

20th
Annual Report
2009-2010



COLORCHIPS (INDIA) LIMITED

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COLOR CHIPS (INDIA) LIMITED

Board of Directors:

Mr. K. S. Ravi Shanker	Independent Director
Mr. M. Krishnam Raju	Independent Director
Mr. K.CH.A.V.S.N. Murthy	Independent Director
Dr. GChandra Bhushan	Independent Director
Mr. D. S. Subrahmanyam	Whole Time Director
Mr. Penugonda TVM. Suresh	Managing Director

Registered Office:

Plot No.91 Road No.7-B
Jubilee Hills, Hyderabad - 500 033
Tel No. 040 - 23550268, 23544862

Auditors:

M/s, Karumanchi & Associates
Chartered Accountants
Flat No.301, Swarga'nivas Enclave
H.No 7-1-619/A, Behind HUDA Complex
Ameerpet, Hyderabad-500038

Bankers:

HDFC Bank Limited
Jubilee Hills Branch
Hyderabad

Registrars & Share Transfer Agents:

Venture Capital and Corporate Investments Private Ltd
12-10-167, Bharat Nagar
Hyderabad-500018
Ph: 040-23818475/476
Fax: 040-23868024

Listed At:

- 1) National Stock Exchange of India Limited
- 2) Bombay Stock Exchange Limited

COLOR CHIPS (INDIA) LIMITED

NOTICE

NOTICE is hereby given that the 20th Annual General Meeting of the Members of **Color Chips (India) Limited** will be held on Friday the 31st day of December, 2010 at 11.00 AM at Plot No.91, Road No.7-B, Jubilee Hills, Hyderabad- 500033, AP to transact the following business:

Ordinary Business:

1. To receive, consider and adopt the Balance Sheet as at 30th June, 2010 and the Profit and Loss Account for the year ended 30th June, 2010 and the Reports of Board of Directors and Auditors thereon.
2. To appoint a Director in place of Dr.G.Chandra Bhushan who retires by rotation and being eligible, offers himself for reappointment.
3. To appoint a Director in place of Mr. K.CH.A.V.S.N. Murthy who retires by rotation and being eligible, offers himself for reappointment.
4. To appoint Statutory Auditors of the Company.

BY ORDER OF THE BOARD

Hyderabad
November 16, 2010

**SD/-
PENUGONDAT.V.M. SURESH
MANAGING DIRECTOR**

NOTES:

1. A MEMBER ENTITLED TO ATTEND AND VOTE AT THE MEETING IS ENTITLED TO APPOINT ONE OR MORE PROXIES TO ATTEND AND VOTE IN HIS STEAD AND A 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 returned to the Company duly completed not less than forty-eight hours before the time appointed for this Annual General Meeting.
2. Members/Proxies should bring the Attendance slip duly filled in for attending the meeting.
3. The Register of Members and Share Transfer Books of the Company will remain closed from 29th December 2010 to 31st December 2010 (both days inclusive).
4. Members are requested to bring their copies of the Annual Report at the time of attending the Meeting as the same will not be distributed at the Meeting.
5. Members are requested to send all communication relating to shares (Physical and Electronic) to the Company's Share Transfer Agents at M/s. Venture Capital & Corporate Investments Private Limited, 12-10-167, Bharat Nagar, Hyderabad- 500018.

**Details of Directors retiring by rotation and seeking re-appointment:
(In pursuance of Clause 49 of the Listing Agreement)**

Particulars	Dr. G. Chandra Bhushan	K.CH.A.V.S.N. Murthy
Date of Birth	June 01, 1955	Dec 31, 1956
Date of Appointment	July 01, 2007	Dec 02, 2001
Expertise in specific functional areas	He has over 14 years of experience in health care sector	He is a Chartered Accountant having 22 years experience in Accounts, Finance and Taxation
Qualifications	MBBS	Chartered Accountant
No. of Shares held as on Nov 16, 2010	Nil	Nil
Directorships held in other companies (excluding private limited and foreign companies)	Nil	Nil
Positions held in mandatory committees in other companies	Nil	Nil

DIRECTORS' REPORT

To
The Members
Color Chips (India) Limited

Your Directors have pleasure in placing before you the 20th Annual Report of the Company with Audited Financial Statements for the year ended 30th June 2010.

Financial Results:

(Rupees in Lakhs)

Particulars	2009-10	200849
Gross Total Income from Operations	0.50	541.50
Refit before Depreciation, Interest and Taxes	(41.40)	(425.84)
Depreciation	12.74	127.47
Finance expenses	4.83	7.92
Refit Before Tax	(23.82)	(219.16)
Revision for Tax	—	—
Net Profit/(Loss)	(23.82)	(256.77)
Balance Carry forward to Balance Sheet	(704.76)	(680.94)

Dividend:

The Company has incurred losses for the financial year. Therefore, your directors have not recommended any dividend for the financial year.

Directors:

Members are aware that with effect from September 23, 2010 the Management of the Company has been changed in accordance with Regulation 12 of the SEBI (Substantial Acquisition of Shares and Takeovers) Regulations, 1997 by regularizing Mr. Penugonda TVM. Suresh and Mr. M. Krishnam Raju who were inducted as additional directors with effect from August 14, 2010 consequent to resignation of Mr. Y. Suryanarayana and Mr. B. Kishan Rao as Directors with effect from May 10, 2010.

COLOR CHIPS (INDIA) LIMITED

Dr. G. Chandra Bhushan and Mr. K.CH.A.V.S.N. Murthy retire by rotation and being eligible, offer themselves for re-appointment and brief particulars of these gentlemen, are given in the Explanatory Statement to the Notice of this Meeting.

The Board commends the re-appointment of these Directors as Directors of the company.

Auditors:

M/s. Karumanchi & Associates, Chartered Accountants, Statutory Auditors of the Company appointed in the previous Annual General Meeting hold office till the conclusion of the ensuing Annual General Meeting and are eligible for re-appointment. The Company has received from Karumanchi & Associates a consent letter to the effect that their appointment, if made, would be within the prescribed limits under Section 224(1 B) of the Companies Act, 1956.

Directors' Responsibility Statement:

In pursuance of Section 217(2AA) of the Companies Amendment Act, 2000 your directors confirm:

- i) That the directors in the preparation of the annual accounts, the applicable accounting standards have been followed along with proper explanations relating to material departures.
- ii) That the directors had selected such accounting policies and applied them consistently and made judgments and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the company at the end of the financial year and of the profit of company for that period.
- iii) That the directors had taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of this Act for safe guarding the assets of the company and for preventing and deleting fraud and other irregularities.
- iv) That the directors had prepared the annual accounts on the going concern basis.

Particulars of Employees:

There are no employees drawing remuneration exceeding the limits as specified under the provisions of Section 217 (2A) of the Companies Act, 1956, read with the Companies (Particulars of Employees) Rules, 1975.

During the Financial year, company has not accepted any deposits falling with the preview of Section 58A of the Companies Act, 1956 read with Companies (Acceptance of Deposits) Rules, 1975.

COLOR CHIPS (INDIA) LIMITED

Information in accordance with the provisions of Section 217 (1) (e) of the Companies Act, 1956, read with Rule 2 of the Companies (Disclosure of Particulars in the Report of Board of Directors) Rules, 1988, regarding conservation of energy, technology absorption and foreign exchange earnings and outgo:

We firmly believe that technology is the genesis of innovative business practices, which in turn enable the organization to carry out business effectively and efficiently. Even though the Animation industry is technology intensive, we believe that there is an increasing need to mechanize the processes involved in order to minimize costs and increase efficiency. We intend to make investments in innovative techniques for this regard.

Energy: The Company is in the business of development of Animation software sector and does not require large quantities of energy. However, wherever possible energy saving efforts are made.

Foreign Exchange Earning and outgo :

Foreign Exchange Earnings : Nil

Foreign Exchange Earnings : Nil

Corporate Governance:

A separate section on Corporate Governance and a Certificate from the statutory auditors of the Company regarding compliance of the conditions of corporate governance as stipulated in Clause 49 of the Listing Agreement entered into with the Stock Exchanges form a part of this Annual Report.

Management Discussion and Analysis:

A separate section on Management Discussion and Analysis as stipulated under Clause 49 of the Listing Agreement entered into with the Stock Exchanges forms a part of this Annual Report.

Acknowledgements:

Your Directors take this opportunity to record their appreciation for the continuous support and co-operation extended by the customers, employees and bankers. The Directors also acknowledge the confidence reposed by the investors in the Company.

Hyderabad
November 16, 2010

BY ORDER OF THE BOARD

**SD/-
PEMUGONDAT.V.M. SURESH
CHAIRMAN OF THE MEETING**

MANAGEMENT DISCUSSION AND ANALYSIS

(Forming part of Directors' Report)

Industry Structure and Developments:

The global animation market (demand perspective) estimated at \$59 billion in 2006 and is expected to reach \$80 billion by 2010. Global market for animated content and related services is estimated at \$25 to 26 billion is forecast to cross \$34 billion by 2010. Besides, newer applications for animation are already in progress. In a classical sense, animation is converting drawing skills to a moving format it could be either on paper (2D) or on the computer (3D).

Segment wise analysis of the Industry:

The Indian animation industry was estimated at \$354 million in 2006 and is to reach \$869 million by 2010, representing a CAGR of 25 percent over 2006-2010. The Indian gaming industry was estimated at nearly \$48 million in 2006 and is expected to cross \$424 million by 2010, representing a CAGR of 72 percent.

Opportunities:

The digital animation industry in India is witnessing an exponential growth with music videos, advertisements, and even features films going big with digital effects. In addition, the worldwide demand for animation experts from India stands testimony to this rapidly growing market. According to NASSCOM estimates, the global animation industry is expected to touch \$80 billion by 2010 and the Indian digital animation industry will be close to \$900 million by 2010, out of which exports account for over 70 per cent of revenues. The digital sector is catalyzed by India's cost advantage and attractive domestic market opportunity. In addition, the large pool of skilled, English speaking manpower, the growing maturity of animation studios and the development of IP has drawn world-wide attention towards Indian animation industry.

Outlook:

India is emerging as an outsourcing hub for animation and visual effects with large number of international media companies entering into joint ventures with animation studios in India. Animation market in India is estimated to be worth USD 460 mn in 2008 and is expected to reach USD 1,192 mn by 2012. Animation sector comprises of education, multimedia/web design, entertainment and custom content development. The Indian animation industry has matured on the technical expertise since last five years. Color Chips (India) Limited is into 2D and 3D Animation and syndication of comics & contents now needs to focus on creativity and build its own IP content based on indigenous story themes to become more credible in the world market.

Challenges, Risks and Concerns:

Animation is a new industry to the Indian Business Environment. Hence, the functioning of the Industry, its risks, the payoffs and the time taken to achieve the payoffs, are not very well under

COLOR CHIPS (INDIA) LIMITED

stood. The company has been able to develop a strong track record of successful deliveries and has established a strong foundation for a robust growth in the years to come.

Over the years, one distinguishing factor about Color Chips has been the quality of the manpower and low attrition rate, which is much below the industry levels. Particularly, in the 3D animation business, the animators have seen Color Chips as a destination of choice due to training and high quality work opportunities, and a culture best suited for creative talents. This franchise is of utmost importance to this risk reduces progressively with the increase in trained manpower base but nevertheless is an inherent part of the business and needs to be managed actively at all times. Quality computer animation talent is in short supply and also takes time to develop and hence the other major challenges are to successfully increase the talented manpower base of the company.

Discussion on Financial Performance with respect to Operational Performance:

During the year under review the Company has achieved a turnover of Rs. 0.50 Lakhs and Profit after tax of Rs. (23.82) Lakhs.

The earning per share of the Color Chips (India) Limited as on 30-06-2010 is Rs. (0.011/-) (basic & diluted).

The paid-up capital of the Company as on 30-06-2010 is Rs. 20,72,42,738/-.

Human Resources Development and Industrial Relations:

Color Chips (India) Limited firmly believes that Human Assets are more critical than physical and financial assets as they are the ones who manage and sustain the growth of physical and financial assets of the company. Color Chips is well on its way in establishing an integrated system of workforce, which endeavors to develop the capability of its employees that clearly aligns with the business objectives and performance.

Further, we also encourage individual and team awards to sustain and institutionalize the various workforce practices. This helped in giving lots of encouragement to the workforce who have been striving hard to achieve various goals.

Cautionary Statement:

Statement in this Management Discussion and Analysis describing the Company's objective, projections, estimates and expectations may be 'forward looking statements' within the meaning of applicable laws and regulations. Certain observations made on the industry and other players also reflect on opinion by the management and the management accepts no liability on such opinions. Actual results might differ materially from those either expressed or implied.

REPORT ON CORPORATE GOVERNANCE

(Forming part of Directors' Report)

I. COMPANY'S PHILOSOPHY ON CODE OF GOVERNANCE:

Your Company firmly believes in transparency in its dealings and lays emphasis on integrity and regulatory compliance. The Company considers good corporate governance a prerequisite for meeting the needs and aspirations of its shareholders.

II. BOARD OF DIRECTORS:

As on June 30, 2010, the Board of Directors comprised of 6 Directors out of which three (50%) are non-executive independent directors. The Composition of the Board is in conformity with the listing requirements.

None of the Directors on the Company's Board is a Member of more than 10 Committees and Chairman of more than 5 Committees across all the Companies in which he is a Director. All the Directors have made necessary disclosures regarding Committee positions held by them in other Companies and do not hold the office of Director in more than 15 public companies.

The Managing Director (CEO) has certified to the Board in accordance with Clause 49 (V) of the Listing Agreement pertaining to CEO certification for the Financial Year ended June 30, 2010.

BOARD MEETINGS:

The Board of Directors met six (6) times during the year on July 16, 2009, October 15, 2009, November 19, 2009, January 15, 2010, April 15, 2010 and May 10, 2010 and the maximum gap between any two meetings was less than four months, as stipulated under Clause 49.

The details of composition of Board, attendance at Board Meetings held during the year and at last AGM, number of Directorship and membership/chairmanship of Committees in public companies are given below:

COLOR CHIPS (INDIA) LIMITED

Name of the Director	Category	No. of meetings Attended	Whether Attended Last AGM	No. of other director ships *	No. of Board Committees of other Companies	
					Chairman	Member
B. KishanRao +	Non Promoter &WTD	06	YES	-	-	-
Y. Suryanarayana +	NonPromoter&WTD	02	YES	01	01	02
D.S. Subrahmanyam	Non Promoter &WTD	06	YES	-	-	-
Dr. G.Chandra Bhushan	Independent Director	05	NO	-	-	-
K.Ch.A.V.S.N.Murthy	Independent Director	06	YES	-	-	-
K.S. Ravi Shanker	Independent Director	06	YES	01	-	01
Mr. M. Krishnam Raju [®]	Independent Director	05	NO	-	-	-
Mr. PTVM. Suresh [®]	Managing Director	05	NO	-	-	-

* excluding private, foreign and companies registered under Section 25 of the Companies Act, 1956.

©Appointed as Additional Director W.e.f August 14, 2010

+ Ceased to be Director W.e.f May 10, 2010.

The Board has adopted Code of Conduct for all its Directors and members of Senior Management in its meeting held on August 25, 2006. The same has been displayed on the Company's website.

All the Directors and members of Senior Management have affirmed compliance with the Code of Conduct for the financial year ended June 30, 2010

III. AUDIT COMMITTEE:

The Committee is empowered with the powers as prescribed under the said Clause 49 of the Listing Agreement and Section 292A of the Companies Act, 1956. The broad role of the Committee is to review:

- i. Financial reporting process;
- ii. Adequacy of internal control systems;
- iii. The financial statements for approval of the Board; and
- iv. The performance of statutory and internal auditors

The members of the Audit Committee are as follows:

Name of Member	Category	Designation	No. of Meetings
K.CH.A.V.S.N. Murthy	Independent	Chairman	5
K.S. Ravi Shanker	Independent	Member	5
D.S. Subrahmanyam	WTD	Member	5

Audit committee met five times on the following dates: i) 16.07.2009; ii) 15.10.2009; iii) 19.11.2009; iv) 15.01.2010; v) 15.04.2010.

IV. REMUNERATION COMMITTEE:

The terms of reference of the Committee are:

- to decide all elements of remuneration package of all the directors i.e. salary, benefits, bonus, pension etc.
 - to decide details of fixed component and performance linked incentive along with the performance criteria.
 - to decide service contracts, notice period, severance fees.
 - to decide stock options details if any.
- During the year under review, there was no meeting of Remuneration Committee conducted.

The Remuneration Committee consists of all Independent Directors under the Chairmanship of Mr. K. S. Ravi Shanker.

COMPOSITION, NAME OF MEMBERS AND CHAIRPERSON:

Name of the member	Category	Designation
Mr. K.S. Ravi Shanker	Independent	Chairman
Mr. K. CH. A.V.S.N. Murthy	Independent	Member
Dr. G. Chandra Bhushan	Independent	Member

Remuneration Policy:

To recommend/review the remuneration package periodically, to the executive directors. The remuneration policy is in consonance with the existing industry practice and also with the provisions of the CoMPanies Act, 1956.

V. INVESTOR GRIEVANCE COMMITTEE:

The basic function of the Committee is to address shareholders' complaints / grievances pertaining to:

- i. transfer of shares;
- ii. dividends;
- iii. dematerialization of shares;
- iv. replacement of share torn / mutilated share certificates;
- v. non receipt of rights / bonus / split share certificates; and
- vi. other related issues.

There were no investor complaints during the year under review.

Mr. D.S. Subrahmanyam, Whole-time Director is the Compliance Officer.

There are no pending transfer/complaints as on 30-06-2010.

Composition:

Name of the member	Category	Designation
Mr. D. S. Subrahmanyam	WTD	Chairman
Mr. K. S. Ravi Shanker	Independent	Member
Mr. M. Krishnam Raju	Independent	Member

The Shareholder/Investor grievances committee specifically looks into redressing of Shareholders and Investors' complaints and ensures expeditious share transfer process.

VI. GENERAL BODY MEETINGS:

a) The details of Annual General Body Meetings held in the last three years are as under:

Financial Year	Location	Date and Time
2006-2007	Plot No.91, Road No.7-B, Jubilee Hills, Hyderabad-500033	13.12.2007 11.00 AM
2007-2008	Plot No.91, Road No.7-B, Jubilee Hills, Hyderabad-500033	31.12.2008 10.00 AM
2008-2009	Plot No.91, Road No.7-B, Jubilee Hills, Hyderabad-500033	31.12.2009 11.00 AM

- Special Resolutions passed in the last three Annual General Meetings are as under:
 - i) Special Resolution for change of Name of the Company to CCIL Animation Limited in the AGM 2007
- No Ballots papers were used for voting at above meetings.
 - b) No Special Resolutions passed last year through postal ballot (under Section 192A).
 - c) No special resolution is proposed to be passed through postal ballot at the ensuing AGM.

VII. OTHER DISCLOSURES:

- (a) There were no significant related party transactions that may have potential conflict with the interests of the Company at large.
- (b) In the preparation of financial statements, no treatment materially different from that prescribed in the accounting standards had been followed.

COLOR CHIPS (INDIA) LIMITED

- (c) There were no penalties or strictures imposed on the Company by the Stock Exchanges or SEBI or any statutory authority on any matter related to capital markets at any time during the last 3 years
- (d) The Company has complied with all the mandatory requirements of Clause 49. As regards the no mandatory requirements, the extent of compliance has been stated in this report against each item.
- (e) There were no material pecuniary relationships or transactions of the non-executive directors vis-a-vis the Company, other than payment of Board fees/commission and investments (if any) in shares / securities of the Company.

VIII. MEANS OF COMMUNICATION:

The un-audited quarterly results and audited results for the year are generally published in one English newspaper (Financial Express) and at least one vernacular newspaper (Andhra Prabha) shortly after its submission to the Stock Exchanges. The results are also displayed on the Company's web-site i.e. www.colorchipsindia.com

IX) General Shareholders Information:

a) 20th Annual General Meeting:

Date and Time	Friday, 31 st December 2010 at 11.00 AM
Venue	Plot No.91, Road No.7-B, Jubilee Hills, Hyderabad- 500033, AP

b) Book Closure Date: 29-12-2010 TO 31-12-2010 (inclusive of both days)

c) Financial Year and Calendar (Tentative) 2010-11:

The Company follows July to June as its Financial Year. The results of every quarter beginning from July are declared in the first month following each quarter as per the provisions of Listing Agreement.

- d) Listing on Stock Exchanges** : 1) National Stock Exchange of India Limited
2) Bombay Stock Exchange Limited
- e) Listing Fees** : Listing fee for the year 2010-11 has been paid
- f) Stock Code** : NSE: COLORCHIPS; BSE: 532172
- g) ISIN No.** : INE737B01017 (Fully paid-up);
IN9737B01015 (For partly paid)

h) Market Price Data :

During the financial year the equity shares of the Company are not traded as the shares are suspended from trading in NSE and BSE with effect from September 13, and September 14, 2007 respectively due to penal provisions.

i) Registrar and share transfer Agents: (both Physical and Demat)

M/s. Venture Capital and Corporate Investments Private Ltd

12-10-167, Bharat Nagar, Hyderabad-500018. Ph: 040-23818475/476; Fax: 040-23868024.

j) Share Transfer System:

The Physical shares transfers are processed and the share certificates are returned to the shareholders within a maximum period of one month from the date of receipt, subject to the document being valid and complete in all respects.

Any transferee who wishes to Demat the shares may approach a Depository Participant along with a duly filled Demat Request Form, who shall, on the basis of the Share Certificate, generate a Demat request and send the same to the Registrar and Share Transfer Agents (RTA). On receipt, the Depository Registrar confirms the request.

All the requests for Dematerialization and shares are processed and the confirmation is given to the respective Depositories i.e., National Securities Depository Limited (NSDL) and Central Depository Services (India) Limited (CDSL) within 21 days on receipt.

k) Distribution of shareholding as on 30th June 2010:

Nominal Value of Shares in Rupees	No. of Shareholders	% of Shareholders	No. of Shares	% of Shares
Up to 5000	8,398	60.51	20,48,379	9.77
5001-10000	2,492	17.95	21,60,393	10.31
10001-20000	1,407	10.14	2289,374	10.92
20001-30000	492	3.55	12,89,913	6.15
30001 -40000	266	1.92	9,54,942	4.56
40001 -50000	238	1.71	11,42,778	5.45
50001-100000	337	2.43	25,25,798	12.05
100001 and above	248	1.79	85,50,473	40.79
Total	13878	100.00	20962050	100

l) Shareholding Pattern as on 30th June 2010:

Category	No. of shares	%
Promoters	332137	1.58
Mutual Funds and UTI Financial Institutions/ Mutual Funds	41346	0.20
Private Corporate Bodies	1920097	9.16
Indian Public NRI's OCB's	18073481 594989	86.22 2.84
Others	—	-
Total	20962050	100.00

m) Dematerialization of Shares:

The equity shares of the Company are in compulsory Demat segment. The Company has already entered into necessary agreements with NSDL and CDSL for Demat facility. As on 30th June 2010 2,05,70,982 equity shares are in Demat form representing 98.13% of total equity share capital of the Company.

n) Outstanding GDRs/ADRs/Warrants or any Convertible instruments, conversion date and likely impact on equity:

The Company has not issued any GDRs / ADRs / Warrants / any convertible instruments.

o) Plant Locations:

The Company does not have any plant locations; however the Company has its Animation facility centre at Plot No.91, Road No.7-B, Jubilee Hills, Hyderabad- 500033, AP.

p) Address for Investors Correspondence:

Shareholders may address their communications/suggestions/grievances/queries pertaining to share transfer/Demat including physical transfer requests and Demat requisition forms, to the

COLOR CHIPS (INDIA) LIMITED

Company's Registrar and Share Transfer Agents and/or to the Company at the following address:

Registered Office

Color Chips (India) Limited
Plot No.91 Road no.7-B
Jubilee Hills, Hyderabad - 500 033
Tel No. 040 - 23550268, 23544862

Registrar and Transfer Agent

Venture Capital and Corporate Investments Private Ltd
12-10-167, Bharat Nagar,
Hyderabad - 500 018
Ph: 040-23818475/476; Fax: 040-23868024.

q) CEO Certification:

As required by the revised clause 49 (V) of the Listing Agreement, the certificate from CEO was placed before the Board of Directors at their meeting held on November 16, 2010.

r) Compliance Certificate of the Auditors:

The Statutory Auditor has certified that the company has complied with the conditions of the Corporate Governance as stipulated in clause 49 of the listing agreement and the same forms part of the Annual Report. The Certificate from the statutory auditor will be sent to the stock exchange along with the Annual Report of the Company.

BY THE ORDER OF THE BOA

Hyderabad
November 16, 2010

**SD/-
PENUGONDAT.V.M. SURESH
CHAIRMAN & MANAGING DIRECTOR**

DECLARATION

To
The Members of Color Chips (India) Limited

This is to declare that the Code of Conduct envisaged by the Company for Mem bers of the Board and the Senior Management Personnel have been complied with by all the members of the Board and the Senior Management Personnel of the Company respectively.

BY THE ORDER OF THE BOARD

Hyderabad
November 16, 2010

**SD/-
PENUGONDAT.V.M. SURESH
CHAIRMAN & MANAGING DIRECTOR**

CHIEF EXECUTIVE OFFICER (CEO) CERTIFICATION

I have reviewed the financial statements, read with the cash flow statement of Color Chips (India) Limited for the year ended June 30, 2010 and that to the best of my knowledge and belief, I state that:

- a) (i) These statements do not contain any materially untrue statement or omit any material fact or contain statements that may be misleading.
- (ii) These statements present true and fair view of the company's affairs and are in compliance with current accounting standards, applicable laws and regulations.
- b) These are, to the best of my knowledge and belief, no transaction entered into by the company during the year which are fraudulent, illegal or in violation of the company's Code of Conduct.
- c) I accept responsibility for establishing and maintaining internal controls for financial reporting. I have evaluating the effectiveness of internal control systems of the company and have disclosed to the auditors and audit committee deficiencies in the design or operation of internal control, if any, and steps taken or proposed to be taken for rectifying these deficiencies.
- d) I have indicated to the auditors and audit committee:
 - (i) Significant changes in accounting policies made during the year and that the same have been disclosed suitably in the notes to the financial statements; and
 - (ii) There are no instances of fraud involving the management or an employee.

Hyderabad
November 16,2010

BY ORDER OF THE BOARD

**SD/-
PENUGONDAT.V.M. SURESH
MANAGING DIRECTOR**

AUDITOR'S CERTIFICATE ON CORPORATE GOVERNANCE:

To

The Members

Color Chips (India) Limited

We have examined the compliance of conditions of corporate governance by Color Chips (India) Limited for the year ended on June 30th, 2010 as stipulated in clause 49 of the listing agreement of the said company with concerned Stock Exchange.

The compliance of conditions of corporate governance is the responsibility of the management, our examination has been limited a review of the procedures and implementation thereof adopted by the company for ensuring the compliance the conditions of corporate governance. It is neither an audit not expression of opinion on the financial statements of the company

In our opinion and best of our information and according to the explanation given to us and the representations made the Directors and Management, we certify that the company has complied with the conditions of corporate governance as stipulated in the aforesaid 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 Karumanchi & Associates
Chartered Accountants

Hyderabad
November 16, 2010

SD/-
K. Peddabbai
Partner
Membership No: 25036

AUDITORS'REPORT

To

The Members,

M/s. Color Chips (India) Limited

We have audited the attached Balance Sheet of M/s. Color Chips (India) Limited as at 30th June 2010 and also the Profit & loss Account of the company for the year ended on the 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.

We have 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 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 presentation. We believe that our audit provides a reasonable basis for our opinion.

As required by the Company (Auditor's Report) Order, 2003 issued by the Central Government 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 paragraphs 4 and 5 of the said Order.

Further to our comments in the annexure referred to above, we report that: we have obtained all the information and explanations, which to the best of our knowledge and belief were necessary for the purposes of our Audit.

In our opinion, proper books of accounts as required by law have been kept by the company so far as appears from our examination of those books. The Balance sheet and Profit & Loss Account dealt with by this report are in agreement with books of accounts.

In our Opinion, the Balance Sheet and Profit & Loss Account dealt with by this report comply with the Accounting Standards referred to in sub-section (3C) of Section 211 of Companies Act, 1956. On the basis of written representations received from the directors, as on 30th June, 2010 and taken on record by the Board of directors, we report that none of the directors is disqualified as on 30th June, 2010 from being appointed as director in terms of clause (g) of sub-section 1 of section 274 of the Companies Act, 1956.

In our opinion and to the best of our information and according to the explanations given to us, the same accounts give the information required by the Companies Act, 1956, in the matter so required and give a true and fair view in conformity with accounting principles generally accepted in India.

In the case of Balance Sheet, of the state of affairs of the Company as at 30th June, 2010 and in the case of the Profit and Loss Account, of the profit for the year ended on the date.

For Karumanchi & Associates
Chartered Accountants

Hyderabad

November 16, 2010

SD/-
K.Peddabbai
Partner

MembershiD No: 25036

ANNEXURE TO THE AUDITORS REPORT

(Referred to in Para 1 of our report even date)

1) The company is maintaining proper records showing full particulars, including quantitative details and situation of fixed assets.

The management has physically verified the fixed assets at reasonable intervals during the year and no major discrepancies were noticed on such verification.

In our opinion, the Company has not disposed of substantial part of fixed assets during the year and the going concern status of the Company is not affected.

2) As explained to us, inventories have been physically verified during the year by the management at regular intervals. In opinion, the frequency of verification is reasonable.

In our opinion and according to the information and explanations given to us, the procedures of physical verification of inventories followed by the management are reasonable and adequate in relation to the size of the company and the nature of its business.

The Company has maintained proper records of inventories. In our opinion and according to the information and explanations given to us, the discrepancies noticed on verification between the physical stocks and the book records were not material, have been properly dealt with in the books of accounts.

3) As informed, the Company has given / taken loans, Secured or Un-Secured, to / from Companies, firms or other parties listed in the register maintained under section 301 of the Companies Act, 1956. Refer to Notes on Accounts under note (II) (3) (b).

4) In our opinion and according to the information and explanations given to us, there are adequate internal control procedures commensurate with the size of the Company and the nature of its business for purchase of raw materials, Plant and Machinery, equipment and similar assets and for the sale of goods and services. During the course of our audit, no major weakness has been noticed in the internal controls.

5) According to the information and explanations provided by the management, there has been a transaction that needs to be entered into a register maintained under section 301 of the Companies Act, 1956.

6) In our opinion and according to the information and explanations given to us, the company has not accepted any deposits from public to which the directives issued by the Reserve Bank of India and the provisions of sections 58A and 58AA of the Companies Act, 1956 and the Companies (Acceptance of Deposits) Rules, 1975 framed there under apply.

7) In our opinion, the Company has an adequate internal audit control system commensurate with the size and nature of its business.

8) We are informed and according to the information and explanations given to us, that the Central Government has not prescribed maintenance of cost records under section 209(1)(d) of the Companies Act, 1956, for the activities of the Company.

9) In Respect of Statutory dues:

According to the records of the Company as per the information and explanations given to us, the company is generally regular in depositing with appropriate authorities undisputed statutory dues including Provident Fund, Employees State Insurance, Wealth tax, Custom duty, cess and other material

statutory dues applicable to it.

According to the information and explanations given to us, there are no undisputed amounts payable in respect of Income Tax, wealth Tax, Sales Tax, Customs Duty and Excise Duty which have remained outstanding as at June 30, 2010 for a period exceeding six months from the date they become payable.

According to the information and explanations given to us, there are no dues of Sales Tax, Income Tax, Custom duty, Wealth tax, Excise duty and cess which have not been deposited on account of any dispute.

10) In our opinion, the accumulated losses of the company are not more than fifty percent of its net worth. The company has not incurred cash losses during the financial year covered by our audit.

11) As per the records of the Company and according to the information and explanations given to us, we are of the opinion that the company has not defaulted in repayment of dues to financial institutions, banks or debenture holders.

12) According to the information and explanations given to us, the company has not given any loans and advances on the basis of security by way of pledge of shares, debentures and other securities.

13) The Company is neither a chit fund nor a nidhi mutual fund benefit fund / society. Therefore, the provisions of clause 4 (xiii) of the above referred order are not applicable to the company.

14) The company is not dealing in or trading in shares, securities, debentures and other investments. Accordingly, the provisions of clause 4(xiv) of the above referred order are not applicable to the Company.

15) The Company has not given any guarantee for loans taken by others from banks or financial institutions.

16) The Company has not availed any term loan from any bank / financial institutions. According to the information and explanations given to us and on overall examination of the balance sheet of the company, we report that no funds raised on short-term basis have been used of long term investment. No Long-term funds have been used to finance short-terms assets.

17) The company has not issued any debentures. Accordingly, the provisions of clause 4(xix) of the above referred Order are not applicable to the company.

18) The Company has not made any preferential allotment of shares to any parties or companies covered in the register maintained under Section 301 of the Companies Act, 1956.

19) In our opinion, the Company is not required to create / register / modify and security (Charge) as company is not holding / issued any debentures.

20) According to the information and explanations given to us, no fraud on or by the company has been noticed or report during the course of our audit.

**For Karumanchi & Associates
Chartered Accountants**

**SD/-
K.Peddabbai**
Partner
Membership No: 25036

COLOR CHIPS (INDIA) LIMITED

BALANCE SHEET AS AT 30TH JUNE 2010			(Amount in Rs.)
SCHEDULE	SCH NO	As at 30.06.2010	As at 30.06.2009
Source of Funds			
SHARE HOLDER'S FUNDS			
Share Capital	1	207,242,738	207,242,738
Reserves & Surplus	2	1,570,500	1,570,500
Secured Loans	3	(3,415)	5,872,463
	TOTAL	208,809,823	214,685,701
APPLICATION OF FUNDS			
A. FIXED ASSETS			
a) Gross Block	4	72,731,430	72,731,430
b) Less : Depreciation		62,648,660	61,373,984
c) Net Block		10,082,770	11,357,446
B. Investments			
		39,866,750	39,866,750
C. Deferred Tax			
		3,829,302	3,829,302
D. Current Assets and loans & Advances			
Stock In Trade		143,240,287	143,240,287
Sundry Debtors	5	14,845,840	14,845,840
Cash and bank balances	6	1,839,189	1,854,162
Loans & Advances	7	22,782,001	19,872,914
		182,707,317	179,813,203
C.LESS : CURRENT LIABILITIES & PROVISIONS			
	8	98,401,297	88,772,385
		98,401,297	88,772,385
NET CURRENT ASSETS			
		84,306,020	91,040,818
Profit and Loss Account			
Miscellaneous Expenditure to the Extent not written off	9	70,476,149	68,093,721
		248,832	497,664
	TOTAL	208,819,823	214,685,701
NOTES ON ACCOUNTS			
As per our report of even date attached			
For Karumanchi & Associates Chartered Accountants			
For and on behalf of Board of Directors of Color Chips (India) Limited			
Sd/- K.Peddabai Partner M.No.25036 Hyderabad November 16,2010	Sd/- Penugonda T.V.M. Suresh Managing Director	Sd/- D.S. Subrahmanyam Whole Time Director	

COLOR CHIPS (INDIA) LIMITED

PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 30TH JUNE 2010			
SCHEDULE	SCH NO	(Rs.) For the year ended 30.06.2010	(Rs.) For the year ended 30.06.2009
INCOME			
Sales		-	650,000
Other Income		50,000	-
Closing Stock		-	53,500,000
	TOTAL	50,000	54,150,000
EXPENDITURE			
Purchases		-	53,500,000
Manufacturing & Admin Expenses	10	426,393	526,006
Finance cost		482,528	792,082
Depreciation for the year		1,274,675	1,274,675
Preliminary exp.written off		248,832	248,832
Loss on Sale of Benz Car		-	-
Total Expenditure	TOTAL	2,432,428	56,341,595
Profit/(Loss) before tax		(2,382,428)	(2,191,595)
Prior Period expenses		-	371,802
Provision for FBT		-	4,312
Profit (Loss)after Tax		(2,382,428)	(2,567,709)
Balance brought forward from P.Year		(68,093,721)	(65,526,012)
			-
Balance carried to balance sheet		(70,476,149)	(68,093,721)
NOTES ON ACCOUNTS	11		
As per our report of even date attached			
For Karumanchi & Associates Chartered Accountants		For and on behalf of Board of Directors of Color Chips (India) Limited	
Sd/- K.Peddabbai Partner M.No.25036 Hyderabad November 16,2010	Sd/- Penugonda T.V.M. Suresh Managing Director	Sd/- D.S. Subrahmanyam Whole Time Director	

COLOR CHIPS (INDIA) LIMITED

SCHEDULES FORMING PART OF THE B/SHEET FOR THE YEAR ENDED 30-06-2010			
SCHEDULES		As at	As at
		30.06.2010	30.06.2009
		(Rs.)	(Rs.)
SCHEDULE - 1			
SHARE CAPITAL			
AUTHORISED			
3,93,15,000 Equity Shares of Rs.10/- each		393,150,000	393,150,000
ISSUED AND SUBSCRIBED			
20,96,2050 Equity shares of Rs 10/- each		209,620,500	209,620,500
PAID-UP CAPITAL			
20962050 equity shares of Rs.10/- each		209,620,500	
(-) Calls in Arrears on 317035 equity shares		2,377,762	
TOTAL		207,242,738	207,242,738
SCHEDULE - 2			
RESERVES & SURPLUS			
General Reserve		1,529,000	1,529,000
Special Reserve		41,500	41,500
TOTAL		1,570,500	1,570,500
SCHEDULE - 3			
Secured Loans:			
TOTAL		(3,415)	5,873,453
SCHEDULE - 5			
SUNDRY DEBTORS			
Debts considered good			
more than 6 months		14,845,840	14,845,840
less than 6 months		-	-
TOTAL		14,845,840	14,845,840
SCHEDULE - 6			
CASH & BANK BALANCES			
Cash In hand		83,259	73,104
Cash at Bank (In schduled bank)		86,917	112,045
Deposits		1,669,013	1,669,013
TOTAL		1,839,189	1,854,162
SCHEDULE - 7			
LOANS & ADVANCES			
(Unsecured considered good)			
Loans and Advances		16,156,839	19,197,752
Investement Subsidy Receivable		500,000	500,000
T D S Receivable		175,162	175,162
Share Application Money AAKAR FOUNDRY		5,950,000	-
TOTAL		22,782,001	19,872,914
SCHEDULE - 8			
CURRENT LIABILITIES & PROVISIONS			
A. Currnet Liabilities			
Expenses Creditors		1,584,492	1,584,492
Other liabilities		96,816,805	87,183,581
Provision for FBT		-	4,312
TOTAL		98,401,297	88,772,385

COLOR CHIPS (INDIA) LIMITED
Schedule - 4

(Rs.)

Fixed Assets for the year ended 30-06-2010										
Name of the Assets	Gross Block				Depreciation				Net Block	
	As on 1-Jul-09	Additions during the year	Deletions during the year	Gross Assets as on 30-06-2010	As on 1-Jul-09	For the year	Dep. On deletions	As on 30.06.2010	As on 30.06.2010	As on 30.06.2009
Air conditioners	1,919,147	-	-	1,919,147	731,622	91,159	-	822,781	1,096,366	1,187,525
Computers	50,302,414			50,302,414	50,302,414	-		50,302,414	-	-
Plant & Machinery	1,431,951			1,431,951	776,276	68,018		844,294	587,657	655,675
Electrical Equipment	6,338,895			6,338,895	3,254,740	301,098		3,555,838	2,783,057	3,084,155
Furniture & Fixtures	10,622,759			10,622,759	5,296,066	672,421		5,968,487	4,654,272	5,326,693
Office Equipment	1,863,264			1,863,264	883,126	117,945		1,001,071	862,193	980,138
Motor Vehicles	253,000	-	-	253,000	129,741	24,035		153,776	99,224	123,259
Totals	72,731,430	-	-	72,731,430	61,373,985	1,274,675	-	62,648,660	10,082,770	11,357,445

COLOR CHIPS (INDIA) LIMITED

(Amount in Rs.)

SCHEDULE-9		
MISCELLANEOUS EXPENDITURE		
(To the extent not written off or Adj)		
Preliminary Expenses	497,664	746,496
Public Issue Expenses		-
Less: Written Off	248,832	248,832
TOTAL	248,832	497,664
SCHEDULES FORMING PART OF THE PROFIT AND LOSS ACCOUNT :		
SCHEDULE-10		
MANUFACTURING & ADMIN EXPENSES		
Salary and allowances	336,000	212,600
Audit Remuneration		
- As Auditor	15,000	15,000
-For Tax Audit	-	-
- For certification	-	-
Bank Charges	12,873	26,104
Travelling & Conveyance	15,000	-
Legal & Professional Charges	-	52,800
Electricity charges	-	42,699
Printing & Stationery	9,800	9,600
Postage & Courier	2,345	5,645
Telephone Expenses	4,990	63,432
Office Maintenance	30,385	98,126
TOTAL	426,393	526,006

SCHEDULE-11 NOTES ON ACCOUNTS

I. Significant Accounting Policies:

1. Accounting Convention

The financial statements have been prepared under the historical cost conventions in accordance with the Accounting Standards issued by the Institute of Chartered Accountants of India and Provisions of the Companies Act, 1956 as adopted consistently by the Company. The Company follows mercantile system of accounting to recognize all material revenue and expenses, including provisions/ adjustments for committed obligations and amounts determined as payable or receivable during the period under review.

2. Revenue Recognition

Revenue from Animation services consists primarily of revenue earned from services performed on time basis. The related revenue is recognized as and when services are performed.

3. Expenditure

Expenses are accounted on accrual basis and provisions are made for all known losses and liabilities.

4. Fixed Assets

Fixed Assets are accounted at cost of acquisition, which is inclusive of inward freight, duties, taxes and other incidental expenses related to acquisition.

5. Depreciation

Depreciation on Fixed Assets has been provided on Straight-line method as per the rates specified under schedule XIV of the Companies Act, 1956. Depreciation on assets acquired during the year has been provided on pro-rata basis.

6. Inventories

Inventories are valued at lower of cost or net realizable value.

7. Foreign Exchange Transactions

Transactions in Foreign Currencies are recorded at the exchange rates prevailing on the date of transaction and exchange differences arising from foreign current transactions are recognized in the profit and loss account. Monetary assets and liabilities denominated in foreign currency are translated at the rate of exchange at the balance sheet date and resultant gain or loss is recognized in the profit and loss account. Non- monetary assets and liabilities are translated at the rate prevailing on the date of transaction.

8. Investments:

The investments are valued and carried at cost or fair value whichever is lower. In case of sale of investments effected during the year the loss on sale is brought in to the books of account.

9. Taxes on Income

Deferred Tax is accounted by computing the tax effect on timing differences, being tax difference between taxable income and accounting income that originate in one period and are reversible in one or more subsequent periods.

10. Retirement Benefits

Contributions in respect of Employees Provident Fund and Pension Fund are made to fund administered and managed by the Government of India and are charged as incurred on accrual basis.

11. Amortization of Rights issue expenses for the period is not considered due to huge loss incurred by the Company for the year.

12. There are no dues to SSI units outstanding for more than 30 days as on 30th June, 2010.

13. Notes on Accounts:

	Year ending 30.06.2010	Year ending 30.06.2009
1. Contingent liabilities :	Nil	Nil
2. Auditors' Remuneration:		
a) Statutory Audit fee	Rs.11,500/-	Rs.11,500/-
b) Tax audit fees		
c) Certification fees	Rs.3,500/-	Rs.3,500/-

3. Related party Disclosures: the following are the related parties as defined in Accounting Standard 18 of the Institute of Chartered Accountants of India.

(i) Names of the Related Parties

(a) **Key Management Personnel during the Year**

-YSuryanarayana	- Director
- D.S. Subrahmanyam	- Director
- K.S. Ravi Shankar	- Director
- B. Kishan Rao	-Director

(b) **Associate Companies**

- i. Color Chips New Media Limited (CCNML)
- ii. Color Chips Animation park Ltd (CCAPL)

COLOR CHIPS (INDIA) LIMITED

Particulars	CCNML	CCAPL
Sales	Nil	Nil
Accounts payable	3,09,83,647	Nil
Others	Nil	Nil

4. Earnings in Foreign Currency
- | | 2009-2010 | 2008-2009 |
|----------------------|-----------|-----------|
| | Rs. | Rs. |
| Income from Services | Nil | Nil |
5. Expenditure in Foreign Currency
- | | | |
|--------------------------|-----|-----|
| a. Traveling | Nil | Nil |
| b. Professional Services | Nil | Nil |
| c. Animation services | Nil | Nil |
| d. Marketing services | Nil | Nil |
| e. Others | Nil | Nil |
6. Quantitative Details: -NA-
7. In accordance with AS 22 -Accounting for Taxes on Income, the deferred tax asset as at 30th June, 2010 comprises the following:
- | Particulars | (Amount in Rs.) |
|--|-----------------|
| Deferred Tax Asset as on 01 st July, 2009 | 38,29,302 |
| Total Deferred Tax Asset as on 30th June, 2010 | 38,29,302 |
8. Accounting balances of sundry debtors / creditors, Loans and advances and Group Companies Balances are subject to confirmation.
9. Since the accounting statements are prepared for 12 months period ending 30th June, 2010, figures for the current years are incomparable with that of the previous year.
10. Previous figures have been regrouped and reclassified wherever necessary to conform to current year's classification. Figures have been rounded off to the nearest rupee as per our report of even date

For Karumanchi & Associates
Chartered Accountants

For and on behalf of Board of Directors of
Color Chips (India) Limited

Sd/-
K.Peddabai
Partner
M.No.25036
Hyderabad
November 16,2010

Sd/-
Penugonda T.V.M. Suresh
Managing Director

Sd/-
D.S. Subrahmanyarn
Whole Time Director

COLOR CHIPS (INDIA) LIMITED

CASH FLOW STATEMENT FOR THE YEAR ENDED 30TH JUNE 2010			
Description		(Rs.) As at 30-Jun-10	(Rs.) As at 30-Jun-09
A.	CASH FLOW FROM OPERATING ACTIVITIES		
	Net profit/loss after taxation and extraordinary items	(2,382,428)	(2,567,709.4)
	Adjustment for :		
	Depreciation	1,274,675	1,274,675
	Speculation Profit	-	-
	Dividend Misc. Income	-	-
	Loss on Sale of Assets	-	-
	Loss on Sale of Investments	-	-
	Preliminary & Issue Expenses W/off	248,832	248,832
	Deferred Tax Liability	-	-
	Operating profit before working capital changes	(858,921)	(1,044,202)
	Adjustment for:		
	Increase/Decrease in inventory	-	(53,500,000)
	Increase/Decrease in Trade & Other Receivables	(2,909,087)	26,991,279
	Increase/Decrease in Current Liabilities	9,628,912	22,660,764
	Cash generation from operating activity	5,860,905	(4,892,160)
	Direct Taxes paid	-	4,312
			-
	Net Cash from operating activity	5,860,905	(4,892,160)
B.	Cash flow from investing activities		
	Loss on Sale of Investments	-	-
	Profit/Loss on Sale of Fixed Assets	-	-
	Fixed Assets Written Back	-	-
	Depreciation Written Back on Sold Assets	-	-
	Assets Acquired	-	-
	Increase / Decrease in investments	-	-
	Net cash from investing activity	-	-
C	Cash Flow From Financing Activities		
	Increase /Decrease in secured Borrowings	(5,875,878)	4,930,878
	Increase in Share Capital	-	-
	Interest received	-	-
	Dividend & Misc. Income	-	-
	Net Cash Flow from Financing activities	(5,875,878)	4,930,878
	Net Increase / (decrease) in cash & Cash equivalents (A+B+C)	(14,973)	38,718
	Cash and cash equivalents as at the beginning of the year	1,854,162	1,815,444
	Cash and cash equivalents as at the end of the year	1,839,189	1,854,162
	Net Flow As shown above	(14,973)	38,718

As per our report of even date attached
For Karumanchi & Associates
Chartered Accountants

For and on behalf of Board of Directors of
Color Chips (India) Limited

Sd/-
K.Peddabbai
Partner
M.No.25036
Hyderabad
November 16,2010

Sd/-
Penugonda T.V.M. Suresh
Managing Director

Sd/-
D.S. Subrahmanyam
Whole Time Director

AUDITORS CERTIFICATE ON CASH FLOW STATEMENT

We have examined annexed Cash Flow Statement of Color Chips (India) Limited (Formerly Arham Fiscals Limited) for the year ended 30th June 2010. The statement has been prepared by the Company in accordance with the requirement of clause No 32 of Listing Agreement with Stock exchanges and is based on and in agreement with the corresponding Profit and loss Account and the Balance Sheet of the Company covered by our report of even date to the members of the company.

**For Karumanchi & Associates
Chartered Accountants**

Hyderabad
November

16,2010

Sd/-
K.Peddabbai
Partner
M.No.25036

COLOR CHIPS (INDIA) LIMITED

BALANCE SHEET ABSTRACT AND COMPANY'S GENERAL BUSINESS PROFILE

PART IV OF SCHEDULE VI TO THE COMPANIES ACT, 1956 (AS AMENDED)

REGISTRATION DETAILS

Registration Number

1	1	1	2	9
---	---	---	---	---

State code

0	1
---	---

Balance Sheet Date

30	06	2010
----	----	------

CAPITAL RAISED DURING THE YEAR (AMOUNT IN RS THOUSAND)

Public Issue

N	I	L
N	I	L

Bonus Issue

N	I	L
N	I	L

Preferential Issue

Right Issue

POSITION OF MOBILISATION AND DEPLOYMENT OF FUNDS (Amount in Rs.Thousands)

Total Liabilities

N	I	L
---	---	---

Total Assets

N	I	L
---	---	---

SOURCE OF FUNDS

Paid up Capital

2	0	7	2	4
1	5	7	0	

Secured Loans

N	I	L
N	I	L

Reserves & Surplus

Unsecured Loans

APPLICATION OF FUNDS

Net fixed Assets

1	0	0	8	3
3	9	8	6	6
8	4	3	0	6

Miscellaneous Expenditure

2	4	8		
7	0	4	7	6

Investment

Accumulated Loss

Net current Assets

PERFORMANCE OF COMPANY (AMOUNT IN RS.THOUSAND)

Turnover includes other Income

5	0		
2	4	3	2
(2)	3	8	2

Profit after Tax

(2)	3	8	2
N	I	L	
N	I	L	

Total Expenditure

Earning Per Share

Profit Before Tax

Dividend Rate (%)

For Karumanchi & Associates
Chartered Accountants

For and on behalf of Board of Directors of
Color Chips (India) Limited

Sd/-

K.Peddabai

Partner

M.No.25036

Hyderabad

November 16,2010

Sd/--

Penugonda T.V.M. Suresh

Managing Director

Sd/-

D.S. Subrahmanyam

Whole Time Director

GENERAL NAMES OF PRINCIPAL PRODUCTS / SERVICES OF THE COMPANY

(As per monetary terms)

Animation

2D Animation

3D Animation

Web Animation

Post Production and SFX

CG Imagery and Modeling

Video Games

Training in 2D Classical Animation

3D Computer - based training

Features Syndication

Cartoon based Features Syndication

Electronic News Bulletin

Customized Supplements

Print and Digital Publishing

Product Design

Complete Web Designing

Commercial Data Transfer

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COLOR CHIPS (INDIA) LIMITED

COLOR CHIPS (INDIA) LIMITED

Plot No.91, Road No.7-B, Jubilee Hills, Hyderabad - 500 033

ATTENDANCE SLIP

DP ID No. : _____ Regd. Folio No. : _____

Client ID No. : _____ No. of Shares held : _____

Name of the Shareholder/Proxy Present: _____

I hereby record my presence at the 20th Annual General Meeting of the members of the company to be held on, Friday the 31st day of December, 2010 at 11.00 AM at Plot No.91, Road No.7-B, Jubilee Hills, Hyderabad- 500033.

Shareholders/Proxy's Signature _____

Note: Shareholders attending the meeting in person or by proxy are required to complete the attendance slip and hand it over at the entrance of the meeting hall.

COLOR CHIPS (INDIA) LIMITED

Plot No.91, Road No.7-B, Jubilee Hills, Hyderabad - 500 033

PROXY FORM

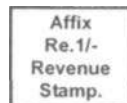
DP ID No. : _____ Regd. Folio No. : _____

Client ID No. : _____ No. of Shares held : _____

I/We _____ of _____ being a Member(s) of above named Company, hereby appoint _____ of _____ or failing him/her _____ of _____ as my/

our proxy to attend and vote for me/us, on my/our behalf at the 20th Annual General Meeting of the Company to be held on, Friday the 31st day of December, 2010 at 11.00 AM at Plot No.91, Road No.7-B, Jubilee Hills, Hyderabad- 500033 and at any adjourned meeting thereof.

Signed _____ this _____ of 2010.



Note: The proxy in order to be effective should be duly stamped, completed, signed and must be deposited at the Registered Office of the Company not less than 48 hours before the time for holding the meeting.



COLORCHIPS (INDIA) LIMITED

Plot No: 91, Road 7-B, Jubilee Hills, Hyderabad