The adjustments in the column entitled 'Note 3' represent the elimination of inter-company sales and purchases between the Eros UK Group, the Eros Offshore Group, Eros Worldwide FZ LLC and the Eros India Group.
- (4) The adjustments in the column entitled 'Note 4' represent an adjustment to the cost of films expensed in the profit and loss accounts of the Eros UK Group, the Eros Offshore Group, Eros Worldwide FZ LLC and the Eros India Group, whether by way of amortisation or the sale of film rights categorised as stock, to reflect an amortisation expense based on the fair value of film rights, as set out in the table below.

	<i>US\$'000</i>
Amortisation expense based on the fair value of film rights	(8,542)
Add back: film costs expensed in the individual profit and loss accounts	
(a) Amortisation in Eros Network Limited (Part III B)	10,051
(b) Cost of sales in Eros Offshore Group (Part III G)	19,282
(c) Amortisation, non-Indian rights expensed and movements in film rights stocks in Eros India Group (Part III D)	10,111
Less: adjustments in Note (3) relating to the elimination of inter-company sales and purchases	(27,864)
	3,038

The amortisation charge in the pro forma aggregated profit and loss account has been arrived at by applying an amortisation charge of 40 per cent. in the year of acquisition and 15 per cent. in each of the following four years to the original acquisition costs of film rights by the Group from third parties this also being the basis for arriving at the fair value of film rights on acquisition and the amortisation profile to be adopted by the Company in its next set of consolidated financial statements as described in Part IIIA.

Except for the above adjustment, no fair value adjustments arising from acquisition accounting under FRS 6 "Acquisitions and mergers" to the carrying values of the assets and liabilities of the Eros UK Group, the Eros Offshore Group, Eros Worldwide FZ LLC or the Eros India Group have been assumed and thus no other adjustments to the pro forma aggregated profit and loss account due to fair value adjustments have been made.

- (5) No account of taxation has been included within the unaudited pro forma consolidated profit and loss account of Eros International Plc for the nine month period ended 31 December 2005.
- (6) Net interest payable and other finance costs comprises:

	<i>The Eros UK Group US\$'000</i>	<i>The Eros India Group US\$'000</i>	<i>Total US\$'000</i>
Interest on bank loans and overdrafts	584	783	1,367
Share of interest payable by joint venture	21	-	21
Other interest payable and similar charges	244	72	316
Foreign exchange charge on financing activities	1,362	-	1,362
Other interest receivable and similar income	2,211	855	3,066
	-	(108)	(108)
	2,211	747	2,958

- (7) No adjustment has been made for any event save as disclosed above.

PART C: ACCOUNTANT'S REPORT ON THE PRO FORMA FINANCIAL INFORMATION



The Directors
Eros International plc
15-19 Athol Street
DOUGLAS
Isle Of Man
IM1 1LB

Grant Thornton UK LLP
Grant Thornton House
Melton Street
Euston Square
London
NW1 2EP

27 June 2006

Dear Sirs

EROS INTERNATIONAL PLC

We report on the pro forma aggregated profit and loss account and pro forma statement of aggregated net assets (the "Pro forma financial information") set out in Parts V A and V B of the AIM admission document dated 27 June 2006 (the "Admission Document"), which have been prepared on the basis described in the notes on pages 93 to 94 and pages 95 to 96, for illustrative purposes only, to provide information about how the formation of the Group and Placing might have affected the financial information presented on the basis of the accounting policies to be adopted by Eros International plc in preparing the financial statements for the period ending 31 March 2007.

Save for any responsibility arising under paragraph (a) of Schedule Two of the AIM Rules to any person as and to the extent there provided, and save for any responsibility that we have expressly agreed in writing to assume, to the fullest extent permitted by law we do not assume any responsibility and will not accept any liability to any other person for any loss suffered by any such other person as a result of, arising out of, or in connection with this report.

RESPONSIBILITIES

It is the responsibility of the Directors of Eros International plc to prepare the Pro forma financial information as though it had been prepared in accordance with paragraph 20.2 of Annex I of the PD Regulation attached to the AIM Rules.

It is our responsibility to form an opinion as though it had been required by paragraph 7 of Annex II of the PD Regulation attached to the AIM Rules as to the proper compilation of the Pro forma financial information and to report that opinion to you.

In providing this opinion we are not updating or refreshing any reports or opinions previously made by us on any financial information used in the compilation of the Pro forma financial information, nor do we accept responsibility for such reports or opinions beyond that owed to those to whom those reports or opinions were addressed by us at the dates of their issue.

BASIS OF OPINION

We conducted our work in accordance with the Standards for Investment Reporting issued by the Auditing Practices Board in the United Kingdom. The work that we performed for the purpose of making this report, which involved no independent examination of any of the underlying financial information, consisted primarily of comparing the unadjusted financial information with the source documents, considering the evidence supporting the adjustments and discussing the Pro forma financial information with the directors of Eros International plc.

We planned and performed our work so as to obtain all the information and explanations which we considered necessary in order to provide us with reasonable assurance that the Pro forma financial

information has been properly compiled on the basis stated and that such basis is consistent with the accounting policies of Eros International plc.

Our work has not been carried out in accordance with auditing standards generally accepted in the United States of America or the Republic of Singapore and accordingly should not be relied upon as if it had been carried out in accordance with those standards and practices.

OPINION

In our opinion:

- a) the Pro forma financial information has been properly compiled on the basis stated; and
- b) such basis is consistent with the accounting policies to be adopted by Eros International plc.

DECLARATION

For the purposes of Paragraph (a) of Schedule Two of the AIM Rules we are responsible for this report as part of the AIM Admission Document and declare that we have taken all reasonable care to ensure that the information contained in this report is, to the best of our knowledge, in accordance with the facts and contains no omission likely to affect its import. This declaration is included in the AIM admission document in compliance with Paragraph (a) of Schedule Two of the AIM Rules.

Yours faithfully

GRANT THORNTON UK LLP

PART VI

ADDITIONAL INFORMATION

1. Responsibility statement

- 1.1 The Company and the Directors accept responsibility for the information contained in this document. To the best of the knowledge of the Company and the Directors (who have taken all reasonable care to ensure that such is the case) the information contained in this document is in accordance with the facts and contains no omission likely to affect the import of such information.
- 1.2 The Directors accept full responsibility, collectively and individually, for compliance by the Company with the AIM Rules.

2. The Company and its subsidiaries

- 2.1 The Company was incorporated with limited liability in the Isle of Man on 31 March 2006 as a public limited company under the Isle of Man Companies Acts 1931 to 2004 as amended (the “Statutes”), with registered number 116107C. The Company is domiciled in the Isle of Man and its registered name is Eros International plc.
- 2.2 The address of the registered office of the Company is 15/19 Athol Street, Douglas, Isle of Man IM1 1LB and its telephone number is +44 1624 638300. The address of the principal place of business of the Company is the same as the registered office of the Company.
- 2.3 The Company’s principal activity is that of a holding company. The Company is the ultimate parent company of the Group. There are also 11 significant subsidiaries. These are as outlined below:

<i>Name</i>	<i>Country of incorporation</i>
Eros Network Limited	England and Wales
Eros International Limited	England and Wales
Eros Entertainment Inc.	United States of America
Eros Australia Pty Limited	Australia
Eros Pacific Limited	Fiji
B on Demand (EU) Limited	England and Wales
Eros Worldwide FZ LLC	United Arab Emirates
Eros Digital Private Limited	India
Eros Multimedia Private Limited	India
Shivam Videotech Private Limited	India
Copsale Limited	British Virgin Islands

All of the companies are 100 per cent. owned with Eros Network Limited, Eros Worldwide FZ LLC and B on Demand (EU) Limited held directly by Eros International Plc.

- 2.4 The Company operates under the Statutes and regulations made thereunder.

3. The Directors

The directors of the Company (each of whom was appointed on 11 April 2006) are:

<i>Name</i>	<i>Previous Name</i>	<i>Age</i>
Kishore Kumar Lulla	none	44
Vijay Mohandas Ahuja	none	49
Sunil Kumar Lulla	none	41
Jyoti Sanjay Deshpande	none	35
Dilip Jayantilal Thakkar	none	69
Himanshu Roger Vakharia	none	42

Further information relating to the Directors are disclosed in paragraph 6 below.

Arjan Gobindram Lulla was appointed a director on 11 April 2006 and resigned on 26 June 2006.

4. Share and loan capital

4.1 On incorporation, the authorised share capital of the Company was £2,000 comprising 20,000 ordinary shares of 10p each. The issued share capital was 20p comprising 2 ordinary shares of 10p each. Those 2 ordinary shares have been issued fully paid at par, to the subscribers to the Memorandum of Association and were transferred to Beech and to Beech and Triskelion Trust Company Limited on 11 April 2006. On 17 May 2006 one of the shares was transferred to Claycroft Limited. On 27 June the share held by Claycroft Limited was transferred to Hanom I Limited.

4.2 Details of changes in the share capital of the Company in the period covered by the financial information set out in Part III of this document, and up to the date of this document, are set out below:

4.2.1 on 27 June 2006, 8,824 ordinary shares were allotted at par for cash to Beech;

4.2.2 on 27 June 2006, 235 ordinary shares were allotted, credited as fully paid up, to Beech in consideration of the transfer of the entire issued share capital of Eros Network Limited;

4.2.3 on 27 June 2006, 941 ordinary shares were allotted, credited as fully paid up, to Beech in consideration of the transfer of the entire issued share capital of Eros Worldwide FZ LLC.

4.3 By resolutions passed on 26 June 2006 it was resolved, *inter alia*:

4.3.1 to increase the authorised share capital of the Company from £2,000 to £20,000,000 by the creation of an additional 199,980,000 Ordinary Shares;

4.3.2 to give the Directors authority to allot 12,784,091 Ordinary Shares pursuant to the Placing, to grant options over 4,874,814 Ordinary Shares and otherwise to allot Ordinary Shares for cash otherwise than on a pre-emptive basis over a number of shares equal to 15 per cent. of the Enlarged Issued Share Capital; and

4.3.3 that 87,205,909 Ordinary Shares be issued, conditional upon Admission, (by way of capitalisation of part of the share premium account of the Company arising in connection with the Placing), credited as fully paid up, to the members of the Company *pro rata* to their respective shareholdings immediately prior to completion of the Placing.

4.4 12,784,091 new Ordinary Shares are to be allotted and issued pursuant to the Placing. The Placing Shares are denominated in Sterling and created under the Statutes. It is anticipated that the Placing Shares will be allotted on 27 June 2006, conditional upon Admission. Admission is expected to take place on 4 July 2006.

4.5 The Company's ISIN (International Security Identification Number) is GB00B13JS954.

4.6 At the date of this document the authorised and issued fully paid up share capital of the Company is as follows:

Class of shares	Authorised		Issued (fully paid)	
	£	no.	£	no.
Ordinary Shares	20,000,000	200,000,000	8,721,591	87,215,909

4.7 The authorised and issued fully paid share capital of the Company immediately following Admission will be as follows:

Class of shares	Authorised		Issued (fully paid)	
	£	no.	£	no.
Ordinary Shares	20,000,000	200,000,000	10,000,000	100,000,000

- 4.8 The authorised but unissued share capital of the Company immediately following Admission will be £10,000,000 representing approximately 50 per cent. of the authorised share capital and the par value of each Ordinary Share is 10p per Ordinary Share.
- 4.9 The Vendor currently holds 87,215,909 Ordinary Shares, representing 100 per cent. of the issued Ordinary Shares. The Vendor will sell 2,840,909 Sale Shares pursuant to the terms of the Placing Agreement. Following such sale, the Vendor is expected to hold 84,375,000 Ordinary Shares, representing approximately 84.37 per cent. of the Enlarged Issued Share Capital.
- 4.10 Save as disclosed in this paragraph 4, there has been no issue of share or loan capital of the Company since its incorporation and all issued shares have been issued fully paid at par.
- 4.11 Save as disclosed in paragraph 10 below, no commissions, discounts, brokerages or other special terms have been granted by the Company in connection with the issue or sale of any share or loan capital of the Company since its incorporation.
- 4.12 Other than as referred to in paragraphs 7.1 and 10.1 below, on Admission no share or loan capital of the Company will be under option or will be agreed conditionally or unconditionally to be put under option.
- 4.13 Other than pursuant to the Placing, none of the Ordinary Shares have been marketed or are available in whole or in part to the public in conjunction with the application for the Ordinary Shares to be admitted to AIM.
- 4.14 The Placing Shares will be in registered form. No temporary documents of title will be issued and prior to the issue of definitive certificates, transfers will be certified against the register. Placing Shares to be held through CREST will be credited to CREST accounts on Admission. The Articles permit the holding of Ordinary Shares in CREST.
- 4.15 Isle of Man law does not include pre-emption protection similar to the provisions of section 89(1) of the UK Companies Act 1985. However, as referred to in paragraph 4.3.2 above and 5.8 below pre-emption protection has been incorporated in the articles of association of the Company.
- 4.16 There are no shares not representing capital in the Company.

5. Memorandum and Articles of Association

The Companies Act 1986 (the “1986 Act”) of the Isle of Man removed the need for the objects of a company incorporated in the Isle of Man after 1 June 1988 to be set out in the Memorandum of Association of such a company by providing that the relevant company has the capacity and the rights, powers and privileges of an individual, subject to the 1986 Act. As the Company is a company which was incorporated in the Isle of Man after 1 June 1988, the objects of the Company are not set out in its Memorandum of Association. Pursuant to the 1986 Act, however, the Company has the capacity and, subject to the 1986 Act, the rights, powers and privileges of an individual.

Clause 4 of the Memorandum of Association of the Company provides that there are no restrictions on the exercise of the rights, powers and privileges of the Company, save for any which may be decided upon by special resolution of the Company in accordance with Section 6 of the 1986 Act.

Articles of Association

The Articles contain, *inter alia*, the following provisions:

5.1 Voting rights

Subject to the provisions of any special terms as to voting on which any shares may have been issued or may for the time being be held and to any suspension or abrogation of voting rights pursuant to the Articles, at any general meeting every member who is present in person or by proxy shall on a show of hands have one vote and on a poll every member present in person or by proxy shall have one vote

for each share of which he is the holder. All shareholders, irrespective of the source of their shareholdings, hold shares which have equal voting rights.

5.2 *Variation of rights*

Subject to the provisions of the Statutes, any of the rights for the time being attached to any share or class of shares in the Company may be varied or abrogated in such manner (if any) as may be provided by such rights or, in the absence of any such provision, either with the consent in writing of the holders of not less than three-quarters in nominal value of the issued shares of that class or with the sanction of an extraordinary resolution passed at a separate general meeting of the holders of shares of that class duly convened and held. To every such meeting all the provisions of the Articles relating to general meetings and to the proceedings thereat shall, so far as applicable and with the necessary modifications, apply except that the necessary quorum present at any such meeting (other than an adjourned meeting) shall be two persons, holding or representing by proxy, at least one-third in nominal value of the issued shares of the class in question and any holder of shares of the class in question present in person or by proxy may in writing demand a poll. The variation procedure is not set out in the Statute and, therefore, these requirements are more stringent than is required by Isle of Man law.

5.3 *Alteration of capital*

The Company in general meeting may from time to time by ordinary resolution:

- (a) increase its share capital by such sum to be divided into shares of such amount as the resolution shall prescribe. Subject to such privileges, priorities or conditions as are or may be attached thereto, all new shares shall be subject to the same provisions in all respects as if they had been part of the original capital;
- (b) consolidate and/or subdivide, all or any of its share capital into shares of larger or smaller nominal amount than its existing shares; and
- (c) cancel any shares which at the date of the passing of the resolution have not been taken or agreed to be taken by any person and diminish the amount of its share capital by the nominal value of the shares cancelled.

Subject to the provisions of the Statutes and to any rights for the time being attached to any shares, the Company may by special resolution reduce its share capital, any capital redemption reserve fund or, any share premium account. Subject to the Statutes, the Company may by special resolution create and sanction the issue of shares which are to be redeemed or are liable to be redeemed at the option of the Company or the holders of such shares.

Subject to the provisions of the Statutes and to any rights for the time being attached to any shares, the Company may enter into a contract for the purchase of any of its own shares and any contract under which it may, subject to any conditions, become entitled or obliged to purchase all of any of such shares. Any shares to be so purchased may be selected in any manner whatsoever provided that if, at the relevant date proposed for approval of the proposed purchase, there shall be in issue any shares of a class entitling the holders to convert into equity share capital of the Company then no such purchase shall take place unless it has been sanctioned by an extraordinary resolution passed at a separate general meeting (or meetings if there is more than one class) of the holders of the class of convertible shares. These provisions are more stringent than is required by Isle of Man law.

5.4 *Transfer of shares*

Each member may transfer all or any of his shares in the case of certificated shares by instrument of transfer in writing in any usual form or in any form approved by the Board or in the case of uncertificated shares without a written instrument in accordance with the CREST Regulations. Any written instrument shall be executed by or on behalf of the transferor and (in the case of a transfer of a share which is not fully paid up) by or on behalf of the transferee. The transferor shall be deemed to remain the holder of the share until the name of the transferee is entered in the Company's register

of members as the holder of the share.

The Board may, subject to not affecting the free transferability of any such share on the London Stock Exchange, decline to recognise any instrument of transfer unless:

- (a) the instrument of transfer (duly stamped, if required) is deposited at the Company's registered office or registrars or transfer agents appointed for the purpose accompanied by the share certificate for the shares to which it relates or such other evidence as the Directors may reasonably require showing the right of the transferor to make the transfer;
- (b) the instrument of transfer is in respect of only one class of share;
- (c) the instrument of transfer is in favour of not more than four transferees; and
- (d) the instrument of transfer is in respect of a share in respect of which all sums presently payable to the Company have been paid.

The registration of transfers of shares or of any class of shares may be suspended at such times and for such periods (not exceeding thirty days in any year) as the Board may from time to time determine.

The Board shall register a transfer of title to any uncertificated share except that the Board may refuse (subject to any relevant requirements applicable to the recognised investment exchange(s) to which the shares of the Company are admitted) to register any such transfer or renunciation which is in favour of more than four persons jointly or in any other circumstance permitted by the CREST Regulations.

5.5 *Dividends*

The Company may by ordinary resolution in general meeting declare dividends provided that they shall be paid in accordance with Isle of Man law out of profits available for distribution and shall not exceed the amount recommended by the Board. The Board may from time to time pay such interim dividends as appear to the Directors to be justified by the profits of the Company and are permitted by the Statutes.

Subject to the rights of persons, if any, holding shares with special dividend rights, and unless the terms of issue otherwise provide, all dividends shall be paid *pro rata* according to the amount paid on the shares during any of the period in respect of which the dividend is payable. Amounts paid or credited as paid in advance of calls shall not be regarded as paid on shares for this purpose.

All dividends, interest or other sums payable that remain unclaimed for one year after having been declared may be invested or otherwise made use of by the Board for the benefit of the Company until claimed. All dividends unclaimed for a period of 12 years after having been declared shall, if the Board so resolve, be forfeited and shall revert to the Company.

5.6 *Suspension of rights*

The Board may at any time serve a notice ("Information Notice") upon a member requiring the member to disclose to the Board in writing within such period (being not more than twenty eight days, except where the relevant shares (defined below) represent at least 0.25 per cent. of the share capital of the Company, in which case the period shall be reduced to fourteen days) as may be specified in the notice, information relating to any beneficial interest of any third party or any other interest of any kind whatsoever which a third party may have in relation to any or all shares registered in the member's name. If a member has been issued with an Information Notice and has failed in relation to any shares the subject of the Information Notice ("relevant shares") to furnish any information required by such notice within the time period specified therein, then the Board may at any time following fourteen days from the expiry of the date on which the information required to be furnished pursuant to the relevant Information Notice is due to be received by the Board, serve on the relevant holder a notice (in this paragraph called a "disenfranchisement notice") whereupon the following sanctions shall apply:

(a) *Voting*

the member shall not with effect from the service of the disenfranchisement notice be entitled in respect of the relevant shares to be present or to vote (either in person or by proxy) at any general meeting of the Company or at any separate meeting of the holders of any class of shares of the Company or on any poll or to exercise any other right conferred by membership in relation to any such meeting or poll; and

(b) *Dividends and transfers*

where the relevant shares represent at least 0.25 per cent. of the share capital of the Company:

- (i) any dividend or other money payable in respect of the relevant shares shall be withheld by the Company, which shall not have any obligation to pay interest on it and the member shall not be entitled to elect pursuant to the Articles to receive shares instead of that dividend; and
- (ii) no transfer, other than a transfer appointed by the Board, of any relevant shares held by the members shall be registered unless the member is not himself in default as regards supplying the information required pursuant to the relevant Information Notice and the member proves to the satisfaction of the Board that no person in default as regards supplying such information is interested in any of the shares which are the subject of this transfer.

5.7 *Return of capital*

If the Company is wound up the liquidator may, with the sanction of an extraordinary resolution of the Company and any other sanction required by law, divide among the members in specie the whole or any part of the assets of the Company and may for that purpose value any assets and determine how the division shall be carried out as between the members or different classes of members. Any such division may be otherwise than in accordance with the existing rights of the members, but if any division is resolved otherwise than in accordance with such rights the members shall have the same rights as if such resolution were a special resolution passed pursuant to Section 222 of the Isle of Man Companies Act 1931 (that is, any member who did not vote in favour of the resolution shall have the right to require the liquidator either to abstain from carrying the resolution into effect or to purchase his interest at a price to be determined by agreement or by arbitration).

5.8 *Pre-emption rights*

There are no pre-emption rights under the Statutes. However, pre-emption rights are contained within the Articles:

5.8.1 Subject to 5.8.2 below, and without prejudice to any special rights previously conferred on the holders of any existing shares or class of shares, any share in the Company may be issued with such rights (including preferred, deferred or other special rights) or such restrictions, whether in regard to dividend, voting, return of capital or otherwise as the Company may from time to time by ordinary resolution determine (or, in the absence of any such determination, as the Board may determine).

5.8.2 Subject as indicated in 5.8.3 below and unless the Company shall by special resolution otherwise direct, unissued shares in the capital of the Company shall only be allotted for cash in accordance with the following provisions:

- (i) all shares to be allotted (the “offer shares”) shall first be offered to the members in proportion to their existing holdings of shares (the “offer”);
- (ii) the offer shall be made by written notice (the “offer notice”) from the Board specifying the number and price of the offer shares and shall invite each member to state in writing within a period, not being less than 28 days, whether they are willing to accept any offer shares and, if so, the maximum number of offer shares they are willing to take;

- (iii) at the expiration of the time specified for acceptance in the offer notice the Board shall allocate the offer shares to or amongst the members who shall have notified to the Board their willingness to take any of the offer shares but so that no member shall be entitled to take more than the maximum number of offer shares notified to him pursuant to 5.8.2 (ii) above;
- (iv) if any offer shares remain unallocated after the offer, the Board shall be entitled to allot, grant options over or otherwise dispose of those offer shares to such persons on such terms and in such manner as they think fit save that those offer shares shall not be disposed of on terms which are more favourable to their subscribers than the terms on which they were offered to the members.

5.8.3 For the avoidance of doubt, the provisions of 5.8.2 above shall not apply to the allotment of any shares for a consideration other than cash, and shares which the Company has offered to allot and which are to be held under an employees' share scheme of the Company (as that term is defined in section 743 of the UK Companies Act 1985) and, accordingly, the Board may allot or otherwise dispose of any unissued shares in the capital of the Company for a consideration other than cash to such persons at such times and generally on such terms as they may think fit.

5.9 *Borrowing powers*

The Board may exercise all the powers of the Company to borrow money and to mortgage or charge its undertaking, property, assets and uncalled share capital, and (subject to the Statutes) to issue debentures and other securities, whether outright or as collateral security for any debt, liability or obligation of the Company or of any third party. The Board shall restrict the borrowings of the Company and its subsidiaries so as to ensure that the aggregate of the amounts borrowed by the Company and all its subsidiaries and remaining outstanding at any time shall not, without previous sanction of an ordinary resolution of the Company, exceed an amount equal to the greater of either 4 times the aggregate of the nominal amount of the paid up share capital of the Company and the amount shown as standing to the credit of its capital and revenue reserves as defined in the Articles (but excluding certain amounts as defined therein) or the sum of £1 million.

5.10 *Directors*

The Articles provide that, unless otherwise determined by ordinary resolution, the Board (other than any alternate directors) will consist of not fewer than 2 or more than 12 directors. At no time shall a majority of directors be resident in the United Kingdom.

Subject to certain exceptions, a director shall not vote (or be counted in the quorum) in respect of any contract or arrangement or any other proposal whatsoever in which he (together with any person connected with him) has any material interest.

Any fees paid for the services of the directors, as directors, are fixed initially at not less than an annual sum of £1,000,000, or such larger sum as may be determined by an ordinary resolution by the Company in general meeting from time to time, may be divided between the directors as they shall agree or, failing agreement, equally and shall be deemed to accrue from day to day. The remuneration of any executive director as an employee shall be such as the Board may from time to time determine.

At each annual general meeting of the Company, one-third of the directors who are subject to retirement by rotation or, if their number is not three or a multiple of three, the number nearest to but not exceeding one-third, shall retire. A retiring director may, if eligible, offer himself for re-election. In addition, any director who as at the date of the relevant annual general meeting been in office more than three years since his appointment or last election or who was elected or last elected at the annual general meeting preceding by three years the relevant annual general meeting and who, in either case, is not otherwise to retire by reason of the Articles, shall also retire by rotation.

Each director (other than an alternate director) may appoint another director or (subject to the approval of a majority of the directors) any other person to be an alternate director of the Company,

and may at any time remove an alternate director so appointed by him from office and, subject to any requisite approval, appoint another person in his place.

The Company may purchase and maintain for any director insurance against any liability which by virtue of any law would otherwise attach to him in respect of any negligence, default, breach of duty or breach of trust of which he may be guilty in relation to the Company.

There are no age limits above which a director must retire.

5.11 *Directors' interests*

Subject to the provision of the Statutes, and provided that he has disclosed to the Board the nature and the extent of any interest, a director may hold any other office or place of profit under the Company except that of auditor in conjunction with the office of director and may act by himself or through his firm in a professional capacity to the Company, and in any such case on such terms as to remuneration and otherwise as the Board may agree. Any such remuneration shall be in addition to any remuneration provided for by any other Article. No director shall be disqualified by his office from entering into any contract, arrangement, transaction or proposal with the Company either in regard to such other office or place of profit or as vendor, purchaser or otherwise. Subject to the provisions of the Statutes and save as therein provided no such contract, arrangement, transaction or proposal entered into by or on behalf of the Company in which any director or person connected with him is in any way interested, whether directly or indirectly, shall be avoided, nor shall any director who enters into any such contract, arrangement, transaction or proposal or who is so interested be liable to account to the Company for any profit realised by any such contract, arrangement, transaction or proposal by reason of such director holding that office or of the fiduciary relationship thereby established but the nature of his interest shall be disclosed by him in accordance with the provisions of the Statutes.

Except as provided below, a director shall not be entitled to vote at meetings of the Board in respect of any contract, arrangement or proposal in which he has any interest which is material, other than by virtue of an interest in shares, debentures or other securities of the Company. A director will not be counted in the quorum at a board meeting in relation to any resolution on which he is not entitled to vote at Board meetings. Subject to the provision of the Statutes, a director generally will be entitled to vote and be counted in the quorum at Board meeting in respect of any resolution concerning:

- (a) the giving to him of any security or indemnity in respect of a debt or obligation incurred by him at the request of or for the benefit of the Company or any of its subsidiaries;
- (b) the giving to a third party of any security or indemnity in respect of a debt or obligation of the Company or any of its subsidiaries for which he himself has assumed responsibility in whole or in part either alone or jointly with others, under a guarantee or indemnity or by the giving of security;
- (c) an offer of shares or debentures or other securities by the Company or any of its subsidiaries for subscription or purchase in which offer the director is or may be entitled to participate in the underwriting or sub-underwriting;
- (d) any contract, arrangement, transaction or other proposal concerning any other company in which he is interested, directly or indirectly and whether as an officer or shareholder or otherwise howsoever, provided that he is not the holder of or beneficially interested in one per cent. or more of any class of the equity share capital of such company (or of a third company through which his interest is derived) or of the voting rights available to members of the relevant company (any such interest being deemed for the purpose of this Article to be a material interest in all circumstances);
- (e) any contract, arrangement, transaction or other proposal concerning the adoption, modification or operation of a superannuation fund, retirement benefits scheme or employees' share scheme under which he may benefit and which either relates to both employees and directors of the

Company or has been approved by or is subject to and conditional upon approval by the Board of the Inland Revenue for taxation purposes;

- (f) any contract, arrangement, transaction or proposal concerning the adoption, modification or operation of any scheme for enabling employees, including full time executive directors of the Company and/or any subsidiary, to acquire shares of the Company or any arrangement for the benefit of employees of the Company or any of its subsidiaries under which the director benefits in a similar manner to employees and which does not accord to any director as such any privilege not accorded to the employees to whom the scheme relates; and
- (g) any arrangement for purchasing or maintaining for any officer or auditor of the Company or any of its subsidiaries insurance against any liability which by virtue of any rule of law would otherwise attach to him in respect of any negligence, breach of duty or breach of trust for which he may be guilty in relation to the Company or any of its subsidiaries of which he is a director officer or auditor.

5.12 *General Meetings*

Subject to the Statutes, annual general meetings of the Company shall be held at such time and place (outside of the United Kingdom) as the Board may determine. All general meetings other than annual general meetings are deemed extraordinary general meetings and the Board may convene an extraordinary general meeting whenever, and at such time and place (outside of the United Kingdom) as it thinks fit.

The Board shall also convene an extraordinary general meeting on the requisition of Shareholders holding at least 10 per cent. of the value of all shares issued by the Company. An annual general meeting and an extraordinary general meeting convened for the purposes of passing a special resolution shall be convened by not less than 21 clear days' notice in writing. All other extraordinary general meetings shall be convened by not less than 14 clear days' notice in writing.

The quorum for meetings is two persons entitled to vote upon the business to be transacted.

The Board from time to time may make any security arrangements which it considers appropriate relating to the holding of a general meeting of the Company including, without limitation, arranging for any person attending a meeting to provide proof of identity and to be searched. A director or the company secretary may refuse entry to a meeting to any person who refuses to comply with any such arrangements and eject from a meeting any person who causes the proceedings to become disorderly.

5.13 *Ownership disclosure obligation*

Save in certain circumstances all Shareholders who acquire or cease to acquire an interest in shares are under the same obligations of disclosure as apply to UK incorporated companies and are contained in section 198 of the UK Companies Act 1985.

6. Directors' and other interests

- 6.1 The interests (all of which are beneficial) of the Directors and their immediate families and, so far as is known to the Directors or could with reasonable diligence be ascertained by them, of persons connected with them (within the meaning of section 346 of the UK Companies Act 1985) which, if the connected person were a Director would otherwise be disclosed pursuant to this paragraph, in the share capital of the Company as at the date of this document and on Admission, are or are expected to be, as follows:

	<i>Before Admission</i>		<i>Following Admission</i>	
	<i>Number of Ordinary Shares</i>	<i>Percentage of issued share capital</i>	<i>Number of Ordinary Shares</i>	<i>Percentage of issued share capital</i>
<i>Director</i>				
Kishore Lulla	up to 87,215,909	up to 100%	up to 84,375,000	up to 84.37%
Vijay Ahuja	up to 87,215,909	up to 100%	up to 84,375,000	up to 84.37%
Sunil Lulla	up to 87,215,909	up to 100%	up to 84,375,000	up to 84.37%
Jyoti Deshpande	nil	nil	nil	nil
Dilip Thakkar	nil	nil	nil	nil
Roger Vakharia	nil	nil	nil	nil

Kishore Lulla, Vijay Ahuja and Sunil Lulla are amongst the beneficiaries of discretionary family trusts, which own all of the share capital of Beech, the sole beneficial shareholder of the Company before Admission.

The measures in place to ensure that such control is not misused are contained within the relationship agreement summarised at paragraph 12.4 below.

- 6.2 In addition to those shareholdings set out in paragraph 6.1 above, the Company is aware of the following persons who, at the date of this document have, or who are expected immediately following Admission to have, an interest in three per cent. or more of the issued share capital of the Company (Isle of Man law does not contain any thresholds above which share ownership must be disclosed but the Articles contain provisions similar to section 198 of the UK Companies Act 1985 as referred to in paragraph 5.13 above.)

	<i>Before Admission</i>		<i>Following Admission</i>	
	<i>Number of Ordinary Shares</i>	<i>Percentage of issued share capital</i>	<i>Number of Ordinary Shares</i>	<i>Percentage of issued share capital</i>
<i>Interested Person</i>				
Beech	87,215,909	100%	84,375,000	84.37%

- 6.3 Save as disclosed in paragraphs 6.1 and 6.2 above, the Company is not aware of any person who will, immediately following Admission, be interested, directly or indirectly, in three per cent. or more of the issued share capital of the Company or could, directly or indirectly, jointly or severally, exercise control over the Company.
- 6.4 The Company and the Directors are not aware of any arrangements, the operation of which may at a subsequent date result in a change of control of the Company.
- 6.5 Save as disclosed herein, no Director has any interest in any transactions which are or were unusual in their nature or conditions or which are or were significant to the business of the Group and which were effected by any member of the Group in the current financial year or which remain in any respect outstanding or unperformed.
- 6.6 The person referred to in paragraph 6.2 of this Part VI, including the Directors, do not have voting rights in respect of the share capital of the Company (issued or to be issued) which differ from any other Shareholder.
- 6.7 The Directors currently hold, and have during the five years preceding the date of this document held, the following directorships or partnerships (or otherwise been a member of the administrative, management or operating bodies thereof):

<i>Name</i>	<i>Current Directorships/partnerships</i>	<i>Previous directorships/partnerships</i>
Kishore Lulla	Eros Network Limited Eros International Limited B on Demand (EU) Limited Eros Entertainment Inc Eros Pacific Limited Eros Australia Pty Limited	Eros Multimedia (Europe) Limited* B4U USA Inc B4U Television Network
Vijay Ahuja	Eros International Limited Eros Network Limited B on Demand (EU) Limited Eros Entertainment Inc Eros Pacific Limited Eros Australia Pty Limited	Eros Multimedia (Europe) Limited*
Sunil Lulla	Eros Multimedia Private Limited Shivam Videotech Private Limited Eros Digital Private Limited	None
Jyoti Deshpande	Sysame Solutions Limited Eros International Limited Eros Network Limited Asian Shopping Network Limited B on Demand (EU) Limited	
Dilip Thakkar	Omega Management Services Limited Wearology Limited Panasonic Battery Company India Limited Deccan Florabase Limited Essar Oil Limited Thirumalai Chemicals Limited PAE Limited Himatsingka Seide Limited Indo Count Industries Limited The Ruby Mills Limited Walchandnagar Industries Limited Rajasvi Property Holdings Private Limited Starrock Investments and Trading Private Limited Chrysanthemum Investments Private Limited Blueberry Trading Company Private Limited Township Real Estate Private Limited Hamlet Constructions India (Private) Limited Windmere Hospitality (India) Private Limited Partner of M/s.Jayantilal Thakkar & Co. Partner of M/s.Jayantilal Thakkar Associates – Mumbai	India Consultancy Group Private Limited
Roger Vakharia	American Business Corp.	None

*This company, incorporated in England and Wales, was dissolved on 7 December 2004.

- 6.8 The Directors have no unspent convictions in relation to indictable offences.
- 6.9 None of the Directors has been the subject of any public criticism or sanctions by any statutory or regulatory authority (including recognised professional bodies).
- 6.10 None of the Directors has been a director of a company at the time of, or within the 12 months preceding the date of, that company being the subject of a receivership, compulsory liquidation, creditors' voluntary liquidation, administration, company voluntary arrangement or any composition or arrangement with its creditors generally or any class of its creditors.
- 6.11 None of the Directors has been a partner of a partnership at the time of, or within 12 months preceding the date of, that partnership being placed into compulsory liquidation or administration or being entered into a partnership voluntary arrangement, nor in that time have the assets of any such partnership been the subject of a receivership.
- 6.12 No asset of any Director nor any partnership of which the Director has been a partner has at any time been the subject of a receivership.
- 6.13 None of the Directors are or has been bankrupt nor made at any time an individual voluntary arrangement.
- 6.14 None of the Directors is or has ever been disqualified by a court from acting as a director of a company or from acting in the management or the conduct of the affairs of any company.
- 6.15 There are no outstanding loans granted by any member of the Group to any of the Directors nor has any guarantee been provided by any member of the Group for their benefit except as noted in paragraphs 8.1 and 12.2.

7. Incentive Arrangements

- 7.1 The following table shows the number of options granted to Andrew Heffernan, Jyoti Deshpande and Ken Naz under the Eros International plc Bonus Share Plan Unapproved Option Scheme 2006 and the exercise price. All the options are exercisable in 5 equal tranches on or after 30 June 2006, 30 June 2007, 30 June 2008, 30 June 2009 and 30 June 2010 and must be exercised before 30 June 2016:

<i>Grantee's name</i>	<i>Number of shares under option</i>	<i>Exercise Price</i>
Andrew Heffernan	62,438	£1.76
Jyoti Deshpande	62,438	£1.76
Ken Naz	62,438	£1.76

8. Premises

- 8.1 The Group considers that the following premises are material tangible fixed assets:

<i>Address</i>	<i>Tenure</i>	<i>Lease start Date</i>	<i>Lease expiry date</i>	<i>Annual rent</i>
Unit 23, Sovereign Park, Coronation Road, London, NW10 7QP, UK	Freehold	N/A	N/A	N/A
Unit 26, Park Royal Metro Centre, Britannia Way, Coronation Road, Park Royal, London, UK	Freehold	N/A	N/A	N/A
550 County Avenue, Secaucus, New Jersey, 07094, USA	Leasehold*	1 April 2005	31 March 2010	US\$270,000

<i>Address</i>	<i>Tenure</i>	<i>Lease start Date</i>	<i>Lease expiry date</i>	<i>Annual rent</i>
Office Unit No. 201, Kailash Plaza, Veera Desai Road, Andheri (West), Mumbai-400 053, India	Freehold	N/A	N/A	N/A
No. B-E/6, 1st floor, Opp. Anarkali Market, Jhandewala Extension, New Delhi-110 055, India	Licence	N/A	N/A	Rs. 246,000/-
No. 6A-4/5, Juhu Sangeeta Apartments, Juhu, Mumbai-400 049, India	Licence**	N/A	N/A	Rs. 594,000/-
301, Kailash Plaza, Opp. Laxmi Industrial Estate, Andheri (West), Mumbai-400 053, India	Licence**	N/A	N/A	Rs. 360,000/-
No.529, Building No.8, Fifth Floor, Dubai Media City, Dubai, United Arab Emirates.	Leasehold	1 September 2005	31 August 2006	Dirhams 58,974/-

* The freehold of this property is indirectly owned by Beech.

** The freehold of these properties is owned by the Lulla family and there is a rent deposit of 7.5 million Indian Rupees.

9. Directors' Service Agreements and letters of appointment

- 9.1 On 27 June 2006, Mr Kishore Lulla entered into a letter of appointment with the Company under which he agrees to provide director's services for a fee of £60,000 per annum and a service agreement with Eros Network Limited, a subsidiary of the Company, under which he agrees to serve as Chairman and Chief Executive Officer of the Group at a current aggregate annual salary of £290,000 (exclusive of pension contributions) to be reviewed annually. The agreement is terminable by either party on 12 months prior notice, to be served no earlier than 12 months from Admission. In addition to the basic remuneration, Mr Lulla is entitled to a discretionary bonus (to be awarded at the discretion of the remuneration committee), private medical insurance, permanent health insurance and contributions into a private pension plan.
- 9.2 On 27 June 2006, Mr Vijay Ahuja entered into a letter of appointment with the Company under which he agrees to provide director's services for a fee of £60,000 per annum and a service agreement with Eros Network Limited, a subsidiary of the Company, under which he agrees to serve as Vice Chairman and President Director – (International) of the Group at a current aggregate annual salary of £140,000 (exclusive of pension contributions) to be reviewed annually. The agreement is terminable by either party on 12 months prior notice, to be served no earlier than 12 months from Admission. In addition to the basic remuneration, Mr Ahuja is entitled to a discretionary bonus (to be awarded at the discretion of the remuneration committee), private medical insurance, permanent health insurance and contributions into a private pension plan.
- 9.3 On 27 June 2006, Mr Sunil Lulla entered into a letter of appointment with the Company under which he agrees to provide director's services for a fee of £60,000 per annum and a service agreement with Eros Network Limited, a subsidiary of the Company, under which he agrees to serve as Executive Director and President (India) of the Group at a current annual salary of £140,000 (exclusive of pension contributions) to be reviewed annually. The agreement is terminable by either party on 12 months prior notice, to be served no earlier than 12 months from Admission. In addition to the basic remuneration, Mr Lulla is entitled to a discretionary bonus (to be awarded at the discretion of the remuneration committee), private medical insurance, permanent health insurance and contributions into a private pension plan.

- 9.4 On 27 June 2006, Mrs Jyoti Deshpande entered into a letter of appointment with the Company under which she agrees to provide director's services for a fee of £60,000 per annum and a service agreement with Eros Network Limited, a subsidiary of the Company, under which she agrees to serve as Group Chief Operating Officer and Commercial Director of the Group at a current annual salary of £90,000 (exclusive of pension contributions) to be reviewed annually. The agreement is terminable by either party on 12 months prior notice, to be served no earlier than 12 months from Admission. In addition to the basic remuneration, Mrs Deshpande is entitled to a discretionary bonus (to be awarded at the discretion of the remuneration committee), private medical insurance, permanent health insurance and contributions into a private pension plan.
- 9.5 On 27 June 2006, Mr Arjan Lulla entered into an agreement with the Company under which he was appointed and agreed to serve as Honorary Life President of the Company at a current annual salary of £200,000.
- 9.6 Roger Vakharia and Dilip Thakkar entered into a letter of appointment with the Company which provides for each of them to act as a non-executive Director of the Company. Pursuant to such letters each of them will receive a fee of £40,000 per annum. Roger Vakharia will also be entitled to be issued with shares subject to the achievement of certain performance criteria to be determined by the remuneration committee. The appointment letter is for an initial period of one year, following which it is terminable on 3 months' notice by either party.
- 9.7 No remuneration has been paid (including benefits in kind) to the Directors by the Company up to the date of this document. It is estimated that the aggregate remuneration and benefits in kind payable to the Directors by members of the Group in respect of the current financial year (under the arrangements in force at the date of this document) will be approximately £1.4 million.
- 9.8 None of the Directors' agreements with the Company provide for benefits upon termination of employment.

10. Placing arrangements

- 10.1 Under an agreement (the "Placing Agreement") dated 27 June 2006 and made between the Company (1), the Directors (2), Beech ("Vendor") (3) and Evolution (4). Evolution has agreed (conditionally, *inter alia*, on Admission taking place not later than 31 July 2006) to use its reasonable endeavours to procure (a) as agent for the Company and (b) as agent for the Vendor, purchasers/subscribers for 15,625,000 of the Placing Shares at the Placing Price and subscribers for the Placing Shares and the US Shares at the Placing Price and, failing that, to subscribe itself as principal therefore. In accordance with the Placing Agreement, the Placing Shares in either case will be offered and sold in the United Kingdom and elsewhere outside the United States in reliance on Regulation S under the US Securities Act, and the US Shares will be offered and sold in the United States to QIBs or Institutional Accredited Investors in reliance on Rule 144A under the US Securities Act, Regulation D under the US Securities Act or pursuant to another exemption from, or in a transaction not subject to, the registration requirements under the US Securities Act.

The Vendor will sell 2,840,909 Sale Shares pursuant to the terms of the Placing Agreement.

In addition, the Company and the Vendor have granted to Evolution an option (such option to lapse on the 45th day following Admission) to procure subscribers or purchasers (as the case may be) for additional Ordinary Shares at a price or prices to be agreed in each case between the Company and/or the Vendor (as the case may be) with Evolution (being not less than the Placing Price) raising up to a further £8.25 million (before expenses).

Under the Placing Agreement and subject to its becoming unconditional:

- 10.1.1 the Company has agreed to pay Evolution a commission of 3.25 per cent. of the value at the Placing Price of the Placing Shares being issued by the Company, together with a corporate finance fee of £250,000 together with any applicable VAT (which corporate finance fee is waived if the Placing raises more than US\$60 million); and
- 10.1.2 the Company will pay certain other costs and expenses (including any applicable VAT) of, or incidental to, the Placing including all fees and expenses payable in connection with

Admission, expenses of the registrars, printing and advertising expenses, postage and all other legal, accounting and other professional fees and expenses.

The Placing Agreement contains warranties and indemnities given by the Company, warranties given by the Directors as to the accuracy of the information contained in this document and other matters relating to the Group and its business, warranties given by the Vendor as to its title to the Sale Shares and other matters relating, *inter alia*, to the Sale Shares and a tax indemnity given by certain of the Directors and the Vendor. Warranty claims are limited as to time and amount. Evolution is entitled to terminate the Placing Agreement in certain specified circumstances, prior to Admission, including the following:

- (i) any statement contained in the documents relating to the Placing has, in the reasonable opinion of Evolution, been discovered to be untrue, incorrect or misleading which, individually or collectively in the reasonable opinion of Evolution, is in any respect material and adverse in the context of the Placing,
- (ii) there has, in the reasonable opinion of Evolution, been a breach of any of the warranties set out in the Placing Agreement or any other obligations on the part of the Company, the Vendor or the Directors under the Placing Agreement which it reasonably considers to be material in the context of the Placing,
- (iii) in the reasonable opinion of Evolution, an event has occurred or a matter has arisen which, if the warranties set out in the Placing Agreement had been repeated on each day of the period between the date of the Placing Agreement and the date of Admission with reference to the circumstances existing as at such deemed repetition, would have rendered any of those warranties untrue or incorrect in a material respect in relation to the Placing and which is material and adverse in the context of the Placing, or
- (iv) any of the conditions specified in the Placing Agreement shall have become incapable of fulfilment before the latest time provided therein and such condition has not been waived.

11. Securities Laws and Selling Restrictions

The distribution of this document, the Placing and the offer and sale of the Placing Shares in certain jurisdictions may be restricted by law. Accordingly, persons who come into possession of this document should inform themselves about and observe any of those restrictions, including those set out in the paragraphs below. Any failure to comply with these restrictions may constitute a violation of the securities laws of any such jurisdiction.

11.1 General

No action has been taken or will be taken by the Company, its Directors, the Vendors, Evolution or Evolution Securities US, Inc. that would permit a public offering of Placing Shares or the possession or distribution of this document or any other offering or publicity materials relating to the Placing Shares in any country or jurisdiction where action for that purpose is required, other than in the United Kingdom. Accordingly, Placing Shares may not be offered or sold, directly or indirectly, and neither this document nor any other offering materials or advertisements in connection with the Placing Shares may be distributed or published, in or from any country or jurisdiction except under circumstances that will result in compliance with any and all applicable rules and regulations of any such country or jurisdiction. Persons who come into possession of this document should inform themselves about and observe any restrictions on the distribution of this document and the offer and sale of Placing Shares, including those set out in the paragraphs below.

Any failure to comply with these restrictions may constitute a violation of the securities laws of any jurisdiction. This document does not constitute an offer to sell or a solicitation of an offer to buy or subscribe for Placing Shares to any person to whom, or in any jurisdiction where, such offer or solicitation would be unlawful.

11.2 *United States*

Due to the following restrictions, investors are advised to consult with their own legal advisers prior to purchasing or making any offer for the resale, pledge, or other transfer of US Shares.

The Ordinary Shares, including the US Shares, have not been and will not be registered under the US Securities Act and must not be offered, sold, pledged or otherwise transferred within the United States except pursuant to an exemption from, or in a transaction not subject to, the registration requirements under the US Securities Act.

Each purchaser of US Shares located within the United States (each, an “Investor”) will be required to deliver to the Company, Evolution and Evolution Securities US an investor letter containing, and any subsequent purchaser of US Shares shall be deemed to have made, representations, warranties, acknowledgements and covenants in substantially the following form:

1. The Investor is a “qualified institutional buyer” (a “Qualified Institutional Buyer”) (within the meaning of Rule 144A (“Rule 144A”) under the U.S. Securities Act of 1933, as amended (the “Securities Act”) or an “accredited investor” (“Institutional Accredited Investor”) within the meaning of paragraph (1), (2), (3), (7) or (8) of Rule 501(a) of Regulation D under the Securities Act, is aware that the sale to it is being made in reliance on Rule 144A, Regulation D or another exemption from the securities registration requirements of the Securities Act and is acquiring ordinary shares (the “US Shares”) in the capital of Eros International plc (the “Issuer”) for its own account, or for the account of one or more other Qualified Institutional Buyers or Institutional Accredited Investors for which it is acting as duly authorised fiduciary or agent with sole investment discretion with respect to each such account and with full authority to make the acknowledgements, representations and agreements herein with respect to each such account, in each case for investment and not with a view to any resale or distribution of any of the US Shares.
2. The Investor understands that the US Shares have not been registered under the Securities Act and, therefore, cannot be offered or sold in the United States or to U.S. persons, within the meaning of Regulation S under the Securities Act (“Regulation S”), unless they are registered under the Securities Act or unless an exemption from registration is available. The Investor understands that the Issuer has no obligation to register the US Shares under the Securities Act.
3. The Investor has received a copy of the Admission Document dated 27 June 2006 (the “Admission Document”) and it agrees that it has held and will hold the Admission Document in confidence, it being understood that the Admission Document it received is solely for its use and is not to be redistributed or duplicated by it. In making any purchase of the US Shares, the Investor is relying only on the Admission Document and not on any other information or representation concerning the Issuer. The Investor agrees that no person responsible for the Admission Document or any part of it will have any liability for any such other information or representation; and the Investor has had access to such financial and other information and has been afforded the opportunity to ask such questions of the representatives of the Issuer, and receive answers thereto, as it has deemed necessary in connection with its decision to purchase the US Shares.
4. The Investor is aware that no US Shares (or any interest therein) may be offered or sold, pledged or otherwise transferred except (a) to a transferee whom the Investor reasonably believes to be a Qualified Institutional Buyer and that has agreed to comply with the transfer restrictions set forth in this Section 4 in respect of any subsequent transfer, or (b) to a transferee that is acquiring such interest in an offshore transaction (within the meaning of Regulation S) in accordance with Rule 904 of Regulation S; in either case, in accordance with any applicable securities laws of any state of the United States and any other relevant jurisdiction.
5. The Investor understands that definitive share certificates evidencing the US Shares will be despatched to it bearing the following legend:

“THE SECURITIES REPRESENTED HEREBY HAVE NOT BEEN AND WILL NOT BE REGISTERED UNDER THE UNITED STATES SECURITIES ACT OF 1933, AS AMENDED (THE “SECURITIES ACT”), OR WITH ANY SECURITIES REGULATORY AUTHORITY OF ANY STATE OR OTHER JURISDICTION OF THE UNITED STATES, AND MAY BE OFFERED, SOLD, PLEDGED OR OTHERWISE TRANSFERRED ONLY (i) IN A TRANSACTION COMPLYING WITH REGULATION S UNDER THE SECURITIES ACT, (ii) TO A PERSON WHOM THE SELLER REASONABLY BELIEVES TO BE A QUALIFIED INSTITUTIONAL BUYER, WITHIN THE MEANING OF RULE 144A UNDER THE SECURITIES ACT, IN A TRANSACTION EXEMPT FROM THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT PURSUANT TO RULE 144A UNDER THE SECURITIES ACT (IF AVAILABLE), (iii) IN COMPLIANCE WITH RULE 144 UNDER THE SECURITIES ACT (IF AVAILABLE) OR ANOTHER AVAILABLE EXEMPTION FROM, OR IN A TRANSACTION NOT SUBJECT TO, THE REGISTRATION REQUIREMENTS UNDER THE SECURITIES ACT OR (iv) PURSUANT TO AN EFFECTIVE REGISTRATION STATEMENT UNDER THE SECURITIES ACT, AND IN EACH CASE IN ACCORDANCE WITH ANY APPLICABLE SECURITIES LAWS OF ANY STATE OF THE UNITED STATES OR ANY OTHER JURISDICTION.”

but that such legend may be removed if the relevant US Shares are disposed of in accordance with the preceding paragraph or after the expiry of a period of two years from the date of their acquisition, if certain requirements are met.

6. The Investor agrees that (a) any sale, pledge or other transfer of any US Shares (or any interest therein) made in violation of the transfer restrictions contained in the Admission Document, or made based upon any false or inaccurate representation made by the Investor will be void and of no force or effect and (b) none of Evolution, Evolution Securities US, the Issuer, the transfer agent or registrar in respect of the US Shares has any obligation to recognise any sale, pledge or other transfer of any US Shares (or any interest therein) made in violation of any such transfer restriction or made based upon any such false or inaccurate representation.
7. The Investor acknowledges that the foregoing acknowledgements, representations and agreements will be relied upon by the Issuer, Evolution and Evolution Securities US for the purpose of determining the Investor’s eligibility to purchase the US Shares.”

12. Material contracts

The following are the only contracts (not being contracts entered into in the ordinary course of business) which have been entered into by the Company or any member of its group for the two years immediately preceding the date of this document and which are, or may be, material, together with any contracts which contain any provisions under which any member of the Group has any obligation or entitlement which is material to the Group as at the date hereof:

- 12.1 The Placing Agreement, details of which are set out in paragraph 10 above;
- 12.2 Companies within the Group incorporated in India enjoy the benefit of a number of loans and facilities which have been made available to them by the Oriental Bank of Commerce and the Indian Overseas Bank. The total indebtedness as at 23 June 2006 was Indian Rupees 788,448,263. All monies owed pursuant to these facilities are secured, *inter alia*, by a number of securities and mortgages over the Group’s assets together with certain assets owned by members of the Lulla family in India, in favour of the Oriental Bank of Commerce, Mumbai and the Indian Overseas Bank, Mumbai. Members of the Lulla family receive a payment of Indian Rupees 9 million per annum with effect from 1 January 2006 in relation to the bank mortgages over their personal assets and hold a guarantee deposit of US\$1.98 million. It is intended that at the earliest practicable opportunity all such debts will be repaid and all such security will be released.
- 12.3 By a facility letter dated 24 August 2005 the London branch of Bank of India granted Eros International Limited (UK) certain on demand facilities. These facilities have an overall maximum

limit of US\$11.8 million. These facilities were secured against certain debentures and corporate guarantees over all of the assets, rights and undertaking of, inter alia, Eros International Limited including the creation of fixed and floating charges over all of the assets, undertaking and rights of and over the assets and undertaking of Eros International Inc. The facilities are also secured by a mortgage over each of the Group's premises in England as well as certain personal security given by the family of Kishore Lulla. The aggregate current amount outstanding pursuant to these facilities as at 21 June 2006 is US\$10,787,457.80. It is intended that at the earliest practicable opportunity all such debts will be repaid and all such security will be released.

- 12.4 By a Relationship Agreement dated 27 June 2006 between the Company and Beech, Beech has agreed that it will procure and will itself exercise any rights it may have as shareholder in such a manner as to procure that no Group company is precluded or inhibited from carrying on its business independently of Beech and that it would act in such a manner so as to procure that the ratio of controller directors (being each of Kishore Lulla, Sunil Lulla and Vijay Ahuja) does not exceed 3 controller directors to 3 independent directors.

It is further agreed that Beech will not be engaged, concerned or interested in the distribution of Bollywood films in India, USA, UK, Canada, Fiji, Dubai and Australia or the distribution of European or North American films in India. The provisions of the Relationship Agreement shall cease to have effect if Beech and its associates cease to be interested in more than 30 per cent. of the Enlarged Issued Share Capital.

- 12.5 By a facility letter dated 10 February 2005, Bank of India, New York Branch, granted Eros Entertainment Inc. ("Eros Inc.") an uncommitted overdraft facility of US\$1million and an uncommitted letters of credit facility of US\$1million. The facilities are secured by: (i) accounts receivable, inventory, equipment and other personal property of Eros Inc., (ii) Eros Inc. intellectual property, (iii) perfected assignments of loans to Eros Inc., (iv) film rights and (v) a first mortgage of office premises at Eros Inc.'s principal place of business, 550 County Avenue, Secaucus, N.J. Both Eros Inc. and 550 County Avenue Property Inc., a company controlled by Beech, are the signature guarantors. The aggregate current amount outstanding pursuant to this facility as at 22 June 2006 is US\$2,101,406.71. It is intended that at the earliest practicable opportunity all such debts will be repaid and all such security will be released.
- 12.6 By an agreement dated 26 October 2006 Eros Multimedia Private Limited (incorporated in India) appointed Kotak Mahindra Capital Company Limited as exclusive financial adviser in connection with the raising of funds by way of additional capital or a sale of shares. This Agreement terminated by effluxion of time on 26 April 2006.
- 12.7 An Agreement dated 8 March 2006 between Eros Worldwide FZ LLC and Vogue Limited ("Vogue") for one year from 8 March 2006 whereunder Eros Worldwide FZ LLC grants to Vogue certain home video rights for distribution in certain eastern European states over a specified number of Hindi language films in the Eros Worldwide FZ LLC catalogue and which are to be subtitled in local languages only.
- 12.8 A Memorandum of Agreement ("MOA") dated 11 January 2006, as amended by an Addendum dated 10 May 2006, was entered into by Eros International Limited, acting also as agent for Eros Worldwide FZ LLC, with EuroVideo Bildprogramm GmbH ("Distributor"). The MOA is expressed to be binding until a long form agreement is signed which is expected to be by early August 2006. Under this Agreement the Distributor is granted the right to sell and distribute German dubbed versions of "Bollywood Films" in the form of DVDs in Germany, Austria, Switzerland and Liechtenstein at prices and subject to commissions and costs as provided in the MOA and Addendum for a period, commencing on 1 February 2006 and ending on 30 March 2011.
- 12.9 By two agreements dated 30 June 2000 as amended and replaced by an Addendum Agreement dated 29 September 2005 between Evron Limited ("Evron") and L.M.B. Holdings satellite, cable and pay TV rights were licensed by Evron to L.M.B. Holdings in respect of the majority of the Eros film catalogue at the time, for the territories specified in the schedules attached to the Addendum and for

the periods therein set out. Rights for video on demand, pay-per-view, terrestrial TV and internet rights are not included within the licence. The licence fee has been paid in cash to various companies both within and outside the Group amounting to US\$26,797,406.58 including shares in L.M.B. Holdings issued to Acacia Investments which were then valued at US\$8,706,000. As a result of the transaction referred to in this paragraph, an amount of US\$8,706,000 is owed by Acacia Investments to Eros Worldwide FZ LLC. Beech has guaranteed the repayment of this amount and agreed to pay the same out of the proceeds of the Sale Shares placed by Evolution pursuant to the Placing Agreement. The resultant indebtedness owed by Acacia Investments to Beech will be waived.

- 12.10 By an agreement dated 27 June 2006, the Company was granted a call option to acquire the share capital of Acacia Investments (a company incorporated in the Isle of Man) (“Option”) by Dalecroft Limited and Claycroft Limited (nominee shareholders of the trust referred to in paragraph 6.1 above). The purchase price for the option shares is a sum equal to US\$9,570,000 (calculated as the par value of the shares plus a 10 per cent. premium), together with interest accrued thereon at the rate of 2 per cent. per annum over the base rate of Barclays Bank plc from time to time. The Option is exercisable for a period of 24 months from 27 June 2006 or, if earlier, within six months of a change of control of L.M.B. Holdings and within one month of a flotation of L.M.B. Holdings.
- 12.11 By an Agreement dated 25 November 2005 between Video Networks Limited (“VNL”) and B on Demand (EU) Limited (“BOD”) as agent for Eros Worldwide FZ LLC, BOD agreed to provide to VNL Content Management Services and also to licence rights relating to, inter alia, Indian and other South Asian language feature films and music videos for Video on Demand and also linear television channels aimed at a South Asian audience, all for inclusion in a new Asian television service on the Home Choice Broadband platform. Subject as provided in the Agreement, the term is for five years and Eros is the exclusive provider to VNL of all content.
- 12.12 By an Agreement dated 27 June 2005 made between Eros Media Limited (incorporated and registered in Mauritius) and New Media Enterprises, Inc. (“NME”), the parties each agree to undertake certain matters relating to the development and production of VMD Optical storage discs and the commercialisation of HD DVDs in consideration of which NME agreed to allot to Eros Media Limited 5 per cent. of the issue share capital of NME (amounting to 144 shares). The Agreement is terminable on 1 month’s notice by either party. By a business sale and purchase agreement dated 23 June 2006 and between Eros Worldwide FZ LLC and Eros Media Limited these shares and this agreement were assigned to Eros Worldwide FZ LLC.
- 12.13 By a share exchange agreement dated 27 June 2006, the Company acquired the entire issued share capital of Eros Network Limited from Beech in consideration for the issue of 235 shares in the capital of the Company.

By a share exchange agreement dated 27 June 2006, the Company acquired the entire issued share capital of Eros Worldwide FZ LLC from Beech in consideration for the issue to Beech of 941 shares in the capital of the Company.

By a share purchase agreement dated 27 June 2006, the Company acquired the entire issued share capital of Eros Digital Pvt, Limited from Eros Multimedia Pvt, Limited, in consideration for the payment of US\$1 in cash.

By a share purchase agreement dated 27 June 2006, the Company acquired the entire issued share capital of B on Demand (EU) Limited from Beech in consideration for the payment of US\$1 in cash.

By a business sale and purchase agreement dated 23 June 2006, Eros Worldwide FZ LLC acquired all of the assets and business of Eros Media Limited as a going concern from Eros Media Limited in consideration for the payment of US\$1 in cash.

By a business sale and purchase agreement dated 23 June 2006, Eros Worldwide FZ LLC acquired all of the assets and business of Evron Limited as a going concern from Evron Limited in consideration for the payment of US\$1 in cash.

By a business sale and purchase agreement dated 23 June 2006, Eros Worldwide FZ LLC acquired all of the assets and business of Windmill Corporation Limited as a going concern from Windmill Corporation Limited in consideration for the payment of US\$1 in cash.

By a business sale and purchase agreement dated 23 June 2006, Eros Worldwide FZ LLC acquired all of the assets and business of Stanning Corporation as a going concern from Stanning Corporation in consideration for the payment of US\$1 in cash.

12.14 An agreement dated 23 June 2006 (the “Amendment Agreement”) was entered into between Eros Media Limited (“EM”) and Eros International Limited (“EUK”) amending certain agreements (the “Agreements”) granting distribution rights over certain films (the “Films”) to EUK. Pursuant to many of the Agreements, EM purports to do the following, which it is in fact not able to do: (1) assign or license to EUK all rental and lending rights in relation to the Films (“Rental Rights”), all rights of relief relating to any infringement of copyright in the Films (“Remedy Rights”) and/or waive all moral rights (“Moral Rights”) and/or confirm that it has received all performers’ consents for the Films (“Performers’ Consents”); and (2) give various warranties relating to one or more of the Rental Rights, the Remedy Rights, the Performers’ Consents and the Moral Rights. The Amendment Agreement amends the Agreements so as to rectify this issue. Further, the Amendment Agreement amends the Agreements so that (1) it is clear that the Copyright, Designs and Patents Act 1988 applies notwithstanding any reference to other legislation; (2) the arbitration provisions are deleted in their entirety when an Agreement contains arbitration provisions as well as provisions providing for the exclusive jurisdiction of the Mumbai Courts; and (3) EUK waives any and all claims that EUK has or may have against EM in respect of the Rental Rights, the Remedy Rights, the Performers’ Consents and the Moral Rights.

13. Related party transactions

Save as set out in Part III and paragraphs 8 and 12 of this Part VI hereof the Company has not entered into any related party transactions (being those set out in the standards adopted according to the Regulation (EC) No. 1606/2002) in the last three financial years preceding the date of this document and up to the date of this document.

14. Reasons for the Placing and use of proceeds

The reasons for the Placing are set out in Part I and the estimated net amount of the proceeds of the Placing receivable by the Company is £20.0 million.

15. Working capital

The Directors are of the opinion (having made due and careful enquiry) that, after taking into account the net proceeds of the Placing, the Group has sufficient working capital for its present requirements, that is for at least the period of 12 months from Admission.

16. Litigation

16.1 No member of the Group has at any time in the 12 months immediately preceding the date of this document been engaged in any governmental, legal or arbitration proceedings, and the Company is not aware of any governmental, legal or arbitration proceedings pending or threatened by or against any member of the Group, nor of any such proceedings having been pending or threatened at any time in the 12 months preceding the date of this document, in each case which may have, or have had in the recent past, a significant effect on the Group’s financial position or profitability.

16.2 In March 2002, Eros International Limited were awarded a judgment in the English courts for breach of contract, ordering, *inter alia*, Sandish Mann and Digital Entertainment Inc. to pay final damages of US\$4,500,000 and interest (together with costs). Since the defendants were US citizens and a US company, this judgment needed to be enforced in a US court. At the time Eros International Limited moved to enforce the judgment (April 2002), all defendants filed for bankruptcy protection. Accordingly, the action is being heard by a US bankruptcy court in charge of the Sandish Mann

bankruptcy application. Eros International Limited is in the process of negotiating a small payment to release all actions against Sandish Mann and Digital Entertainment Inc. since the Directors believe that the chances of recovering significant funds are remote.

17. Conflicts of Interest

Certain of the Directors are also shareholders in the Company or otherwise interested in Ordinary Shares. Under Isle of Man law, shareholders do not generally have to act in the best interests of the company in their capacity as shareholders. Save as set out herein, there are no other potential conflict of interests between any duties to the Company, the Directors and their private interests.

18. Third party information

The industry data set out in Part I of this document have been sourced, *inter alia*, from Nielsen EDI and from a report issued by PricewaterhouseCoopers in March 2005 entitled ‘The Indian Entertainment Industry – An Unfolding Opportunity’. The Company confirms that the information has been accurately reproduced and that, as far as it is aware and is able to ascertain from information published by each of those third parties, no facts have been omitted which would render the information reproduced inaccurate or misleading.

19. Mandatory Offers and Compulsory Acquisition of Shares

The Company is subject to the City Code on Takeovers and Mergers which, *inter alia*, provides that if any person, or company of persons acting in concert, acquires Ordinary Shares carrying 30 per cent. or more of the voting rights exercisable in general meetings, that person shall be required to make an offer for all the issued Ordinary Shares not already held by him (or persons acting in concert with him) in cash at the highest price paid by that person, or any person acting in concert with him during the 12 month period prior to the purchase of shares which triggered the obligation. There are certain circumstances where no such offer may be required. The Act provides that if an offer is made for the issued share capital of the Company, the offeror is entitled to acquire compulsorily any remaining shares if it has received acceptances or purchased shares subsequent to the making of the offer amounting (in aggregate) to 90 per cent. of the shares to which the offer relates. Certain time limits apply.

20. Registrar

It is an Isle of Man requirement that the Company’s registered office and similar corporate administrative services be provided by a licensed corporate service provider in the Isle of Man.

The Registrar is Equity Limited, a company incorporated in the Isle of Man on 26 November 1997. Equity Limited has its registered office at 15-19 Athol Street, Douglas, Isle of Man IM1 1LB and is a subsidiary of Cains Advocates Limited, the Isle of Man legal adviser to the Company. Equity Limited is licensed by the Isle of Man Financial Supervision Commission for corporate service provider business.

Equity Limited will utilise the services of Computershare Investor Services (Channel Islands) Limited for the purposes of settling share transactions through CREST. The cost of this service will be borne by the Company. It is anticipated that the cost will be approximately £5,000 per annum subject to the number of CREST settled transactions undertaken.

In addition, Equity Limited will provide general secretarial and administrative services to the Company for a fixed fee of £15,000 per annum (plus VAT) plus costs and expenses. An additional variable fee may also be payable in respect of any additional duties.

The agreement with Equity Limited, which is terminable on 3 months’ notice by either party, contains certain exemption and indemnity provisions which apply generally in the absence of fraud, dishonesty or negligence by Equity Limited.

21. UK Taxation

The statements set out below are intended only as a general guide to certain aspects of current UK tax law and HMRC practice as at the date of this document and apply only to certain shareholders resident or ordinarily resident and domiciled for tax purposes in the UK (save where express reference is made to persons resident outside the UK). The summary does not purport to be a comprehensive analysis or listing of all the potential tax consequences of holding Ordinary Shares. Prospective purchasers of Ordinary Shares are advised to consult their own independent tax advisers concerning the consequences under UK tax law of the acquisition, ownership and disposition of Ordinary Shares.

The statements are not applicable to all categories of shareholders, and in particular are not addressed to (i) shareholders who do not hold their Ordinary Shares as capital assets, (ii) shareholders who own (or are deemed to own) ten per cent or more of the voting power of the Company, (iii) special classes of shareholders such as dealers in securities, broker-dealers, insurance companies, trustees of certain trusts and investment companies, (iv) shareholders who hold Ordinary Shares as part of hedging or commercial transactions, (v) shareholders who hold Ordinary Shares in connection with a trade, profession or vocation carried on in the UK (whether through a branch or agency or otherwise), (vi) shareholders who hold Ordinary Shares in a personal equity plan or an individual savings account or (vii) shareholders who are not resident or ordinarily resident in the UK for tax purposes (unless express reference is made to non-UK resident shareholders).

21.1 *Tax residence and UK taxation status of the Company*

The Company is registered in the Isle of Man and it is intended that central management and control will be exercised in the Isle of Man. Consequently, it is intended that the Company will be resident in the Isle of Man for tax purposes. As a tax-exempt company, the Company will not be subject to Isle of Man income tax (as detailed in paragraph 22 below).

21.2 *Dividends – UK resident shareholders*

A UK resident individual shareholder who receives a dividend from the Company and who is liable to income tax at the starting or basic rate will be subject to tax on the dividend at the rate of ten per cent. of the gross dividend. A UK resident individual shareholder who is liable to income tax at the higher rate will be liable to tax on the dividend at the rate of 32.5 per cent.

A shareholder which is a company resident for tax purposes in the UK and which receives a dividend from the company will be subject to corporation tax on the dividend at the appropriate rate, currently up to 30 per cent.

21.3 *Dividends – non-UK resident shareholders*

A Shareholder resident outside the UK may be subject to foreign taxation on dividend income under local law. A shareholder who is not resident in the UK (for tax purposes) should consult his own tax adviser concerning his tax liabilities on dividends received from the Company.

21.4 *Taxation of capital gains*

A disposal of Ordinary Shares by a shareholder who is either resident or, in the case of individuals, ordinarily resident for tax purposes in the UK may, depending on the shareholder's circumstances and subject to any available exemption or relief, give rise to a chargeable gain or allowable loss for the purposes of the taxation of chargeable gains. Broadly, shareholders who are not resident or ordinarily resident for capital gains tax purposes in the UK will not be liable for UK tax on capital gains realised on the disposal of their Ordinary Shares unless such Ordinary Shares are used, held or acquired for the purposes of a trade, profession or vocation carried on in the UK through a branch or agency or for the purpose of such branch or agency. Such shareholders may be subject to foreign taxation on any gain under local law. A shareholder who ceases to be resident or ordinarily resident for tax purposes in the UK for a period of less than five tax years, and who disposes of the Ordinary Shares during that period of non-residence, may also be liable to UK taxation on chargeable gains (subject to any available exemption or relief) as if, broadly, the disposal was made in such shareholder's year of return to the UK.

For the purposes of taper relief, the qualifying holding period will run from the date when the relevant holding of Ordinary Shares was acquired. Following the Finance Act 1998, indexation is not available to shareholders, other than those subject to corporation tax on chargeable gains. Shareholders subject to corporation tax on chargeable gains remain entitled to indexation allowance but are not entitled to taper relief. The Ordinary Shares should be business assets for the purposes of taper relief provided that the Group is a qualifying trading group for taper relief purposes.

21.5 *UK stamp duty and stamp duty reserve tax (“SDRT”)*

No stamp duty or SDRT will be payable by shareholders on the issue of the Ordinary Shares.

The above statements are intended only as a general guide to the current tax position under UK taxation law and practice. A Shareholder or potential investor who is in any doubt as to his or her tax position or is subject to tax in any jurisdiction other than the United Kingdom should consult his or her professional adviser without delay.

22. **Isle of Man Taxation**

Trustees of Isle of Man settlements, the income of which arises outside the Isle of Man (or from certain approved sources within the Isle of Man) and which have no Isle of Man resident beneficiaries are currently not charged to Isle of Man income tax, and are regarded by the Isle of Man Assessor of Income Tax as not resident in the Isle of Man.

In the event of the death of a sole holder of Ordinary Shares, an Isle of Man grant of probate or administration may be required in respect of which certain fees will be payable to the Isle of Man Government.

Capital duty in the Isle of Man is payable on incorporation or on any increase in the nominal value of the authorised share capital of the Company, ranging from a minimum of £125 for capital up to £2,000, up to a maximum amount of duty of £5,000 for each company. Capital duty is payable for increases in the nominal value of authorised share capital at a rate of £15 for every £1,000 of share capital, or part thereof.

22.1 *Standard rate of income tax*

Resident companies

From 6 April 2006, the standard rate of income tax for companies in the Isle of Man will be 0 per cent. (“the standard rate”). The standard rate will be generally applicable to all forms of income received by all companies with the exception of income received from the banking business of licensed banks and income received by companies that is derived from land and property in the Isle of Man which will be taxed at a rate of 10 per cent.

Resident companies will pay an annual corporate charge from 6 April 2006. The charge has been set at £250 for the 2006/07 tax year.

General

With effect from 6 April 2007 a corporate tax system will replace the existing income tax system for the taxation of companies. All companies will be subject to the standard zero rate of taxation with the exceptions referred to above. The current exempt tax regime for companies will ultimately be abolished from 6 April 2007 in order to meet the international standards being set by both the OECD and the EU. No new applications for tax exempt company status will be accepted after 6 April 2006.

From 6 April 2006, companies having Manx members may, in certain circumstances, be required to pay a Distributable Profits Charge (DPC) in respect of distributions made to its members. However, companies listed on the Alternative Investment Market (AIM) are outside the scope of the DPC.

Shareholders resident in the Isle of Man will, depending upon their individual circumstances, be liable to Manx income tax on dividends received from the Company. Shareholders resident outside the Isle

of Man will only be affected by withholding tax in 2006/07 and only then if any of the Company's income has been subject to tax at a rate of 10 per cent.

There is no capital gains tax, inheritance tax, stamp duty or SDRT in the Isle of Man.

22.2 *Savings Directive*

The Directive is an agreement between the Member States of the European Union (EU), which require each Member State to exchange information with each other about EU residents who earn interest on savings in one EU Member State, but live in another. Whilst the legal scope of the Directive does not extend outside of the EU, the Isle of Man has voluntarily put in place legislation that supports the aim of the Directive. In this regard, the Isle of Man has implemented a 'retention tax' regime together with the option to exchange information at the express consent of the individual concerned.

23. **Miscellaneous**

23.1 There has been no significant change in the financial or trading position of Eros Network Limited, Eros Multimedia Private Limited, Eros Worldwide FZ LLC or the Eros Offshore group since 31 December 2005, the date to which the latest financial information in Part III of this document relating to those entities was prepared.

Save as disclosed elsewhere in this document, there has been no significant change in the financial or trading position of Eros International plc since 31 May 2006, the date to which the latest financial information in Part III of this document relating to that company was prepared.

23.2 The total costs and expenses relating to the Placing (including those fees and commissions referred to in paragraph 10 above) payable by the Company are estimated to be approximately £2.5 million excluding any VAT payable. The net proceeds of the Placing available to the Company will be £20.0 million (assuming that the Placing is subscribed in full).

23.3 In making any investment decision in respect of the Placing, no information or representation should be relied on in relation to the Placing, the Group or the Placing Shares, other than as contained in this document. No person has been authorised to give any information or make any representation other than those contained in this document and, if given or made, such information or representations must not be relied on as having been authorised. Neither the delivery of this document nor any subscription made under it shall, under any circumstances, constitute a representation or create any implication that there has been no change in the affairs of the Group since the date of this document or that the information in this document is correct as at any time subsequent to the date of this document.

23.4 Grant Thornton UK LLP, whose registered office is at Grant Thornton House, Melton Street, London, NW1 2EP, accepts responsibility for the information contained in Parts III B, III D, III F, III H, III J, IV and V C of this document. To the best of the knowledge of Grant Thornton UK LLP (which has taken all reasonable care to ensure that such is the case) the information in Parts III B, III D, III F, III H, III J, IV and V C of this document is in accordance with the facts and makes no omission likely to effect the impact of such information.

23.5 Grant Thornton UK LLP has given and has not withdrawn its written consent to the inclusion of its reports in Parts III B, III D, III F, III H, III J, IV and V C of this document and the references to those reports in the form and context in which they are included.

23.6 Evolution Securities Limited is registered in England and Wales under number 02316630 and its registered office is at 9th Floor, 100 Wood Street, London, EC2V 7AN. Evolution Securities Limited is regulated by the FSA.

23.7 Firecrest Hambro Limited has given and has not withdrawn its written consent to the issue of this document with the inclusion of its name and references to it in the form and context in which they appear. Firecrest Hambo Limited is regulated by the FSA.

- 23.8 Save as otherwise disclosed in this document:
- 23.8.1 there are no patents or other intellectual property rights, licences or particular contracts (including industrial, commercial or financial contracts) or new manufacturing processes which are of fundamental importance to the Group's business or upon which the Group's business is otherwise dependent;
 - 23.8.2 there have been no interruptions in the Group's business in the 12 months preceding the date of this document which may have or had a significant effect on the Group's financial position;
 - 23.8.3 there have been no principal investments, nor are there any in progress or under active consideration or in respect of which firm commitments have been made;
 - 23.8.4 there are no known environmental issues that might affect the Company's utilisation of its tangible fixed assets; and
 - 23.8.5 there are no known trends, uncertainties, demands, commitments or events that are reasonably likely to have a material effect on the Company's prospects for at least the current financial year.
- 23.9 Save as otherwise disclosed in this document, no person (excluding professional advisers otherwise disclosed in this document and trade suppliers) has:
- 23.9.1 received, directly or indirectly, from any member of the Group within the 12 months preceding the date of application for Admission; or
 - 23.9.2 entered into contractual arrangements (not otherwise disclosed in this document) to receive, directly or indirectly, from any member of the Group on or after Admission any of the following:
 - fees totalling £10,000 or more;
 - securities in any member of the Group with a value of £10,000 or more calculated by reference to the Placing Price; or
 - any other benefit with a value of £10,000 or more at the date of Admission.
- 23.10 No Director or a member of a Director's family has any interest, directly or indirectly, in any related financial products referenced to the Ordinary Shares.
- 23.11 Kishore Lulla and Sunil Lulla are brothers. Further, Vijay Ahuja is a cousin of Kishore Lulla and Sunil Lulla. Save as set out herein, there are no family relationships between the Directors.
- 23.12 There is no corporate governance regime in the Isle of Man which applies to the Company.
- 23.13 The number of employees in the Group as at the date of this document is not less than 110.
- 23.14 The auditors for Eros Network Limited for the period covered by the historical financial information provided herein were Grant Thornton UK LLP, who are regulated for audit work by the Institute of Chartered Accountants in England and Wales.
- 23.15 Eros International plc, incorporated on 31 March 2006, appointed Grant Thornton (the Isle of Man member of Grant Thornton International) as its auditor as from 25 May 2006.
- 23.16 The auditors for Eros Multimedia Private Limited and Shivam Videotech Private Limited for the period covered by the historical financial information provided herein were RSM & Co., who are regulated for audit work by the Institute of Chartered Accountants of India.
- 23.17 Copsale Limited was not subject to audit requirements in its local jurisdiction. The company had no auditors for the period covered by the historical financial information provided herein.

24. Admission document available for inspection

Copies of this document will be available free of charge to the public at the offices of Evolution Securities Limited at 9th Floor, 100 Wood Street, London, EC2V 7AN during normal business hours on any weekday (public holidays excepted) until the date falling one month after the date of Admission.

Dated 27 June 2006

DEFINITIONS

The following definitions apply throughout this document, unless the context otherwise requires:

“Acacia Investments”	Acacia Investments Holdings Limited, a company under the same common ownership as Beech
“Admission”	the admission of the issued Ordinary Shares of the Company to trading on AIM and such admission becoming effective in accordance with the AIM Rules
“AIM”	the AIM market of the London Stock Exchange
“AIM Rules”	the rules for AIM companies and their nominated advisers issued by the London Stock Exchange from time to time in relation to AIM traded securities
“Articles”	the articles of association of the Company
“Board”	the board of directors of the Company for the time being, including a duly constituted committee of the directors
“Beech” or “Vendor”	Beech Investments Limited, which is ultimately owned by a discretionary trust of which Kishare Lulla, Vijay Ahuja and Sunil Lulla are amongst the beneficiaries
“CAGR”	compound annual growth rate
“Combined Code”	the Combined Code on Corporate Governance published in July 2003 by the Financial Reporting Council
“CREST”	the computer based system and procedures administered by CRESTCo Limited which enable title to securities to be held and transferred without a written instrument
“CREST Regulations”	the Uncertificated Securities Regulations 2005 (Isle of Man legislation)
“Directors”	the directors of the Company whose names appear on page 7 of this document and “Director” means any one of them
“Enlarged Issued Share Capital”	the Ordinary Shares in issue immediately following Admission
“Eros”, “the Company” or “the Issuer”	Eros International plc and/or all or any members of the Group, or their respective businesses, as the context may require
“the Eros India Group”	Eros Multimedia Private Limited and its subsidiary undertakings
“the Eros Offshore Group”	Evron Limited, Stanning Corporation, Eros Media Limited and Windmill Holdings Limited
“the Eros UK Group”	Eros Network Limited and its subsidiary undertakings
“Evolution”	Evolution Securities Limited
“Evolution Securities US”	Evolution Securities US, Inc.
“Existing Ordinary Shares”	the Ordinary Shares in issue immediately prior to Admission
“the Group”	Eros and all its subsidiaries
“HMRC”	Her Majesty’s Revenue and Customs

“Institutional Accredited Investor”	an “accredited investor” within the meaning of paragraph (1), (2), (3), (7) or (8) of Rule 501(a) of Regulation D under the US Securities Act
“L.M.B. Holdings”	L.M.B. Holdings Limited
“London Stock Exchange”	London Stock Exchange plc
“Official List”	the official list of the U.K. Listing Authority
“Ordinary Shares” or “Shares”	ordinary shares of 10p each in the capital of the Company
“Placing”	the placing of Ordinary Shares pursuant to the terms of the placing agreement described in paragraph 10 of Part VI of this document
“Placing Agreement”	the agreement dated 27 June 2006 and made between the Company, the Vendor, the Directors and Evolution relating to the Placing, further details of which are set out in paragraph 10 of Part VI of this document
“Placing Price”	the price of 176p per Placing Share
“Placing Shares”	the 12,784,091 Placing Shares to be issued by the Company pursuant to the Placing
“Qualified Institutional Buyer” or “QIB”	a “qualified institutional buyer” within the meaning of Rule 144A under the US Securities Act
“Registrar”	Equity Limited
“Sale Shares”	the 2,840,909 Ordinary Shares to be sold by the Vendor in the Placing pursuant to the terms of the Placing Agreement
“Shareholder”	a holder of Ordinary Shares
“UK Listing Authority” or “UKLA”	the UK Financial Services Authority acting in its capacity as the competent authority for the purposes of Part VI of the Financial Services and Markets Act 2000
“£”	UK pounds sterling
“UK”	United Kingdom of Great Britain and Northern Ireland
“United States” or “US” or “USA”	the United States of America, its territories and possessions, any State of the United States of America and the District of Columbia
“US Exchange Act”	the United States Securities Exchange Act of 1934 as amended
“US Securities Act”	the United States Securities Act of 1933 as amended and the rules and regulations promulgated thereunder
“US Shares”	collectively, the Ordinary Shares to be issued by the Company and sold by the Vendor to QIBs and Institutional Accredited Investors in private placements in the US

GLOSSARY OF SPECIALIST TERMS

“Bollywood”	the informal name given to the popular Mumbai-based film industry in India
“Crossover”	the process by which “Bollywood” cinema, having established a niche for itself among its domestic and expatriate Asian audience, is also increasingly acquiring an audience comprising non-Asians
“Digital Cinema Exhibition”	commercial presentation of theatrical content using digital technology
“DVD”	Digital Versatile Disk, an optical disc storage media
“FDA”	the Film Distributors’ Association
“GSM”	third generation global system for mobile communication
“HD DVD”	a DVD capable of playing digital broadcast signals with a higher resolution than traditional formats
“HD TV”	a television set capable of receiving digital broadcast signals with a higher resolution than traditional formats
“Mobisode”	a broadcast television episode specially made for viewing on a mobile phone screen and usually of short duration
“New Media”	using digital media and computer technology to create innovative and interactive instructional and presentation materials for delivery through CD, DVD and the Internet
“Polyphonic”	a mobile phone ringtone that can accurately reproduce complex music using several notes at once
“VCD”	a video compact disc that contains audio-visual content
“ViV”	technology designed to help digital platforms to connect seamlessly whilst delivering enhanced graphics and sound. This trademark belongs to Intel Corporation.

