

***Staying Ahead***

COSMO FILMS LIMITED  
ANNUAL REPORT 2010-11



## Notice

Notice is hereby given that the Thirty-Fourth Annual General Meeting of the members of Cosmo Films Limited will be held at Shah Auditorium, 2, Raj Niwas Marg, Civil Lines, Delhi- 110054 on Wednesday, the 13th day of July, 2011 at 12.00 Noon to transact the following business:

### ORDINARY BUSINESS:

1. To receive, consider and adopt the audited Profit & Loss Account for the year ended 31st March, 2011 and the Balance Sheet as at that date and the report of the Board of Directors and the Auditors of the Company thereon.
2. To declare dividend on equity shares.
3. To appoint a Director in place of Mr. H.K. Agrawal, who retires by rotation and being eligible offers himself for reappointment.
4. To appoint M/s. Walker Chandiook & Co. as the statutory auditors of the Company from the conclusion of the 34th Annual General Meeting upto the conclusion of next Annual General Meeting and to fix their remuneration. M/s. B. K. Shroff & Co., the retiring auditors have expressed their unwillingness to be re-appointed as the auditors of Company at this Annual General Meeting.

### SPECIAL BUSINESS:

#### Item No. 5

**To consider and if thought fit, to pass with or without modification(s), the following resolution as an Ordinary Resolution:**

“RESOLVED THAT Mr. Suresh Rajpal, who was appointed as Director under section 262 of the Companies Act, 1956 in the casual vacancy caused by the resignation of Mr. H. L. Paranjpe and who holds office only upto the conclusion of this Annual General Meeting and in respect of whom due notice in writing along with requisite fees under section 257 of the Companies Act, 1956 has been received by the Company from a member proposing the candidature of Mr. Suresh Rajpal for office of Director of the Company, be and is hereby appointed as Director of the Company, liable to retire by rotation.”

#### Item No. 6

**To consider and if thought fit, to pass with or without modification(s), the following resolution as an Ordinary Resolution:**

“RESOLVED THAT in supersession of the resolution passed earlier, pursuant to Section 293(1)(d) and other applicable provisions, if any, of the Companies Act, the Board of Directors of the Company (hereinafter called “the Board”, which term shall be deemed to include any other Committee of the Board, which the Board may have constituted or hereinafter constitute for the time being, to exercise its powers including the powers conferred on the Board of Directors by this resolution, or any person(s) authorised by the Board or its Committee for such purposes), is hereby authorised to borrow from time to time as it may think fit, by way of loans from, or issue of bonds, debentures or other securities whether convertible into equity/preference shares and/or securities with or without detachable warrants with a right exercisable by the warrant holder(s) to convert or subscribe for equity/preference shares to, bank(s), financial or other institution(s), mutual fund(s), non-resident Indians, foreign institutional investors or any other person(s), body(ies) corporate, etc., whether shareholder of the Company or not, whether unsecured or secured and on such terms and conditions as the Board may deem fit, any sum or sums of monies which together with the monies already borrowed by the Company (apart from temporary loans obtained or to be obtained from the Company’s bankers in the ordinary course of business) may exceed the aggregate of the paid-up capital of the Company and its free reserves, that is to say, reserves not set apart for any specific purpose, provided that the total amount so borrowed by the Board shall not at any time exceed the limit of Rs. 1000 crores.”

“RESOLVED FURTHER THAT the Board be and is hereby authorised to do all such acts, deeds and things and to sign all such agreements, documents, papers and writings as may be deemed necessary, expedient or desirable to give effect to above resolutions.”

“RESOLVED FURTHER THAT all actions taken by the Board in connection with any matter referred to or contemplated in any of the foregoing resolutions are hereby approved, ratified and confirmed in all respects.”

#### Item No. 7

**To consider and if thought fit, to pass with or without modification(s), the following resolution as an Ordinary Resolution:**

“RESOLVED THAT pursuant to the provisions of Sections 269, 198, 309 and 310 read with Schedule XIII and other applicable provisions, if any, of the Companies Act, 1956

(including any statutory modifications or re-enactment thereof for the time being in force) and subject to such other sanctions and approvals as may be required, the consent of the Company, be and is hereby accorded for the appointment of Mr. Anil Kumar Jain as the whole – time Director in the capacity of Director – Corporate Affairs of the Company with effect from May 24, 2011.”

“RESOLVED FURTHER THAT the Company hereby approves the salary, perquisites, allowances and commission as per the terms and conditions as may be decided by the Board of Directors within the overall limits specified under Section I of Part II of Schedule XIII of the Companies Act, 1956 or any statutory modification thereof and to alter and vary the terms and conditions as the Board of Directors may in their absolute discretion consider necessary.”

“RESOLVED FURTHER THAT in the event of absence or inadequacy of net profits in any financial year, the Company do pay to Mr. Anil Kumar Jain remuneration by way of salary, perquisites and allowances not exceeding the ceiling limit specified under Section II of Part II of Schedule XIII to the Companies Act, 1956 or any statutory modification thereof.”

“RESOLVED FURTHER THAT Mr. Anil Kumar Jain shall also be entitled for the reimbursement of actual entertainment, traveling, boarding and lodging expenses incurred by him in connection with the Company’s business and such other benefits/amenities and other privileges, as from time to time, be available to other senior executives of the Company.”

“RESOLVED FURTHER THAT the Board of Directors of the Company be and are hereby severally authorized to do all such acts, deeds and things and to sign all such documents, papers and writings as may be necessary to give effect to the above resolution.”

**For by order of the Board  
Cosmo Films Limited**

New Delhi  
May 24, 2011

Neetu Sharma  
**Company Secretary**

**NOTES:**

1. The relative explanatory statement, pursuant to Section 173(2) of the Companies Act, 1956 is annexed hereto.
2. As a measure of economy, copies of the Annual Report shall not be distributed at the Meeting, therefore members are requested to bring their own copies at

the Meeting.

3. A MEMBER ENTITLED TO ATTEND AND VOTE AT THE MEETING IS ENTITLED TO APPOINT ANOTHER PERSON AS HIS PROXY TO ATTEND AND ON A POLL TO VOTE INSTEAD OF HIMSELF. THE PROXY NEED NOT BE A MEMBER OF THE COMPANY. A BLANK FORM OF PROXY IS ENCLOSED AND IF INTENDED TO BE USED, IT SHOULD BE DULY COMPLETED AND DEPOSITED AT THE REGISTERED OFFICE OF THE COMPANY NOT LESS THAN FORTY-EIGHT HOURS BEFORE THE SCHEDULED TIME OF THE MEETING.
4. In case of joint holders attending the meeting, only such joint holder who is higher in the order of names will be entitled to vote.
5. The Register of Members and Share Transfer Books of the Company will remain closed from Thursday, the 7th day of July, 2011 to Wednesday, the 13th day of July, 2011 (Both days inclusive).
6. A notice pursuant to Section 192A(2) of the Companies Act, 1956 containing resolutions relating to the following items were circulated to the shareholders of the Company for seeking their assent/dissent by way of Postal Ballot.
  - (i) Alteration in the Article of Association of the Company under Section 31 and;
  - (ii) Creation of charge, mortgage or hypothecation under Section 293(1)(a) of the Companies Act, 1956The result of the aforesaid Postal Ballot will be announced by the Chairman of the Annual General Meeting of the Company to be held on Wednesday, July 13, 2011.
7. Members, who are holding shares in identical order of names in more than one folio are requested to write to the Company enclosing their share certificates to consolidate their holdings in one folio.
8. Members who hold shares in dematerialized form are requested to bring their Client ID and DP ID numbers for easy identification of attendance at the meeting.
9. The Members holding shares in physical form are also requested to notify any change in their addresses immediately to the Company’s Share Registrar and Transfer Agents **M/s. Alankit Assignments Limited, 2E/21, Alankit House, Jhandewalan Extension, New Delhi 110 055.**

10. Members / Proxy holders are requested to produce at the entrance of the Auditorium the enclosed admission slip duly completed and signed.
11. In order to provide protection against fraudulent encashment of the warrants, shareholders holding shares in physical form are requested to intimate the company under the signature of the Sole/First Joint holder, the following information to be incorporated on the Dividend Warrants:
- i) Name of the Sole/First Joint Holder and the folio number
  - ii) Particulars of Bank Account, viz
    - Name of the Bank
    - Name of the Branch
    - Complete address of the bank with Pin Code Number
    - Account type, whether savings (SB) or Current Account (CA)
    - Account number allotted by the bank
12. Shareholder holding shares in electronic form may kindly note that their Bank account details as furnished by the depositories to the company will be used for payment by ECS or printed on their Dividend Warrants as per the applicable regulations. The company will not entertain any direct request from such shareholders for deletion of/ change in such bank details. Further instructions, if any, already given by them in respect of shares held in physical form will not be automatically applicable to shares held in electronic mode. **Shareholders who wish to change such bank account details are therefore requested to advise**

**their Depository Participants about such changes, with complete detail of bank account.**

13. Electronic Clearing Service (ECS) Facility
- With respect to the payment of dividend, the company provides the facility to all of its shareholders, holding shares in electronic form and shareholders who have opted for ECS and are holding shares in physical forms. Shareholders holding shares in physical form who wish to avail ECS facility, may authorize the Company with their ECS Mandate in the prescribed form, can be downloaded from the company's website ([www.cosmofilms.com](http://www.cosmofilms.com)) under the section Investor Service or can be obtained from the Registrar and Share Transfer Agents, M/s Alankit Assignment Limited . Requests for payment of dividend through ECS for the year 2010-11 should be lodged with M/s Alankit Assignments Limited on or before the 6th day of July, 2011.
14. Pursuant to provisions of Section 205 A of the Companies Act, 1956, all unpaid or unclaimed dividends upto the year ended 31st March, 2003 have been transferred to Investor Education and Protection Fund (IEPF) established by the Central Govt.
15. Pursuant to provisions of Section 205 A(5) of the Companies Act, 1956, dividend for the financial year ended March, 31, 2004 and thereafter, which remains unclaimed for a period of 7 years will be transferred by the Company to Investor Education and Protection Fund established by the Central Govt.
- Information in respect of such unclaimed dividend when due for transfer to the fund is given below:

Financial Year	Type of dividend	Date of declaration	Due for transfer
2003-04	Final Dividend	30/07/2004	05/09/2011
2004-05	Final Dividend	27/09/2005	03/11/2012
2005-06	Final Dividend	30/08/2006	06/10/2013
2006-07	Final Dividend	31/07/2007	06/09/2014
2007-08	Final Dividend	24/07/2008	30/08/2015
2008-09	Final Dividend	25/08/2009	01/10/2016
2009-10	Final Dividend	09/09/2010	16/10/2017

Shareholders who have not encashed the dividend warrant(s) are requested to seek issue of duplicate dividend warrants by writing to the Company.

**Shareholders are requested to note that no claims shall lie against the Company or the said fund in respect of any amount which were unclaimed and unpaid for a period of seven years from the dates that they became due for payment and no payment shall be made in respect of any such claims.**

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16. Non Resident Indian shareholders are required to inform M/s Alankit Assignments Limited immediately :
- The change in the residential status on return to India for permanent settlement.
  - The particulars of the Bank Account maintained in India with complete name, branch, account type, account number, and address of the bank, if not furnished earlier.
17. Corporate Members intending to send their authorized representatives are requested to send a duly certified copy of the Board Resolution authorizing their representatives to attend and vote at the Annual General Meeting.
18. Consequent upon the introduction of Section 109A of the Companies Act, 1956, shareholders are entitled to make nomination in respect of shares held by them in physical form. Shareholders desirous of making nominations are requested to send their requests in Form 2B (which will be made available on request) to the Registrar and Transfer Agents, M/s Alankit Assignments Limited. The said Form 2B can also be downloaded from the Company's web site [www.cosmofilms.com](http://www.cosmofilms.com).
19. The details pertaining to the Directors, proposed to be reappointed in terms of Listing agreement is annexed to this notice.

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## ANNEXURES TO THE NOTICE

### EXPLANATORY STATEMENT UNDER SECTION 173(2) OF THE COMPANIES ACT, 1956

#### Item No. 5

Mr. Suresh Rajpal was appointed as Director on 28th May, 2010 in casual vacancy caused by the resignation of Mr. H. L. Paranjpe who holds office upto the date of this Annual General Meeting.

A notice in terms of Section 257(1) of the Companies Act, 1956 has been received from a member signifying his intention to propose the candidature of Mr. Suresh Rajpal for office of director of the company.

Mr. Suresh Rajpal is an Electrical Engineer from the Banaras Hindu University in India and earned his MBA from York University, Toronto, Canada. He was the founder President & CEO of Hewlett-Packard India, since its inception in 1989.

Suresh co-founded Tecnova in September 2001, providing consulting services to emerging growth companies in India.

In July 2006, he founded Visnova Solutions, a focused software solutions and high-end KPO/BPO organization.

He received the Entrepreneur of the Year Award for companies begun in the prior 3 years in India from Ernst & Young in 2002 and is a recipient of US Ambassador's Award for Extraordinary Service to American Businesses in India, as the President of American Chamber of Commerce.

Pursuant to the requirement of the listing agreement with the stock exchanges, on corporate governance the

information required to be given in case of appointment of new director or re-appointment of a director, is annexed herewith.

Except Mr. Suresh Rajpal, none of the Directors is concerned or interested in the resolution

#### Item No. 6

In order to address various growth opportunities, the Company would need to raise funds. In view thereof, the Board, at its meeting held on 24th May, 2011, has approved in principle the increase in the borrowing powers of the Company, subject to shareholders' approval.

Under the provisions of Section 293(1)(d) of the Companies Act, 1956, as amended, the consent of the shareholders is required to authorize the Board to borrow money (apart from temporary loans obtained from the Company's bankers in the ordinary course of business) in excess of the aggregate of its paid-up capital and free reserves.

The resolution as set out at item no. 6 of the notice is placed for your approval for enhancing the limits of borrowings by the Board up to an amount not exceeding Rs. 1000 crore (Rupees One Thousand Crore) or equivalent thereof in any foreign currency(ies).

The Board accordingly recommends the resolution as set out in item no. 6 of the accompanying notice for the approval of the shareholders by way of an ordinary resolution.

None of the Directors of the Company is, in any way, concerned or interested in the aforesaid resolution.

### **Item No. 7**

The Board of Directors of the Company at their meeting held on May 24, 2011 appointed Mr. Anil Kumar Jain as whole – time director in the capacity of Director - Corporate Affairs of the Company with effect from May 24, 2011 on the following remuneration and perquisites, subject to approval of the shareholders at the General Meeting.

- I. **Salary:** As may be fixed by the Board from time to time but not exceeding a sum of Rs. 1,50,00,000 (Rupees one crore fifty lacs) per annum.
- II. **Perquisites and allowances:** Perquisites (evaluated as per Income Tax rules, wherever applicable, and at actual cost to the Company in other cases) like medical reimbursement, leave travel allowance, premium on personal accident policy, medical insurance, use of car, mobile phone, leave with full pay and allowance and the right to accumulate in accordance with the rules of the Company, provident fund, superannuation fund, gratuity, and other retirement benefits. The Board of Directors in its absolute discretion may vary the perquisites payable to the Whole-time director.
- III. **Others Terms:**
  - A. **Minimum Remuneration:** In the event of absence of or inadequacy of net profits in any financial year, the Company do pay to Mr. Anil Kumar Jain, whole-time director remuneration by way of salary, perquisites and allowance not exceeding the ceiling limit specified under section II of part II of schedule XIII to the Companies Act, 1956 or any statutory modification thereof.
  - B. **Reimbursement of expenses in connection with Company's business:** Mr. Anil Kumar Jain Whole-time director shall also be entitled for the reimbursement

of actual entertainment, travelling, boarding and lodging expenses incurred by him in connection with the Company's business and such other benefits/amenties and other privileges, as from time to time, be available to other senior executives of the Company.

The appointment of Mr. Anil Kumar Jain, pursuant to section 269 & Schedule XIII of the Companies Act, 1956, as Whole-time Director shall be subject to the approval of shareholders in the next general meeting of the Company.

The above remuneration is within the ceiling laid down in section 198, 269 and 309 read with Schedule XIII to the Companies Act, 1956 as modified by the circulars issued by the Company Law Board / Ministry of Corporate Affairs, from time to time.

Except Mr. Anil Kumar Jain, none of the Director is concerned or interested in the resolution.

Copies of the resolution passed by the Board of Directors at the meeting held on 24th May, 2011 in respect of the above, may be inspected at the Registered Office of the Company on any working day excluding Saturdays between 2.00 p.m. and 4.00 p.m.

Registered Office:  
1008, DLF Tower-A  
Jasola District Centre,  
New Delhi 110 025

By order of the Board  
for **Cosmo Films Limited**

New Delhi  
May 24, 2011

Neetu Sharma  
**Company Secretary**

PURSUANT TO THE PROVISIONS OF THE LISTING AGREEMENT WITH THE STOCK EXCHANGES, ON CORPORATE GOVERNANCE, THE INFORMATION REQUIRED TO BE GIVEN, IN CASE OF THE APPOINTMENT / REAPPOINTMENT OF A DIRECTOR IS AS FOLLOWS:

Director's name	Mr. H. K. Agrawal	Mr. Suresh Rajpal	Mr. Anil Kumar Jain
Date of Birth	11.10.1947	17.08.1943	18.03.1951
Qualifications	Bachelor of Eng., PG Diploma in Business Administration, IIM, Ahmedabad	B. E. (Electrical), M.B.A.	B.Com. (H), A.I.C.W.A., CISA
Nature of Expertise	Corporate Strategy, Management Structures & Mentoring	Corporate Strategy & Mentoring	Finance & Accounts
Date of Appointment/ Reappointment	13.01.2000	28.05.2010	24.05.2011
Name of The other Companies in which he holds Directorship	Nil	Visnova Solutions Pvt. Ltd. Electronic Tender.com (India) Pvt. Ltd. Inde Pay Networks (P) Ltd. Gisil Designs (P) Ltd.	Usha International Ltd. Trusted Info Systems Pvt. Ltd.
Name of the committees of Companies in which he holds memberships/ Chairmanships	Cosmo Films Limited· • Audit Committee – Chairman • Share Transfer & Investor Grievance Committee – Chairman	Nil	Cosmo Films Limited· • Audit Committee – Member· • Share Transfer & Investor Grievance Committee Member Usha International Ltd. • Audit Committee
Shereholding in the company	1000 Shares	Nil	Nil

Note: Only Audit & Share Transfer & Investors Grievance Committees have been considered.

# WHAT WE HOPE TO ACHIEVE



## Vision

To become the most preferred brand for packaging and laminating solutions globally.



## Mission

- Cosmo will seek global market leadership.
- Development & growth in Oriented and Thermal film.
- We will continue to create a winning culture, operating in the highest standards of ethics and values.
- We will strive for excellence in customer service, quality and R&D.



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# WHAT DRIVES US

# CORE VALUES

## OF COSMO

### **Customer Orientation**

We always remember that Customers have choices, and we will do whatever it takes to develop long term relations with them. Our customers always come first, and we strive to exceed their expectations from the point of quality and service.

### **People**

Our people are our most important asset. We treat all equally and with respect.

### **Innovation**

We encourage innovation in every facet of our business activity and are not afraid of taking manageable risks. We take pride in developing cost effective innovative packaging and laminating solutions for our customers.

### **Fair business practices**

We act fairly and ethically with all the stakeholders. We promote transparency, and adhere to best corporate governance practices.

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# CORPORATE INFORMATION

## REGISTERED OFFICE:

1008, DLF Tower-A, Jasola District Centre,  
New Delhi 110 025  
Tel: +91 11 49494949,  
Fax: +91 11 49494950  
Website : [www.cosmofilms.com](http://www.cosmofilms.com)

## PLANTS :

### Aurangabad:

#### Plant I

J-4, MIDC Industrial Area,  
Chikalthana, Aurangabad 431 210  
Tel: +91 240 2485894

#### Plant II

B-14/8-9, MIDC Industrial Area, Waluj,  
Aurangabad 431 136  
Tel: +91 240 2554611/12/13/14  
Fax: +91 240 2554416

#### Plant III (EOU)

B-21, MIDC Industrial Area, Aurangabad 431 136  
Tel : +91 240 2551888, 2553353/54

### Vadodara

Vermardi Road, Village Navi Jithardi, Near Inox,  
Off: N H Road, Taluka, Karjan Distt: Vadodara 391 240  
Tel: +91 2666 232960, 320707  
Fax: + 91 2666 232961

### Panchmahals

Plot No. 359-B, Baska Village, Taluka Halol  
Distt : Panchmahals, Gujarat  
Tel:+ 91 2676 247216

### Kerkrade, Netherlands

Mercuriusstraat 9  
6468 ES Kerkrade  
The Netherlands  
Tel: 31 45 535 7676  
Fax: 31 45 535 7878

### Hagerstown, USA

560, Maryland, Parkway, Hagerstown, Maryland,  
USA 21740  
Tel: +302-328-7780  
Fax: +302-295-9945

### Asan, Korea

98-18, Shin Hang Ri Doon Po Myun,  
Asan City, Choong Nam 336-873  
Republic of Korea,  
Tel: 82-41-531-1830,  
Fax : 82-41-531-1831

## STATE OFFICES:

### Delhi:

1008, DLF Tower-A, Jasola District Centre,  
New Delhi 110 025  
Tel: +91 11 49494949,  
Fax: +91 11 49494950

### Mumbai:

303, 3<sup>rd</sup> Floor, Gokul Arcade, A Wing,  
Opp. Hong Kong Bank, Subhash Road,  
Vile Parle (E), Mumbai 400 057  
Tel: +91 22 28261195, 28261197, 28266395  
Fax: + 91 22 28261201

### Hyderabad

1405/B, 14<sup>th</sup> Floor, Babu Khan Estate,  
Basheerbagh, Hyderabad 500 001  
Tel : +91 40 23297620, 23297622  
Fax: +91 40 23297622

## SUBSIDIARIES:

### ASIA PACIFIC

#### Singapore:

Cosmo Films (Singapore) Pte. Ltd.  
10 Jalan Besar, # 10-12, Sim Lim Tower,  
Singapore 208787  
Tel: 65-6511-2922, 65-6511-2923  
Fax : 65-6511-2968

#### Korea :

Cosmo Films Hwa Seung Co. Ltd.  
98-18, Shin Hang Ri Doon Po Myun,  
Asan City, Choong Nam 336-873  
Republic of Korea,  
Tel: 82-41-531-1830,  
Fax : 82-41-531-1831

#### Japan:

Cosmo Films Japan, GK  
Yamatane -Nai, Tokyo-Danashsoko, 6-2-11, Iriya,  
Adachi, Ku, Tokyo, 121-0836, Japan  
Tel: 81-3-5837-1805  
Fax: 81-3-5837-1807

### Mauritius

CF Global Holdings Limited,  
Regd. Office : 3<sup>rd</sup> floor, DHL Building,  
Sir Virgil Naz Street, Port Louis, Mauritius

CF (Mauritius) Holdings Ltd.  
Regd. Office : 3<sup>rd</sup> floor, DHL Building,  
Sir Virgil Naz Street, Port Louis, Mauritius

## EUROPE

### Netherlands:

COSMO Films (Netherlands) Cooperatief U.A  
Regd. Office : Kabelweg 37,1014BA,  
Amsterdam, Netherlands

CF (Netherlands) Holdings Limited B.V.  
Regd. Office : Kabelweg 37,1014BA,  
Amsterdam, Netherlands

## USA

Cosmo Films, Inc.  
1400, Johnson Way, Suite D,  
New Castle, Delaware 19720 USA  
Tel: +302-328-7780 Fax: +302-295-9945

## BRANCH:

### UAE:

Cosmo Films Ltd.  
Executive Desk Office, Postbox 121285  
Sharjah Airport International Free Zone  
Sharjah UAE  
Tel : +971 65574023  
Fax: +971 65574024

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# DIRECTORS'

## PROFILE

### **DIRECTOR IN EXECUTIVE CAPACITY**

**Ashok Jaipuria**  
Chairman & Managing Director

**Anil Kumar Jain**  
Whole Time Director

### **DIRECTORS' IN NON EXECUTIVE CAPACITY**

**H K Agrawal, (Independent)**  
B.E. & MBA(IIM),  
Management Consultant

**Dr. Surinder Kapur (Independent)**  
Ph.D. in Mechanical Engineering,  
Chairman, Sona Koyo Steering Systems Limited

**Rajeev Gupta (Independent)**  
B.E. & MBA,

**Badri Agarwal,**  
Chartered Accountant

**R Vasudevan (Independent)**  
B.A. (Hons) Economics, M.A. (Economics & Statistics)  
MPA (Development Economics) Harvard University, USA

**Suresh Rajpal (Independent)**  
BE (Electrical) MBA  
Chairman, Visnova Solutions Pvt. Ltd.

**Rama Iyer (Independent)**  
Chemical Engineer, M.Tech, (IIT-Bombay) M.B.A

## Management Team

Ashok Jaipuria	Chairman & Managing Director
A K Jain	Whole Time Director
Pankaj Poddar	Chief Financial Officer
Sanjay Govil	Chief Information & Strategic Officer
A G Deshpande	Vice President – Business Development
Janardan Gupta	Vice President – Global Logistics
Tanuj Agarwal	Vice President – Corporate Planning
Srinivasa Desikan	Vice President – Global Manufacturing
S C Maity	General Manager – Manufacturing
A K Pathak	General Manager – Manufacturing
Dr. Asim Khamrai	General Manager – R&D
N R More	General Manager – Maintenance
R K Gupta	General Manager – Finance & Accounts
Sanjay Chincholikar	General Manager – Marketing (Domestic)
S K Dutta	General Manager – Manufacturing
S Anand	Head – HR
Ankush Kaura	Head – Information Technology
Shailesh Verma	Head – International Market Development
Neetu Sharma	Company Secretary

## Auditors

M/s B K Shroff & Co.

## Bankers & Financial Institutions

- Landesbank Baden-Wuerttemberg
- IDBI Bank Limited
- ICICI Bank Limited
- HSBC Bank Plc.
- Export Import Bank of India
- Union bank of India
- State bank of India
- ING Vysya Bank Limited
- HDFC Bank Limited
- Yes Bank Limited
- Kotak Mahindra Bank Limited

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# Inside our factory



**PVDC Plant**



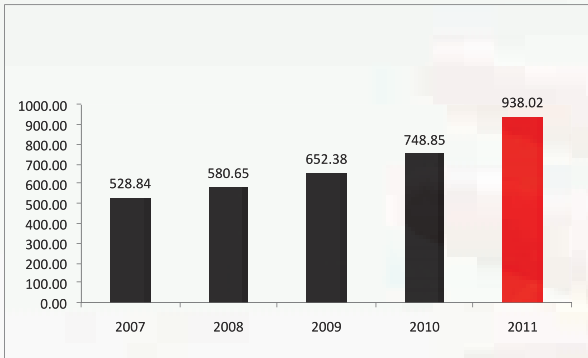
**WINDER**



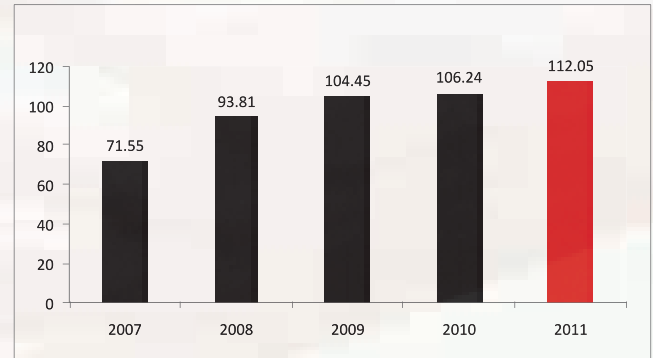
**SLITTER**

# Five year trends

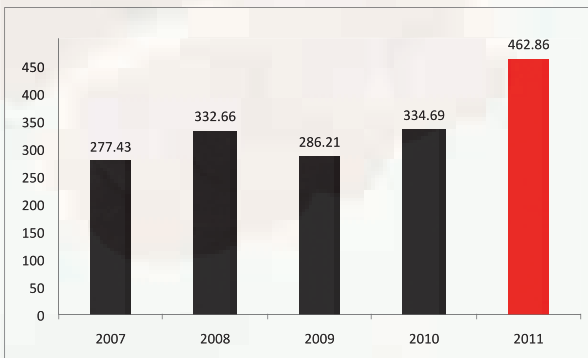
**Net sales\*** 938.02



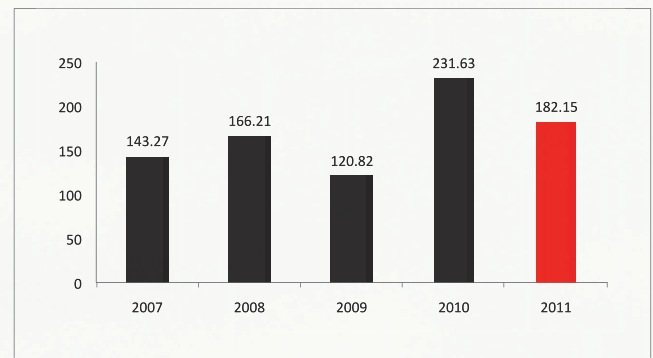
**EBIDTA\*** 112.05



**Export sales\*** 462.86



**Market capitalisation\*** 182.15

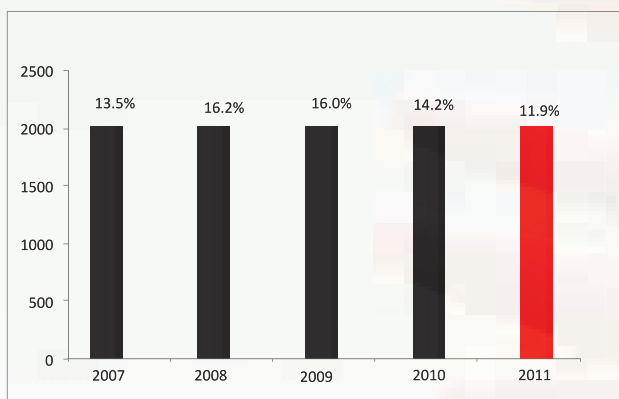


\*Rs. in Crore

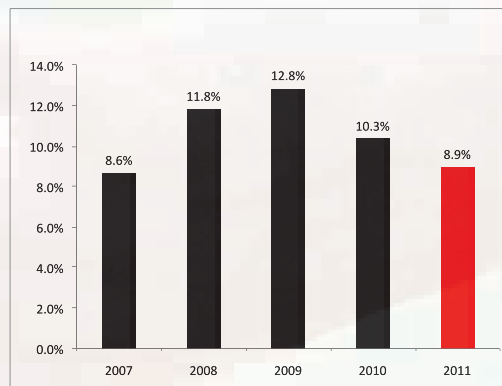


# Financial performance ratios

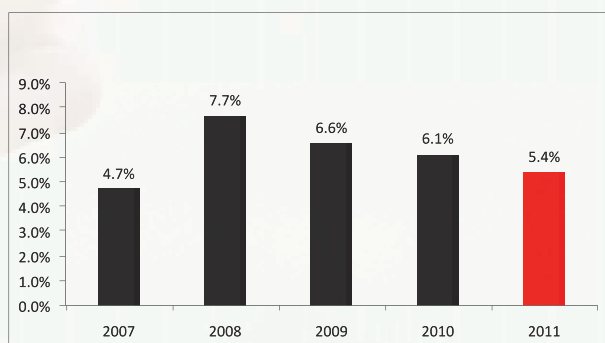
**EBIDTA/ Net Sales 11.9%**



**EBIT/ Net Sales 8.9%**

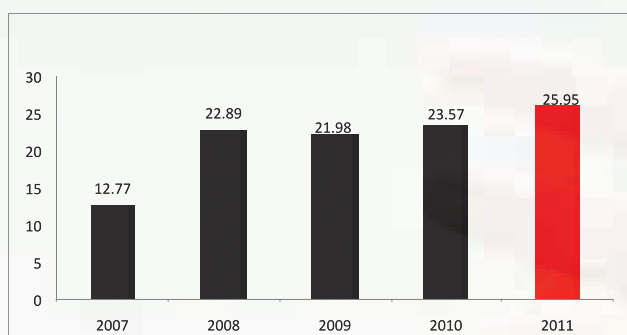


**PAT/ Net Sales 5.4%**

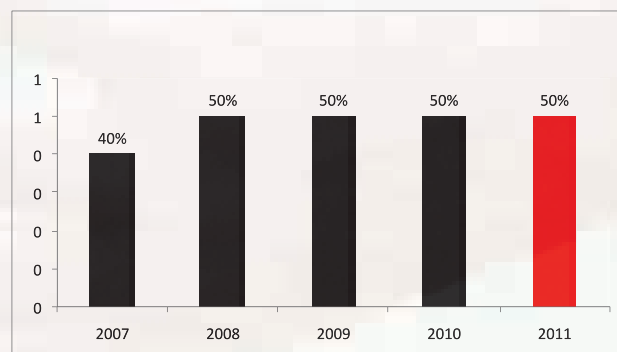


# Per share ratios

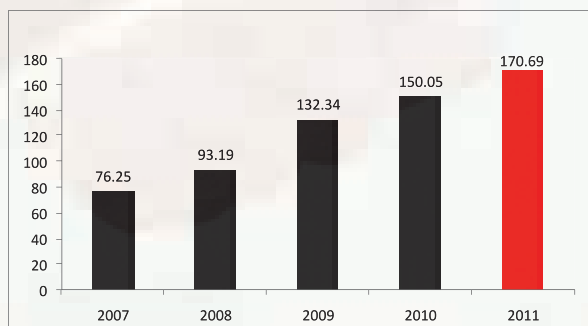
**Earning per share Rs. 25.95**



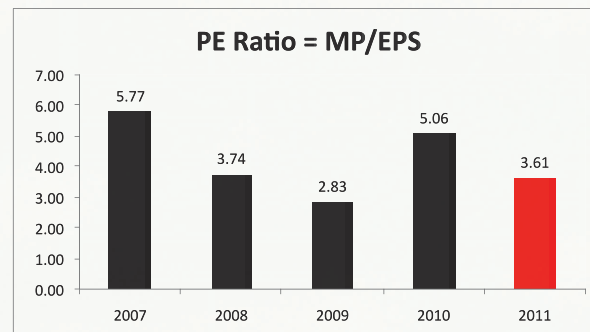
**Dividend rate 50%**



**Book value per share Rs.170.69**

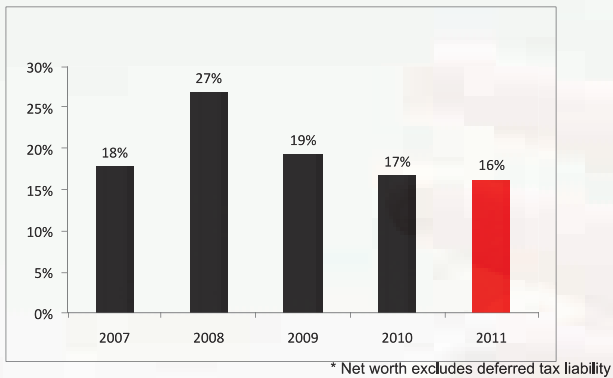


**PE ratio = MP/EPS 3.61**

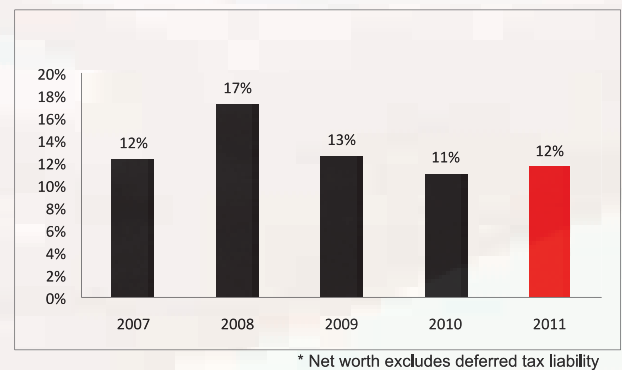


# Balance sheet ratios

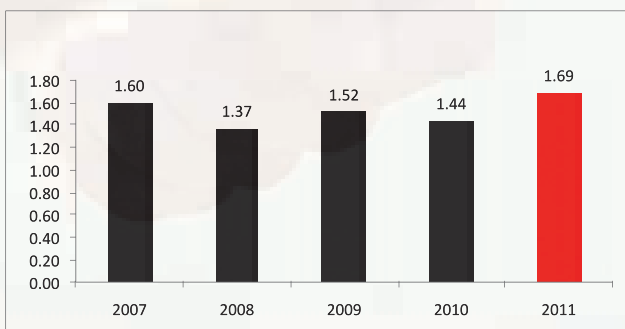
**Return on net worth (RONW)\* 16%**



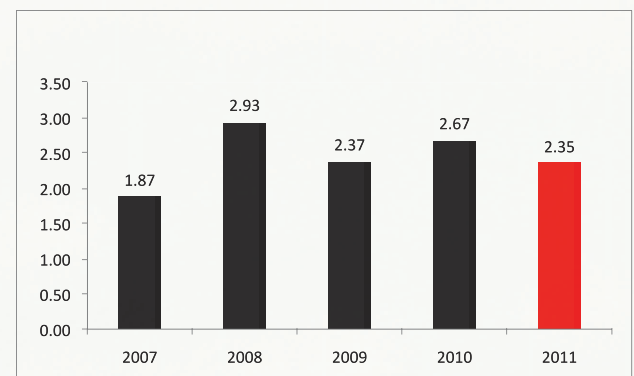
**Return on capital employed (ROCE)\* 12%**



**Current ratio 1.69**



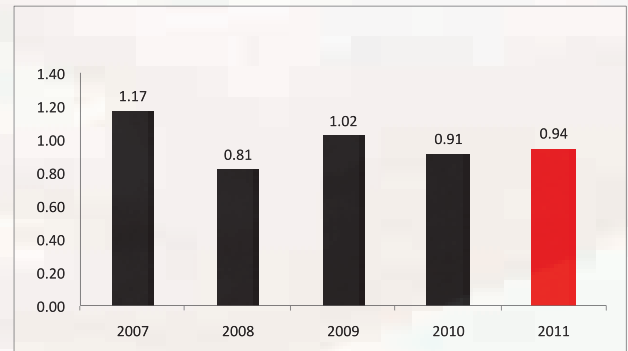
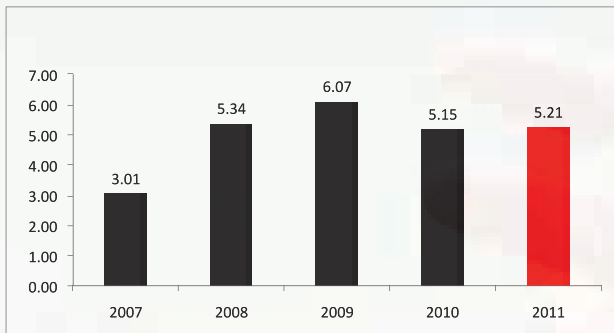
**Asset coverage ratio 2.35**



# Balance sheet ratios

**Interest coverage ratio 5.21**

**Total Debt/ Equity ratio 0.94**



## Directors' report

Your directors present the 34th Annual report and the audited accounts for the year ended March 31, 2011.

(Rs. in crores)

FINANCIAL RESULTS	Standalone		Consolidated	
	2010-11	2009-10	2010-11	2009-10
Net Sales	938.02	748.85	1129.79	959.67
Other income	15.99	7.23	17.98	15.32
Profit before interest, depreciation and tax	112.05	106.24	101.48	105.83
Interest	16.06	15.02	21.80	18.28
Depreciation	28.30	28.92	34.39	33.86
Exceptional Item	-	-	-	-
Profit before Tax	67.69	62.30	45.29	53.69
Provision for				
- Current Tax	19.27	14.66	23.11	19.17
- Deferred tax	(2.03)	1.82	(12.20)	(3.89)
Profit after Tax	50.45	45.82	34.38	38.41
Extraordinary Item	1.07	(1.22)	(3.39)	29.28
Profit after tax including extraordinary item	51.52	44.60	30.99	67.69
Minority Interest	-	-	(3.77)	4.21
<b>APPROPRIATIONS</b>				
Less :				
Dividend-Equity shares	9.72	9.72	9.72	9.72
Dividend Tax	1.58	1.61	1.58	1.61
General Reserve	36.22	33.27	19.46	52.15
General Reserve II	4.00	-	4.00	-

### DIVIDEND

Equity dividend of Rs. 5 per share (Previous Year Rs. 5/- per share) has been recommended by the Board of Directors for the year ended March 31, 2011 amounting to Rs. 9.72 Crores (Previous Year Rs. 9.72 Crores) on the equity share capital.

### OPERATIONS

On year to year basis net sales grew by 25.26% (standalone) and by 17.73% (consolidated). The Company is expanding its capacity by adding a new BOPP Line of 40000 MT. The line is expected to be commissioned by January, 2013 for which order has already been placed.

### TRANSFER TO RESERVES

An amount of Rs. 4 crore has been appropriated under the heading General Reserve II towards various demands raised against the Company though the management is reasonably confident of winning the litigation against those demands.

### EXPORTS

Cosmo continues to maintain its position of largest BOPP film exporter from India. Exports grew from Rs. 334.69 crores in 2009-10 to Rs. 462.86 crores in 2010-11.

### R & D

Continuous efforts on R & D and Application Development activities are being made to expand the domestic and export markets.

### DIRECTORS

Mr. Suresh Mathur ceased to be Director of the Company w.e.f. March 10, 2011. The Directors place on record their appreciation for the help, guidance and contribution made by Mr. Suresh Mathur during his tenure as Director.

Mr. Sankaranarayana Rama Iyer has been appointed as a Director in the casual vacancy caused by resignation of Mr. Suresh Mathur w.e.f. 24th May 2011.

Mr. H. K. Agrawal, Director, retire by rotation and being eligible offer himself for reappointment at the ensuing Annual General Meeting.

Mr. Suresh Rajpal, who was appointed as Director on May 28, 2010, in the casual vacancy caused by the resignation of Mr. H. L. Paranjpe holds office upto the date of the ensuing Annual General Meeting.

The Company has received a notice from a member, as required u/s 257 of the Companies Act, 1956, along with the requisite deposit in respect of Mr. Suresh Rajpal, proposing his appointment as Director of the Company.

Mr. Anil Kumar Jain is appointed as a Whole time Director of the Company w.e.f. May 24, 2011. The appointment and remuneration of Mr. Jain is subject to the approval of the shareholders at the Annual General Meeting of the Company.

There are no inter se relationships of any of the directors in terms of disclosure requirements of the listing Agreement with the Stock Exchanges.

## **FIXED DEPOSIT**

The Company has stopped accepting fixed deposits since 17th October 2002. However, deposits of Rs. 0.003 Crores remained unclaimed (Previous Year Rs. 0.004 Crores), as on 31st March 2011.

## **AUDITORS' REMARKS**

The Auditors' remarks on the annual accounts are self explanatory and do not require further comments from the Company.

## **SUBSIDIARY**

The Ministry of Corporate Affairs had through a notification dated February 8, 2011 exempted companies from attaching the balance sheet & other documents of its subsidiaries as required under Section 212(1) of the Companies Act, 1956 subject to the approval of the Board and fulfillment of certain other conditions. The Board of Directors pursuant to the aforesaid notification had given their consent & resolved for not attaching the Balance Sheet of subsidiaries. Accordingly, these documents are not being attached with the Balance Sheet of the Company. The Consolidated accounts of the company duly audited by the Statutory Auditors forms part of the Annual Report. The Company will provide the annual accounts of the subsidiary Companies and related detailed information to any member of the company seeking such information at any point of time. The annual accounts of the subsidiary companies shall also be kept for inspection for any member in its head office and that of the subsidiary companies.

## **STATUTORY STATEMENTS**

As per the requirements of the Companies Act, 1956, the following information is given in separate statements annexed hereto, which form part of this report:

- a) Energy conservation, technology absorption and foreign exchange inflow/outgo pursuant to section 217(1)(e) of the Companies Act, 1956.
- b) Particulars of employees pursuant to section 217(2A) of the Companies Act, 1956.

## **DIRECTORS' RESPONSIBILITY STATEMENT**

In accordance with the provisions of section 217(2AA) of the Companies Act, 1956, your directors state that:

- (i) In the preparation of the annual accounts, applicable accounting standards have been followed along with proper explanation relating to material departures.
- (ii) Accounting policies selected were applied consistently. Reasonable and prudent judgments and estimates are made so as to give a true and fair view of the state of affairs of the Company as of 31st March, 2011 and of the profits of the Company for the year ended on that date.

(iii) Proper and sufficient care has been taken for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 1956, for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities;

(iv) The annual accounts of the Company have been prepared on a going concern basis.

## **CORPORATE GOVERNANCE**

A Management Discussion and Analysis Report is annexed and forms part of this report.

A separate report on Corporate Governance along with the Auditors certificate on compliance of conditions of Corporate Governance as stipulated in clause 49 of the listing Agreement with the Stock Exchanges form part of this report.

## **AUDITORS**

M/s. B. K. Shroff and Co., Chartered Accountants, retire as auditors of the Company at the ensuing Annual General Meeting and have due to pre-occupancy intimated the Company that they do not seek re-appointment at the ensuing Annual General Meeting of the Company. The Directors place on record their appreciation to the valuable contribution made by M/s. B. K. Shroff and Co., during their association with Company as its statutory auditor. The Company has received a letter from Walker, Chandiook & Co., Chartered Accountants, expressing their willingness to be appointed as statutory auditors of the Company and further confirmed that their appointment, if made, will be in compliance with provisions of Section 224 (1B) of the Companies Act, 1956. The Board has proposed to appoint M/s. Walker, Chandiook & Co., Chartered Accountants, as statutory auditors of the Company from the conclusion of the ensuing Annual General Meeting.

## **APPRECIATION**

Your directors wish to place on record their appreciation of continued support extended by the dealers, distributors, suppliers, investors, bankers, financial institutions. Your directors also express their appreciation for the committed services by the employees of the Company.

On behalf of the Board

New Delhi  
May 24, 2011

Ashok Jaipuria  
Chairman

**INFORMATION AS PER SECTION 217(1)(e) READ WITH COMPANIES (DISCLOSURE OF PARTICULARS IN THE REPORT OF BOARD OF DIRECTORS) RULES, 1988 AND FORMING PART OF THE DIRECTORS REPORT FOR THE YEAR ENDED 31ST MARCH, 2011.**

**I. CONSERVATION OF ENERGY**

**(a) Energy conservation measures taken**

Improvement in energy efficiency is a continuous process at Cosmo and conservation of energy is given a very high priority in all our plants and offices.

The energy saving measures carried out by the company during the year are listed below:

- i) Installed screw chiller plant in place of reciprocating chilling plant which saves 30% of power.
- ii) Installed unified chilling system in BOPP Line II and III.
- iii) Enhance Heat recovery unit capacity.
- iv) Installed automatic power factor control system to increase power factor.
- v) Started heating BOPP line V through heat recovery unit.
- vi) Installed FTL lamp in place of HPMV lamp.
- vii) Installed screw compressor in place of reciprocating compressor.
- viii) Installed frequency drive in air compressor.

**(b) Additional investments and proposals, if any, being implemented for reduction of consumption of energy;**

Appointment of outside professional consulting firm for detailed study & providing guidance in the area of energy saving.

**(c) Impact of the measures at (a) and (b) for reduction of energy consumption and consequent impact on the cost of production of goods;**

The above measures have helped the Company to improve its energy management efficiently and consequently reduce cost.

**(d) Form A**

Not Applicable

**II. TECHNOLOGY ABSORPTION**

Efforts made in technology absorption as per Form-B of the Annexure in the Rules.

**1. Research and Development**

**(a) Specific areas in which R & D carried out by the Company**

Development of new products, Improvement in product quality and upgradation of products as per customer needs.

**(b) Benefits derived as a result of above R & D**

Development of new products, improvement and upgradation of products resulting in better product mix and realization.

**(c) Future Plan of Action**

The Company will continue its efforts towards the development of new products, new applications and cost reduction measures.

**(d) Expenditure on R & D Rs. Crores (approx)**

(a) Capital	0.03
(b) Recurring	6.29
(c) Total	6.32
(d) Total R & D expenditure as percentage of net sales	0.67%

**2. Technology Absorption, adoption and innovation.**

**(a) Efforts in brief, made towards technology absorption, adoption and innovation.**

The Company's technology is developed in house, which has helped in improving efficiency and developing new products.

**(b) Benefits derived as a result of the above efforts.**

Growth in business.

**(c) In case of imported technology (Imported during the last 5 years reckoned from the beginning of the financial year) following information may be furnished.**

- (a) Technology imported
- (b) Year of import
- (c) Has technology been fully absorbed
- (d) If not fully absorbed, areas where this has not taken place, reason therefore and future plans of actions:

N.A. (The Company has not imported any technology)

**III. FOREIGN EXCHANGE EARNINGS AND OUTGO**

**A. Activities relating to export initiatives taken to increase exports, development of new export markets for products and services and export plans.**

Despite the Continuous tough market conditions, the Company increased its exports from Rs. 334.69 crores in 2009-10 to Rs. 462.86 crores in 2010-11. This was largely due to acquisition of GBC's Print Finish Business and Company's constant focus on new products and markets.

**B. Total Foreign Exchange used and earned**

The Company's foreign exchange earnings were Rs. 462.86 Crores (Previous Year Rs. 334.69 Crores). The total foreign exchange utilized during the year amounted to Rs. 204.65 crores (Previous Year Rs. 149.18 crores). Details of foreign Exchange earned and utilized during the year are given in Schedule 19.

On behalf of the Board

New Delhi  
May 24, 2011

Ashok Jaipuria  
Chairman

## Management Discussion & Analysis Report

The BOPP Production registered an increase of 13% in 2010-11 over the previous year. The company plans to increase production by 11% for the Financial Year 2011-12. The Company is expanding its capacity by adding a new BOPP Line of 40000 MT and is expected to be commissioned by January, 2013 for which order has already been placed.

With the acquisition of GBC's Commercial Print Finishing business, the Company has become the largest producer of thermal films in the world. Presently, the Company has manufacturing facilities in India, Korea, Netherlands & USA. It also has sales and distribution set-ups across all the continents of the world. The capacity remained under utilized due to low demand in Europe & USA.

### RISKS & CONCERN:

Key risks and concerns are:

- a) The capacity additions in the industry, which are excess as compared to the increase in demand and the inability of the company to completely pass on the unpredictable increase in raw materials costs due to competitive pressure may affect the operating margins, adversely.
- b) Exposure to foreign exchange risks due to import of raw materials, exports & foreign currency loans may affect the EBIDTA, EBIT and PAT.

### Risk Mitigation

Cosmo's diversified product range & customer base (in domestic as well as exports markets) and continuous emphasis on cost reduction, product innovation etc. provides it an edge over our competitors to mitigate the above risks. The Company is also doing hedge of foreign exchange risks as and when deemed necessary.

### OPERATIONAL & FINANCIAL PERFORMANCE:

The details of the financial performance are appearing in the financial statements appearing separately in the financial statements. For highlights, please refer to the Directors' Report & key ratios mentioned elsewhere in the Annual Report.

### INTERNAL CONTROL SYSTEMS & THEIR ADEQUACY:

The company has proper and adequate systems of internal control in order to ensure that assets are safeguarded and transactions are duly authorized, recorded and reported correctly. With the Implementation of SAP system internal control will get further reinforced through system based checks and controls.

Internal Audit function is being looked after by a professional firm of Chartered Accountants, which conducts audit of all units/locations. The statutory as well as Internal Auditors independently evaluate the adequacy of internal control system. Based on the audit observations & suggestions, follow up & remedial measures are being taken on a regular basis.

### HUMAN RESOURCES/ INDUSTRIAL RELATIONS FRONT:

The Company has well established Human Resources Department equipped to meet the present and future growth plans. There were 703 employees on the rolls of the company, as on March 31, 2011.

Industrial relations were cordial throughout the year at all locations. The unity of purpose to continuously strive for all round improvements in work practice & productivity is visible among all the employees.

### CAUTIONARY STATEMENT:

Certain statements in the Management Discussion & Analysis Report describing the company's views about the Industry's expectations/predictions objectives etc. may be forward looking within the applicable laws and regulations. Actual results may differ materially from those expressed in the statements. Company's operations may be affected with the demand and supply situations, input prices and their availability, changes in Government regulations, tax laws and other factors such as industrial relations and economic developments etc. Investors should bear the above, in mind.



## Corporate Governance Report

For Cosmo, maintaining the highest standards of corporate governance is not a matter of mere form but also of substance. It is an article of faith, a way of life, and an integral part of the Company's core values. Your company is committed for adopting best global practice of Corporate Governance. The philosophy of Corporate Governance as manifested in the Company's functioning is to achieve business excellence by enhancing long term shareholders value and interest of its entire shareholders. Efficient conduct of the business of the company through commitment to transparency and business ethics in discharging its corporate responsibilities are hallmarks of the best practices already followed by the Company.

The Company's compliance of Corporate Governance guidelines of the Listing Agreement is as follows:

### A. COMPOSITION OF THE BOARD AND RECORD OF OTHER DIRECTORSHIPS HELD

The Company is managed and controlled through a

professional body of Board of Directors, which comprise of an optimum combination of Executive and Non-executive Independent directors headed by the Chairman. The present strength of Board of Directors is nine (9), out of which six (6) are Non-Executive Independent Directors, constituting more than 50% of its total strength. The Company's Board consists of eminent persons with considerable professional expertise and experience. The independent directors do not have any pecuniary relationship or transactions with the company, promoters, and management, which may affect independence or judgement of the directors in any manner.

The composition of the Board of Directors of the Company is in conformity with the provisions of clause 49 of the listing agreement with the stock exchanges. The structure of the Board and record of other directorships, Committee memberships Chairmanships and shareholding in the Company as on 31st March, 2011 is as under:

Name of the Director	Category	Designation	No. of other Directorships Held	Total No. of Chairmanships / Memberships of Board Level Committees			Shareholding (as on 31 <sup>st</sup> March, 2011)
				Chairmanship	Membership	Total	
Mr. Ashok Jaipuria	Promoter Director	Chairman & Managing Director	2	-	-	-	500161
Mr. H. K. Agrawal	Independent Non-Executive Director	Director	-	2	-	2	1000
Dr. Surinder Kapur	Independent Non-Executive Director	Director	9	2	2	4	-
Mr. Rajeev Gupta	Independent Non-Executive Director	Director	1	-	1	1	10100
Mr. Badri Agarwal	Non- Executive Director	Director	-	-	1	1	19000
Mr. R Vasudevan	Independent Non-Executive Director	Director	3	1	5	6	-
Mr. Suresh Rajpal	Independent Non-Executive Director	Director	-	-	-	-	-

#### Notes:

- I. In addition to the above Mr. Anil Kumar Jain has been appointed as Whole Time Director of the Company and Mr. Rama Iyer has been appointed as Director in Casual Vacancy (Independent) w.e.f. May 24, 2011.
- II. The directorships held by directors as mentioned above, do not include alternate directorship, directorships of Foreign Companies, section 25 Companies and Private Limited Companies.
- III. In accordance with clause 49, Membership(s) / Chairmanship(s) of only the Audit Committee and Shareholder/Investor Grievance Committee of all Public Limited Companies have been considered.
- IV. None of the Directors is a member of more than 10 Board-level committees of public Companies in which they are directors, nor is chairman of more than 5 such committees.

## B. BOARD MEETINGS:

### 1. Scheduling and selection of agenda items for Board Meetings

The months for holding the Board meetings in the ensuing year are usually decided in advance and most Board Meetings are held at the Company's registered office in New Delhi. The agenda for each meeting, along with explanatory notes, is sent in advance to the Directors. The Board meets at least once in a quarter to review the quarterly results and other items on the agenda.

### 2. Number of Board Meetings

The Cosmo Films Board met five times on 28<sup>th</sup> May, 2010, 11<sup>th</sup> August, 2010, 9<sup>th</sup> September, 2010, 9<sup>th</sup> November, 2010 and 7<sup>th</sup> February, 2011 during the financial year ended 31<sup>st</sup> March, 2011. The maximum time gap between any two meetings was not more than four months.

### 3. Record of the Directors' attendance at Board Meetings and AGM

Name of the Director	Number of Board Meetings held during tenure of directors and attended by them		Attendance at last AGM held on 9 <sup>th</sup> September, 2010
	Held	Attended	
Mr. Ashok Jaipuria	5	5	Yes
Mr. H. K. Agrawal	5	1	No
Mr. Rajeev Gupta	5	3	No
Mr. Badri Agarwal	5	3	No
Mr. R Vasudevan	5	5	Yes
Mr. Suresh Mathur*	5	5	Yes
Dr. Surinder Kapur	5	0	No
Mr. Suresh Rajpal	5	5	No

\*Ceased to be a Director w.e.f. 10<sup>th</sup> March, 2011.

### 4. Availability of information to the Board

The Board has unfettered and complete access to any information within the Company and to any employee of the Company. Necessary information as mentioned in Annexure-1A of Clause 49 of the listing Agreement has been regularly placed before the Board for its consideration.

Audit Committee has been constituted, headed by an independent director. All members are Non-executive Directors and each member has rich experience in financial sector.

The role and terms of reference of the Audit Committee inter-alia includes the following:

#### A) Review of the following information:

- Overseeing the Company's financial reporting process and disclosure of its financial information to ensure that the financial statements are correct, sufficient and credible.
- Recommending, the appointment, re-appointment, replacement and removal of the statutory auditor and the audit fees payable and approving payment for any other services payable to statutory auditors, to the Board.
- Reviewing, with the management, the annual financial statements before submission to the Board for approval, with primary focus on matters required to be included in the Directors

## C. BOARD LEVEL COMMITTEES

In accordance with the listing agreement with the Stock Exchanges on Corporate Governance, the following committees were in operation:

- Audit Committee
- Share Transfer and Investor Grievance Committee.

### 1. AUDIT COMMITTEE

#### ➤ Terms of reference

As a measure of good Corporate Governance and to provide assistance to the Board of Directors in fulfilling the Board's oversight responsibilities, an

Responsibility Statement, changes, if any, in accounting policies and practices and reasons thereof, compliance with accounting standards, major accounting entries involving estimates based on the exercise of judgement by the management, significant adjustments made in the financial statements arising out of Audit findings, qualifications in draft auditors' report, related party transactions and the going concern assumption.

- d) Compliance with the listing and other legal requirements concerning financial statements.
- e) Quarterly financial statements before submission to the Board for approval.
- f) Reviewing with the management, performance of statutory auditors, internal auditors and adequacy of internal control systems.
- g) Reviewing the adequacy of internal control system and internal audit function and reviewing the Company's financial and risk management policies.
- h) Reviewing the findings of any internal investigations by the internal auditors into matters where there is suspected fraud or irregularity or a failure of internal control systems of a material nature and reporting the matter to the Board.
- i) Reviewing reports furnished by the internal auditors, discussion with the internal auditors on any significant findings ensuring suitable follow up there on.
- j) Discussion with the statutory auditors before the audit commences, about the nature and scope of audit as well as post-audit discussion to ascertain any area of concern.
- k) Reviewing the findings of any internal investigations made by the internal auditors into matters where there is suspected fraud or irregularity or a failure of internal control systems of material nature and reporting the matter to the Board.
- l) To look into the reasons for substantial defaults in the payment to the depositor, debenture holders, shareholders (in case of payment of declared dividends) and creditors.
- m) The functioning of Whistle Blowing mechanism.

- n) Management discussion and analysis of financial condition and results of operations.
- o) Management letters / letters of internal control weaknesses issued by the statutory auditors.
- p) Approval of appointment of CFO (i.e. The Whole Time Finance Director, or any other person heading the finance function or discharging that function) after assessing the qualifications, experience & background etc. of the candidate.
- q) Internal audit Reports pertaining to Internal Control weaknesses.
- r) The appointment, removal and terms of remuneration of the Chief Internal Auditor shall be subject to review by the Audit Committee.

#### **B. Disclosure of the following information:**

- a) Related party transactions:
  - Identification of related parties as per AS-18.
  - Statement in summary form of transactions with related parties in the ordinary course of business.
  - Statement of material individual transaction with related parties which are not in the normal course of business.
  - Material transactions with related parties or others, which are not on arm's length basis.
- b) Compliance with Accounting Standards, and if in preparation of financial statements, a treatment different from that prescribed in an Accounting standard has been followed, management explanation for the same.
- c) If money raised by way of issue (public issue, rights issue, preferential issues, etc.) the uses / application of funds by major category (capital exp, sales, working capital, etc).

#### **➤ Composition of Audit Committee**

The Audit Committee, as on March 31, 2011 consisted of the following five directors who are eminent professionals and possess sound knowledge in finance:

Chairman : Mr. H K Agrawal  
Members : Mr. Rajeev Gupta  
              Mr. Badri Agarwal  
              Mr. R Vasudevan and  
              Mr. Suresh Mathur\*

➤ **Meetings and attendance during the year**

The Audit Committee met five times during the financial year from 1<sup>st</sup> April, 2010 to 31<sup>st</sup> March, 2011:

1. 28 <sup>th</sup> May, 2010	4. 7 <sup>th</sup> February, 2011
2. 11 <sup>th</sup> August, 2010	5. 9 <sup>th</sup> March, 2011
3. 9 <sup>th</sup> November, 2010	

The attendance record of the audit committee members is given in following table:

Names of the Audit Committee members	Number of Audit Committee Meetings	
	Held during the tenure of Directors	Attended
Mr. H K Agrawal	5	1
Mr. Rajeev Gupta	5	3
Mr. Badri Agarwal	5	3
Mr. R Vasudevan	5	5
Mr. Suresh Mathur*	5	5

\* Ceased to be director w.e.f. March 10, 2011.

**2. SHARE TRANSFER AND INVESTOR GRIEVANCE COMMITTEE (STIGC)**

➤ **Terms of reference**

This Committee was constituted specifically to review compliance of rules and regulations, to redress shareholder's grievance and to provide suggestions. To expedite the process of share transfers the Board has delegated the power of share transfer to M/s Alankit Assignments Limited viz. Registrar and Share Transfer Agents who attend the share transfer formalities at least once in a fortnight.

Terms of reference of the Share Transfer and Investor Grievance Committee are as per the guidelines set out in the listing agreements with the Stock Exchanges which interalia include looking into the investors complaints on transfer of shares, non receipt of declared dividends etc and redressal thereof.

➤ **Composition of STIGC**

The Share Transfer and Investor Grievance Committee is headed by an Independent director

and presently consisted of the following members as on March 31, 2011:

Chairman : Mr. H K Agrawal  
Members : Mr. R Vasudevan  
Mr. Suresh Mathur

➤ **Meetings and attendance during the year**

The Share Transfer and Investor Grievance Committee met four times during the financial year from 1<sup>st</sup> April, 2010 to 31<sup>st</sup> March, 2011:

1. 28 <sup>th</sup> May, 2010	3. 9 <sup>th</sup> November, 2010
2. 11 <sup>th</sup> August, 2010	4. 7 <sup>th</sup> February, 2011

The attendance record of the Share Transfer and Investor Grievance Committee members is given in following table:

Names of the STIGC members	Number of STIGC Meetings	
	Held during the tenure of Directors	Attended
Mr. H K Agrawal	4	1
Mr. R Vasudevan	4	4
Mr. Suresh Mathur*	4	4

\*Ceased to be a Director w.e.f. 10<sup>th</sup> March, 2011.

➤ **Compliance Officer**

The Compliance Officer for this committee, at present, is Ms. Neetu Sharma, Company Secretary.

➤ **Shareholders' Complaints etc. received during the FY- 2010-11**

During the year from 1<sup>st</sup> April, 2010 to 31<sup>st</sup> March, 2011 the Company received 22 complaints from various Investors / Shareholders' relating to non-receipt of Dividend / Bonus Shares / Transfer of Shares / Dematerialisation of Shares / Annual Report etc. The same were attended to the satisfaction of the Investors. At the end of 31<sup>st</sup> March, 2011, no complaint was pending for redressal and there were no pending share transfers as on 31<sup>st</sup> March 2011.

**3. REMUNERATION COMMITTEE**

The Company at its Board Meeting held on May 24, 2011 constituted a Remuneration Committee to recommend/review remuneration of the executive directors of the company.

➤ **Composition of the Remuneration Committee of members**

The Remuneration Committee is headed by an Independent director and consists of the following members:

- Chairman : Mr. H K Agrawal
- Members : Dr. Surinder Kapur  
Mr. Badri Agarwal  
Mr. R. Vasudevan

➤ **Remuneration Policy**

The Non-executive directors are paid only the sitting fees of Rs.10,000/- for attending each Board and Committee meeting thereof.

➤ **Remuneration Paid to Directors**

Following tables give the details of remuneration paid to directors, during the year from 1st April 2010 to 31st March 2011:

**Remuneration to Non-Executive Directors**

S. No.	Name of the Director	Sitting Fees
1	Mr. H. K. Agrawal	30,000
2	Mr. Rajeev Gupta	70,000
3	Mr. Badri Agarwal	70,000
4	Mr. R. Vasudevan	1,40,000
5	Mr. Suresh Mathur	1,40,000
6	Dr. Surinder Kapur	NIL
7	Mr. Suresh Rajpal	70,000

**Remuneration to Executive Director - Mr. Ashok Jaipuria, Chairman & Managing Director**

Particulars	(Rs. Crores)
<b>Remuneration</b>	
Salary	0.29
Commission	3.01
Contribution to Provident & Superannuation Funds	0.05
Benefits	0.00
<b>Total Amount</b>	<b>3.35</b>

**D. GENERAL BODY MEETINGS:**

**Date / Venue / Time of previous three Annual General Meetings:**

Year	Place	Date	Time
2007-08	Shah Auditorium, 2, Raj Niwas Marg, Civil Lines, Delhi 54	24/07/2008	1:45 P.M.

2008-09	Shah Auditorium, 2, Raj Niwas Marg, Civil Lines, Delhi-54	25/08/2009	1:30 P.M.
2009-10	Shah Auditorium, 2, Raj Niwas Marg, Civil Lines, Delhi-54	09/09/2010	11:00 A.M.

1. No Special Resolution was passed in the previous three Annual General Meetings.
2. No Special Resolution was passed through postal ballot, during the previous three years.

**E. DISCLOSURES:**

1. **Related Party Transactions:** There have been no materially significant related party transactions, pecuniary transactions or relationships between Cosmo Films and its directors for the year ended March 31, 2011 other than those listed in note no. 21 in Schedule 19 to the annual accounts.
2. The Company has complied with the requirements of stock exchanges or SEBI on matters related to Capital Markets, as applicable. No penalty was levied by these authorities in last three years.
3. **Code of Conduct:** The Company has adopted a Code of Conduct for the members of the Board of Directors and the senior management of the Company. The Code of Conduct is displayed on the website of the Company. All the directors and the senior management personnel have affirmed compliance with the code for the financial year ended 31st March 2011. A declaration to this effect, signed by the Chairman & Managing Director is annexed to this report.
4. **Compliance with Mandatory requirements of clause 49 of the listing agreement**  
The Company has complied with all the applicable mandatory requirements of clause 49 of the listing agreement.
5. **Compliance with Non-Mandatory requirements of clause 49 of the listing agreement**  
The Company has fulfilled the following non-mandatory requirement of clause 49 of the listing agreement:

**Whistleblower Policy:** The Company has adopted a Whistle Blower Policy that has since been implemented within the organisation. No Personnel of the Company have been denied access to the audit committee.

**Remuneration Committee:** The Board has, at its meeting held on May 24, 2011, set up a Remuneration committee to determine on their behalf and on behalf of the shareholders with agreed terms of reference, the company's policy on specific remuneration packages for executive directors including pension rights and any compensation payment.

6. The necessary certificate, pursuant to clause 49(V) of the listing agreement with stock exchanges, is annexed to this report.
7. The Company Secretary has a key role to play in ensuring the Board procedures and statutory compliances are properly followed. A certificate from the Company Secretary indicating the compliance of Companies Act, 1956 and Listing Agreement has been annexed to this report.
8. **Management Discussion and Analysis Report**  
The Management Discussion and Analysis Report has been discussed in detail separately in this Annual Report.
9. **Compliance Certificate from Statutory Auditors**  
Certificate from Statutory Auditors confirming compliance with conditions of corporate governance as stipulated in clause 49 of the listing agreement, is annexed to this report.
10. Other disclosures as required under clause 49 has been given at relevant places in the Annual Report.

## **F. MEANS OF COMMUNICATION / INVESTORS' COMMUNICATION**

The Company is sending Quarterly Investors Newsletter (which also include quarterly / half yearly / yearly audited financial results) after taking on record of these quarterly / half yearly / yearly audited financial results by the Board. The newsletter is also being posted at our website [www.cosmofilms.com](http://www.cosmofilms.com).

The Company normally publishes its quarterly / half yearly / yearly audited results in one English newspaper and one Hindi newspaper. The Company also ensures that these Results are promptly and prominently displayed on the Company's website [www.cosmofilms.com](http://www.cosmofilms.com).

## **G. INFORMATION TO SHAREHOLDERS**

### **1. REGISTERED AND CORPORATE OFFICE**

1008, DLF Tower-A,  
Jasola District Centre, Jasola

New Delhi 110 025

### **2. ANNUAL GENERAL MEETING**

The date, time & venue of the next Annual General Meeting and the next Book Closure date will be as per the Notice calling the Annual General Meeting.

### **3. FINANCIAL CALENDAR**

Financial Year is 1<sup>st</sup> April, 2010 to 31<sup>st</sup> March, 2011 and tentative schedule for approval of the quarterly / half yearly / yearly financial results is given below:

Particulars	Month (Tentative)
Financial results for the 1 <sup>st</sup> quarter ending June 30, 2011	August, 2011
Financial results for the 2 <sup>nd</sup> quarter and half year ending September 30, 2011	November, 2011
Financial results for the 3 <sup>rd</sup> quarter and nine months ending December 31, 2011	February, 2012
Financial results for the last quarter and financial year ending March 31, 2012	May, 2012

### **4. WEBSITE**

The address of the Company's web site is [www.cosmofilms.com](http://www.cosmofilms.com)

### **5. DIVIDEND PAYMENT DATE**

Dividend on equity shares as recommended by the Board of Directors for the year ended 31<sup>st</sup> March, 2011, if approved at the ensuing Annual General Meeting, will be paid on or before August 10, 2011.

### **6. LISTING ON STOCK EXCHANGES**

The names of the stock exchanges at which Company's shares are listed as on 31<sup>st</sup> March, 2011 and details of "Stock Codes" are as mentioned below:

Name of the Stock Exchange	Stock Code
Bombay Stock Exchange Ltd.	508814
National Stock Exchange of India Ltd.	COSMOFILMS

### **7. INTERNATIONAL SECURITIES IDENTIFICATION NUMBER (ISIN)**

ISIN is a unique identification number of traded scrip. This number has to be quoted in each transaction relating to the dematerialised equity shares of the company. The ISIN number of the shares of Cosmo Films Ltd. is **INE 757A01017**

## 8. ANNUAL LISTING FEE

Annual Listing Fee for the year 2010-11 has been paid to each of the above mentioned stock exchanges. There are no arrears of listing fees with any of the said stock exchanges till date.

## 9. DISTRIBUTION OF SHAREHOLDING AS ON MARCH 31, 2011

Following tables gives the data on shareholding according to types of shareholders and class of shareholders:

### Distribution of the shareholding according to the type of shareholders:

Particulars	March 31, 2011		March 31, 2010	
	No. of Shares	% (Holding)	No. of Shares	% (Holding)
Promoters	8560339	44.03	8946039	46.02
Institutional Investors	27710	0.14	1968296	10.12
Private Corporate bodies	1920970	9.88	1426864	7.34
Others	8931057	45.95	7098877	36.52
<b>Total</b>	<b>19440076</b>	<b>100.00</b>	<b>19440076</b>	<b>100.00</b>

### Distribution of shareholding according to the number of shares:

No. of Equity Shares	March 31, 2011				March 31, 2010			
	No. of Shareholders	% of	No. of shares	% of share Capital	No. of Shareholders	% of	No. of shares	% of share Capital
	1-500	21114	88.53	2803057	14.42	17091	89.59	2228887
501-1000	1439	6.03	1148903	5.91	1097	5.75	872770	4.49
1001-2000	624	2.62	950819	4.89	421	2.21	636735	3.28
2001-3000	230	0.97	591125	3.04	160	0.84	413036	2.13
3001-4000	86	0.36	307430	1.58	76	0.40	274390	1.41
4001-5000	105	0.44	501946	2.58	74	0.39	352639	1.81
5001-10000	145	0.61	1074923	5.53	65	0.34	470764	2.42
10001 and above	106	0.44	12061873	62.05	92	0.48	14190855	73.00
<b>Total</b>	<b>23849</b>	<b>100.00</b>	<b>19440076</b>	<b>100.00</b>	<b>19076</b>	<b>100.00</b>	<b>19440076</b>	<b>100.00</b>

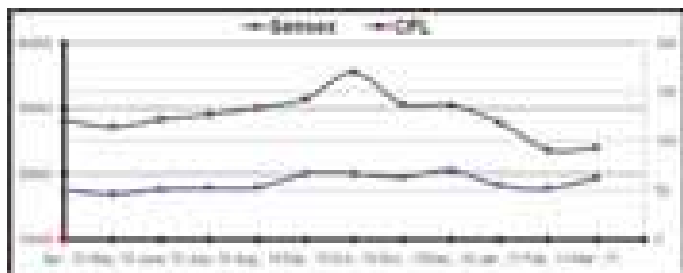
## 10. MARKET PRICE DATA

Monthly high and low prices of equity shares of the company traded at The Bombay Stock Exchange Limited and National Stock Exchange of India Limited are given below:

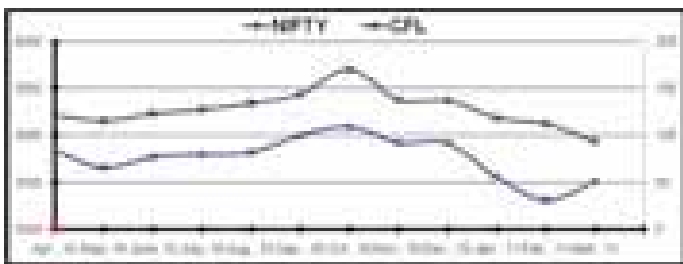
MONTH	BSE		NSE		MONTH	BSE		NSE	
	HIGH (Rs.)	LOW (Rs.)	HIGH (Rs.)	LOW (Rs.)		HIGH (Rs.)	LOW (Rs.)	HIGH (Rs.)	LOW (Rs.)
Apr-10	132.00	118.00	132.20	118.80	Oct-10	187.70	139.75	187.80	139.70
May-10	124.60	107.55	124.50	107.15	Nov-10	186.70	125.10	186.75	124.50
Jun-10	128.75	113.50	128.90	110.95	Dec-10	148.80	117.35	148.80	117.00
Jul-10	133.50	119.00	133.80	118.50	Jan-11	142.65	118.70	142.70	117.35
Aug-10	143.40	126.00	143.45	126.00	Feb-11	121.00	86.25	120.90	85.00
Sep-10	164.25	126.40	164.20	126.10	Mar-11	98.80	86.30	97.95	87.00

## 11. SHARE PERFORMANCE IN COMPARISON TO BSE SENSEX AND NSE NIFTY

### a. COMPANY'S SHARE PRICE MOVEMENT VIS A VIS BSE SENSEX



### b. COMPANY'S SHARE PRICE MOVEMENT VIS A VIS NIFTY



## 12. DEMAT

Your Company's equity shares are compulsorily traded in demat form by all categories of investors. Equity shares of your Company are available for trading in the depository systems of both the Depositories viz. The National Securities Depositories Limited (NSDL) and The Central Depositories Service (India) Limited (CDSL).

As on 31st March, 2011, 73.16% (i.e. 1,42,22,755 equity shares) of the total equity share capital (i.e. 1,94,40,076 equity shares) were held in demat form.

## 13. REGISTRAR AND SHARE TRANSFER AGENTS AND SHARE TRANSFER SYSTEM

The Company has appointed a common Registrar i.e. Alankit Assignments Limited for share transfer and dematerialisation of shares. To expedite the process of share transfers the Board has delegated the power of share transfer to Alankit Assignments Limited viz. Registrar and Share Transfer Agents who will attend to the share transfer formalities at least once in fortnight. Their contact details are as follows;

### M/s Alankit Assignments limited

2E/21, Alankit House,  
Jhandewalan Extension  
New Delhi 110 055  
Ph: +91 11 42541234/  
Fax: +91 11 011-42541967  
Contact Person: Mr. R. Maurya

## 14. PLANT LOCATIONS

The addresses of the Company's plants are mentioned elsewhere in this Annual Report.

## 15. ADDRESS FOR CORRESPONDENCE:

i. **Investors' Correspondence** may be addressed to the following:

Ms. Neetu Sharma  
Company Secretary  
Cosmo Films Limited  
1008, DLF Tower-A,  
Jasola District Centre,  
New Delhi 110 025  
e-mail: investor.relations@cosmofilms.com  
Fax: 91-11-49494950

OR

to the Registrar and Share Transfer Agent i.e. :  
Alankit Assignments Limited at the address  
mentioned elsewhere in this report.

ii. **Queries relating to the Financial Statements** of the Company may be addressed to following:

Mr. R K Gupta  
GM (Finance & Accounts)  
B-14/8-9, MIDC Area, Waluj  
Aurangabad - 431136, Maharashtra



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## ANNEXURES TO THE CORPORATE GOVERNANCE REPORT

### ANNUAL DECLARATION OF COMPLIANCE OF CODE OF CONDUCT BY CEO/CMD

To  
The Board of Directors  
Cosmo Films Limited  
1008, DLF Tower-A,  
Jasola District Centre,  
New Delhi 110 025

1. The Code of Conduct has been laid down for all the Board members and Senior Management and other employees of the Company.
2. The Code of conduct has been posted on website of the Company.
3. The Board members and senior management personnel have affirmed compliance with the code of conduct for the year 2010-11.

New Delhi  
May 24, 2011

Ashok Jaipuria  
**Chairman & Managing Director**

## CERTIFICATE PURSUANT TO CLAUSE 49(V) OF THE LISTING AGREEMENT

To  
The Board of Directors  
Cosmo Films Limited

We, the undersigned hereby certify that:

- (a) We have reviewed the financial statements and the cash flow statement for the Financial Year 2010-11 and to the best of our knowledge and belief:
  - (i) these statements do not contain any materially untrue statement or omit any material fact or contain statements that might be misleading.
  - (ii) these statements together present a true and fair view of the Company's affairs and are in Compliance with existing accounting standards, applicable laws and regulations.
- (b) There are, to the best of our knowledge and belief, no transactions entered into by the company during the year 2010-11 which are fraudulent, illegal or violative of the Company's code of conduct.
- (c) We accept responsibility for establishing and maintaining internal controls for financial reporting and that we have evaluated the effectiveness of internal control systems of the company pertaining to financial reporting and we have disclosed to the auditors and the Audit Committee, deficiencies in the design or operation of such internal controls, if any, of which we are aware and the steps we have taken or propose to take to rectify these deficiencies.
- (d) We have indicated to the auditors and the Audit Committee:
  - (i) Significant changes in internal control over financial reporting during the year;
  - (ii) Significant changes in accounting policies during the year and the same has been disclosed in the notes to the financial statements; and
  - (iii) Instances of significant fraud, if any, of which we have become aware and the involvement therein of the management or an employee having a significant role in the company's internal control system over financial reporting.

Pankaj Poddar  
**Chief Financial Officer**

Ashok Jaipuria  
**Chairman & Managing Director**

New Delhi  
May 24, 2011

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## CERTIFICATE FROM THE COMPANY SECRETARY

I, Neetu Sharma, Company Secretary of Cosmo Films Limited confirm that the company has:

- (i) Maintained all the statutory registers required under the Companies Act, 1956 ("the Act") and the Rules made there under.
- (ii) Filed all the forms and returns and furnished all the necessary particulars to the Registrar of Companies and/or Authorities as required by the Companies Act, 1956.
- (iii) Issued all notices required to be given for convening of Board Meeting and General Meeting, within the time limit prescribed by law.
- (iv) Conducted the Board Meetings and Annual General Meeting as per the Act.
- (v) Complied with all the requirements relating to the minutes of the proceedings of the meetings of the Directors and the Shareholders.
- (vi) Made due disclosure required under the Act including those required in pursuance of the disclosure made by the Directors.
- (vii) Obtained all necessary approvals of Directors, Shareholders, Central Government and other Authorities as per the requirements.
- (viii) Paid dividend amounts to the Shareholders and unpaid dividend amounts, if applicable, have been transferred to the Investor Education and Protection Fund within the limit prescribed.
- (ix) Complied with all the requirements of the Listing Agreement entered into with the Stock Exchange(s) in India.
- (x) The company has also complied with other statutory requirements under the Companies Act, 1956 and other related statutes in force.

The certificate is given by the undersigned according to the best of her knowledge and belief, knowing fully well that on the faith and strength of what is stated above, full reliance will be placed on it by the Shareholders of the Company.

New Delhi  
May 24, 2011

Neetu Sharma  
Company Secretary

## AUDITORS' CERTIFICATE

We have examined the compliance of conditions of corporate governance by Cosmo Films Limited for the year ended on 31st March 2011 as stipulated in clause 49 of the listing agreement of the said Company with stock exchange(s).

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

In our opinion and to the best of our information and according to the explanations given to us, we certify that the Company has complied with the conditions of corporate governance as stipulated in the above mentioned listing agreement.

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

For B.K.SHROFF & CO.,  
Chartered Accountants

New Delhi  
May 24th, 2011

O. P. Shroff  
Partner  
Membership No: 6329

**PARTICULARS OF EMPLOYEES IN TERMS OF SECTION 217 (2A) OF THE COMPANIES ACT, 1956.**

Name	Designation & Nature of Duties	Gross Annual Remuneration	Qualification	Years of Experience	Date of Commencement of Employment	Age	Last Employment	Designation
Ashok Jaipuria	Chairman & Managing Director	33,466,000	Degree in Associate of Arts in Business Admin. & Diploma in Marketing Science	40	02.04.1980	58	-	-
A K Jain	Chief Financial Officer	7,928,612	B. Com. (Hons.), AICWA, CISA	41	01.09.2008	60	Mawana Sugars Ltd.	Senior Vice President
<b>Employed for Part of the Year</b>								
S Sundarram	President	8,159,192	B.Tech. (IIT Madras), MBA (IIM Calcutta)	28	10.11.2008	55	Esab Global	Director (Global Operations)
Upal Roy	Chief Strategy Officer	2,146,248	B. Tech, MS, MBA	19	20.08.2007	44	E.I. Dupont India P Ltd.	Marketing Manager

## Corporate social responsibility

- Sponsored primary education of 8 children through “Bharti Samaj Sewa Kendra”
  - Maintenance of dispensary for poor and needy persons
  - Maintenance of Garden at airport & Cantonment areas in Aurangabad
  - Sponsors Industrial Cricket Tournament in Aurangabad for developing team spirit among employees and maintaining cordial industrial relations.
  - Reward to Meritorious Student of Marathwada University
- By Cosmo Foundation:**
- 1708 students representing from class I to X were imparted basic computer literacy.
  - To strengthen the basic reading, writing and arithmetic skills, 280 students from class I to VII were imparted training under Cosmo Gyan Vihar Kendra.
  - Five best performer students in Computer subjects during the year were awarded a set of computer.
  - Cosmo Foundation in collaboration with local organizations organized bookfair in Karjan.
  - September 26<sup>th</sup> to October 2<sup>nd</sup> was celebrated as “Joy of giving, Joy of sharing” week across the globe. Cosmo Films celebrated it under the aegis of Pantaloons, a Future Group and distributed clothes to 150 children.
  - Organized celebration of festivals and National days with children



## Auditors' report

1. We have audited the attached Balance Sheet of COSMO FILMS LIMITED as at 31st March, 2011 and also the Profit & Loss Account and the Cash Flow Statement for the year ended on that date annexed thereto. These financial statements are the responsibility of the company's management. Our responsibility is to express an opinion on these financial statements based on our audit.
2. We conducted our audit in accordance with auditing standards generally accepted in India. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on test basis evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.
3. As required by the Companies (Auditor's Report) Order, 2003 and the Companies (Auditor's Re-port) (Amendment) Order, 2004 issued by the Central Government of India in terms of sub-section (4A) of Section 227 of the Companies Act, 1956, we enclose in the Annexure a statement on the matters specified in paragraph 4 and 5 of the said order.
4. Further to our comments in the Annexure referred to above, we report that:
  - i. We have obtained all the information and explanations, which to the best of our knowledge and belief were necessary for the purpose of our audit;
  - ii. In our opinion, proper books of account as required by law have been kept by the company so far as appears from our examination of those books;
  - iii. The Balance Sheet, Profit & Loss Account and Cash Flow Statement dealt with by this report are in agreement with the books of account,
  - iv. In our opinion, the Balance Sheet, Profit & Loss Account and Cash Flow Statement dealt with by this report comply with the accounting standards referred to in sub-section (3C) of section 211 of the Companies Act, 1956.
  - v. On the basis of the written representations received from the directors and taken on record by the Board of Directors, we report that none of the directors is disqualified as on 31st March 2011 from being appointed as a director in terms of clause (g) of sub-section (1) of section 274 of the Companies Act, 1956.
  - vi. In our opinion and to the best of our information and according to the explanations given to us, the said accounts give the information required by the Companies Act, 1956, in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India:
    - a) In the case of the Balance Sheet, of the state of affairs of the company as at 31st March, 2011
    - b) In the case of the Profit & Loss Account, of the profit for the year ended on that date and
    - c) In the case of Cash Flow Statement, of the cash flows for the year ended on that date .

For B. K. SHROFF & Co.,  
Chartered Accountants  
Firm Registration No: 302166E

New Delhi  
24th May, 2011

O. P. Shroff  
Partner  
Membership No: 6329

## ANNEXURE REFERRED TO IN PARAGRAPH 3 OF OUR REPORT OF EVEN DATE

- (i) (a) In our opinion, the company has maintained proper records showing full particulars including quantitative details and situation of fixed assets.
- (b) As explained to us, all the fixed assets have been physically verified by the management according to a regular program which in our opinion is reasonable having regard to the size of the company and the nature of its assets. No material discrepancies with respect to book records were noticed on such verification.
- (c) In our opinion and according to explanations given to us, fixed assets disposed off during the year were not substantial and as such the disposal has not affected the going concern concept of the company.
- (ii) (a) As explained to us, physical verification of inventory (except material in transit and lying with third parties) has been conducted by the management at reasonable intervals. In our opinion, the frequency of verification is reasonable.
- (b) In our opinion, the procedures of physical verification of inventory followed by the management are reasonable and adequate in relation to the size of the company and nature of its business.
- (c) On the basis of our examination of the records of inventory, we are of the opinion that the company is maintaining proper records of inventory. Discrepancies noticed on verification of inventory as compared to book records were not material and these have been properly dealt with in the books of accounts.
- (iii) (a) In our opinion and according to the explanations given to us, the company has not granted any loan, secured or unsecured, to companies, firms and other parties covered in the register maintained under section 301 of the Companies Act, 1956. Accordingly, para (iii) (a) to (d) of the order is not applicable.
- (b) In our opinion and according to the explanations given to us, the company has taken unsecured loans from companies, firms and other parties covered in the register maintained under section

301 of the Companies Act, 1956 as per details given below:

Rs. Crores					
Name of the Company	Opening Balance	Amount received during the year	Amount returned during the year	Closing Balance	Maximum amount outstanding during the year
Anginit Finance & Investments Limited	1.95	0.30	2.25	NIL	1.95

- (c) In our opinion and according to the explanations given to us, the rate of interest and other terms and conditions on which loans were taken by the company are prima facie not prejudicial to the interest of the company.
- (d) In our opinion and according to the explanations given to us, the company is regular in payment of the principal amount and interest.
- (iv) In our opinion and according to the information and explanation given to us, there are adequate internal control procedures commensurate with the size of the company and the nature of its business for the purchase of inventory and fixed assets and for the sale of goods and services. During the course of our audit, no major weaknesses have been noticed in the internal control.
- (v) According to the information and explanations given to us, we are of the opinion that during the year there are no contracts or arrangements referred to in section 301 of the Companies Act, 1956 that need to be entered in the register required to be maintained under that section. Accordingly, para v (b) of the order is not applicable.
- (vi) In our opinion and according to the information given to us, directions issued by the Reserve Bank of India and the provisions of sections 58A and 58AA or any other relevant provisions of the Companies Act, 1956 and the rules framed thereunder have been complied with in respect of deposits accepted from public. No order has been passed by the Company Law Board or National Company Law Tribunal or Reserve Bank of India or any Court or any other Tribunal.
- (vii) In our opinion, the company has an adequate internal audit system commensurate with the size and the nature of its business.



- (viii) As explained to us the Central Government has not prescribed maintenance of cost records under clause (d) of sub section (i) of section 209 of the Companies Act, 1956 in respect of products dealt with by the company for the year under review.
- (ix) (a) According to the records of the company, the company is generally regular in depositing with the appropriate authorities undisputed statutory dues including Provident Fund, Investor Education and Protection Fund, Employees State Insurance, Income Tax, Wealth Tax, Service Tax, Sales Tax, Custom Duty, Excise Duty, Cess etc. and any other statutory dues applicable to it. No undisputed amounts payable were outstanding as at 31st March, 2011 for a period of more than six months from the date they became payable.
- (b) According to the records of the company, dues of Sale Tax / Income-Tax / Customs Duty / Wealth-Tax /Service Tax/ Excise Duty / Cess which have not been deposited on account of any dispute are as follows;
- (x) According to the records of the company, the company neither has any accumulated losses at the end of the financial year nor has incurred any cash loss during the financial year covered by our audit and in the immediately preceding financial year.
- (xi) Based on our audit procedures and on the information and explanations given by the management, we are of the opinion that the company has not defaulted in repayment of dues to financial institutions or banks or debenture holders.
- (xii) Based on our examination of documents and records maintained by the company, we are of the opinion that since the company has not granted any loan and advance on the basis of security by way of pledge of shares, debenture and other securities, it is not required to maintain records in respect thereof.

Name of the statute	Nature of the dues	Amount Rs. crores	Forum where dispute is pending
Central Excise & Customs Act	Excise/Customs/Service Tax	2.21	Appellate Tribunal
	Excise/Customs/Service Tax	1.58	Commissioner Appeals
Maharashtra Sales Tax Act	Claim of 100% deferral/exemption benefits (Refer note no.11 on notes on accounts)	0.07	Sales Tax Tribunal
		12.70	Commissioner Appeals
		4.42	Assessment pending
Gujarat Sales Tax Act	Sales Tax	0.43	Commissioner Appeals
Income Tax Act	Income Tax & Penalty	5.37	Appellate Tribunal
	Income Tax & Penalty	4.24	High Court/Assessing Officer
	Income Tax & Penalty	12.74	Commissioner Appeals

- (xiii) The company is neither a chit fund nor nidhi / mutual benefit fund / society and hence para (xiii) of the order is not applicable.
- (xiv) In our opinion the company is not dealing in or trading in shares, securities, debentures and other investments and hence para (xiv) of the order is not applicable.
- (xv) Based on our examination of the records, we are of the opinion that the terms and conditions of the corporate guarantee given by the company for its step down subsidiaries are prima facie not prejudicial to the interest of the company.
- (xvi) In our opinion, the term loans have been applied for the purpose for which they were obtained.

- (xvii) Based on our examination of the Balance Sheet of the company as at 31 March, 2011, we report that the funds raised on short term basis have not been used for long term investment.
- (xviii) During the year the company has not made any preferential allotment of shares to parties and companies covered in the register maintained under section 301 of the Companies Act, 1956.
- (xix) During the year the company has not issued any debentures.
- (xx) During the year no money was raised by public issue.
- (xxi) Based upon the audit procedure performed and information and explanation given by the management we report that during the year no fraud on or by the company has been noticed or reported by the management.

For B.K. SHROFF & CO.  
Chartered Accountants  
Firm Registration No: 302166E

New Delhi  
May 24, 2011

Partner  
Membership No: 6329

## COSMO FILMS LIMITED

### Balance sheet as at 31<sup>st</sup> March, 2011

	Schedule		Current Year Rs. Crores	Previous Year Rs. Crores
<b>SOURCES OF FUNDS</b>				
SHAREHOLDER'S FUND				
Share Capital	1	19.44		19.44
Reserves & Surplus	2	312.38		272.25
			331.82	291.69
LOAN FUNDS				
Secured Loans	3	300.12		252.99
Unsecured Loans	4	12.31		11.96
			312.43	264.95
DEFERRED TAX			64.75	66.78
			709.00	623.42
<b>APPLICATION OF FUNDS</b>				
FIXED ASSETS				
Gross Block	5	602.69		587.51
Less :Depreciation		239.88		213.29
Net Block		362.81		374.22
Add : Capital work in progress		9.03		1.92
			371.84	376.14
INVESTMENTS	6		54.79	51.26
CURRENT ASSETS,LOANS AND ADVANCES				
Inventories	7	80.37		67.93
Sundry Debtors	8	178.22		130.96
Cash & Bank Balances	9	46.93		24.16
Loans & Advances	10	50.65		37.80
		356.17		260.85
LESS : CURRENT LIABILITIES AND PROVISIONS				
Current Liabilities	11	60.41		51.60
Provisions	12	13.39		13.23
		73.80		64.83
NET CURRENT ASSETS			282.37	196.02
			709.00	623.42
SIGNIFICANT ACCOUNTING POLICIES				
NOTES ON ACCOUNTS				

Schedules 1 to 19 form an integral part of the accounts

As per our report of even date annexed

For B. K. SHROFF & CO.

Chartered Accountants

O. P. Shroff  
Partner

Neetu Sharma  
Company Secretary

Pankaj Poddar  
Chief Financial  
Officer

H. K. Agrawal  
Director

Ashok Jaipuria  
Chairman &  
Managing Director

New Delhi  
24<sup>th</sup> May, 2011

DIN. 260592

DIN. 214707

## Profit & Loss account for the year ended 31<sup>st</sup> March, 2011

	Schedule	Current Year Rs. Crores	Previous Year Rs. Crores
<b>INCOME</b>			
Gross Sales		978.51	778.45
Less :Excise duty recovered		40.49	29.60
Net Sales		938.02	748.85
Other Incomes	13	15.99	7.23
		954.01	756.08
<b>EXPENDITURE</b>			
(Increase)/Decrease in stocks	14	(0.12)	(2.02)
Purchases		0.11	0.03
Manufacturing and Other expenses	15	841.97	651.83
Depreciation		28.30	28.92
		870.26	678.76
Profit before Interest and Tax (EBIT)		83.75	77.32
Interest	16	16.06	15.02
Profit before Tax ( PBT )		67.69	62.30
Provision - Current Tax		19.27	14.66
- Deferred Tax		(2.03)	1.82
Profit after Tax (PAT)		50.45	45.82
Extraordinary item (Refer note no.17 on schedule 19)		1.07	(1.22)
Profit after Tax including Extra-ordinary item		51.52	44.60
<b>APPROPRIATION</b>			
Proposed Dividend on Equity Shares		9.72	9.72
Corporate Tax on Dividend		1.58	1.61
Transfer to General Reserve -II		4.00	-
Transfer to General Reserve		36.22	33.27
		51.52	44.60
Basic earning per share			
-Excluding Extraordinary item	17(a)	25.95	23.57
-Including Extraordinary item	17(b)	26.50	22.94
Diluted earning per share			
-Excluding Extraordinary item	17(a)	25.95	23.57
-Including Extraordinary item	17(b)	26.50	22.94
SIGNIFICANT ACCOUNTING POLICIES	18		
NOTES ON ACCOUNTS	19		

Schedules 1 to 19 form an integral part of the accounts

As per our report of even date annexed

For B. K. SHROFF & CO.

Chartered Accountants

O. P. Shroff  
Partner

Neetu Sharma  
Company Secretary

Pankaj Poddar  
Chief Financial  
Officer

H. K. Agrawal  
Director

Ashok Jaipuria  
Chairman &  
Managing Director

New Delhi  
24<sup>th</sup> May, 2011

DIN. 260592

DIN. 214707

## Cash flow statement for the year ended 31<sup>st</sup> March, 2011

Schedule	Current Year Rs. Crores	Previous Year Rs. Crores
<b>A. Cash Flow from Operating Activities</b>		
Profit before tax	67.69	62.30
Add : Adjustments for		
Depreciation	28.30	28.92
Interest	16.06	15.02
(Profit)/Loss on sale of Investments	(4.44)	-
(Profit)/Loss on sale of Fixed assets	0.43	0.26
Operating Profit before Working Capital changes	108.04	106.50
Adjustments for change in Working Capital		
Trade & Other Receivables	(56.82)	(36.71)
Inventories	(12.44)	(9.51)
Trade & Other Payables	8.91	(3.47)
Cash generated from operations	47.69	56.81
Direct Taxes paid	(21.49)	(16.07)
Net Cash from Operating Activities	26.20	40.74
<b>B. Cash Flow from Investing Activities</b>		
Purchase of Fixed Assets	(26.27)	(6.20)
Sales of Fixed Assets	1.84	0.76
Loan to a subsidiary	-	16.71
(Purchase)/Sale of Investments	0.91	(44.49)
Net Cash from Investing Activities	(23.52)	(33.22)
<b>C. Cash Flow from Financing Activities</b>		
Proceeds from Long Term Borrowings	14.61	(26.48)
Proceeds from Working Capital Borrowings	32.52	28.24
Proceeds from other Short Term Borrowings	0.35	11.95
Interest paid	(16.06)	(15.02)
Dividend paid	(9.72)	(9.72)
Corporate tax on dividend	(1.61)	(1.65)
Net Cash from Financing activities	20.09	(12.68)
Net increase in cash or cash equivalents	22.77	(5.16)
Cash or cash equivalents (Opening balance)	24.16	29.32
Cash or cash equivalents (Closing balance)	46.93	24.16
NOTE : Figures in bracket represents cash outflow.		
Significant Accounting Policies	18	
Notes on Accounts	19	

Schedules 1 to 19 form an integral part of the accounts

As per our report of even date annexed

For B. K. SHROFF & CO.

Chartered Accountants

O. P. Shroff  
Partner

Neetu Sharma  
Company Secretary

Pankaj Poddar  
Chief Financial  
Officer

H. K. Agrawal  
Director

Ashok Jaipuria  
Chairman &  
Managing Director

New Delhi  
24<sup>th</sup> May, 2011

DIN. 260592

DIN. 214707

## Schedules (forming part of the accounts)

	Current Year Rs. Crores	Previous Year Rs. Crores
<b>1. SHARE CAPITAL</b>		
Authorised 2,50,00,000 Equity shares of Rs.10 each	25.00	25.00
Issued, Subscribed and paid-up 1,94,40,076 Equity shares of Rs.10 each fully paid up	19.44	19.44
	<u>19.44</u>	<u>19.44</u>

Of the above,

- a) 2,42,051 shares have been allotted to erstwhile shareholders of Gujarat Propack Limited on amalgamation.  
b) 84,86,705 shares have been allotted as fully paid bonus shares by capitalisation of capital reserve and share premium account.

	Balance as at 1.4.2010 Rs. Crores	Additions Rs. Crores	Deductions Rs. Crores	Balance as at 31.03.2011 Rs. Crores
<b>2. RESERVES AND SURPLUS</b>				
Share Premium Account	31.26	-	-	31.26
Capital Reserve	3.32	-	-	3.32
Hedging Reserve	(2.18)	(0.09)	-	(2.27)
General Reserve - II*	-	4.00	-	4.00
General Reserve	239.85	36.22	-	276.07
	<u>272.25</u>	<u>40.13</u>	<u>-</u>	<u>312.38</u>

\*Represents amount set apart against demands in dispute.

	Current Year Rs. Crores	Previous Year Rs. Crores
<b>3. SECURED LOANS</b>		
From Banks		
Foreign Currency Loans (a)	75.75	42.03
Foreign Currency Loans (b)	44.96	52.97
Rupee Term Loans (a)	21.59	32.95
Cash Credit/Working Capital Demand Loans (c)	151.37	120.61
Cash Credit/Overdraft (d)	4.92	3.16
Vehicle Loan (e)	1.53	1.27
	<u>300.12</u>	<u>252.99</u>

- (a) Secured by first pari-passu charge over the entire fixed assets of the company except assets exclusively charged.  
(b) Secured against hypothecation of machinery financed out of the loan amount.  
(c) Secured by hypothecation of raw materials, work-in-progress, stores and spares, finished goods, book debts and second charge on fixed assets secured to financial institutions except assets exclusively charged.  
(d) Secured against pledge of the fixed deposits of the company.  
(e) Secured against hypothecation of vehicle financed out of the loan amount.

Note : Term loans due within a year Rs 30.24 Crores (previous year Rs. 30.55 crores)

	Current Year Rs. Crores	Previous Year Rs. Crores
<b>4. UNSECURED LOANS</b>		
Fixed Deposits (*Rs. 30000)	*	0.01
Short Term Loans and Advances		
From Banks	12.31	10.00
From Others	-	1.95
	<u>12.31</u>	<u>11.96</u>

Note : Fixed deposits due within a year Rs 30000 (previous year Rs.0.01 crores)

## 5. FIXED ASSETS

Particulars	GROSS BLOCK				DEPRECIATION				NET BLOCK	
	As at 01.04.2010 Rs. Crores	Additions Rs. Crores	Sales/ Adjustments Rs. Crores	Total Rs. Crores	Upto 31.03.2010 Rs. Crores	For the year Rs. Crores	Adjustments Rs. Crores	Total Rs. Crores	As at 31.03.2011 Rs. Crores	As at 31.03.2010 Rs. Crores
Land - Freehold	0.67	-	-	0.67	-	-	-	-	0.67	0.67
- Leasehold	1.20	-	-	1.20	0.07	0.01	-	0.08	1.12	1.13
Land & Buildings	1.58	-	-	1.58	0.06	0.02	-	0.08	1.50	1.52
Buildings	55.03	1.59	-	56.62	12.47	1.80	-	14.27	42.35	42.56
Plant & Machinery *	509.22	13.10	1.78	520.54	189.98	25.09	0.50	214.57	305.97	319.24
Furniture, Fixture & Fittings	2.44	1.81	0.11	4.14	1.52	0.22	0.04	1.70	2.44	0.92
Factory & Office Equipment	11.44	1.30	1.42	11.32	7.94	0.60	1.02	7.52	3.80	3.50
Vehicles	5.93	1.36	0.67	6.62	1.25	0.56	0.15	1.66	4.96	4.68
Previous year	587.51	19.16	3.98	602.69	213.29	28.30	1.71	239.88	362.81	374.22
Capital work in progress**	598.35	5.03	15.87	587.51	185.71	28.92	1.34	213.29	9.03	1.92
									371.84	376.14

\* Sales / adjustments in gross block includes Rs. 0.63 crores (previous year Rs. 13.51 crores) on account of exchange difference (net).

\*\* Includes Rs. 1.26 crores (previous year nil) on account of advance against capital expenditure.

	No of shares / Units		Face Value	Current Year Rs. Crores	Previous Year Rs. Crores
	Current Year	Previous Year			
<b>6. INVESTMENTS</b>					
Long Term Investments in Equity shares					
a) In Subsidiary Companies (Unquoted - Trade) CF Global Holdings Ltd.	11,500,000	9,500,000	\$1.00	54.79	45.71
b) Other Investments (Quoted - Non-trade) Cosmo Ferrites Ltd.	-	5,548,475	Rs.10	-	5.55
				<u>54.79</u>	<u>51.26</u>
Aggregate book value of quoted investments				-	5.55
Aggregate book value of unquoted investments				54.79	45.71
				<u>54.79</u>	<u>51.26</u>
Aggregate market value of quoted investments				-	<u>6.77</u>

Note : The company has given a non-disposal undertaking to the financial institutions in respect of shares held by the company.



	Current Year Rs. Crores	Previous Year Rs. Crores
<b>7. INVENTORIES</b>		
(As taken, valued and certified by the management)		
Raw material (including material in transit Rs. 1.55 crores , previous year Rs. 6.69 crores)	37.47	28.78
Stores & spares (including material in transit nil , previous year Rs. 0.72 crores)	21.55	17.92
Finished goods (including material in transit Rs.8.11 crores, previous year Rs.3.01 crores)	21.00	20.94
Stock-in-Process	0.35	0.29
	<u>80.37</u>	<u>67.93</u>
<b>8. SUNDRY DEBTORS *</b>		
(Unsecured)		
Exceeding six months		
Considered good	26.00	16.99
Considered doubtful	0.45	0.21
	<u>26.45</u>	<u>17.20</u>
Less : Provision for doubtful debts	0.45	0.21
	<u>26.00</u>	<u>16.99</u>
Others		
Considered good	152.22	113.97
	<u>178.22</u>	<u>130.96</u>
*Includes amount receivable from subsidiary Rs. 75.78 crores (previous year Rs. 59.75 crores)		
<b>9. CASH &amp; BANK BALANCES</b>		
Cash, Cheques in hand & Remittances in transit	1.65	2.05
Balances with Scheduled Banks		
In Current / Cash Credit Account	1.14	5.39
In Fixed Deposit/Margin Money Account*	44.14	16.72
	<u>46.93</u>	<u>24.16</u>
*Includes Rs. 39.01 crores (previous year Rs. 11.68 crores) held with a bank in India out of ECB borrowings for capital expenditure and investment in subsidiaries.		
<b>10. LOANS &amp; ADVANCES</b>		
(Unsecured -considered good )		
Advances (recoverable in cash or in kind or for value to be received) *	39.08	29.19
Balances with Central Excise/Customs authorities	2.95	3.88
Security Deposits	1.24	0.64
Tax deducted at Source / Advance Tax (net of provision of Rs. 19.27 crores,previous year Rs.14.66 crores)	7.38	4.09
	<u>50.65</u>	<u>37.80</u>
*Includes (i) amount due from directors & officers Rs. nil (previous year nil) (ii) maximum amount due at any time Rs. nil (previous year nil)		

	Current Year Rs. Crores	Previous Year Rs. Crores
<b>11. CURRENT LIABILITIES</b>		
Sundry Creditors *	20.82	16.95
Other Liabilities **	38.49	34.15
Trade Deposits	0.05	0.05
Interest accrued but not due on loans	1.05	0.45
	60.41	51.60
* (i) amount payable to subsidiary Rs.nil ( previous year Rs. 0.17 crores)		
(ii) dues of micro enterprises and small enterprises (refer note no.16 on schedule 19)		
** (i) amount payable to subsidiary Rs.0.69 crores ( previous year Rs. 0.97)		
(ii) amount to be credited to investor education and protection fund (refer note no.14 on schedule 19)		
(iii) includes mark to market loss on interest rate swap contract of Rs.2.27 crores (previous year Rs.2.18 crores) (refer note no.9 on schedule 19)		
<b>12. PROVISIONS</b>		
For proposed dividend	9.72	9.72
For corporate tax on dividend	1.58	1.61
For leave encashments	2.09	1.90
	13.39	13.23
<b>13. OTHER INCOMES</b>		
Interest on deposits with banks	1.51	0.84
Interest received on loans and deposits	0.03	0.09
Insurance & other claims	0.40	0.32
Miscellaneous receipts	2.74	2.13
Profit on sale of raw material (net)	0.04	-
Profit on sale of long term investments	4.44	-
Bad debts recovered	0.08	0.04
Exchange rate fluctuation (net)	5.10	0.45
Excess Provisions / Liabilities no longer required written back	1.65	3.36
	15.99	7.23
<b>14. INCREASE/(DECREASE) IN STOCKS</b>		
Closing stocks		
Finished goods	21.00	20.94
Stock in process	0.35	0.29
	21.35	21.23
Opening stocks		
Finished goods	20.94	18.98
Stock in process	0.29	0.23
	21.23	19.21
Increase/(Decrease) in Stocks	0.12	2.02

	Current Year		Previous Year	
	Rs. Crores		Rs. Crores	
<b>15. MANUFACTURING AND OTHER EXPENSES</b>				
Raw Materials consumed		609.15		469.54
Stores, Spares & Packing material		45.98		35.68
Power, Water & Fuel		66.37		53.35
Other Manufacturing expenses		0.54		0.44
Excise duty		4.81		4.10
Salaries, Wages, Bonus & Other benefits		42.54		34.29
Gratuity		1.31		1.26
Contribution to Provident/ Superannuation Funds, Employees State Insurance etc.		3.05		2.58
Staff Welfare expenses		1.06		0.78
Training & Recruitment expenses		0.47		0.52
Rent		2.38		1.14
Rates & Taxes		0.11		0.10
Insurance		0.54		0.41
Printing & Stationary		0.46		0.38
Bank & financial charges		3.42		2.17
Travelling & Conveyance		5.56		3.75
Vehicle Running & Maintenance		1.78		1.43
Communication expenses		1.34		0.96
Repairs & Maintenance				
Plant & Machinery	6.33		3.92	
Building	0.89		0.89	
Others	1.28	8.50	1.94	6.75
Legal & professional charges		1.99		1.88
Directors' Fees		0.05		0.06
Charity & Donations		0.23		0.21
Miscellaneous expenses		0.93		0.76
Auditors' Remuneration				
As Audit fees	0.11		0.11	
As Quarterly Audit fees	0.10		0.10	
As Tax Audit fees	0.02		0.02	
In Other capacity	0.06		0.01	
Out of pocket expenses	0.01	0.30	0.01	0.25
Freight & Forwarding		36.56		25.84
Other Selling expenses		0.64		0.73
Bad Debts/advances written off		0.02		0.07
Provision for Bad Debts		0.24		0.21
Claims paid/written off		0.27		0.06
Sales Tax payments		1.85		2.16
Loss on sale of raw material (net)		-		0.01
Loss on fixed assets sold/discarded (net)		0.43		0.26
		842.88		652.13
Less : Pre-operative expenditure capitalized		0.91		0.30
		841.97		651.83

	Current Year Rs. Crores	Previous Year Rs. Crores
<b>16. INTEREST</b>		
On Term Loans	6.75	7.80
To Banks & others	9.31	7.46
	<u>16.06</u>	<u>15.26</u>
Less: Received from subsidiary	-	0.24
	<u>16.06</u>	<u>15.02</u>
<b>17. BASIC AND DILUTED EARNING PER SHARE</b>		
(a) Excluding Extraordinary item		
Profit after tax excluding extraordinary item	50.45	45.82
Number of equity shares outstanding during the year	19,440,076	19,440,076
Basic earning per share (Rs.)	25.95	23.57
Diluted earning per share (Rs.)	25.95	23.57
(b) Including Extraordinary item		
Profit after tax including extraordinary item	51.52	44.60
Number of equity shares outstanding during the year	19,440,076	19,440,076
Basic earning per share (Rs.)	26.50	22.94
Diluted earning per share (Rs.)	26.50	22.94

Note :Employee stock option scheme is yet to be framed. There is no dilution.

## 18. SIGNIFICANT ACCOUNTING POLICIES

### a. METHOD OF ACCOUNTING

The accounts of the company are prepared under the historical cost convention using the accrual method of accounting unless otherwise stated hereafter. Accounting policies not specifically referred to are consistent with generally accepted accounting principles.

### b. FIXED ASSETS

Fixed assets are stated at cost of acquisition, inclusive of inward freight, duties & taxes and incidental expenses related to acquisition and are net of CENVAT credit. In respect of major projects involving construction, related preoperational expenses form part of the value of the assets capitalized.

### c. INVESTMENTS

Long-term investments are stated at cost of acquisition. Provision for diminution in the value of long-term investment is made only if; such a decline is other than temporary in the opinion of the management.

### d. INVENTORIES

Inventories are valued at lower of cost or net realizable value after providing for cost of obsolescence and other anticipated losses wherever considered necessary. Cost is determined on weighted average basis. Finished goods include cost of conversion and other costs incurred in bringing the inventories to their present location and condition.

### e. DEPRECIATION

Depreciation is calculated on leased and other fixed assets on straight-line method in accordance with schedule XIV of Companies Act, 1956 as amended.

Leasehold land is also being depreciated over the lease period.

In respect of land and building, where no separate valuation is available, depreciation has been provided on the total value of land and building.

### f. RESEARCH AND DEVELOPMENT

Revenue expenditure on research and development

is charged against the profit of the year in which it is incurred. Capital expenditure on research and development is shown as an addition to fixed assets.

### g. FOREIGN CURRENCY TRANSACTIONS

Foreign currency loans availed for acquisition of fixed assets are converted at the rate prevailing on the due date for installments repayable during the year and at the rate prevailing on the date of balance sheet for the outstanding loan. The fluctuation is adjusted in the original cost of fixed assets.

Foreign currency current assets and liabilities are converted into rupee at the exchange rate prevailing on the balance sheet date and the resultant gains/losses are reflected in the profit and loss account.

Wherever forward contracts have been taken the exchange conversion is made at the contracted rate. Gains/losses arising out of cancellation of forward contracts are treated as a revenue item.

### h. EXCISE & OTHER DUTIES

Excise duty in respect of finished goods lying in factory premises and custom duty on imported goods lying in custom bonded warehouse are provided and included in the valuation of inventory. CENVAT benefit is accounted for by reducing the purchase cost of the materials/fixed assets. Import duty benefits on exports made by the company are accounted for as export incentives. These accounting treatments have no impact on the profit/loss for the year.

### i. EMPLOYEES

Company's contribution to defined contribution plans and state plans are charged to revenue every year. Liability of obligation under defined benefit plans is determined on the basis of an actuarial valuation at the end of the year. Actuarial gains and losses comprises of experience adjustments and the effects of changes in actuarial assumptions and are recognized immediately in the profit and loss account as income or expense.

Liability towards additional payment in respect of salary, wages and bonus, if any, is debited to Profit & Loss Account in the year in which the agreement is finalized with employees.

**j. TAXATION**

Provision for Income Tax is based on assessable profits of the company as determined under the Income Tax Act, 1961.

**k. DEFERRED TAXATION**

Deferred taxation is provided using the liability method in respect of the taxation effect arising from all material timing differences between the accounting and tax treatment of income and expenditure which are expected with reasonable probability to crystallize in foreseeable future.

Deferred tax benefits are recognized in the financial statements only to the extent of any deferred tax liability or when such benefits are reasonably expected to be realizable in the near future.

**l. INCOME FROM SALES**

Exports are accounted for on the basis of the date of bill of lading/airways bill. Domestic sales are accounted for on dispatch from factory.

Sales are inclusive of export incentives/ benefits and are net of rebates, discounts and commission.

**m. INCOME FROM INVESTMENTS/DEPOSITS**

Income from investments is credited to revenue in the year in which it accrues. Income is stated in full with the tax thereon being accounted for under advance tax.

**n. CLAIMS AND BENEFITS**

Claims receivable and export benefits are accounted on accrual basis to the extent considered receivable and likely to be availed.

**o. BORROWING COSTS**

Borrowing costs that are directly attributable to the acquisition, construction or production of qualifying asset are capitalized as part of the cost of that

asset. Other borrowing costs are recognized as an expense in the period in which they are incurred. Capitalization of borrowing costs ceases when substantially all the activities necessary to prepare the qualifying assets for its intended use are complete.

**p. EARNING PER SHARE**

Basic earning per share is calculated by dividing the net profit for the year attributable to equity shareholders by the weighted average number of equity shares outstanding during the year.

Diluted earning per share is calculated by dividing the net profit attributable to equity shareholders by the weighted average number of equity shares outstanding during the year (adjusted for the effects of dilutive options)

**q. IMPAIRMENT OF ASSETS**

Impairment loss is provided to the extent the carrying amount of assets exceeds their recoverable amount. Recoverable amount is the higher of an asset's net selling price and its value in use. Value in use is the present value of estimated further cash flows expected to arise from the continuing use of an asset and from its disposal at the end of its useful life.

**r. CONTINGENT LIABILITIES**

Un-provided contingent liabilities are disclosed in the accounts by way of notes giving nature and quantum of such liabilities.

## 19. NOTES ON ACCOUNTS

	Current Year Rs. Crores	Previous Year Rs. Crores
1. Estimated amount of contracts (net of advances) remaining to be executed on capital account and not provided for	74.63	11.70
2. Contingent Liabilities not provided for in respect of		
a) Bank guarantees (including deferred guarantees)	8.09	4.31
b) Disputed demands for Income tax, Sales Tax, Excise duty, etc.	26.64	15.32
c) Claims against the company not acknowledged as debts	0.50	1.68
d) Bonds executed in favour of government departments	3.51	3.51

3. The company has received Rs. 8.94 crores (previous year Rs. 5.57 crores) on discounting of letter of credits which have been reduced from debtors in these accounts.
4. The company has opened Letter of credit for Rs. 22.50 crores (Previous year Rs.19.57 crores) for which the material has not been shipped as on the date of the Balance sheet.
5. Figures for previous year have been regrouped / rearranged wherever considered necessary.
6. In respect of capital goods imported under EPCG Scheme, Bonds of Rs. 225.93 crores has been executed in favour of the President of India for import at a concessional rate of custom duty. Export obligation of Rs. 872.18 crores has been completed and balance obligation of Rs. 4.48 crores is to be completed by 28th September 2018.
7. Capital work in progress includes Rs. 4.19 crores (previous year Rs. 1.09 crores) being expenditure incurred on development of SAP ERP software. This intangible asset will be capitalized on completion and will be amortised over a period of 10 years as per Accounting Standard (AS 26) on 'Intangible Assets' issued by Institute of Chartered Accountants of India.
8. The company in its extra-ordinary general meeting held on 11th January, 2008 resolved to issue and allot equity shares not exceeding 1000000 in number under 'Employee Stock Option Scheme' at such price and at such time as may be decided by the board. No equity shares have been issued or allotted.
9. a. The company has entered into interest rate swap contract (floating rate to fixed rate) to hedge its risk associated with LIBOR fluctuations. In accordance with Accounting Standard 30, "Financial Instruments - recognition and measurement" the mark to market loss as on 31st March, 2011 is estimated at Rs. 2.27 crores (previous year Rs. 2.18 crores) on such instruments which qualify as effective hedges. The estimated loss has been provided by creating hedging reserve.
- b. The company has outstanding of foreign currency related derivative contracts in the form of options for hedging its business related exposure which are not speculative in nature. The contracts have long dated tenor with multiple contingent/uncertain events. As such ascertainment of fair value of these contracts is not feasible. However, banks estimate the total net mark to market (MTM) loss of all outstanding contracts at approx.Rs. 0.33 crores as at 31.03.2011 (Previous year nil) which has been provided in the books of accounts.
10. a. The company has given corporate guarantee for term loan facility of USD 14 million availed by its step down subsidiary.
- b. A step down subsidiary is to pay a sum of USD 3.65mn to ACCO Brand towards balance amount of purchase consideration for which company has given corporate guarantee.
11. The company has claimed/will claim 100% Deferral/Exemption benefits under sales tax for the financial years from 1996-97 to 2009-10 on the basis of decision of the Hon'ble First Bench of the Maharashtra Sales Tax Tribunal at Mumbai in case of M/s Pee Vee Textile Ltd. and VIP Industries Ltd. The said benefits have not been allowed to the company for the financial years 1996-97 to 2004-05 and the company has gone in appeal and for the financial years 2005-06 to 2009-10 VAT audit report has been filed. The company has received demand of Rs. 12.77 crores (previous year Rs. 12.77 crores ) in respect of financial years for which assessment has been completed against which provision of Rs.9.26 crores (previous year Rs. 10.12 crores) is available in these accounts. Besides, provision of Rs. 4.42 crores (previous year Rs. 4.42 crores) is available in respect of financial years for which assessment is to be completed.
- Based upon legal opinion received and Hon'ble Maharashtra Sales Tax Tribunal Mumbai judgments for financial years 1996-97,1997-98 and 2001-02 setting aside the order of the first appellate authority and remanding the matter back to the first appellate authority to decide afresh the matter following Mumbai High court judgement in the case of M/S Pee Vee Textiles Ltd , the company is hopeful that the matter will be decided in its favour. Consequent upon favourable judgment, the company will be entitled to an income of Rs. 19.99 crores (previous year Rs 20.84 crores) (including amount paid and

- charged to profit & loss account) which has not been considered in these accounts.
12. In pursuance of Accounting Standard on Impairment on Assets (AS-28) issued by Institute of Chartered Accountants of India the company had identified and impaired certain assets / cash generating units. There is no further impairment/ reversal during the year.
13. Segments have been identified in accordance with Accounting Standard on Segment Reporting (AS-17) taking into account the organization structure as well as differential risks and returns of these segments.
- a) Business segment has been disclosed as the primary segment. The company is organized into two business segments namely Packaging Films and Others.

Rs. Crores

Particulars	Packaging Films	Others	Total
Sales Revenue	937.86 (748.77)	0.16 (0.08)	938.02 (748.85)
Other income	15.99 (7.23)	- (-)	15.99 (7.23)
Total	953.85 (756.00)	0.16 (0.08)	954.01 (756.08)
Segment Results	89.78 (82.28)	0.04 (0.01)	89.82 (82.29)
Unallocated Corporate exp./Income			6.07 (4.97)
Operating profit			83.75 (77.32)
Interest Expense			16.06 (15.02)
Income tax			17.24 (16.48)
Profit from ordinary activities			50.45 (45.82)
Extraordinary items			1.07 (-1.22)
Net Profit			51.52 (44.60)



## OTHER INFORMATIONS

Segment assets	673.47 (608.51)	0.23 (0.23)	673.70 (608.74)
Segment liabilities	61.45 (53.05)	- (-)	61.45 (53.05)
Capital expenditure	26.27 (6.20)	- (-)	26.27 (6.20)
Depreciation	28.30 (28.92)	- (-)	28.30 (28.92)
Non cash expenditure other than depreciation	- (-)	- (-)	- (-)

- b) Secondary segment reporting is performed on the basis of location of all customers. All the business assets of the company are situated in India.

	In India (Rs. Crores)	Outside India (Rs. Crores)	Total (Rs. Crores)
Sales Revenue	452.97 (410.09)	485.05 (338.76)	938.02 (748.85)
Segment Assets	528.56 (500.89)	145.14 (107.85)	673.70 (608.74)
Capital expenditure	26.27 (6.20)	- (-)	26.27 (6.20)

Note : Previous year figures are given in brackets.

14. The following amounts are to be credited to Investor education and protection fund as and when due

	Current Year Rs. Crores	Previous Year Rs. Crores
i. Unpaid dividend	0.74	0.69
ii. Unpaid application money received for allotment of securities and due for refund	-	-
iii. Unpaid matured deposits (*Rs 30000)	*	0.01
iv. Unpaid matured debentures	-	-
v. Interest accrued on above	-	-

15. Loans and advances in the nature of loans given to subsidiaries and associates etc:

	Current Year Rs. Crores	Previous Year Rs. Crores
a) i) Loans given to subsidiary companies and outstanding at the year end		
- Cosmo Films, Inc.	-	-
- CF Global Holdings Ltd.*	-	-
ii) Maximum amount outstanding during the year		
- Cosmo Films, Inc.	-	16.71
- CF Global Holdings Ltd.*	-	73.34
* free of interest		
b) i) Shares held by the loanee in the company outstanding at the year end	-	-
ii) Maximum number of shares held during the year	-	-

16. The Company has circulated letters to all its suppliers requesting them to confirm whether they are covered under the Micro, Small and Medium Enterprises Development Act, 2006 ('MSMED'). Certain suppliers have provided the necessary confirmation alongwith the evidence of being Micro or Small enterprises. However from the majority of the suppliers these confirmations are still awaited. On the basis of available information no principal or interest is payable at the year end to any supplier covered under MSMED. Further no interest was payable or paid during the year to any such supplier.
17. Extra-ordinary item represents income tax for earlier years.
18. a. Net foreign currency exposure at the year end:

Currency	Current Year	Previous Year
USD	(34,012,650)	(22,423,049)
EURO	803,458	(420,432)
GBP	(257,332)	534,901
CHF	-	9,555
JPY	-	215,000

Note : Figures in bracket signifies amount payable .

b. Foreign currency exposure hedged by derivative instruments (against exports) :

c. Expenditure an account of premium on derivative instruments to be recognised in the profit & loss account of subsequent accounting period aggregate Rupees 0.33 crores (Previous year nil).

Currency	No. of contracts	Amount	Notional gain/ (-)loss
EURO	52	EURO 8.125Mn	(-) Rs. 0.02 Crs.
	(-)	(-)	(-)
GBP	13	GBP 1.30 Mn	(-) Rs. 0.31 Crs.
	(-)	(-)	(-)

Note : Previous year figures are given in brackets.

## 19. Directors Remuneration

	Current Year Rs. Crores	Previous Year Rs. Crores
a) Remuneration		
Salary	0.29	0.29
Commission	3.01	2.96
Contribution to Provident & Superannuation Funds	0.05	0.05
b) Computation of net profits for the purpose of calculating Managing Director's Commission :		
Profit before tax		67.69
Add : Director's fees		0.05
Director's remuneration		3.35
Loss on sale of fixed assets		0.43
		71.52
Less : Profit on sale of investments		4.44
Net profit in accordance with section 19(1)/349		67.08
Managing Director's Remuneration @5%		3.35
Salary & other benefits		0.34
Commission Payable		3.01

20. As required under Accounting standard (AS) 22, 'Accounting for taxes on income' issued by the Institute of Chartered Accountants of India, the company is required to account for deferred taxation while preparing its accounts. The details of deferred tax assets / liabilities are as under :

	<b>As at 31<sup>st</sup> March, 2011 Rs. Crores</b>	<b>As at 31<sup>st</sup> March, 2010 Rs. Crores</b>
Deferred Tax (liability) Fixed Assets	(70.62)	(72.86)
	(70.62)	(72.86)
Deferred Tax Assets		
Additional allowable in subsequent years	5.72	6.01
Provision for doubtful debts	0.15	0.07
	5.87	6.08
Net deferred tax Assets / (Liability)	(64.75)	(66.78)

Note : Deferred tax asset in respect of long term capital loss, as per income tax laws, of Rs. 3.96 crores (previous year nil) on sale of investments has not been recognized in view of uncertainty of its realization.

## 21. Related Party Disclosure

- (i) Names of related parties and description of relationship
- (a) Subsidiary & Step-down Subsidiary Companies
- Cosmo Films, Inc., USA
  - CF Global Holdings Limited, Mauritius
  - CF (Netherlands) Holdings Limited B.V., Netherlands
  - Cosmo Films (Singapore) Pte. Limited, Singapore
  - Cosmo Films Hwa Seung Co. Limited, Korea
- (b) Associates
- Cosmo Ferrites Limited (Ceased to be an associate w.e.f 17<sup>th</sup> Sept'2010)
- (c) Key Managerial Personnel & their relatives
- Sh. Ashok Jaipuria, Chairman & Managing Director
- (d) Enterprises over which Key Managerial Personnel have significant influence
- Pravasi Enterprises Limited
  - Sunrise Manufacturing Co. Private Limited

(ii) Transactions with related parties during the year

S. No.	Particulars	Subsidiary & Stepdown Subsidiary Companies	Associates	Key Managerial Personnel & their relatives	Enterprises over which key managerial personnel have significant influence
		(Rs. Crores)	(Rs. Crores)	(Rs. Crores)	(Rs. Crores)
a)	Remuneration paid	- (-)	- (-)	3.35 (3.30)	- (-)
b)	Subscription received towards equity share warrants forfeited	- (-)	- (-)	- (0.54)	- (2.78)
c)	Investment made	9.08 (45.71)	- (-)	- (-)	- (-)
d)	Sales	139.56 (89.55)	- (-)	- (-)	- (-)
e)	Loan given	- (73.34)	- (-)	- (-)	- (-)
f)	Interest earned	- (0.24)	- (-)	- (-)	- (-)
g)	Loan received back	- (90.05)	- (-)	- (-)	- (-)
h)	Fixed assets / spares purchased	0.62 (0.25)	- (-)	- (-)	- (-)
i)	Investments sold	- (1.22)	- (-)	- (-)	- (-)
j)	Reimbursement of expenses received	- (14.09)	- (-)	- (-)	- (-)
k)	Reimbursement of expenses paid	- (-)	- (-)	- (-)	- (0.07)
l)	Commission paid	6.40 (0.97)	- (-)	- (-)	- (-)
m)	Rent paid	- (-)	- (-)	- (-)	1.97 (0.57)
n)	Security deposit / Advance rent paid	- (-)	- (-)	- (-)	0.44 (0.62)
o)	Amount outstanding				
	- Investments	54.79 (45.71)	- (5.55)	- (-)	- (-)
	- Sundry debtors	75.78 (59.75)	- (-)	- (-)	- (-)
	- Sundry creditors	- (0.17)	- (-)	- (-)	- (-)
	- Other payables	0.69 (0.97)	- (-)	3.01 (2.96)	- (-)
	- Security deposit / advance rent given	- (-)	- (-)	- (-)	1.06 (0.62)

(iii) Other relevant information:

- (a) Related parties enlisted in (i) above are those having transaction with the company.
- (b) The above excludes sitting fee of Rs. 0.05 crores (Previous year Rs 0.06 crores) paid to non-executive directors.
- (c) Previous year figures are given in brackets.

## 22. Employee Benefit Obligations:

The various benefits provided to employees has been classified as under:-

### a) Defined Contribution Plans

The company makes contribution towards superannuation to a defined contribution retirement benefits plan for qualifying employees. The superannuation fund is administered by the Trustees of Cosmo Films Limited Superannuation Fund. The fund has taken policy with Life Insurance Corporation of India to provide for payment of retirement benefits to vested employees. During the year contribution paid to the superannuation fund Rs.1.03 crores (previous year Rs.0.98 crores) by the company to cover fully the benefits to be paid to the employees has been charged to the profit & loss account.

### b) State Plans

Provident Fund is accrued on monthly basis in accordance with the terms of contract with the employees and is deposited with the "Statutory Provident Fund". During the year Rs. 1.70 crores (previous year Rs. 1.39 crores ) has been paid as contribution to the Statutory Provident Fund as employer's contribution which has been charged to the profit & loss account. Besides, Employee State Insurance in respect of eligible employees is also being deposited with the statutory fund. During the year Rs. 0.09 crores (previous year Rs.0.03 crores) have been paid to the fund as employer's contribution which has been charged to the profit & loss account.

### c) Defined Benefit Plans (Funded)

The company makes contribution towards gratuity to a defined contribution retirement benefits plan for qualifying employees. The gratuity fund is administered by the Trustees of Cosmo Films Limited Gratuity Fund. The fund has taken policy with Life Insurance Corporation of India to provide for payment of retirement benefits to vested employees. The present value of obligation is determined based on actuarial valuation.

	As on 31.03.2011 Rs. Crores	As on 31.03.2010 Rs. Crores
<b>1 Assumptions</b>		
Discount Rate	8%	8%
Salary Escalation	9%	9%
<b>2 Table showing changes in present value of obligations</b>		
Present value of obligations as at beginning of year	7.58	5.72
Interest cost	0.61	0.46
Current Service Cost	0.54	0.37
Benefits Paid	(0.39)	(0.35)
Actuarial (gain)/Loss on obligations	0.12	1.38
Present value of obligations as at end of year	8.46	7.58
<b>3. Table showing changes in the fair value of plan assets</b>		
Fair value of plan assets at beginning of year	7.29	5.26
Expected return on plan assets	0.73	0.56
Contributions	1.63	1.82
Benefits Paid	(0.39)	(0.35)
Actuarial Gain/(Loss) on Plan assets	NIL	NIL
Fair value of plan assets at the end of year	9.26	7.29
<b>4 Table showing fair value of plan assets</b>		
Fair value of plan assets at beginning of year	7.29	5.26
Actual return on plan assets	0.73	0.56
Contributions	1.63	1.82
Benefits Paid	(0.39)	(0.35)
Fair value of plan assets at the end of year	9.26	7.29
Funded status	0.80	(0.29)
Excess of Actual over estimated return on plan assets (Actual rate of return = Estimated rate of return as ARD falls on 31 <sup>st</sup> March)	NIL	NIL
<b>5 Actuarial gain/ Loss recognized</b>		
Actuarial gain/(Loss) for the year - Obligation	(0.12)	(1.38)
Actuarial (gain)/Loss for the year - Plan assets	NIL	NIL
Total (gain)/Loss for the year	0.12	1.38
Actuarial (gain)/Loss recognized in the year	0.12	1.38
<b>6 The amounts to be recognized in the balance sheet and statements of Profit and Loss</b>		
Present value of obligations as at the end of year	8.46	7.58
Fair value of plan assets as at the end of the year	9.26	7.29
Funded status	0.80	(0.29)
Net Asset/(Liability) recognized in balance sheet	(0.80)	0.29
<b>7 Expenses Recognized in statement of Profit &amp; Loss</b>		
Current Service cost	0.54	0.37
Interest Cost	0.61	0.46
Expected return on plan assets	(0.73)	(0.56)
Net Actuarial (gain)/Loss recognized in the year	0.12	1.38
Expenses recognized in statement of Profit & Loss	0.54	1.65

d) Defined Benefit Plans (Unfunded)

In respect of leave encashment the present value of obligation is determined based on actuarial

valuation by an independent actuary based on LIC 1994-96 (ultimate) mortality table.

	As on 31.03.2011 Rs. Crores	As on 31.03.2010 Rs. Crores
<b>1 Key Assumptions</b>		
Attrition rate	5%	5%
Imputed rate of interest	8.5%	8.5%
Salary rise	7%	7%
Return on plan assets	N.A.	N.A.
Remaining working life	20.74 years	19.25 years
<b>2 Changes in present value of obligations</b>		
Present value of obligations as at beginning of the I.V.P.	1.90	1.49
Interest cost	0.15	0.12
Current Service Cost	0.92	0.78
Benefits Paid	(0.20)	(0.20)
Actuarial (gain)/Loss on obligations	(0.68)	(0.29)
Present value of obligations as at end of the I.V.P.	2.09	1.90
<b>3. Changes in the fair value of plan assets (Not relevant)</b>		
Fair value of plan assets at beginning of the I.V.P.	-	-
Expected return on plan assets	-	-
Contributions	-	-
Benefits Paid	(0.20)	(0.20)
Actuarial Gain/(Loss) on Plan assets	-	-
Fair value of plan assets at the end of the I.V.P.	-	-
<b>4 Table showing fair value of plan assets</b>		
Fair value of plan assets at beginning of the I.V.P.	-	-
Actual return on plan assets	-	-
Contributions	-	-
Benefits Paid	(0.20)	(0.20)
Fair value of plan assets at the end of the I.V.P.	-	-
Present value of obligations as at end of the I.V.P.	2.09	1.90
Funded status	(2.09)	(1.90)
<b>5 Actuarial gain/ Loss recognized</b>		
Actuarial gain/(Loss) on obligation	0.68	0.29
Actuarial (gain)/Loss on Plan assets	-	-
Total (gain)/Loss for the I.V.P.	(0.68)	(0.29)
Actuarial (gain)/Loss recognized in the I.V.P.	(0.68)	(0.29)
Unrecognized actuarial (gain)/loss at the end of the I.V.P.	-	-
<b>6 Amount to be recognized in the balance sheet</b>		
Present value of obligations as at the end of the I.V.P.	2.09	1.90
Fair value of plan assets as at the end of the I.V.P.	-	-
Funded status	(2.09)	(1.90)
Unrecognized actuarial (gain)/loss at the end of the I.V.P.		
Net Asset/(Liability) recognized in balance sheet	2.09	1.90
<b>7 Expenses Recognized in statement of Profit &amp; Loss</b>		
Current Service cost	0.92	0.78
Interest Cost	0.15	0.12
Expected return on plan assets	(-)	(-)
Actuarial (gain)/Loss recognized in the I.V.P.	(0.68)	(0.29)
Expenses recognized in statement of Profit & Loss	0.39	0.61

23. Sales are net of selling commission of Rs. 14.56 crores (previous year Rs. 4.41 crores).

24. (a) The Ministry of Corporate Affairs, Government of India vide its General Notification No. S.O.301(E) dated 8th February 2011 issued under Section 211(3) of the Companies Act,1956 has exempted certain classes of companies from disclosing certain information in their profit and loss account. The Company being an "export oriented company" is entitled to the exemption. Accordingly, disclosure mandated by paragraphs 3(i)(a), 3(ii)(a),3(ii)(b) and 3(ii)(d) of Part II, Schedule VI to the Companies Act,1956 have not been provided.

(b) The Ministry of Corporate Affairs, Government of India vide its General Circulars No. 2 and 3 dated 8th February 2011 and 21st February 2011 respectively has granted a general exemption from compliance with section 212 of the Companies Act,1956 subject to fulfillment of conditions

stipulated in the circular. The company has satisfied the conditions stipulated in the circular and hence is entitled to the exemption. Necessary information relating to the subsidiaries has been included in the Consolidate Financial Statements.

25. (a) Building includes Rs. 0.64 crores towards cost of residential space in a Co-operative Housing Society. The Company has taken possession of the same in terms of agreement to sell. Conveyance Deed is yet to be registered. Besides, the amount includes cost of shares of the said society received by the Company which are yet to be transferred in the name of the Company.

(b) Building includes cost of 5 shares of Rs.50 each of Pluto Apartment Co-operative Housing Society Ltd. paid as part of cost of flat.

26. Preoperative expenditure capitalized included under capital work in progress are as under :

	Current Year Rs. Crores	Previous Year Rs. Crores
Opening Balance	0.30	-
Add:		
Salary, Wages etc.	0.48	-
Rent	0.02	-
Travelling & Conveyance	0.26	-
Vehicle Running & Maintenance	0.07	-
Legal & Professional Charges	-	0.30
Miscellaneous Expenses	0.08	-
	0.91	0.30
Closing Balance	1.21	0.30

27. An amount of Rs. 1.54 crores has been paid by the company in earlier years to Maharashtra State Electricity Board (MSEB) under protest. The contention of the company has not been accepted by MSEB and

therefore the amount of Rs. 1.54 crores has been included in Power, Water & Fuel expenses in these accounts.



28. Information pursuant to the provision of Part II & Part IV of schedule VI of Companies Act, 1956

A. Capacities & Production	Current Year Qty. (MT)		Previous year Qty. (MT)	
Class of goods				
Biaxially Oriented Polypropylene (BOPP) Film & Synthetic paper (including semi-finished & Waste)				
Licensed capacity	N.A.		N.A.	
Installed capacity (as certified by management)	122200		116200	
Production (includes internal consumption of 6688 MT, previous year 6434 MT))	87787		77262	
	Qty. (Units)		Qty. (Units)	
Thermal Lamination Machines				
Licensed capacity	N.A.		N.A.	
Installed capacity (as certified by management)	N.A.		N.A.	
Production	-		-	
B. Value of imported/indigenous Raw Material and Stores & Spares / Packing Material consumed	Percentage	Value Rs. Crores	Percentage	Value Rs. Crores
Raw Material				
Imported	27.67	168.54	33.33	156.50
Indigenous	72.33	440.61	66.67	313.04
	100.00	609.15	100.00	469.54
Stores, Spares and Packing Material				
Imported	11.59	5.33	15.66	5.59
Indigenous	88.41	40.65	84.34	30.09
	100.00	45.98	100.00	35.68
C. Other additional information	Current Year Rs. Crores		Previous Year Rs. Crores	
C.I.F Value of Imports				
Raw Materials	171.60		134.46	
Stores & Spares	7.26		6.20	
Capital goods	9.39		0.20	
Expenditure in Foreign Currency				
Travelling & Training	0.63		0.93	
Services of foreign technicians	0.50		0.13	
Sales Commission	13.46		2.04	
Interest on Foreign currency loan	1.22		2.11	
Others	0.59		3.11	

	<b>Current Year Rs. Crores</b>	<b>Previous Year Rs. Crores</b>
Earnings in Foreign Exchange FOB value of exports	462.86	334.69
Remittance in Foreign Currency on Account of dividend to Non-Resident shareholders		
No of Shareholders	49	60
Shares held by them	13080	19780
Net amount of Dividend	0.01	0.01
Note : Does not include dividend paid in India to the mandatees of non-resident shareholders		



## FINANCIAL INFORMATION OF SUBSIDIARY COMPANIES

Name of the Subsidiary	Reporting Currency	Closing exchange Rate agst Indian Rupee as on 31 <sup>st</sup> March, 2011	Capital	Reserve	Total Assets	Total Liabilities	Investments except in case of investment in subsidiaries	Turnover	Profit before Tax	Profit after Tax	Proposed Dividend	Country
CF Global Holdings Limited	INR (in Cr)	44.6600	51.36	(0.10)	51.26	0.01	0.00	0.00	(0.04)	(0.04)	0.00	Mauritius
	USD 000's		11500	(23)	11478	1	0.00	0.00	(10)	(10)	0.00	
CF (Mauritius) Holdings Ltd.	INR (in Cr)	44.6600	2.23	(0.04)	51.03	48.84	0.00	0.00	0.01	0.01	0.00	Mauritius
	USD 000's		500	(8)	11426	10934	0.00	0.00	(2)	(2)	0.00	
Cosmo Films ( Netherlands) Cooperatief .U.A	INR (in Cr)	63.1400	51.53	(0.02)	51.53	0.02	0.00	0.00	(0.02)	(0.02)	0.00	Netherlands
	Euro 000's		8161	(3)	8161	3	0.00	0.00	(3)	(3)	0.00	
CF ( Netherlands) Holdings Limited B.V	INR (in Cr)	63.1400	51.53	(3.04)	127.24	78.75	0.00	87.01	(10.51)	(8.13)	0.00	Netherlands
	Euro 000's		8161	(481)	20152	12472	0.00	14537	(1757)	(1359)	0.00	
CF Global Holdings GK	INR (in Cr)	0.5399	8.10	16.12	31.70	7.48	0.00	54.00	9.36	5.51	0.00	Japan
	JPY 000's		150000	298543	587071	138528	0.00	1017088	176348	103816	0.00	
Cosmo Films (Singapore) Pte Ltd.	INR (in Cr)	35.4100	0.18	1.73	21.46	19.55	0.00	64.39	0.40	0.38	0.00	Singapore
	S\$ 000's		50	488	6060	5522	0.00	18932	119	110	0.00	
Cosmo Films Hwa Seung Co. Ltd.	INR (in Cr)	0.0403	12.09	7.91	40.97	20.97	0.00	50.54	0.67	0.61	0.00	Korea
	KRW 000's		3000	1963	10166	5203	0.00	12870	170	155	0.00	
Cosmo Films Korea Ltd.	INR (in Cr)	0.0403	4.03	(0.01)	8.51	4.49	0.00	0.00	0.00	0.00	0.00	Korea
	KRW 000's		1000	(5)	2108	1113	0.00	0	(6)	(5)	0.00	
Cosmo Films Inc	INR (in Cr)	44.6600	17.86	(12.83)	113.07	108.04	0.00	168.80	(19.79)	(11.91)	0.00	USA
	USD 000's		4000	(2872)	25317	24189	0.00	37249	(4367)	(2628)	0.00	

## Auditors' report on consolidated accounts

### AUDITORS' REPORT TO THE BOARD OF DIRECTORS OF COSMO FILMS LIMITED ON THE CONSOLIDATED FINANCIAL STATEMENTS OF COSMO FILMS LIMITED, ITS SUBSIDIARY, STEP DOWN SUBSIDIARIES AND ITS ASSOCIATE

We have examined the attached consolidated balance sheet of Cosmo Films Limited, its subsidiary, step down subsidiaries and its associate as at 31st March, 2011 and the Consolidated Profit and Loss Account and the consolidated cash flow statement for the year ended on that date.

These financial statements are the responsibility of the Cosmo Films Limited management. Our responsibility is to express an opinion on these financial statements based on our audit. We have conducted our audit in accordance with generally accepted auditing standards in India. These Standards require that we plan and perform the audit to obtain reasonable assurance that whether the financial statements are prepared, in all material respects, in accordance with an identified financial reporting framework and are free of material misstatements. An audit includes, examining on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statements. We believe that our audit provides a reasonable basis for our opinion.

We did not audit the financial statements of the subsidiary namely CF Global Holdings Ltd and certain step down subsidiaries whose financial statements reflects total assets of Rs. 215.02 crores as on 31<sup>st</sup> March, 2011 and total revenues of Rs. 274.71 crores for the year then ended. These financial statements have been audited by other auditor whose report has been furnished to us, and in our opinion, in so far as it relates to the amounts included in respect of the said subsidiary, is based solely on the report of the other auditor. We further report that the financial statements of certain step down subsidiaries whose financial statements reflect total assets of Rs.31.71 crores as on 31<sup>st</sup> March, 2011 and total revenues of Rs. 54.00 crores for the year then ended, have not been audited either by us or by any other auditors and therefore, unaudited financial statements for the year ended 31<sup>st</sup> March 2011 of these subsidiaries have been furnished to us by the management. These subsidiaries are not material to the consolidated financial statements either individually or in the aggregate.

We report that the consolidated financial statements have been prepared by the company in accordance with the requirements of Accounting Standard (AS) 21, Consolidated Financial Statements and (AS) 23 Accounting for Investments in Associates in Consolidated Financial Statements, issued by the Institute of Chartered Accountants of India and on the basis of the separate audited financial statements of Cosmo Films Limited, its subsidiaries, step down subsidiaries and its associate included in the consolidated financial statements.

On the basis of the information and explanation given to us and on the consideration of separate audit reports on individual audited financial statements of Cosmo Films Limited, its subsidiaries, step down subsidiaries and its associate, we are of the opinion that:

- (a) the Consolidated Balance Sheet gives a true and fair view of the consolidated state of affairs of Cosmo Films Limited, its subsidiary, step down subsidiaries and its associate as at 31st March, 2011;
- (b) the Consolidated Profit and Loss Account gives a true and fair view of the consolidated results of operations of Cosmo Films Limited, its subsidiary, step down subsidiaries and its associate for the year then ended; and
- (c) The consolidated cash flow statement gives a true and fair view of the consolidated cash flow of Cosmo Films Limited, its subsidiary, step down subsidiaries and its associate for the year then ended.

For B.K.Shroff & Co.  
Chartered Accountants  
Firm Registration No: 302166E

New Delhi  
24<sup>th</sup> May, 2011

O.P.Shroff  
Partner  
Membership No: 6329

**COSMO FILMS LIMITED**
**Consolidated balance sheet** as at 31<sup>st</sup> March, 2011

	Schedule	Current Year Rs. Crores	Previous Year Rs. Crores
<b>SOURCES OF FUNDS</b>			
SHAREHOLDERS' FUND			
Share Capital	1	19.44	19.44
Reserves & Surplus	2	300.66	272.72
		320.10	292.16
MINORITY INTEREST			
		5.82	8.97
LOAN FUNDS			
Secured Loans	3	369.70	323.45
Unsecured Loans	4	33.08	32.94
		402.78	356.39
DEFERRED TAX			
		57.35	70.62
		<u>786.05</u>	<u>728.14</u>
<b>APPLICATION OF FUNDS</b>			
FIXED ASSETS			
Gross Block	5	697.82	680.65
Less :Depreciation		276.13	243.45
Net Block		421.69	437.20
Add : Capital work in progress		14.21	1.90
		435.90	439.10
INVESTMENTS			
	6	-	8.89
CURRENT ASSETS,LOANS AND ADVANCES			
Inventories	7	162.05	134.89
Sundry Debtors	8	169.65	146.76
Cash & Bank Balances	9	68.97	43.75
Loans & Advances	10	53.82	47.90
		454.49	373.30
LESS : CURRENT LIABILITIES AND PROVISIONS			
Current Liabilities	11	90.95	79.92
Provisions	12	13.39	13.23
		104.34	93.15
NET CURRENT ASSETS			
		350.15	280.15
		<u>786.05</u>	<u>728.14</u>
NOTES ON CONSOLIDATED ACCOUNTS	18		
SIGNIFICANT ACCOUNTING POLICIES	19		
NOTES ON ACCOUNTS	20		

Schedules 1 to 20 form an integral part of the accounts

As per our report of even date annexed

For B. K. SHROFF & CO.

Chartered Accountants

O.P.Shroff  
Partner

Neetu Sharma  
Company Secretary

Pankaj Poddar  
Chief Financial  
Officer

H. K. Agrawal  
Director

Ashok Jaipuria  
Chairman &  
Managing Director

New Delhi  
24<sup>th</sup> May, 2011

DIN. 260592

DIN. 214707

## Consolidated profit & loss account for the year ended 31<sup>st</sup> March, 2011

	Schedule	Current Year Rs. Crores	Previous Year Rs. Crores
<b>INCOME</b>			
Gross Sales		1,170.28	989.27
Less :Excise duty recovered		40.49	29.60
Net Sales		1,129.79	959.67
Other Incomes	13	17.98	15.32
Income from associates		-	1.06
		<u>1,147.77</u>	<u>976.05</u>
<b>EXPENDITURE</b>			
(Increase)/Decrease in stocks	14	(10.27)	(37.88)
Purchases		7.72	27.68
Manufacturing and Other expenses	15	1,048.84	880.42
Depreciation		34.39	33.86
		<u>1,080.68</u>	<u>904.08</u>
Profit before Interest and Tax(EBIT)		67.09	71.97
Interest	16	21.80	18.28
Profit before Tax		45.29	53.69
Provision -Current Tax		23.11	19.17
-Deferred Tax		(12.20)	(3.89)
Profit after Tax (PAT)		34.38	38.41
Extraordinary item (net of tax Rs. 2.25 crores, previous year Rs.13.63 crores), (Refer note no.17 on schedule 20)		(3.39)	29.28
Profit after Tax including Extraordinary item		30.99	67.69
Minority Interest		(3.77)	4.21
Profit after Tax including Extraordinary item and Minority Interest		34.76	63.48
<b>APPROPRIATION</b>			
Proposed Dividend on Equity Shares		9.72	9.72
Corporate Tax on Dividend		1.58	1.61
Transfer to General Reserve - II		4.00	0
Transfer to General Reserve		19.46	52.15
		<u>34.76</u>	<u>63.48</u>
Basic earning per share (Rs.)			
-Excluding Extra-ordinary item	17(a)	19.52	21.32
-Including Extra-ordinary item	17(b)	17.88	32.65
Diluted earning per share (Rs.)			
-Excluding Extra-ordinary item	17(a)	19.52	21.32
-Including Extra-ordinary item	17(b)	17.88	32.65
NOTES ON CONSOLIDATED ACCOUNTS	18		
SIGNIFICANT ACCOUNTING POLICIES	19		
NOTES ON ACCOUNTS	20		

Schedules 1 to 20 form an integral part of the accounts

As per our report of even date annexed

For B. K. SHROFF & CO.

Chartered Accountants

O. P. Shroff  
Partner

Neetu Sharma  
Company Secretary

Pankaj Poddar  
Chief Financial  
Officer

H. K. Agrawal  
Director

Ashok Jaipuria  
Chairman &  
Managing Director

New Delhi  
24<sup>th</sup> May, 2011

DIN. 260592

DIN. 214707

## Consolidated cash flow statement for the year ended 31<sup>st</sup> March, 2011

	Schedule	Current Year Rs. Crores	Previous Year Rs. Crores
<b>A. Cash Flow from Operating Activities</b>			
Profit before tax		45.29	53.69
Add : Adjustments for			
Depreciation		34.39	33.86
Interest		21.80	18.28
(Profit)/Loss on sale of Investments		(1.10)	-
(Profit)/Loss on sale of Fixed assets		0.43	0.08
Change in foreign currency translation reserve		4.48	(5.41)
Extraordinary item		(5.64)	42.91
Operating Profit before Working Capital changes		99.65	143.41
Adjustments for change in Working Capital			
Trade & Other Receivables		(23.65)	(107.89)
Inventories		(27.16)	(49.32)
Trade & Other Payables		11.22	24.53
Cash generated from operations		60.06	10.73
Direct Taxes paid		(27.09)	(17.58)
Net Cash from Operating Activities		32.97	(6.85)
<b>B. Cash Flow from Investing Activities</b>			
Purchase of Fixed Assets		(33.46)	(57.47)
Sales of Fixed Assets		1.84	0.42
(Purchase)/Sale of Investments		9.99	(2.54)
Net Cash from Investing Activities		(21.63)	(59.59)
<b>C. Cash Flow from Financing Activities</b>			
Proceeds from Long Term Borrowings		13.50	49.84
Proceeds from Working Capital Borrowings		32.53	28.23
Proceeds from other short term Borrowings		0.36	11.95
Change in Minority Interest		0.62	4.76
Interest paid		(21.80)	(18.28)
Dividend paid		(9.72)	(9.72)
Corporate tax on dividend		(1.61)	(1.65)
Net Cash from Financing activities		13.88	65.13
Net increase in cash or cash equivalents		25.22	(1.31)
Cash or cash equivalents (Opening balance)		43.75	45.06
Cash or cash equivalents (Closing balance)		68.97	43.75
NOTE : Figures in bracket represents cash outflow.			
NOTES ON CONSOLIDATED ACCOUNTS	18		
SIGNIFICANT ACCOUNTING POLICIES	19		
NOTES ON ACCOUNTS	20		

Schedules 1 to 20 form an integral part of the accounts

As per our report of even date annexed

For B. K. SHROFF & CO.

Chartered Accountants

O. P. Shroff  
Partner

Neetu Sharma  
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Ashok Jaipuria  
Chairman &  
Managing Director

New Delhi  
24<sup>th</sup> May, 2011

DIN. 260592

DIN. 214707



## Schedules (forming part of the accounts)

	Current Year Rs. Crores	Previous Year Rs. Crores
<b>1. SHARE CAPITAL</b>		
Authorised 2,50,00,000 Equity shares of ₹10 each	25.00	25.00
Issued, Subscribed and paid-up 1,94,40,076 Equity shares of ₹ 10 each fully paid up	19.44	19.44
	19.44	19.44

Of the above,

- 2,42,051 shares have been allotted to erstwhile shareholders of Gujarat Propack Limited on amalgamation.
- 84,86,705 shares have been allotted as fully paid bonus shares by capitalisation of capital reserve and share premium account.

	Balance as at 1.4.2010 Rs. Crores	Additions Rs. Crores	Deductions/ adjustments Rs. Crores	Balance as at 31.03.2011 Rs. Crores
<b>2. RESERVES AND SURPLUS</b>				
Share Premium Account	31.26	-	-	31.26
Capital Reserve	2.96	-	1.11**	1.85
Hedging Reserve	(2.18)	-	0.09	(2.27)
Foreign Currency Translation Reserve	(5.73)	4.57	-	(1.16)
General Reserve - II*	-	4.00	-	4.00
General Reserve	246.41	19.46	(1.11)**	266.98
	272.72	28.03	0.09	300.66

\* Represents amount set apart against demands in dispute.

\*\* Represents pre-acquisition gain on investment in associate sold during the year.

	Current Year Rs. Crores	Previous Year Rs. Crores
<b>3. SECURED LOANS</b>		
From Banks		
Foreign Currency Loan ( a)	75.75	42.03
Foreign Currency Loan (b)	44.96	52.97
Foreign Currency Loans (c)	68.65	69.20
Notes Payable and Capital Lease (b)	0.93	1.27
Rupee Term Loans (a)	21.59	32.95
Cash Credit/Working Capital Demand Loans (d)	151.37	120.60
Cash Credit/Overdraft (e)	4.92	3.16
Vehicle Loan (f)	1.53	1.27
	369.70	323.45

(a) Secured by first pari-passu charge over the entire fixed assets of the parent company except assets exclusively charged.

(b) Secured against hypothecation of machinery financed out of the loan amount.

(c) Secured by first charge over the entire assets of respective subsidiaries.

(d) Secured by hypothecation of raw materials, work in progress, stores and spares, finished goods, book debts and second charge on fixed assets secured to financial institutions except assets exclusively charged of the parent company.

- (e) Secured against pledge of the fixed deposits.
- (f) Secured against hypothecation of vehicle financed out of the loan amount.

Note :Term loans due within a year Rs 48.86 crores (previous year Rs. 30.55 crores)

	Current Year Rs. Crores	Previous Year Rs. Crores
<b>4. UNSECURED LOANS</b>		
Fixed Deposits (*Rs 30000)	*	0.01
Short term Loans and Advances		
From Banks	12.31	10.00
From Others	-	1.95
Other Loans and Advances		
From Others	20.77	20.98
	<b>33.08</b>	<b>32.94</b>

Note : Long term loans due within a year Rs. 10.56 crores (previous year Rs.nil)

## 5. FIXED ASSETS

Particulars	GROSS BLOCK				DEPRECIATION				NET BLOCK	
	As at 01.04.2010 Rs. Crores	Additions Rs. Crores	Sales/ Adjustments Rs. Crores	Total Rs. Crores	Upto 31.03.2010 Rs. Crores	For the year Rs. Crores	Adjustments Rs. Crores	Total Rs. Crores	As at 31.03.2011 Rs. Crores	As at 31.03.2010 Rs. Crores
Land- Freehold	11.15	0.31	-	11.46	-	-	-	-	11.46	11.15
- Leasehold	1.20	-	-	1.20	0.07	0.01	-	0.08	1.12	1.13
Land & Buildings	1.58	-	-	1.58	0.06	0.02	-	0.08	1.50	1.52
Buildings	79.02	2.13	-	81.15	15.91	2.79	-	18.70	62.45	63.11
Plant & Machinery *	562.10	13.65	1.78	573.97	212.85	29.64	0.50	241.99	331.98	349.25
Furniture, Fixture & Fittings	3.57	1.78	0.11	5.24	2.28	0.29	0.04	2.53	2.71	1.29
Factory & Office Equipment	15.66	1.82	1.42	16.06	10.86	0.98	1.02	10.82	5.24	4.80
Vehicles	6.37	1.46	0.67	7.16	1.42	0.66	0.15	1.93	5.23	4.95
Previous year	680.65	21.15	3.98	697.82	243.45	34.39	1.71	276.13	421.69	437.20
Capital work in progress **	601.15	95.37	15.87	680.65	185.91	33.86	(23.68) ***	243.45	14.21	1.90
									435.90	439.10

\* Sales / adjustments in gross block includes Rs. 0.63 crores (previous year Rs.13.51 crores) on account of exchange difference (net).

\*\* Includes Rs.6.44 crores (previous year nil) on account of advance against capital expenditure.

\*\*\* Includes accumulated depreciation with respect to fixed assets of step down subsidiaries acquired during the year.

	No of shares/Units		Face Value	Current Year Rs. Crores	Previous Year Rs. Crores
	Current Year	Previous Year			
<b>6. INVESTMENTS</b>					
Long Term Investments in Equity shares (Quoted-Non Trade)					
In associate at original cost (including capital reserve nil previous year ₹ 1.11 crores)	-	5,548,475	Rs.10	-	6.66
Add: Income from associate				-	2.23
				-	8.89
Aggregate market value of quoted investments				-	6.77

	Current Year Rs. Crores	Previous Year Rs. Crores
<b>7. INVENTORIES</b>		
(As taken, valued and certified by the management)		
Raw material (including material in transit Rs.1.55 crores , previous year Rs. 6.69 crores)	45.99	32.66
Stores & spares (including material in transit Rs. nil previous year Rs. 0.72 crores)	21.55	17.98
Finished goods (including material in transit Rs. 8.11crores, previous year Rs. 3.01crores)	92.35	82.81
Stock-in-Process	2.16	1.44
	162.05	134.89
<b>8. SUNDRY DEBTORS</b>		
(Unsecured)		
Exceeding six months		
Considered good	0.03	3.84
Considered doubtful	18.43	16.67
	18.46	20.51
Less : Provision for doubtful debts	18.43	16.67
	0.03	3.84
Others		
Considered good	169.62	142.92
Considered doubtful	-	0.85
	169.62	143.77
Less : Provision for doubtful debts	-	0.85
	169.62	142.92
	169.65	146.76

	Current Year Rs. Crores	Previous Year Rs. Crores
<b>9. CASH &amp; BANK BALANCES</b>		
Cash, Cheques & Stamps in hand	1.68	2.06
Balances with Scheduled Banks		
In Current / Cash Credit Account	1.14	5.39
In Fixed Deposit/Margin Money Account *	44.14	16.71
Balances with Other Banks		
In Current / Cash Credit Account	22.01	19.59
	68.97	43.75
* Includes Rs. 39.01 crores (previous year Rs.11.68 crores) held with banks in India out of ECB borrowings for capital expenditure and investment in subsidiaries.		
<b>10. LOANS &amp; ADVANCES</b>		
(Unsecured -considered good)		
Advances (recoverable in cash or in kind or for value to be received) *	42.79	42.17
Balances with Central Excise/Customs authorities	2.95	3.88
Security Deposits	2.76	1.69
Tax deducted at Source / Advance Tax (net of provision of Rs. 23.11 crores , previous year Rs.14.66 crores)	5.32	0.16
	53.82	47.90
* Includes (i) amount due from directors & officers Rs. nil ( previous year nil) (ii) maximum amount due at any time Rs.nil ( previous year nil)		
<b>11. CURRENT LIABILITIES</b>		
Sundry Creditors *	37.94	28.71
Other Liabilities **	50.44	49.28
Trade Deposits	0.05	0.05
Interest accrued but not due on loans	2.52	1.88
	90.95	79.92
* (i) dues of micro enterprises and small enterprises (refer note no.16 on schedule 20 )		
** (i) amount to be credited to investor education and protection fund (refer note no. 14 on schedule 20 )		
(ii) includes mark to market loss on interest rate swap contract of Rs.2.27 crores (previous year Rs.2.18 crores) (refer note no.9(a) on schedule 20 )		
<b>12. PROVISIONS</b>		
For proposed dividend	9.72	9.72
For corporate tax on dividend	1.58	1.61
For leave encashments	2.09	1.90
	13.39	13.23

	Current Year Rs. Crores	Previous Year Rs. Crores
<b>13. OTHER INCOMES</b>		
Interest on deposits with banks	1.51	0.84
Interest received on loans and deposits	0.03	0.10
Royalty Income	2.20	2.30
Insurance & other claims	0.40	0.32
Miscellaneous receipts	3.00	2.21
Profit on sale of raw material (net)	0.04	-
Profit on sale of investments	1.10	-
Bad debts recovered	0.08	0.04
Exchange rate fluctuation (net)	7.97	5.69
Excess Provisions / Liabilities no longer required written back	1.65	3.82
	<b>17.98</b>	<b>15.32</b>
<b>14. INCREASE/(DECREASE) IN STOCKS</b>		
Closing stocks		
Finished goods	92.35	82.81
Stock in process	2.16	1.43
	<b>94.51</b>	<b>84.24</b>
Opening stocks		
Finished goods	82.81	46.13
Stock in process	1.43	0.23
	<b>84.24</b>	<b>46.36</b>
Increase/(Decrease) in Stocks	<b>10.27</b>	<b>37.88</b>

	Current Year Rs. Crores	Previous Year Rs. Crores
<b>15. MANUFACTURING AND OTHER EXPENSES</b>		
Raw Materials consumed	704.19	598.09
Stores, Spares & Packing material	50.29	39.62
Power, Water & Fuel	70.54	57.79
Manufacturing expenses	0.82	0.63
Excise duty	4.81	4.10
Salaries, Wages, Bonus & Other benefits	87.66	75.40
Gratuity	1.31	1.26
Contribution to Provident/ Superannuation Funds, Employees State Insurance etc.	11.51	9.86
Staff Welfare expenses	2.08	1.14
Training & Recruitment expenses	0.83	0.71
Rent	7.47	5.30
Rates & Taxes	0.44	0.41
Insurance	1.62	1.44
Printing & Stationary	1.26	1.11
Bank & financial charges	4.50	2.97
Travelling & Conveyance	10.38	7.91
Vehicle Running & Maintenance	2.62	2.24
Communication expenses	3.14	2.24
Repairs & Maintenance		
Plant & Machinery	8.58	5.56
Building	1.18	1.40
Others	1.35	2.10
Legal & professional charges	8.75	8.59
Directors' Fees	0.05	0.06
Charity & Donations	0.23	0.21
Miscellaneous expenses	1.62	1.77
Auditors' Remuneration		
As Audit fees	0.11	0.11
As Quarterly Audit fees	0.10	0.10
As Tax Audit fees	0.02	0.02
In Other capacity	0.06	0.01
Out of pocket expenses	0.01	0.01
Freight & Forwarding	53.10	43.14
Other Selling expenses	5.88	2.71
Bad Debts/advances provided written off	0.45	0.20
Provision for Bad debts	0.24	0.21
Claims paid/written off	0.27	0.06
Sales Tax payments	1.85	2.16
Loss on fixed assets sold/discarded (net)	0.43	0.08
	1,049.75	880.72
Less : Pre-operative expenditure capitalized	0.91	0.30
	1,048.84	880.42

	Current Year Rs. Crores	Previous Year Rs. Crores
<b>16. INTEREST</b>		
On Term Loans	11.77	10.25
To Banks & others	10.03	8.03
	21.80	18.28
Less: Pre-operative expenditure capitalized	-	-
	21.80	18.28
<b>17. BASIC &amp; DILUTED EARNING PER SHARE</b>		
(a) Excluding Extraordinary item		
Profit after tax excluding extraordinary item and minority interest*	37.94	41.45
Number of equity shares outstanding during the year	19,440,076	19,440,076
Basic & Diluted earning per share	19.52	21.32
(b) Including Extraordinary item		
Profit after tax including extraordinary item and minority interest	34.76	63.48
Number of equity shares outstanding during the year	19,440,076	19,440,076
Basic & Diluted earning per share	17.88	32.65

Note : Employee stock option scheme is yet to be framed. There is no dilution.

\* Minority interest of Rs (-).3.56 crores( previous year Rs. (-) 3.04 crores) in net profit from ordinary activity after tax of respective subsidiaries is considered.



## 18. NOTES ON CONSOLIDATED ACCOUNTS

### A. SUBSIDIARIES

- (i) The accounts have been prepared to comply with all material aspects applicable to accounting policies of Cosmo Films Limited. Goodwill arising on investments made in subsidiary /step down subsidiary companies has been treated as intangible asset/ set off against capital reserve and capital reserve arising on investment made in subsidiary / step down subsidiary companies has been treated as Reserve & Surplus.
- (ii) The consolidated accounts have been prepared based on a line by line consolidation of the Profit and Loss account and Balance Sheet of Cosmo Films Limited and its subsidiary/step down subsidiary companies. For the purpose of consolidation, adjustments have been made in respect of intragroup transactions.
- (iii) For the purpose of consolidation, adjustments have been made in respect of shareholdings in subsidiary/step down subsidiary companies and amounts owned from / to Company within the Group.
- (iv) The Subsidiary/step down subsidiary companies which have been considered for purposes of consolidated results are given below. The assets and liabilities have been converted at the rate prevailing as on 31st March, 2011, income and expenses items have been converted at average rates and the resultant exchange difference has been accumulated in foreign currency translation reserve account.

### B. ASSOCIATES

- (i) Investment in an associate has been accounted for under the equity method from the date on which the investee fall within the definition of an associate. On acquisition, as the case may be, the difference between the cost of acquisition and the share of Cosmo Films Limited in the

Subsidiary/Step down subsidiary	Country of Incorporation	Holding %age
CF Global Holdings Limited (CGH)	Mauritius	100%*
CF (Mauritius) Holdings Limited (CMH)	Mauritius	76%**
Cosmo Films (Netherlands) Cooperatief U.A. (CNC)	Netherlands	100%***
CF (Netherlands) Holdings Ltd. B.V. (CNBV)	Netherlands	100%****
Cosmo Films, Inc. (CFI)	USA	100%*****
CF Global Holdings GK (CGHG)	Japan	100%*****
Cosmo Films (Singapore) Pte. Ltd. (CFS)	Singapore	100%*****
Cosmo Films Hwa Seung Company Ltd (CHS)	Korea	80%*****
Cosmo Films Korea Ltd. (CFK)#	Korea	100%*****
Cosmo Films (Hong Kong) Ltd. (CFH)##	Hong Kong	100%*****

\*Held by the Company

\*\*Held by CGH

\*\*\* Held by CMH (99%) and by CGH (1%)

\*\*\*\* Held by CNC

\*\*\*\*\* Held by CNBV

# Incorporated on 6th October 2010

## Liquidated on 1st December 2010

equity of the associate has been described as goodwill or capital reserves and included in the carrying amount of the investment in the associate. The carrying amount of investments is adjusted thereafter for the post acquisition change in the investor share of net assets of the investee.

- (ii) The details of investments in associates made by Cosmo Films Limited are as given below-

Associate Company	Main Activities	County of Incorporation	Ownership Interest & Voting Power	Original cost of investment	Amount of capital reserve/ (-) goodwill included in original cost	Accumulated profit/(-) loss at the year end	Carrying amount of investment at the year end
Cosmo Ferrites Limited	Electronic	India	- (46.12%)	- (5.55)	- (1.11)	- (2.23)	- (8.89)

Note: (i) Investment in associates has been disposed off on 17.09.2010.

(ii) Previous year figure are in brackets.

(iii) The Company's share of the contingencies and capital commitments of the associate i.e. Cosmo Ferrites Limited for which the company is also contingently liable is Rs. nil (Previous year Rs. 0.38 crores).

## 19. SIGNIFICANT ACCOUNTING POLICIES

### a. METHOD OF ACCOUNTING

The accounts are prepared under the historical cost convention using the accrual method of accounting unless otherwise stated hereafter. Accounting policies not specifically referred to are consistent with generally accepted accounting principles.

### b. FIXED ASSETS

Fixed assets are stated at cost of acquisition, inclusive of inward freight, duties & taxes and incidental expenses related to acquisition and are net of CENVAT credit. In respect of major projects involving construction, related preoperational expenses form part of the value of the assets capitalized.

### c. INVESTMENTS

Long-term investments are stated at cost of acquisition. Provision for diminution in the value of long-term investment is made only if; such a decline is other than temporary in the opinion of the management.

### d. INVENTORIES

Inventories are valued at lower of cost or net realizable value after providing for cost of obsolescence and other anticipated losses wherever considered necessary. Cost is determined on weighted average basis. Finished goods include cost of conversion and other costs incurred in bringing the inventories to their present location and condition.

### e. DEPRECIATION

Depreciation is calculated on leased and other fixed assets on straight-line method over estimated useful life of the assets. Leasehold land is also being depreciated over the lease period.

In respect of land and building, where no separate valuation is available, depreciation has been provided on the total value of land and building.

### f. RESEARCH AND DEVELOPMENT

Revenue expenditure on research and development is charged against the profit of the year in which it is incurred.

Capital expenditure on research and development is shown as an addition to fixed assets.

### g. FOREIGN CURRENCY TRANSACTIONS

Foreign currency loans availed for acquisition of fixed assets are converted at the rate prevailing on the due date for installments repayable during the year and at the rate prevailing on the date of balance sheet for the

outstanding loan. The fluctuation is adjusted in the original cost of fixed assets.

Foreign currency current assets and liabilities are converted into rupee at the exchange rate prevailing on the balance sheet date and the resultant gains/losses are reflected in the profit and loss account.

Wherever forward contracts have been taken the exchange conversion is made at the contracted rate. Gains/losses arising out of cancellation of forward contracts are treated as a revenue item.

### h. EXCISE & OTHER DUTIES

Excise duty in respect of finished goods lying in factory premises and custom duty on imported goods lying in custom bonded warehouse are provided and included in the valuation of inventory. CENVAT benefit is accounted for by reducing the purchase cost of the materials/fixed assets. Import duty benefits on exports made are accounted for as export incentives. These accounting treatments have no impact on the profit/loss for the year.

### i. EMPLOYEES

Employer's contribution to defined contribution plans and state plans are charged to revenue every year. Liability of obligation under defined benefit plans is determined on the basis of an actuarial valuation at the end of the year. Actuarial gains and losses comprises of experience adjustments and the effects of changes in actuarial assumptions and are recognized immediately in the profit and loss account as income or expense.

Liability towards additional payment in respect of salary, wages and bonus, if any, is debited to Profit & Loss Account in the year in which the agreement is finalized with employees.

### j. TAXATION

Provision for Income Tax is based on assessable profits determined as per prevailing taxation laws.

### k. DEFERRED TAXATION

Deferred taxation is provided using the liability method in respect of the taxation effect arising from all material timing differences between the accounting and tax treatment of income and expenditure which are expected with reasonable probability to crystallize in foreseeable future.

Deferred tax benefits are recognized in the financial statements only to the extent of any deferred tax liability or when such benefits are reasonably expected to be realizable in the near future.

## I. INCOME FROM SALES

Exports are accounted for on the basis of the date of bill of lading/airways bill. Domestic sales are accounted for on dispatch from factory/warehouse.

Sales are inclusive of export incentives/ benefits and are net of rebates , discounts and commission.

## m. INCOME FROM INVESTMENTS/DEPOSITS

Income from investments is credited to revenue in the year in which it accrues. Income is stated in full with the tax thereon being accounted for under advance tax.

## n. CLAIMS AND BENEFITS

Claims receivable and export benefits are accounted on accrual basis to the extent considered receivable and likely to be availed.

## o. BORROWING COSTS

Borrowing costs that are directly attributable to the acquisition, construction or production of qualifying asset are capitalized as part of the cost of that asset. Other borrowing costs are recognized as an expense in the period in which they are incurred. Capitalization of borrowing costs ceases when substantially all the activities necessary to prepare the qualifying assets for its intended use are complete.

## p. EARNING PER SHARE

Basic earning per share is calculated by dividing the net profit for the year attributable to equity shareholders by the weighted average number of equity shares outstanding during the year.

Diluted earning per share is calculated by dividing the net profit attributable to equity shareholders by the weighted average number of equity shares outstanding during the year (adjusted for the effects of dilutive options)

## q. IMPAIRMENT OF ASSETS

Impairment loss is provided to the extent the carrying amount of assets exceeds their recoverable amount. Recoverable amount is the higher of an asset's net selling price and its value in use. Value in use is the present value of estimated further cash flows expected to arise from the continuing use of an asset and from its disposal at the end of its useful life.

## r. CONTINGENT LIABILITIES

Un-provided contingent liabilities are disclosed in the accounts by way of notes giving nature and quantum of such liabilities.

## 20. NOTES ON ACCOUNTS

		Current Year Rs. crores	Previous Year Rs. crores
1.	Estimated amount of contracts (net of advances) remaining to be executed on capital account and not provided for	74.63	11.70
2.	Contingent Liabilities not provided for in respect of		
a)	Bank guarantees (including deferred guarantees)	8.09	4.31
b)	Disputed demands for Income tax, Sales Tax, Excise duty, etc.	26.64	15.32
c)	Claims against the company not acknowledged as debts	0.50	1.54
d)	Bonds executed in favour of government departments	3.51	3.51

3. Rs. 8.94 crores (previous year Rs. 5.57 crores) realized on discounting of letter of credits have been reduced from debtors in these accounts.
4. Letter of credit for Rs. 22.50 crores (Previous year Rs.19.57 crores) have been opened for which the material has not been shipped as on the date of the Balance sheet.
5. Figures for previous year have been regrouped / rearranged wherever considered necessary.
6. In respect of capital goods imported under EPCG Scheme, Bonds of Rs 225.93 crores has been executed in favour of the President of India for import at a concessional rate of custom duty. Export obligation of Rs. 872.18 crores has been completed and balance obligation of Rs. 4.48 crores is to be completed by 28th September 2018.
7. Capital work in progress includes Rs.4.19 crores (previous year Rs 1.09 crores) being expenditure incurred on development of SAP ERP software. This intangible asset will be capitalized on completion and will be amortised over a period of 10 years as per Accounting Standard (AS 26) on "Intangible Assets" issued by Institute of Chartered Accountants of India.
8. The parent company in its extra-ordinary general meeting held on 11th January, 2008 resolved to issue and allot equity shares not exceeding 1000000 in number under 'Employee Stock Option Scheme' at such price and at such time as may be decided by the board. No equity shares have been issued or allotted.
9. a. The parent company has entered into interest rate swap contract (floating rate to fixed rate) to hedge its risk associated with LIBOR fluctuations. In accordance with Accounting Standard 30, "Financial Instruments - recognition and measurement" the mark to market loss

as on 31 March, 2011 is estimated at Rs.2.27 crores (previous year Rs 2.18 crores ) on such instruments which qualify as effective hedges. The estimated loss has been provided by creating hedging reserve.

- b. The parent company has outstanding of foreign currency related derivative contracts in the form of options for hedging its business related exposure which are not speculative in nature. The contracts have long dated tenor with multiple contingent/uncertain events. As such ascertainment of fair value of these contracts is not feasible. However, banks estimate the total net mark to market (MTM) loss of all outstanding contracts at approx.Rs. 0.33 crores as at 31.03.2011 (Previous year nil) which has been provided in the books of accounts.

10. A step down subsidiary has been named as one of the defending party in a legal case involving a claim of Euro 6.48 million with respect to an agreement which was terminated by ACCO Brands Corporation of USA before the closing of GBC acquisition transaction. Legal suit has been filed against ACCO Brand Corporation of USA seeking reliefs against any adverse judgment in the matter.

11. The parent company has claimed/will claim 100% Deferral/ Exemption benefits under sales tax for the financial years from 1996-97 to 2009-10 on the basis of decision of the Hon'ble First Bench of the Maharashtra Sales Tax Tribunal at Mumbai in case of M/s Pee Vee Textile Ltd. and VIP Industries Ltd. The said benefits have not been allowed for the financial years 1996-97 to 2004-05 for which appeals have been filed and for the financial years 2005-06 to 2009-10 VAT audit report has been filed. Demand of Rs. 12.77 crores (previous year Rs. 12.77 crores ) had been received in respect of financial years for which assessment has been completed against which provision of Rs.9.26 crores (previous year Rs. 10.12 crores ) is available in these accounts. Besides, provision of Rs. 4.42 crores (previous year Rs. 4.42 crores) is available in respect of financial years for which assessment is to be completed.

Based upon legal opinion received and Hon'ble Maharashtra Sales Tax Tribunal Mumbai judgments for financial years 1996-97,1997-98 and 2001-02 setting aside the order of the first appellate authority and remanding the matter back to the first appellate authority to decide afresh the matter following Mumbai High court judgement in the case of Ms/ Pee Vee Textiles Ltd , the parent company is hopeful that the matter will be decided in its favour. Consequent upon favourable judgment, the parent company will be entitled to an income of Rs19.99 crores( previous year Rs 20.84 crores) (including amount paid and charged to profit & loss account) which has not been considered in these accounts.

12. In pursuance of Accounting Standard on Impairment on Assets (AS28) issued by Institute of Chartered Accountants of India certain assets / cash generating units have been

identified and impaired. There is no further impairment / reversal during the year.

13. Segments have been identified in accordance with Accounting Standard on Segment Reporting (AS-17) taking into account the organization structure as well as differential risks and returns of these segments.

- a) Business segment has been disclosed as the primary segment. The consolidated company is organized into two business Segments namely Packaging Films and Others.

Rs. Crores

PARTICULARS	Packaging Films	Others	Total
Sales Revenue	1113.86 (944.63)	5.93 (15.04)	1129.79 (959.67)
Other Income	17.98 (15.32)	- (-)	17.98 (15.32)
Total	1131.84 (959.95)	15.93 (15.04)	1147.77 (974.99)
Segment Results	73.59 (77.23)	0.17 (-0.45)	73.76 (76.78)
Unallocated Corporate exp./ income			6.67 (4.81)
Operating Profit			67.09 (71.97)
Interest Expenses			21.80 (18.28)
Income tax			10.91 (15.28)
Profit from ordinary activities			34.38 (38.41)
Extra-ordinary item			-3.39 (29.28)
Net profit			30.99 (67.69)

OTHER INFORMATIONS

Rs. Crores

PARTICULARS	Packaging Films	Others	Total
Segment Assets	801.05 (750.69)	15.05 (17.80)	816.10 (768.49)
Segment Liabilities	90.52 (79.94)	- (-)	90.52 (79.94)
Capital expenditure	33.46 (57.47)	- (-)	33.46 (57.47)
Depreciation	34.39 (33.86)	- (-)	34.39 (33.86)
Non-cash expenditure other than depreciation	- (-)	- (-)	- (-)

- b) Secondary segment reporting is performed on the basis of location of all customers and business assets.

Rs. Crores

PARTICULARS	India	Outside India	Total
Sales revenue	452.97 (410.09)	676.82 (549.58)	1129.79 (959.67)
Segment assets	528.56 (500.89)	287.54 (267.60)	816.10 (768.49)
Capital expenditure	26.27 (6.20)	7.19 (51.27)	33.46 (57.47)

Note : Previous year figures are given in bracket.

14. The following amounts are to be credited to Investor education and protection fund as and when due

	Current Year Rs. crores	Previous Year Rs. crores
i. Unpaid dividend	0.74	0.69
ii. Unpaid application money received for allotment of securities and due for refund	-	-
iii. Unpaid matured deposits (*Rs.30,000)	*	0.01
iv. Unpaid matured debentures	-	-
v. Interest accrued on above	-	-

15. A step down subsidiary is obliged under non-cancelable leases for its office and warehouse facilities, which are accounted for as operating leases. Rent expense for the year ended 31st March 2011 was \$390200. Future annual minimum payments under the operating leases consisted of the following :

Year Ending March 31	Amount (USD)
2012	512,708
2013	480,267
2014	360,180
2015	257,284
2016	171,000
<b>Total</b>	<b>1,781,439</b>

16. Letters have been circulated to all suppliers requesting them to confirm whether they are covered under the Micro, Small and Medium Enterprises Development Act, 2006 ('MSMED'). Certain suppliers have provided the necessary confirmation

alongwith the evidence of being Micro or small enterprises. However from the majority of the suppliers these confirmations are still awaited. On the basis of available information no principal or interest is payable at the year end to any supplier covered under MSMED. Further no interest was payable or paid during the year to any such supplier.

17. Extraordinary item comprises of

- (a) Restructuring expenses relating to step down subsidiaries of Rs. (2.20) crores ( net of taxes of Rs.0.86 crores).  
(b) Foreign exchange fluctuation of Rs. (2.58) crores and tax refund of Rs.1.39 crores, both relating to earlier years.

Previous year figures of extra-ordinary items represents excess of fair market value of the acquired assets and liabilities over the aggregate of purchase price, acquisition cost and restructuring expenses of Rs. 30.50 crores (net of taxes of Rs. 12.41 crores) and tax expenses of Rs. 1.22 crores relating earlier years.

18. a. Net foreign currency exposure at the year end:

(Figures in 000)

Currency	Current Year	Previous Year
USD	(53642)	(28,582)
EURO	(3642)	(420)
GBP	26	837
CHF	-	10
JPY	-	399
HKD	-	33
CAD	284	915

- b. Foreign currency exposure hedged by derivative instruments (against exports) :

Currency	No. of contracts	Amount	Notional gain/ (-)loss
EURO	52 (-)	EURO 8.125Mn (-)	(-) Rs. 0.02 Crs. (-)
GBP	13 (-)	GBP 1.30 Mn (-)	(-) Rs. 0.31 Crs. (-)

Note : Figures in bracket signifies amount payable .

- c. Expenditure on account of premium on derivative instruments to be recognized in the profit and loss account of subsequent accounting period aggregates Rs. 0.33 crores (previous year nil) .

#### 19. Directors Remuneration

	Current Year Rs. crores	Previous Year Rs. crores
a) Remuneration		
Salary	0.89	1.19
Commission	3.01	2.96
Contribution to Provident & Superannuation Funds	0.05	0.05

20. As required under Accounting standard (AS-22), 'Accounting for taxes on income' issued by the Institute of Chartered Accountants of India, the company is required to account for deferred taxation while preparing its accounts. The details of deferred tax assets / liabilities are as under :

Particulars	As at 31 <sup>st</sup> March, 2011 Rs. Crores	As At 31 <sup>st</sup> March, 2010 Rs. Crores
<b>Deferred Tax(Liability)</b>		
Fixed assets	(78.22)	(80.58)
Acquisition Gain	(5.81)	(6.93)
	<b>(84.03)</b>	<b>(87.51)</b>
<b>Deferred Tax Assets</b>		
Additions allowable in subsequent years	5.72	6.01
Provision for Doubtful Debts	0.49	0.60
Loss carried forward	19.12	8.61
Others	1.35	1.67
	<b>26.68</b>	<b>16.89</b>
<b>Net Deferred Tax Assets/(Liability)</b>	<b>(57.35)</b>	<b>(70.62)</b>

Note : Deferred tax asset in respect of long term capital loss, as per income tax laws, of Rs. 3.96 crores (previous year nil) on sale of investments has not been recognized in view of uncertainty of its realization.

#### 21. Related Party Disclosure

(i) Names of related parties and description of relationship

(a) Key Managerial personnel & their relatives

- Sh. Ashok Jaipuria, Chairman & Managing Director of parent company
- Sh. David Terhune, Director of step down subsidiary

(b) Enterprises over which key managerial personnel have significant influence

- Pravasi Enterprises Limited
- Sunrise Manufacturing Co. Private Limited

(ii) Transactions with related parties during the year

S. No.	Particulars	Key Managerial Personnel & their relatives (Rs. crores)	Enterprises over which key managerial personnel have significant influence (Rs. crores)
a)	Remuneration paid	3.95 (4.20)	- (-)
b)	Subscription received towards equity share warrants forfeited	- (0.54)	- (2.78)
c)	Reimbursement of expenses paid	- (-)	- (0.07)
d)	Rent paid	- (-)	1.97 (0.57)
e)	Security deposit/Advance rent paid	- (-)	0.44 (0.62)
f)	Amount outstanding		
	- Security deposit / advance rent given	- (-)	1.06 (0.62)

Note : Previous year figures are given in bracket.

(iii) Other relevant information: -

- (a) Related parties enlisted in (i) above are those having transactions.
- (b) The above excludes sitting fee of Rs. 0.05 crores (Previous year Rs 0.06 crores) paid to non-executive directors.
- (c) Previous year figures are given in brackets.

22. Employee Benefit Obligations:

The various benefits provided to employees has been classified as under:-

a) Defined Contribution Plans

Contribution are made towards superannuation to a defined contribution retirement benefits plan for qualifying employees. The superannuation fund is administered by their Trustees. The fund has taken policy with Life Insurance Corporation of India to provide for payment of retirement benefits to vested employees. During the year contribution paid to the superannuation fund Rs.1.03 crores (previous year Rs.0.98 crores) to cover fully the benefits to be paid to the employees has been charged to the profit & loss account.

b) State Plans

Provident Fund is accrued on monthly basis in

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accordance with the terms of contract with the employees and is deposited with the "Statutory Provident Fund". During the year Rs. 1.70 crores (previous year Rs .1.39 crores ) has been paid as contribution to the Statutory Provident Fund as employer's contribution which has been charged to the profit & loss account. Besides, Employee State Insurance in respect of eligible employees is also being deposited with the statutory fund. During the year Rs. 0.09 crores (previous year Rs.0.03 crores) have been paid to the fund as employer's contribution which has been charged to the profit & loss account.

c) Defined Benefit Plans (Funded)

- (i) The parent company makes contribution towards gratuity to a defined contribution retirement benefits plan for qualifying employees. The gratuity fund is administered by their Trustees .The fund has taken policy with Life Insurance Corporation of India to provide for payment of retirement benefits to vested employees.
- (ii) One of the step down subsidiary makes contribution towards pension to a defined pension benefit plan for qualifying employees in Netherlands. The said subsidiary has taken a policy with Swiss Life Netherlands to provide for payment of pension benefits to qualifying employees.

The present value of obligation is determined based on actuarial valuation.

	Gratuity		Pension	
	As on 31.03.2011 Rs. Crores	As on 31.03.2010 Rs. Crores	As on 31.03.2011 Rs. Crores	As on 31.03.2010 Rs. Crores
<b>1 Assumptions</b>				
Discount Rate	8%	8%	5.75%	5.75%
Salary Escalation	9%	9%	5.00%	5.00%
<b>2 Table showing changes in present value of obligations</b>				
Present value of obligations as at beginning of year	7.58	5.72	2.03	NIL
Interest cost	0.61	0.46	0.69	0.53
Current Service Cost	0.54	0.37	2.17	1.50
Benefits Paid	(0.39)	(0.35)	NIL	NIL
Actuarial (gain)/Loss on obligations	0.12	1.38	NIL	NIL
Present value of obligations as at end of year	8.46	7.58	4.89	2.03
<b>3 Table showing changes in the fair value of plan assets</b>				
Fair value of plan assets at beginning of year	7.29	5.26	1.63	NIL
Expected return on plan assets	0.73	0.56	0.22	0.04
Contributions	1.63	1.82	2.03	1.59
Benefits Paid	(0.39)	(0.35)	NIL	NIL
Actuarial Gain/(Loss) on Plan assets	NIL	NIL	NIL	NIL
Fair value of plan assets at the end of year	9.26	7.29	3.88	1.63
<b>4 Table showing fair value of plan assets</b>				
Fair value of plan assets at beginning of year	7.29	5.26	1.63	NIL
Actual return on plan assets	0.73	0.56	0.22	0.04
Contributions	1.63	1.82	2.03	1.59
Benefits Paid	(0.39)	(0.35)	NIL	NIL
Fair value of plan assets at the end of year	9.26	7.29	3.88	1.63
Funded status	0.80	(0.29)	(1.01)	(0.40)
Excess of Actual over estimated return on plan assets (Actual rate of return =Estimated rate of return as ARD falls on 31st March)	NIL	NIL	NIL	NIL
<b>5 Actuarial gain/ Loss recognized</b>				
Actuarial gain/(Loss) for the year - Obligation	(0.12)	(1.38)	NIL	NIL
Actuarial (gain)/Loss for the year - Plan assets	NIL	NIL	NIL	NIL
Total (gain)/Loss for the year	0.12	1.38	NIL	NIL
Actuarial (gain)/Loss recognized in the year	0.12	1.38	NIL	NIL
<b>6 The amounts to be recognized in the balance sheet and statements of Profit and loss</b>				
Present value of obligations as at the end of year	8.46	7.58	4.89	2.03
Fair value of plan assets as at the end of the year	9.26	7.29	3.88	1.63
Funded status	0.80	(0.29)	(1.01)	(0.40)
Net Asset/(Liability) recognized in balance sheet	(0.80)	0.29	1.01	0.40
<b>7 Expenses Recognized in statement of Profit &amp; Loss</b>				
Current Service cost	0.54	0.37	2.17	1.50
Interest Cost	0.61	0.46	0.69	0.53
Expected return on plan assets	(0.73)	(0.56)	(0.22)	(0.04)
Net Actuarial (gain)/Loss recognized in the year	0.12	1.38	NIL	NIL
Expenses recognized in statement of Profit & Loss	0.54	1.65	2.64	1.99



d) Defined Benefit Plans (Unfunded)

In respect of leave encashment the present value of obligation is determined based on actuarial valuation by

an independent actuary based on LIC 1994-96 (ultimate) mortality table.

	As on 31.03.2011 Rs. Crores	As on 31.03.2010 Rs. Crores
<b>1 Key Assumptions</b>		
Attrition rate	5%	5%
Imputed rate of interest	8.5%	8.5%
Salary rise	7%	7%
Return on plan assets	N.A.	N.A.
Remaining working life	20.74 years	19.25 7ears
<b>2 Changes in present value of obligations</b>		
Present value of obligations as at beginning of the I.V.P.	1.90	1.49
Interest cost	0.15	0.12
Current Service Cost	0.92	0.78
Benefits Paid	(0.20)	(0.20)
Actuarial (gain)/Loss on obligations	(0.68)	(0.29)
Present value of obligations as at end of the I.V.P.	2.09	1.90
<b>3. Changes in the fair value of plan assets (Not relevant)</b>		
Fair value of plan assets at beginning of the I.V.P.	-	-
Expected return on plan assets	-	-
Contributions	-	-
Benefits Paid	(0.20)	(0.20)
Actuarial Gain/(Loss) on Plan assets	-	-
Fair value of plan assets at the end of the I.V.P.	-	-
<b>4 Table showing fair value of plan assets</b>		
Fair value of plan assets at beginning of the I.V.P.	-	-
Actual return on plan assets	-	-
Contributions	-	-
Benefits Paid	(0.20)	(0.20)
Fair value of plan assets at the end of the I.V.P.	-	-
Present value of obligations as at end of the I.V.P.	2.09	1.90
Funded status	(2.09)	(1.90)
<b>5 Actuarial gain/ Loss recognized</b>		
Actuarial gain/(Loss) on obligation	0.68	0.29
Actuarial (gain)/Loss on Plan assets	-	-
Total (gain)/Loss for the I.V.P.	(0.68)	(0.29)
Actuarial (gain)/Loss recognized in the I.V.P.	(0.68)	(0.29)
Unrecognized actuarial (gain)/loss at the end of the I.V.P.	-	-
<b>6 Amount to be recognized in the balance sheet</b>		
Present value of obligations as at the end of the I.V.P.	2.09	1.90
Fair value of plan assets as at the end of the I.V.P.	-	-
Funded status	(2.09)	(1.90)
Unrecognized actuarial (gain)/loss at the end of the I.V.P.	-	-
Net Asset/(Liability) recognized in balance sheet	2.09	1.90
<b>7 Expenses Recognized in statement of Profit &amp; Loss</b>		
Current Service cost	0.92	0.78
Interest Cost	0.15	0.12
Expected return on plan assets	(-)	(-)
Actuarial (gain)/Loss recognized in the I.V.P.	(0.68)	(0.29)
Expenses recognized in statement of Profit & Loss	0.39	0.61

23. Sales are net of selling commission of Rs. 8.16 crores (previous year Rs. 3.44 crores).

yet to be transferred in the name of the parent company.

24. (a) Building includes Rs. 0.64 crores towards cost of residential space in a Co-operative Housing Society. The parent company has taken possession of the same in terms of agreement to sell. Conveyance Deed is yet to be registered. Besides, the amount includes cost of shares of the said society received by the parent company which are

(b) Building includes cost of 5 shares of Rs.50 each of Pluto Apartment Co-operative Housing Society Ltd. paid as part of cost of flat.

25. Preoperative expenditure capitalized included under capital work in progress are as under :

	Current Year Rs. Crores	Previous Year Rs. Crores
Opening Balance	0.30	-
Add:		
Salary, Wages etc.	0.48	-
Rent	0.02	-
Travelling & Conveyance	0.26	-
Vehicle Running & Maintenance	0.07	-
Legal & Professional Charges	-	0.30
Miscellaneous Expenses	0.08	-
	0.91	0.30
Closing Balance	1.21	0.30

26. An amount of Rs. 1.54 crores has been paid by the parent company in earlier years to Maharashtra State Electricity Board (MSEB) under protest. The contention of the parent company has not been accepted by MSEB and therefore the amount of Rs. 1.54 crores has been included in Power, Water & Fuel expenses in these accounts.

Signature to Schedules 1 to 20  
As per our report of even date annexed  
For B. K. SHROFF & CO.  
Chartered Accountants

O.P. Shroff  
Partner

Neetu Sharma  
Company Secretary

Pankaj Poddar  
Chief Financial  
Officer

H. K. Agrawal  
Director

Ashok Jaipuria  
Chairman &  
Managing Director

New Delhi  
24<sup>th</sup> May, 2011

DIN. 260592

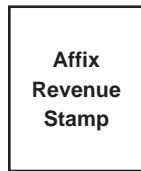
DIN. 214707

**COSMO FILMS LTD.**  
1008, DLF TOWER-A, JASOLA DISTRICT CENTRE, NEW DELHI 110025  
**PROXY FORM**

I/We .....  
of .....being a member/members of the above named  
Company hereby appoint ..... of .....  
or failing him/her ..... of.....  
as my/our Proxy to vote for me/us on my behalf at the 34<sup>th</sup> Annual General Meeting of the company to be held on Wednesday, the 13<sup>th</sup> July, 2011 at 12:00 Noon. and at any adjournment thereof.

Signed this ..... day of ..... 2010.

Signature .....



Regd. Folio No.....DP. Id No.\* .....

No. of shares..... Client ID No\* .....

Address.....

Note : This form in order to be effective should be duly stamped, completed, signed and must be deposited with the Company's Registered office not less than 48 hours before the time for holding the aforesaid Meeting.  
\* Applicable for investor(s) holding shares in electronic form.

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**COSMO FILMS LTD.**  
1008, DLF TOWER-A, JASOLA DISTRICT CENTRE, NEW DELHI 110025

**ATTENDANCE SLIP**  
34<sup>th</sup> Annual General Meeting -Wednesday, the 13<sup>th</sup> July, 2011

Regd. Folio No. .... No. of Shares.....

DP. Id. No.\* .....Client Id No.\* .....

Mr./Ms. ....

Father's/Husband's Name .....

I certify that I am a registered Shareholder/Proxy for the registered shareholder of the Company.

I hereby record my presence at the 34<sup>th</sup> Annual General Meeting of the company at Shah Auditorium, 2 Rajniwas Marg, Civil Lines, Delhi 110054 on 13<sup>th</sup> July, 2011.

Member's/Proxy's Name in Block Letters

Member's/Proxy's Signature

Notes : 1) Please fill in this attendance slip and hand it over at the entrance of meeting hall.  
2) Member's Signature should be in accordance with the specimen signature registered with the company.  
3) Please bring your copy of the Annual Report for reference at the meeting.

\* Applicable for investor(s) holding shares in electronic form.



## COSMO FILMS LIMITED

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New Delhi 110 025  
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Website: [www.cosmofilms.com](http://www.cosmofilms.com)