MUKTA ARTS LIMITED

Annual Report

for the year ended March 31, 2011

BOARD OF DIRECTORS

Mr. Subhash Ghai, Chairman & Managing Director
Mr. Parvez A. Farooqui, Executive Director
Mr. Rahul Puri, Executive Director
Mr. Anil Harish
Mr. Vijay Choraria
Mr. Pradeep Guha

COMPANY SECRETARY & COMPLIANCE OFFICER
Mr. Ravi B Poplai

AUDITORS
M/s B S R & Co.

INTERNAL AUDITORS
M/s Bansal Bansal & Co.

BANKERS
HDFC Bank Limited
Kotak Mahindra Bank Limited

REGISTRAR & TRANSFER AGENTS
Link Intime India Private Limited
C-13, Pannalal Silk Mills Compound
L.B.S. Marg, Bhandup (W)
Mumbai – 400 078

REGISTERED OFFICE
Mukta House,
Behind Whistling Woods Institute,
Filmcity Complex, Goregaon (East),
Mumbai- 400065

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PERFORMANCE

Performance at a glance

Rupees in millions

	Year ended 31st March **2011**	Year ended 31st March **2010**	Year ended 31st March **2009**	Year ended 31st March **2008**	Year ended 31st March **2007**
Realisation from productions, distribution & exhibition	1,919.11	886.33	1,651.04	1,094.66	965.21
Equipment Hire Income	4.23	2.50	7.30	12.07	2.22
Other Income	129.11	53.34	19.16	24.93	49.12
TOTAL INCOME	**2,052.45**	**942.17**	**1,677.50**	**1,131.66**	**1,016.55**
Profit/(Loss) before Interest,					
Depreciation and Tax	30.29	(174.96)	89.27	166.41	167.04
Depreciation	29.65	18.65	18.89	17.64	22.64
Interest	60.56	48.58	9.60	0.43	0.63
Profit/(Loss) before Tax	(59.92)	(242.19)	60.78	148.34	143.77
Profit/(Loss) after Tax	(61.63)	(242.44)	41.01	130.30	137.16
Dividend	-	-	22.58	45.16	45.16
Dividend Rate	-	-	20%	40%	40%
Gross Fixed Assets	1,347.66	473.12	407.89	-	313.31
Net Fixed Assets	590.94	258.19	211.62	187.10	157.09
Total Assets	**1,715.75**	**1,429.63**	**1,547.59**	**1,402.21**	**1,279.66**
Equity Share Capital	112.92	112.92	112.92	112.92	112.92
Reserves and Surplus	848.90	910.53	1,152.97	1,138.38	1,060.92
Net Worth	**961.81**	**1,023.45**	**1,265.89**	**1,251.30**	**1,173.83**
Earnings per Share (EPS)					
In Rupees					
EPS Basic	(2.73)	(10.74)	1.82	5.77	6.07
EPS Adjusted to Rs. 5	(2.73)	(10.74)	1.82	5.77	6.07

CHAIRMAN'S STATEMENT 2011

The Indian Media and Entertainment industry continued robust growth at over 11% during the year under review with the GDP itself growing at about 8%. The Film sector within the Entertainment space however showed only a minor growth during the year under review. While this may be hugely disappointing considering further that the Film slice in the overall M&E space shrunk from 18% to 13%, Mukta Arts continued to show robust growth. It's top line growth was over 100% during the period with the Company recording an all time high top line touching Rs. 2052 millions. That is the good news. The bad news is that the company also recorded during the period a loss. The loss unfortunately was primarily due to the failure of the film released during the period which failed to perform at the Box Office. Part of this failure had to do with the fact that the film was taken up for production at a time when production costs went through the roof with production houses clamoring for talent and paying inflated amounts as the sector went into hyper drive. When the Corporates pulled back from buying products at high costs Production houses were left having to cut losses. Mukta Arts was better positioned as the film was not big budget and as Mukta had own distribution capabilities. It was thus able to cut its losses as compared to many other Production houses that had to take huge hits. It was also wise that we put a temporary stop to Productions to let the cost structures rationalize. We quickly shifted focus and this helped build up our sales. We captured distribution opportunities, consolidated our exhibition space and moved into Multiplex space tying up theatre shells at good value with a revenue share model avoiding the riskier lease or rental model. This has now positioned your Company as a fully integrated Production-Distribution-Exhibition-Education Company and the only vertically integrated Company that has built up Capacity from creating talent to creating product and putting it on screens including its own!

So the year has been well spent. The Management reoriented and geared up to tackle new challenges. The results are already being seen in the coming year. I know that is not adequate consolation, but companies need to keep up with the ever changing external business environment and our success lies in being able to meet these challenges without much collateral damage and emerging stronger through the difficult phases

The first of the Mukta Cinemas engineered during the year has now become operational in Baroda with four screens this July. We hope to add on another 10 screens by next year and move rapidly in this space as we spot and tie up opportunities. We may if needed approach PE funds or raise debt to fund this initiative. The model of a value Multiplex ensures that we provide good value to the viewers and do not pay high rentals or lease rents that are burdening Multiplex operators. The revenue share model is ensuring that the risks are low and manageable. We are leveraging our exhibition and distribution strengths to make sure that the Screens start paying as soon as they are commissioned. This added strength will stand us in good stead when we re-energize our Production plans.

During the year we consolidated the business at Whistling Woods and brought in significant new value through various tie ups. Among the key initiatives were, the tie up with SONY to set up a Sony Media Technology Center- the first of its kind in the World where SONY has tied up with an institute to expose the new technologies to future film makers and industry professionals. The Chairman of SONY Corp. Sir Howard Stringer himself came to inaugurate the Center. SONY has made available HD and 3D Production equipment worth over 4 million dollars to WWIL.

WWIL was also during the period able to execute the Media and Entertainment curriculum for the CBSE schools and move from the Pilot stage of this project into a implementation stage. This will ensure that Media education is introduced in schools and increase the base for learning in this sector. The response from students to the Programme launched has been very positive and we are seeing an increasing number of students in the coming batches.

The fourth convocation of WWIL was held recently when Shri Khayaam and Shri Yash Chopra were felicitated.

We have taken other initiatives by launching a two year PGP in Media and Communication with MBA. We also expect to launch additional Programmes in the areas of Design and Communication and Fashion Designing to ensure that the infrastructure at WWIL is optimized and WWIL becomes profitable by next year.

We continue to watch the changing Media landscape closely and would ensure that we capture production and other opportunities at the right time given our already built up strengths and management bandwidth.

I thank the Shareholders for the faith shown in me and my management and assure you the Shareholder that we will continue to strive to make Mukta stronger, better and valuable.

Subhash Ghai

MANAGEMENT DISCUSSION AND ANALYSIS

The Media and Entertainment industry is being impacted significantly by changing technologies, changing delivery mechanisms and changing consumer behaviors. It has been a continuous challenge for Management to navigate through the turbulent waters of an ever changing external business environment.

Developments that have particularly affected the M&E Film space include:

a) Theatrical business has become the key to success and the first week end virtually accounts for a lions share of all revenues

b) The Music sales in physical format have disappeared and the music download has not delivered the early promise.

c) Internet downloads are showing a growing trend and there is hope that this business will become a significant revenue earner in days to come

d) VOD on DTH still continues to be a small revenue earner despite this window opening up almost simultaneously with theatrical release

e) Television continues to grow even though success rates in TV have been low. The fierce competition has helped improve prices for movie Satellite rights

f) IPL and International cricket have become a major entertainment properties and have affected theatrical business during play windows

g) Hollywood Studios have achieved good success in TV business but are still struggling with film productions locally

h) Film Production continues to be a risky proposition with high talent and input costs

i) The emergence of 3G has not yet had any significant impact on content repurposing or content creation for mobile space but remains a potentially large opportunity

Company Performance:

The Company completed and released Hello Darling during the year. The film did not perform well at the Box Office. The films under production during the period which were released post March 11 included Paschim Express, Cycle Kick and Nauka Doubi. The Company slowed down its production pipeline as production costs have increased significantly owing to inflated talent and promotion costs. The Company has in the meantime been focussing on other business verticals including Distribution, Exhibition, Education and Mobile VAS.

Distribution and Exhibition:

During the period the Company distributed several Hindi and English films in some territories in India or on all India basis. Among the major films distributed include Dabang, I hate Luv Stories, Robot, Golmaal 3, Dil Toh Bachcha hai, Do Dooni Chaar, Battle LA, The King's Speech, Narnia, Black Swan among many others.

The Company also consolidated its Film Programming business by tying up more theatres in Bombay and Delhi-UP territories. This consolidation helped the Company increase its business significantly.

The Company also took a major initiative in creating its own Brand of MultiplexTheatres by tying up Theatre shells for development and management in Malls and other complexes. Work has already commenced in several Multiplex properties with 15 screens and we expect to add more. The Company is working on a low risk model by entering into revenue share models instead of the rental or lease models being followed by other Multiplex operators. The first of the MUKTA CINEMAS was recently commissioned and started operations in July 2011

Other Developments:

The Company moved its offices to its new Corporate Head Quarter MUKTA HOUSE, in the Film City opposite to Whistling Woods building. Part of the Mukta House and most of the Company's Audeus Complex in Andheri have been leased out.

Whistling Woods International Limited:

During the year several initiatives in WWIL were taken. Key among them were the conversion of the Pilot Project launched with CBSE to introduce Media and Entertainment in CBSE Schools into a full-fledged initiative. In a tie up with SONY, its Media Technology Center was set up at WWIL which is the first of its kind that SONY has set up with any Institute in the World. The Chairman of SONY, Sir Horward Stringer himself inaugurated the Center in the presence of Subhash Ghai, Chairman WWIL and many other dignitaries.

The students of MBA in Media and Entertainment took the initiative to launch IN-BOX a student cultural and Sports activity which turned out to be a major success with good participation of students, faculty and staff and promises to become an annual event providing a platform for talent demonstration and bonding.

An initiative to launch a new Post graduate Programme with MBA in Media and Communications granted by Annamalai University was taken and the Programme launched in July 11.

Several important dignitaries visited the school and one of the pleasant surprises was that Hollywood reporter, a reputed Trade Magazine of Hollywood published its shortlist of the Worlds Best Film Schools and Whistling Woods was among them! It was the youngest Film School among others that were several decades in existence. It confirmed our belief that we were on the right path and doing the right things.

During the year WWIL was also admitted as a member of CILECT a august body based in Belgium that is a federation of the highly rated film schools of the World.

Other:

Coruscant a fully owned subsidiary of Mukta developed Mobile Applications that have started showing revenue earning potential. We expect the mobile and online space to be a significant future growth area.

Mukta has invested during the period in Maya Digital Studios, an initiative of Ketan Mehta. Mukta is a minority shareholder currently with additional share options. The company located in Mukta House is focused on Animation and VFX. Frank Foster a former head of SONY Image Works is heading the Business and Mukta has nominated Chaitanya Chinchlikar on the Board of Maya Digital Studios.

NOTICE

Notice is hereby given that the **29th Annual General Meeting** of Mukta Arts Limited will be held on **Saturday, the 24th day of September, 2011 at 4.00 p.m.** at the Whistling Woods Institute Auditorium, Dada Saheb Phalke Chitra Nagari, Goregaon (E), Mumbai- 400 065 to transact the following business:

Ordinary Business:

1 To receive, consider, and adopt the audited Profit and Loss Account of the Company for the year ended 31st March, 2011 and the Balance Sheet as at that date together with the Director's Report and Auditor's Report thereon.

2 To re-appoint Mr. Vijay Choraria, as Director who retires by rotation and, being eligible, offers himself for reappointment.

3 To re-appoint Mr. Anil Harish, as Director who retires by rotation and, being eligible, offers himself for reappointment.

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

"RESOLVED THAT pursuant to the provisions of Section 224 and other applicable provisions, if any, of the Companies Act, 1956, M/s B S R & Co, Chartered Accountants, be and are hereby reappointed as the Statutory Auditors of the Company to hold office from the conclusion of this Annual General Meeting until the conclusion of the next Annual General Meeting.

RESOLVED FURTHER THAT the Statutory Auditors be paid such remuneration as may be mutually agreed upon between the Board of Directors of the Company and the Statutory Auditors, plus reimbursement of out of pocket expenses."

Special Business:

5. To consider and if thought fit to pass with or without modification(s) the following as a **Special Resolution:**

"RESOLVED THAT in accordance with Section 314 of the Companies Act, 1956 and other applicable provisions, if any, and subject to the approval of the members in the General Meeting of the company, approval is hereby given to appoint Mr. Sameer Farooqui, a relative of Mr. Subhash Ghai, Chairman and Managing Director and Mr. Parvez Farooqui, Executive Director of the company as Assistant Manager, Production with effect from 1st April, 2011 in accordance with the Appointment Letter placed before the meeting and initialed by the Chairman for the sake of identification."

Registered Office:
Mukta House, Behind Whistling Woods Institute
Filmcity Complex Goregaon (East)
Mumbai- 400065

By Order of the Board

Ravi. B. Poplai
Company Secretary

Place : Mumbai
Date : 27th May, 2011

NOTES:

1. A MEMBER ENTITLED TO ATTEND AND VOTE AT THE MEETING IS ENTITLED TO APPOINT A PROXY / PROXIES INSTEAD OF HIMSELF AND THE PROXY NEED NOT BE A MEMBER OF THE COMPANY. THE PROXY FORMS, TO BE EFFECTIVE SHOULD BE DEPOSITED AT THE REGISTERED OFFICE OF THE COMPANY NOT LATER THAN 48 HOURS BEFORE THE COMMENCEMENT OF THE MEETING.
2. The Register of Members and Share Transfer Books of the Company will remain closed **from Tuesday, the 20th September, 2011 to Saturday, the 24h September, 2011 (both days inclusive).**
3. Members seeking any information or clarification on the Accounts are requested to send in written queries to the Company, at least seven days before the date of the meeting. Replies to such written queries received, will be provided only at the meeting.
4. Members/proxies should bring the Attendance Slip sent herewith, duly filled in, along with the Annual Report for attending the meeting.
5. Dividends pertaining to Financial Years 2003-04, 2006-07, 2007-08 and 2008-09 which remains unclaimed for a period of seven years will be transferred to Investor Education and Protection Fund in pursuance to Section 205A to Section 205C of Companies Act, 1956 as and when due.The actual dates on which the transfers will be made are provided in the Corporate Governance Report. Members who have, till date, not encashed their dividend warrants for these years are advised to claim the dividend from the Investor Services Department at the Registered Office of the Company at the earliest.

   Once unclaimed dividends are transferred to the Investor Education and Protection Fund, Members will not be entitled to claim these dividends.

Registered Office:
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Filmcity Complex Goregaon (East)
Mumbai- 400065

By Order of the Board

Ravi. B. Poplai
Company Secretary

Place : Mumbai
Date : 27th May, 2011

Annexure to Notice

EXPLANATORY STATEMENT PURSUANT TO SECTION 173 (2) OF THE COMPANIES ACT, 1956:

Item No. 4

Appointment of Statutory Auditors:

M/s B S R & Co., Chartered Accountants, Mumbai, the present auditors retire at this Annual General Meeting and seek re-appointment as Statutory Auditors of the Company.

Based on the recommendation of the Audit Committee, the Board of Directors proposes the appointment of M/s B S R & Co, Chartered Accountants, as the Statutory Auditors of the Company from the conclusion of this Annual General Meeting till the conclusion of the next Annual General Meeting.

M/s B S R & Co, Chartered Accountants, have expressed their willingness to act as Statutory Auditors of the Company, if appointed, and have further confirmed that the said appointment would be in conformity with the provisions of the Section 224 (IB) of the Companies Act, 1956.

The member's approval is being sought for the appointment of M/s B S R & Co, Chartered Accountants, as the Statutory Auditors of the Company and to authorize the Board of Directors to determine the remuneration payable to the Statutory Auditors.

None of the Directors are concerned or interested in the said resolution.

Item No. 5

Appointment of Mr. Sameer Farooqui as Assistant Manager Production:

The Board of Directors of our Company in its meeting held on 27th May, 2011 has appointed Mr. Sameer Farooqui as Assistant Manager, Production or in such other capacity as the company and/ or its group entity reasonably requires. He will be responsible for execution of various tasks / assignment given by the Company from time to time.

The proposed special resolution is intended to obtain the approval of members under section 314 of the Companies Act, 1956, in respect of the said Mr. Sameer Farooqui holding or continuing to hold office of profit under the Company, being relative of Mr. Subhash Ghai, Managing Director and Mr. Parvez A. Farooqui, Executive Director of the Company.

Your directors recommend the resolution for adoption.

None of the Directors except Mr. Subhash Ghai and Mr. Parvez A. Farooqui are concerned or interested in the resolution.

Brief Profile of Mr. Vijay Choraria, who retires by rotation and is eligible for re-appointment:

A Chartered Accountant and Bachelor of General Law, Mr.Vijay Choraria is the Promoter and Director of Sharyans Resources Ltd (a NBFC listed on the BSE and NSE). He promoted Prebon Yamane (India) Ltd (a JV with Tullett Prebon operating in debt, forex and credit derivatives). He is actively involved in the financial & real estate market for more than 25 years. He is on the board of several reputed companies including B.E.Billimoria & Company Ltd (civil engg), Mukta Arts Ltd (media and entertainment) and Whistling Woods International Ltd (an institute for films, TV and media)

Brief Profile of Mr. Anil Harish, who retires by rotation and is eligible for re-appointment:

Qualification: B.A., L.L.B. (University of Mumbai), L.L.M. (University of Miami).

Expertise : Mr. Anil Harish specializes in the field of Corporate Law, Joint Ventures and Collaborations, Property, Mergers and Acquisitions, Demergers, LLPs, Taxation, Arbitration, Exchange Control, Foreign Investments, Trusts, Wills and Indian and International Taxation. He is involved in other institutions in the legal field such as the Society of Indian Law Firms, of which he is the Executive Vice President. He is also a member of the Committee on Dispute Resolution, of the CII (Confederation of Indian Industry) As a specialist in the field of Real Estate, Mr. Harish is also involved with the magazine "Property Scape" as well as the Accommodation Times Institute of Real Estate Management.

Mr. Harish has written articles which have been published in the Times of India, Hindustan Times and several professional journals. He is a director of several prestigious public limited companies in India. He is involved in several educational and charitable trusts and is the former President of the Hyderabad (Sind) National Collegiate Board, which runs more than 25 educational institutions and has about 50,000 students.

Mr. Harish is a much sought after speaker in India and abroad and has given several professional speeches at prestigious events such as the India calling Summit in Brussels, Belgium (2009) organized by the Indian Merchants Chamber and the International Fiscal Association {India Chapter} (2000). He has spoken in Dubai, Doha, Muscat and Jakarta on several occasions on topics such as FEMA, Taxation Collaborations and the legal requirements to operate a business in India, and at many Seminars in India.

By Order of the Board

Ravi B Poplai
Company Secretary

Place : Mumbai

Date : 27th May, 2011

Note: A Company bus will be available outside Goregaon (East) Station to carry the shareholders to the AGM venue, upto 3.30 p.m. Also BEST buses route no. 343 are available on regular basis.

DIRECTORS' REPORT

To the Members,

Your Directors take pleasure in presenting the Twenty-Ninth Annual Report and Audited Statement of Accounts of the Company for the Accounting year ended 31st March, 2011:

Financial Results:

(Figures in millions)

Particulars	Year ending 31.03.2011 (Rs.)	Year ending 31.03.2010 (Rs.)
Profit/(Loss) before interest, depreciation & tax	30.29	(172.42)
Less : Interest	60.56	51.11
Profit/(Loss) after interest, before depreciation & tax	(30.27)	(223.53)
Less : Depreciation	29.65	18.65
Profit/(Loss) before tax	(59.92)	(242.18)
Less : Provision for taxation	11.21	-
Deferred Tax Liability/(Asset)	(9.50)	0.26
Profit/(Loss) available for appropriation	(61.63)	(242.44)
Less : Interim Dividend	-	-
Tax on Interim Dividend	-	-
Profit/(Loss) for the year	(61.63)	(242.44)
Add: Balance brought forward	(126.07)	116.37
Profit/(Loss) Carried forward to Balance Sheet	(187.70)	(126.07)

Company's Performance:

During the year the total revenues of the Company were placed at Rs. 2052.44 Millions Compared to Rs. 942.17 Millions last year.

The Company's performance has been discussed in the Management Analysis in details.

Share Capital:

The Share Capital remained the same during the year under review.

Directors:

Mr. Vijay Choraria and Mr. Anil Harish Directors, retire by rotation at the ensuing Annual General Meeting and being eligible offer themselves for reappointment.

Auditor's Report and Certificate:

The Company's explanation to the Auditors' observation in their Report have been detailed in Note Nos 22.1 to 22.3 in the notes forming part of Accounts which forms part of the Annual Report. The Practising Company Secretary has certified the Company's Compliance of the requirements of Corporate Governance in terms of Clause 49 of the Listing Agreement and the same is enclosed as an Annexure to the Report on Corporate Governance.

Directors' Responsibility Statement [Section 217 (2AA)]:

The Directors confirm that:

in the preparation of the annual accounts, the applicable accounting standards have been followed along with proper explanation relating to material departures;

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 true and fair view of the state of affairs of the Company at the end of the financial year and of the loss of the company for the year;

the Directors had taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of this Act for safeguarding the assets of the company and for preventing and detecting fraud and other irregularities; the Directors had prepared the annual accounts on a going concern basis;

Auditors:

M/s B S R & Co. Chartered Accountants retire at the ensuing Annual General Meeting and being eligible offer themselves for reappointment as the Auditors of the Company.

Statutory Disclosures:

The Statements relating to the subsidiary companies viz. Whistling Woods International Limited, Connect 1 Limited (Previously Mukta Arts International Limited), Mukta Tele Media. Ltd. and Coruscant Tec Private Limited pursuant to Section 212 of the Companies Act, 1956 are attached to the Accounts.

No employee of the Company was in receipt of remuneration as per the limit for the financial year 2010-2011 under section 217 (2A)

Particulars regarding Foreign Exchange earnings and outgo required under Section 217 (1) (e) of the Companies Act, 1956 and Companies (Disclosure of Particulars in the report of the Board of Directors) Rules, 1988 are given in Schedule 22.6 and 22.7 (Statement of Significant Accounting Policies and Notes forming Part of Accounts) of this report.

A cash flow statement for the year ended 31.03.2011 is included with the Accounts.

Corporate Governance:

The Company has been proactive in following the principles and practices of good Corporate Governance. The company has taken adequate steps to ensure that the conditions of Corporate Governance as stipulated in clause 49 of the Listing Agreements of the Stock Exchanges are complied with.

A separate statement on corporate governance is produced as a part of the Annual Report along with the Practicing Company Secretaries certificate on its compliance.

Conservation of Energy and Technology Absorption:

The Company is not engaged in manufacturing activities, and as such the particulars relating to conservation of energy and technology absorption are not applicable. The Company makes every effort to conserve energy as far as possible in its post-production facilities, Studios, Offices, etc.

Fixed Deposits:

The Company has not accepted any deposits during the year and as such no amount of principal or interest was outstanding at the Balance Sheet date.

Social Commitments:

Your Company is aware of its social responsibility and has been from time to time contributing to social causes.

Acknowledgements:

The Board of Directors wishes to thank and record its appreciation to the Artistes, Technicians, film distributors, Bankers, Media and shareholders who have extended their continued support to the Company. Your Directors thank especially all employees of the Company for their dedicated services to the Company.

On Behalf of the Board of Directors

Place : Mumbai
Date : 27th May, 2011

Subhash Ghai
Chairman & Managing Director

CORPORATE INFORMATION

Board of Directors

Mr. Subhash Ghai, Chairman & Managing Director
Mr. Parvez A. Farooqui, Executive Director
Mr. Rahul Puri, Executive Director
Mr. Anil Harish
Mr. Vijay Choraria
Mr. Pradeep Guha

Company Secretary and Compliance Officer

Mr. Ravi B Poplai

Auditors

M/s B S R & Co.
Chartered Accountants

Registered Office

Mukta House,
Behind Whistling Woods Institute,
Filmcity Complex, Goregaon (East),
Mumbai – 400 065

Audit Committee
Mr. Vijay Choraria - Chairman
Mr. Pradeep Guha
Mr. Parvez A. Farooqui

Remuneration Committee

Mr. Anil Harish - Chairman
Mr. Vijay Choraria
Mr. Parvez A. Farooqui

Shareholders / Investors Grievances Committee:
Mr. Vijay Choraria - Chairman
Mr. Parvez A. Farooqui
Mr. Pradeep Guha

Share Transfer Committee
Mr. Parvez A. Farooqui - Chairman
Mr. Vijay Choraria
Mr. Pradeep Guha

Bankers
HDFC Bank Limited
Kotak Mahindra Bank Limited

Registrar & Transfer Agents
Link Intime India Private Limited
C-13, Pannalal Silk Mills Compound
LBS Marg, Bhandup (W)
Mumbai – 400 078

CORPORATE GOVERNANCE

At Mukta Arts Limited (MAL) Corporate Governance has been a continuous journey of adhering to cherished value systems and aiming at high business goals so as to secure overall well being and welfare of all its stakeholders be it shareholders, customers, employees and society at large. Corporate Governance at MAL is not merely adhering to mandatory rules and regulations but observing the spirit behind the letter. Whilst we strive to go beyond the legal provisions of Corporate Governance, we give below the information on areas covered under Corporate Governance under clause 49 of the Listing Agreement.

COMPANY'S PHILOSOPHY ON CODE OF GOVERNANCE:

The Company's Corporate Governance policies recognize the Company's commitment to good and efficient Corporate Governance. The Board of Directors, the Company's highest policymaking body, is committed in its responsibility for all decisions to all constituents, including investors, employees and regulatory authorities. The Company recognizes that the shareholders are ultimately the persons who are catalyst to the economic activities and also the ultimate beneficiaries thereof.

COMPOSITION OF BOARD:

The Chairman of the Board of Mukta Arts Limited is also its Managing Director. All Directors including Non-Executive Directors are suitably qualified, experienced and competent. At present, the Board consists of six members, of which three are Non-Executive & Independent Directors.

The list of Executive and Non-Executive Directors is given below:

S.No	Name of the Director	Designation	Status of the Director
1	Mr. Subhash Ghai	Chairman & Managing Director	Managing Director
2	Mr. Parvez A. Farooqui	Executive Director	Executive Director
3	Mr. Rahul Puri	Executive Director	Executive Director
4	Mr. Anil Harish	Director	Non–Executive Director & Independent
5	Mr. Vijay Choraria	Director	Non–Executive Director & Independent
6	Mr. Pradeep Guha	Director	Non–Executive Director & Independent

BOARD MEETINGS AND ATTENDANCE:

Four Board meetings were held during the year ended 31st March, 2011. Agenda for the Board meetings is sent to the Directors sufficiently in advance to allow them to examine and interact on the issues involved. Also the senior Executives of the Company are invited to make presentation from time to time.

The information as required under Annexure IA to Clause 49 of the Listing Agreement is made available to the Board. The agenda and the papers for consideration at the Board meeting are circulated sufficiently in advance prior to the meeting. Adequate information is circulated as part of the Board papers and is also made available at the Board meeting to enable the Board take informed decisions.

The dates on which meetings were held are as follows:

S. No.	Date of Meeting	Board Strength	No. of Directors Present
1	29.04.2010	6	4
2	12.08.2010	6	6
3	12.11.2010	6	4
4	08.02.2011	6	4

ATTENDANCE OF EACH DIRECTOR AT THE BOARD MEETINGS AND LAST ANNUAL GENERAL MEETING (AGM) AND THE NUMBER OF COMPANIES AND COMMITTEES WHERE HE IS DIRECTOR / MEMBER AS ON 31.03.2011

Directors	No. of Board Meetings Attended during the period	Attendance at the last AGM held on 30.09.2010	No. of Directorship in other Boards as on 31.03.2011 *	No. of Memberships in other Board Committees held in other Companies **	
For whole year				Chairman	Member
Mr. Subhash Ghai	4	Yes	4	Nil	1
Mr. Rahul Puri	4	Yes	3	Nil	Nil
Mr. Parvez A. Farooqui	4	Yes	4	Nil	Nil
Mr. Anil Harish	1	No	13	5	9
Mr. Vijay Choraria	2	No	12	1	7
Mr. Pradeep Guha	3	No	4	NIL	1

* Directorships in Private Companies, Foreign Companies and Not for Profit Companies are excluded for this purpose.

** For this purpose Audit Committee, Shareholders/Investors' Grievance and Remuneration Committee is considered.

COMMITTEES OF DIRECTORS:

The Board of Directors provide guidance to operating management on policy matters as well as in the monitoring of the actions of operating management. This involvement is formalized through the constitution of designated committees of the Board. The committees are intended to provide regular exchange of information and ideas between the Board and operating management.

AUDIT COMMITTEE:

To provide assistance to the Board of Directors of the Company the Audit Committee was constituted. It consists of Chairman and two other members. The Chairman of the Audit Committee is independent Non-Executive Director. The Audit Committee provides direction to and oversees the Audit and Risk Management functions, reviews the financial accounts, interacts with statutory auditors and reviews matters of special interest more particularly the matters prescribed under Clause 49 of the Listing Agreement and Section 292A of the Companies Act, 1956.

COMPOSITION, NAME OF MEMBERS, CHAIRMAN AND OTHERS DETAILS:

Mr. Vijay Choraria Chairman

Mr. Pradeep Guha Member

Mr. Parvez A. Farooqui Member

During the year under review, the Audit Committee met four times and the no. of times each member attended the meeting is given below.

Meetings & attendance during the year

Members	Meetings held during the tenure of the Directors	Meetings Attended
Mr. Vijay Choraria	4	3
Mr. Pradeep Guha	4	2
Mr. Parvez A. Farooqui	4	4

REMUNERATION COMMITTEE:

The Committee comprises of following Directors

Mr. Anil Harish Chairman

Mr. Vijay Choraria Member

Mr. Parvez A. Farooqui Member

The Remuneration Committee was constituted to recommend and review remuneration package of Directors and Senior Executives and to present report to the Board on remuneration package of Directors and other Senior Management Officials.

The Company follows the market linked remuneration policy which is aimed at enabling the Company to attract and retain the best talent. Compensation is also linked to individual and team performance as they support the achievement of Corporate Goals.

Meetings & attendance during the year

Members	Meetings held during the tenure of the Directors	Meetings Attended
Mr. Vijay Choraria	1	1
Mr. Anil Harish	1	1
Mr. Parvez A. Farooqui	1	1

DETAILS OF REMUNERATION TO EXECUTIVE DIRECTORS:

Particulars	Mr. Subhash Ghai Chairman & Managing Director	Mr. Parvez A. Farooqui Executive Director	Mr. Rahul Puri Executive Director
Salary	13,000,000	1,908,400	1,908,400
Employers Contribution to Provident Fund	-	144,000	144,000
Perquisites	10,209,717	35,846	48,184
Total	23,209,717	2,088,246	2,100,584

DETAILS OF SERVICE CONTRACT:

Names	Period of Contract	Dates of Appointment
Mr. Subhash Ghai	3 Years	1st April, 2011
Mr. Parvez A. Farooqui	3 Years	1st April, 2010
Mr. Rahul Puri	3 Years	23rd October, 2010

DETAILS OF REMUNERATION TO NON-EXECUTIVE DIRECTORS:

Names	Sitting fees (Rs.)	Salary & perquisites (Rs.)	Commission (Rs.)	Total (Rs.)
Mr. Anil Harish	5000	Nil	Nil	5000
Mr. Vijay Choraria	10000	Nil	Nil	10000
Mr. Pradeep Guha	15000	NIL	Nil	15000
TOTAL				30000

EQUITY SHARES OF MUKTA ARTS LIMITED HELD BY DIRECTORS AS ON 31ST MARCH, 2011:

Members	No. of Shares held
Mr. Subhash Ghai	12,417,990
Mr. Rahul Puri	NIL
Mr. Parvez A. Farooqui	77,300
Mr. Anil Harish	NIL
Mr. Vijay Choraria	NIL
Mr. Pradeep Guha	NIL

SHAREHOLDERS / INVESTOR GRIEVANCE COMMITTEE:

Shareholders / Investor Grievance Committee comprising the following Directors, approves transfer of shares, splitting and consolidation of shares, issuance of duplicate shares and reviewing shareholder's complaints and resolution thereof.

COMPOSITION, NAME OF MEMBERS AND CHAIRMAN:

Mr. Vijay Choraria Chairman

Mr. Parvez A. Farooqui Member

Mr. Pradeep Guha Member

MEETINGS AND ATTENDANCE DURING THE YEAR:

Members	Meetings held during the tenure of the Director	Meetings Attended
Mr. Vijay Choraria	4	3
Mr. Parvez A. Farooqui	4	4
Mr. Pradeep Guha	4	3

Company Secretary is the Compliance Officer of the Company for matters relating to shareholders, Stock Exchanges, The Securities Exchange Board of India (SEBI) and other related regulatory authorities.

NO. OF COMPLAINTS PENDING WITH THE COMPANY:

The Company and its Registrar & Transfer Agents M/s Link Intime India Private Limited received no complaints during the financial year ended 31st March, 2011.

SHARE TRANSFER COMMITTEE:

Share Transfer Committee provides assistance to the Board of Directors in ensuring that the transfer of shares takes place within the stipulated period of one month from the date they are lodged with the Company. The Committee frames the policy for ensuring timely transfer of shares including transmission, splitting of shares into marketable lots, consolidation, changing joint holding into single holding and vice versa and also for issuing duplicate share certificates in lieu of those torn/destroyed, lost or defaced.

COMPOSITION, NAME OF MEMBERS AND CHAIRMAN

Mr. Parvez A. Farooqui Chairman
Mr. Vijay Choraria Member
Mr. Pradeep Guha Member

In view of 99.90% of the shares being held by the shareholders in demat form, the services of this Committee are sparingly required and no meeting was held during the year.

GENERAL BODY MEETINGS:

Location and time of the General Body Meetings held during the last three years

Description of Meeting	Location	Date	Time
28th AGM**	Whistling Woods Institution's Auditorium Dada Saheb Phalke Chitra Nagari Goregaon (E), Mumbai-400 065	30.09.2010	4.00 P.M
27th AGM	Whistling Woods Institution's Auditorium Dada Saheb Phalke Chitra Nagari Goregaon (E), Mumbai-400 065	26.09.2009	4.00 P.M
26th AGM *	Whistling Woods Institution's Auditorium Dada Saheb Phalke Chitra Nagari Goregaon (E), Mumbai-400 065	20.09.2008	4.00 P.M.

* In the 26th AGM the following special resolutions were passed

1. Re-appointment of Mr. Subhash Ghai as Managing Director of the Company.
2. Appointment of Mr. Rahul Puri as Whole Time Director (Executive Director) of the Company.

** In the 28th AGM the following special resolutions were passed

1. Re-appointment of Mr. Subhash Ghai as Managing Director of the Company.
2. Re-appointment of Mr. Parvez A. Farooqui as Whole Time Director (Executive Director) of the Company.
3. Re-appointment of Mr. Rahul Puri as Whole Time Director (Executive Director) of the Company.
4. Appointment of Mr. Sajid Farooqui as Assistant Manager- Administration.

No special resolution was passed through postal ballot during the last year.

No special resolution is proposed to be conducted through Postal Ballot in the ensuing Annual General Meeting.

DISCLOSURES:

1) The Company has entered into certain transactions with Directors and / or companies in which the Directors or the Management or their relatives, etc., have interest. However, these transactions are of routine nature and do not have any potential conflict with the interest of the Company at large.

2) Neither has any non-compliance with any of the legal provisions of law been made by the Company nor any penalty or stricture imposed by the Stock Exchanges or SEBI or any other statutory authority, on matters related to the capital markets, during the last 3 years.

RISK MANAGEMENT:

The Company appreciates that the Film Industry is prone to the vagaries of varying likes and dislikes of viewing public. To mitigate such risks, an attempt is being made not only to produce large number of Films covering wider spectrum of viewership but also in different languages. The Company is also widening its distribution network in the market to expand its reach. Also the Company has taken an initiative to set up multiplexes across the country under the banner of ‘Mukta Cinemas’. Whistling Woods Institute, the Film and Television Institute promoted by the Company’s subsidiary Whistling Woods International Limited, commenced its operations from 18th July 2006 and has since established itself as premier Institute in promotion of various facets of film making. This endeavour will help in sourcing and grooming pool of talent for the Company’s projects in future.

CEO/ CFO CERTIFICATION:

The Executive Director has signed a certificate accepting responsibility for the financial statements and confirming the effectiveness of the internal control systems, as required in Clause 49 of the Listing Agreement. The certificate is contained in this Annual Report.

CODE OF CONDUCT:

The Board of Directors of the Company has adopted the Code of Conduct for Directors and Sr. Management Personnel. The Code is applicable to Executive and Non – Executive Director as well as senior management personnel.

A declaration signed by the Chairman has been obtained by the Company confirming the affirmation by all the members of the Board and Sr. Management personnel to the effect that they have complied with the said Code of Conduct during the financial year 2010-11.

CERTIFICATE ON CORPORATE GOVERNANCE:

The company has obtained a certificate from the Practicing Company Secretary regarding compliance with the provisions relating to Corporate Governance laid down in Clause 49 of the Listing Agreement with Stock Exchanges which is attached herewith.

MEANS OF COMMUNICATION:

Information like Quarterly Financial Results and Press Releases on significant developments in the Company has been made available from time to time to the Press and has also been submitted to the Stock Exchanges to enable them to put them on their web sites. The quarterly Financial Results are published in English and vernacular newspapers. The Company has its own website and all the vital information relating to the Company is displayed on the said website. The address of the website is www.muktaarts.com.

SHAREHOLDERS’ INFORMATION:

A.	**Annual General Meeting:**	**29th Annual General Meeting**
	Date:	24th September, 2011
	Time:	*4.00 P.M.*
	Venue:	Whistling Woods Auditorium, Whistling Woods Institute Dada Saheb Phalke Chitra Nagari Goregaon (E), Mumbai – 400 065
B.	**Financial Calendar:**	
	Financial Year	1st April to 31st March
	Adoption of Quarterly Results	
	Ist Quarter	Within 45 days after the end of June 2011
	IInd Quarter	Within 45 days after the end of September 2011
	IIIrd Quarter	Within 45 days after the end of December 2011
	IVth Quarter	Within 45 days after the end of March, 2012
C.	**Date of Book Closure:**	20th September, 2011 to 24th September, 2011 (both days inclusive)

D. Registered Office: Mukta House, Behind Whistling Woods Institute Filmcity Complex, Goregaon (East), Mumbai – 400 065.

E. Listing on Stock Exchanges:

Bombay Stock Exchange Limited
Phiroze Jeejeebhoy Towers, Dalal Street, Mumbai – 400 001
Tel: + 91 – 22 – 2265 5581 Fax: + 91 – 22 –2272 3719 / 2272 2039

National Stock Exchange of India Ltd
Exchange Plaza, Bandra Kurla Complex,
Bandra (E), Mumbai – 400 051
Tel: +91-22- 26598100 - 8114
Fax: + 91 – 22 – 2659 8237 / 38

Calcutta Stock Exchange Association Ltd.
7, Lyons Range, Kolkata – 700 001
Tel: + 91 – 33 – 2210 4470 - 77
Fax:+ 91 – 33 – 2210 4492 / 2210 4500

The Listing fees for the year 2011–12 have already been paid to all the Stock Exchanges where the Company's shares are listed.

F. Stock Code:

Bombay Stock Exchange Limited
Code No: 532357
Symbol: MUKTARDM
ISIN No. INE374B01019

National Stock Exchange of India Ltd
Symbol: MUKTAARTS

Calcutta Stock Exchange Association Ltd.
Scrip Code – 23922

G. Market Price Data:

Given below is the Market Price Data in respect of The Stock Exchange, Mumbai and National Stock Exchange of India Limited.

Month	BSE			NSE		
April 2010 to March 2011	Highest Rate (Rs.)	Lowest Rate (Rs.)	Average Volume Traded (Nos.)	Highest Rate (Rs.)	Lowest Rate (Rs.)	Average Volume Traded (Nos.)
April	62.20	55.70	3792	62.00	55.40	3427
May	59.50	47.15	2188	60.50	46.70	6632
June	53.85	47.00	2117	53.00	47.00	3630
July	56.00	47.20	4192	57.50	47.80	3804
August	58.80	48.50	6039	58.00	48.80	4950
September	62.45	49.50	8827	62.50	49.05	6677
October	58.75	47.50	4587	57.80	48.25	3156
November	64.80	45.20	21978	64.50	46.25	15364
December	54.90	42.50	5855	53.90	39.00	4831
January	52.75	45.00	1260	54.30	42.60	939
February	53.30	36.05	2050	48.65	35.50	2939
March	43.95	34.00	6583	43.00	34.00	3076

H. Address of Registrars and Transfer Agents:

Link Intime India Private Limited
C-13, Pannalal Silk Mills Compound
L.B.S. Marg, Bhandup (W) Mumbai – 400 078.
(PH- 022- 25963838, Fax- 22 25946969)
Email Id- Tushar Ghodke [tushar.ghodke@linkintime.co.in]

I. Share Transfer System:

The Company has entrusted the administrative work of share transfers, transmissions, issuance of duplicate certificates, sub-division, demat and re-mat requisite etc., and all tasks related to shareholdings to Link Intime India Private Limited, the Registrars and Share Transfer Agents.

J. Distribution of Shareholding as on 31st March, 2011:

Shareholding of Nominal Value (Rs) Range	No. of Shareholders	% of Total Shareholders	Share Amount (Rs.)	% of Total Share Amount
1 - 5000	5318	92.96	4365500	3.87
5001 - 10000	168	2.94	1263365	1.12
10001 - 20000	85	1.49	1239575	1.10
20001 - 30000	38	0.67	947170	0.84
30001 - 40000	15	0.26	538930	0.48
40001 - 50000	18	0.31	836475	0.74
50001 - 100000	30	0.52	2116350	1.87
100001 and above	49	0.86	101598635	89.99
TOTAL	**5721**	**100.00**	**112906000**	**100.00**

K. Dematerialization of Shares:

As on 31st March, 2011, 22558757 shares were held in dematerialized form, which is 99.90% of total paid up capital.

L. Company's Branches/Locations:

Registered and Corporate Office

Mukta House, Behind Whistling Woods Institute,
Filmcity Complex, Goregaon (East), Mumbai- 400 065.

Premises Owned and Leased

Bait-Ush-Sharaf
29th Road, Bandra, Mumbai- 400 050

"Audeus"
Plot No. A – 18, Opp. Laxmi Industrial Estate,
Off Link Road, Andheri (w), Mumbai – 400 053

Other Locations

6, Bashiron, 28th Road, TPS- III, Bandra (West), Mumbai- 400 050

1/A, Naaz Building, Lamington Road, Mumbai- 400004

1493, Above Canara Bank, 2nd Floor, Main Road, Chandni Chowk, Delhi- 110 006.

Dhupar Bldg, 1st Floor, Near Standard Hotel, Railway Road, Jalandar City- 144001

107, Rudraksha Bldg, 3rd Floor, 16th Meera Path Colony, Dhenu Market, Indore- 452 003.

M. Address for correspondence:

Shareholders can address their correspondence to the Registered Office of the Company at Mumbai and/or to Company's Registrar and Transfer Agents:

	Company	Registrar and Transfer Agents
Contact Person	Mr. Ravi B Poplai Mr. Parvez A. Farooqui	Mr. N. Mahadevan Iyer Mr.Tushar Ghodke/ Mr.Raghunath Pujari
Address	Mukta House, Behind Whistling Woods Institute, Filmcity Complex, Goregaon (East), Mumbai- 400065.	Link Intime India Private Limited C-13, Pannalal Silk Mills Compound, L.B.S. Marg, Bhandup (W), Mumbai – 400 078.
Telephone No.	30916250	(022) 2596 3838
Fax No.	30916251	(022) 2596 2691/ 2594 6969

N Nomination Facility:

Shareholders holding shares in physical form and desirous of making a nomination in respect of their shareholding in the Company, as permitted under Section 109A of the Companies Act, 1956, are requested to submit their request to the Registrar and Transfer Agents, M/s Link Intime India Private Limited.

O Unclaimed Dividend:

As conveyed in the corporate Governance Report for the previous year, the unpaid Dividends in respect of 2003-2004 will be transferred to Investor Education Fund on or after 28th July, 2011. Dividends pertaining to the Financial Years 2006-07 to 2008-09 which remain unclaimed for a period of seven years will be transferred to Investor Education and Protection Fund (IEPF) in due course. To enable the members to claim their Dividend before its transfer to the above fund the proposed dates are given below:

Dividend Reference	Date of Declaration	Due Date for transfer to IEPF
Interim Dividend 2007	14-03-2007	13-03-2014
Interim Dividend 2008	14-04-2008	13-04-2015
Interim Dividend 2009	29-04-2009	28-04-2016

P Governance of Subsidiaries:

The subsidiaries of the Company function independently, with an adequately empowered Board of Directors and sufficient resources, however for effective Governance the working of the said subsidiaries is reviewed by the Board from time to time.

PRACTICING COMPANY SECRETARY'S CERTIFICATE ON CORPORATE GOVERNANCE UNDER CLAUSE 49 OF THE LISTING AGREEMENT

TO THE MEMBERS OF MUKTA ARTS LIMITED

We have examined the compliance of the conditions of Corporate Governance by Mukta Arts Limited for the year ended on March 31, 2011, as stipulated in clause 49 of the Listing Agreement of the said Company with the Stock Exchanges.

The compliance of the 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, and the representations made by the Directors and the Management, we certify that the Company has complied with the conditions of Corporate Governance as stipulated in the above mentioned Listing Agreement.

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

For K. C. NEVATIA & ASSOCIATES

COMPANY SECRETARIES

K. C. NEVATIA

Proprietor

FCS 3963 C.P: 2348

Place : Mumbai

Date : 27th May, 2011

CEO/CFO CERTIFICATION

I Parvez A. Farooqui, Executive Director certify that:

(a) I have reviewed the stand alone and Consolidated financial results and the cash flow statement of Mukta Arts Limited (the Company) for the year and that to the best of my 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 my knowledge and belief, no transactions entered into by the company during the year which are fraudulent, illegal or violative of the company's code of conduct.

(c) I accept responsibility for establishing and maintaining internal controls for financial reporting and that I have evaluated the effectiveness of the internal control systems of the company pertaining to financial reporting and I have disclosed to the auditors and the Audit Committee, deficiencies in the design or operation of internal controls, if any, of which I am aware and the steps I have taken or propose to take to rectify these deficiencies.

(d) I 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 that the same have been disclosed in the notes to the financial statements; and

iii) instances of significant fraud of which I become aware and the involvement therein, if any, of the management or an employee having a significant role in the company's internal control system over financial reporting.

For and on behalf of

Mukta Arts Limited

Place : Mumbai
Date : 27th May, 2011

Parvez A. Farooqui
Executive Director

Declaration of Compliance with Code of Conduct as per Clause (1)(D) of clause 49 of Listing Agreement

I, Subhash Ghai, Managing Director of Mukta Arts Limited hereby declare that all Board members and Senior Management personnel have confirmed compliance with Code of Conduct as laid down by the Company during Financial Year 2010-2011.

For and on Behalf of
Mukta Arts Limited

Place: Mumbai
Date: 27th May, 2011

Subhash Ghai
Managing Director

AUDITORS' REPORT

To the Members of
Mukta Arts Limited

We have audited the attached Balance sheet of Mukta Arts Limited ('the Company') as at 31 March 2011 and the related Profit and loss account and 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.

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 a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion

1 As required by the Companies (Auditor's Report) Order, 2003 ('the Order'), issued by the Central Government of India in terms of sub-section (4A) of Section 227 of the Companies Act, 1956 ('the Act'), we enclose in the Annexure, a statement on the matters specified in paragraphs 4 and 5 of the said Order.

2 *As more fully explained in Schedule 22.3 to the financial statements, the remuneration paid to a whole-time director of the Company for the period 1 April 2010 to 31 March 2011 and for earlier years ended 31 March 2010, 31 March 2009 and 31 March 2008 is in excess of the limits prescribed under Section 198 of the Companies Act, 1956. The Company has made an application to the Central Government seeking post-facto approval, which is awaited.*

3 Further to our comments in the Annexure referred to above, we report that:

a. we have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit;

b. in our opinion, proper books of account as required by law has been kept by the Company so far as appears from our examination of those books;

c. the Balance sheet, Profit and loss account and Cash flow statement dealt with by this report are in agreement with the books of account;

d. in our opinion, the Balance sheet, Profit and 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 Act;

e. on the basis of written representations received from the directors of the Company as at 31 March 2011, and taken on record by the Board of Directors, we report that none of the directors is disqualified as on 31 March 2011 from being appointed as a director in terms of clause (g) of sub-section (1) of Section 274 of the Act; and

f. in our opinion and to the best of our information and according to the explanations given to us, *subject to the effect of the matter stated in paragraph 2 above*, the said accounts give the information required by the Act, in the manner so required, and give a true and fair view in conformity with the accounting principles generally accepted in India:

(vi) in the case of the Balance sheet, of the state of affairs of the Company as at 31 March 2011;

(vii) in the case of the Profit and loss account, of the loss of the Company for the year ended on that date; and

(viii) in the case of the Cash flow statement ,of the cash flows of the Company for the year ended on that date.

For **B S R & Co.**
Chartered Accountants
Firm's Registration No: 101248W

Bhavesh Dhupelia
Partner
Membership No: 042070

Mumbai
27th May, 2011

Annexure to the Auditors' Report- 31 March 2011
(Referred to in our report of even date)

i) (a) The Company has maintained proper records showing full particulars including quantitative details and situation of fixed assets. *The management is in the process of performing a detailed exercise of tagging its fixed assets.*

(b) The Company has a regular programme of physical verification of its fixed assets by which all fixed assets are verified during the year. In our opinion, this periodicity of physical verification is reasonable having regard to the size of the Company and the nature of its assets. No material discrepancies were noticed on such verification during the year.

(c) Fixed assets disposed off during the year were not substantial and, therefore, do not affect the going concern assumption.

ii) The Company is a service company, primarily engaged in the business of film production, distribution, exhibition and related services. It does not hold any physical inventories. Accordingly, paragraph 4(ii) of the Order is not applicable.

(iii) The Company has neither granted nor taken any loans, secured or unsecured, to or from companies, firms or other parties covered in the register maintained under section 301 of the Companies Act, 1956.

iv) In our opinion and according to the information and explanations given to us, *controls relating to purchase of fixed assets, customer contracting and tracking of amounts billable need to be strengthened*, and having regard to the explanation that certain services rendered/ rights sold are of a specialised nature and are rendered/ sold to specific buyers and suitable alternative sources are not available to obtain comparable quotations, there is an adequate internal control system commensurate with the size of the Company and the nature of its business with regard to purchase of fixed assets and with regard to sale of services. The activities of the Company do not involve purchase of inventory and sale of goods.

v) (a) In our opinion and according to the information and explanations given to us, the particulars of contracts or arrangements referred to in Section 301 of the Act have been entered in the register required to be maintained under that Section.

(b) In our opinion and according to the information and explanations given to us, the transactions made in pursuance of contracts and arrangements referred to in (a) above and exceeding the value of Rs 5 lakhs are for the Company's specialised requirements for which suitable alternative sources are not available to obtain comparable quotations. However, on the basis of information and explanations provided, the same appear reasonable.

vi) The Company has not accepted any deposits from the public.

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

viii) The Central Government has not prescribed the maintenance of cost records under Section 209(1)(d) of the Act for any of the services rendered by the Company.

(ix) (a) According to the information and explanations given to us and on the basis of our examination of records of the Company, *except for value added tax dues aggregating to Rs 19,442,308*, amounts deducted /accrued in the books of account in respect of undisputed statutory dues including Provident fund, Employees' State Insurance, Income tax, Sales tax, Wealth tax, Service tax, and other material statutory dues have been generally regularly deposited during the year by the Company with appropriate authorities. As explained to us, the Company did not have any dues on account of Excise duty, Custom duty and Investor Education and Protection Fund.

There were no dues on account of Cess under Section 441A of the Act since the date from which the aforementioned Section comes into force has not yet been notified by the Central Government.

According to the information and explanations given to us, the following undisputed statutory dues are outstanding for a period of more than six months from the date they became payable as at 31 March 2011:

Name of the Statute	Nature of dues	Amount *	Period to which it relates	Due date
Maharashtra Value Added tax Act, 2002	Value-added tax	1,173,077	April 2005 to March 2006	May 2005 to April 2006
Maharashtra Value Added tax Act, 2002	Value-added tax	9,069,231	April 2006 to March 2007	May 2006 to April 2007
Maharashtra Value Added tax Act, 2002	Value-added tax	4,138,462	April 2007 to March 2008	May 2007 to April 2008
Maharashtra Value Added tax Act, 2002	Value-added tax	2,096,154	April 2008 to March 2009	May 2008 to April 2009
Maharashtra Value Added tax Act, 2002	Value-added tax	1,580,769	April 2009 to March 2010	May 2009 to April 2010
Maharashtra Value Added tax Act, 2002	Value-added tax	1,000,000	April 2010 to March 2011	May 2010 to April 2011

*Credit available Rs 11,500,000 pending adjustment.

Except for *the above*, there are no undisputed amounts payable in respect of Provident fund, Employees' State Insurance, Income tax, Sales tax, Wealth tax, Service tax, and other material statutory dues which were in arrears as at 31 March 2010 for a period of more than six months from the date they became payable

(b) According to the information and explanations given to us, the following dues of Service tax and Income-tax have not been deposited by the Company on account of dispute.

Name of the statute	Nature of dues	Amount (Rs.)	Period to which the amount relates	Forum where the dispute is pending
Chapter V of the Finance Act, 1994	Service Tax	440,000 (Deposit made under protest Rs 440,000)	April 1999 - October 2003	Customs, Excise & Service Tax Appellate Tribunal
Chapter V of the Finance Act, 1994	Service Tax	1,675,000 (Deposit made under protest – Rs 800,000)	November 1996 - November 2001	Customs, Excise & Service Tax Appellate Tribunal

x) The accumulated losses of the Company are less than fifty percent of its net worth and *it has incurred cash losses in the current financial year and in the immediately preceding financial year.*

xi) In our opinion and according to the information and explanations given to us, the Company has not defaulted in repayment of dues to its bankers or to any financial institutions. The Company did not have any outstanding debentures during the year

xii) The Company has not granted any loans and advances on the basis of security by way of pledge of shares, debentures or other securities.

xiii) In our opinion and according to the information and explanations given to us, the Company is not a chit fund or nidhi/ mutual benefit fund/ society.

xiv) According to the information and explanations given to us, the Company is not dealing or trading in shares, securities, debentures and other investments.

xv) In our opinion and according to the information and explanations given to us, the terms and conditions on which the Company has given guarantees for loans taken by others from banks or financial institutions are not prejudicial to the interest of the Company.

xvi) In our opinion and according to the information and explanations given to us, the term loans taken by the Company have been applied for the purpose for which they were raised.

xvii) According to the information and explanations given to us and on an overall examination of the balance sheet of the Company, we are of the opinion that the funds raised on short-term basis have not been used for long-term investment

xviii) The Company has not made any preferential allotment of shares to companies/firms/parties covered in the register maintained under Section 301 of the Act.

xix) The Company did not have any outstanding debentures during the year.

xx) The Company has not raised any money by public issues during the year.

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

FFor **B S R & Co.**
Chartered Accountants
Firm's Registration No: 101248W

Bhavesh Dhupelia
Partner
Membership No: 042070

Mumbai
27th May, 2011

BALANCE SHEET AS AT 31 MARCH 2011

(Currency: Indian Rupees)

	SCHEDULE	Current Year 31.03.2011	Previous Year 31.03.2010
SOURCES OF FUNDS			
Shareholders' funds			
Share capital	3	**112,917,500**	112,917,500
Reserves and surplus	4	**973,360,000**	973,360,000
		1,086,277,500	1,086,277,500
Loan funds			
Secured loans	6	**629,469,737**	490,085,382
Unsecured loans	7	**–**	20,000,000
		629,469,737	510,085,382
Deferred tax liability (net)	8	**–**	9,502,288
		1,715,747,237	1,605,865,169
APPLICATION OF FUNDS			
Fixed assets	9		
Gross block		**1,252,477,257**	602,963,007
Less: Accumulated depreciation/ amortisation		**756,715,232**	445,999,827
Net block		**495,762,025**	156,963,180
Capital work-in-progress (including capital advances)		**95,180,782**	238,944,177
		590,942,807	395,907,357
Deferred tax asset (net)	8	**–**	–
Investments	10	**398,413,002**	397,066,096
Current assets, loans and advances			
Sundry debtors	11	**250,573,000**	212,852,114
Cash and bank balances	12	**37,539,444**	41,890,142
Loans and advances	13	**853,682,971**	790,437,515
		1,141,795,415	1,045,179,771
Less: Current liabilities and provisions			
Current liabilities	14	**529,746,313**	293,091,782
Provisions	15	**10,122,191**	2,027,905
		539,868,504	295,119,687
Net current assets		**601,926,911**	750,060,084
Profit and loss account	5	**124,464,517**	62,831,633
		1,715,747,237	1,605,865,169
Significant accounting policies	2		
Notes to the accounts	22		

The schedules referred to above form an integral part of this balance sheet.

As per our report of even date attached.

For **B S R & Co.**
Chartered Accountants
Firm's Registration No: 101248W

Bhavesh Dhupelia
Partner
Membership No: 042070

Place : Mumbai
Date : 27th May, 2011

For and on behalf of the Board of Directors

Subhash Ghai
Chairman and Managing Director

Parvez A. Farooqui
Executive Director

Rahul Puri
Executive Director

Ravi Poplai
Company Secretary

PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31 MARCH 2011

(Currency: Indian Rupees)

	SCHEDULE	Current Year 31.03.2011	Previous Year 31.03.2010
INCOME			
Revenue	*16*	**1,923,335,993**	897,490,512
Other income	*17*	**129,106,417**	44,684,899
		2,052,442,410	942,175,411
EXPENDITURE			
Cost of production, distribution and exhibition	*18*	**1,588,089,996**	789,407,355
Personnel costs	*19*	**53,725,371**	38,888,869
Administrative and other expenses	*20*	**98,741,853**	50,095,389
Interest and financial charges	*21*	**60,564,142**	51,110,468
Depreciation	*9*	**29,646,050**	18,652,528
Amortisation (also refer schedule 2.4 and 22.15)	*9*	**281,599,015**	231,075,768
Preliminary expenses written off		**–**	5,130,958
		2,112,366,426	1,184,361,335
(Loss) before tax		**(59,924,016)**	(242,185,924)
Less: Provision for tax			
Current tax (includes Rs 11,211,156 pertaining to earlier years (2010: Rs Nil))		**11,211,156**	–
Deferred tax (credit)/ charge		**(9,502,288)**	257,768
(Loss) after tax		**(61,632,884)**	(242,443,692)
Accumulated balance brought forward		**(126,071,547)**	116,372,145
Accumulated balance carried forward – refer schedule 5		**(187,704,431)**	(126,071,547)
Earnings per share (Rs.)	*22.10*		
– Basic		**(2.73)**	(10.74)
– Diluted		**(2.73)**	(10.74)
Nominal value of shares (Rs.)		**5**	5
Significant accounting policies	*2*		
Notes to the accounts	*22*		
The schedules referred to above form an integral part of this profit and loss account.			

As per our report of even date attached.

For **B S R & Co.**
Chartered Accountants
Firm's Registration No: 101248W

Bhavesh Dhupelia
Partner
Membership No: 042070

Place : Mumbai
Date : 27th May, 2011

For and on behalf of the Board of Directors

Subhash Ghai
Chairman and Managing Director

Parvez A. Farooqui
Executive Director

Rahul Puri
Executive Director

Ravi Poplai
Company Secretary

CASH FLOW STATEMENT FOR THE YEAR ENDED 31 MARCH 2011

(Currency: Indian Rupees)

		Current Year 31.03.2011	Previous Year 31.03.2010
A.	**Cash flows from operating activities**		
	Loss for the year before tax	**(59,924,016)**	(242,185,924)
	Adjustments for:		
	Depreciation	**29,646,050**	18,652,528
	Amortisation (also refer schedule 22.15)	**281,599,015**	231,075,768
	Provision for doubtful debts/ advances	**11,625,463**	-
	Provision for dimunition in value of investment/ (written back)	**3,773,208**	(4,141)
	Bad debts written-off	**21,004,404**	593,466
	Interest and finance charges (net)	**60,564,142**	51,110,468
	Interest income	**(30,254,151)**	(30,060,209)
	Interest on income tax refund	**(6,495,842)**	-
	Dividend income	**(920,115)**	(841,426)
	Profit on sale of assets/redevelopment, net (also refer schedule 22.13)	**(86,195,453)**	(171,079)
	Excess provision written back, net	**(4,441,151)**	-
	Preliminary expenses written-off	**-**	5,130,958
	Operating cash flow before working capital changes	**219,981,554**	33,300,409
	Adjustment for working capital changes		
	Increase in sundry debtors	**(46,367,665)**	(36,993,193)
	Increase in loans and advances	**(140,632,251)**	(182,659,271)
	Increase in current liabilities and provisions	**193,736,547**	200,536,619
	Cash generated from operations	**226,718,185**	(14,184,564)
	Income taxes refund (includes interest received)/ (paid)	**50,296,217**	(12,666,139)
	Net cash generated from operating activities	**277,014,402**	(1,518,425)
B.	**Cash flows from investing activities**		
	Interest income	**30,254,151**	30,060,209
	Dividend income	**920,115**	841,426
	Purchase of fixed assets	**(369,792,543)**	(210,129,510)
	Proceeds from sale of fixed assets	**2,225,000**	3,941,522
	Purchase of investment in mutual funds	**(920,115)**	(841,426)
	Proceeds from sale of investment in mutual funds	**800,000**	900,000
	Investment in equity share capital of Maya Digital Studios Private Limited	**(5,000,000)**	-
		(341,513,392)	(175,227,779)
	Income taxes paid	**(891,985)**	(3,010,227)
	Net cash generated from/ (used) in investing activities	**(342,405,377)**	(178,238,006)
C.	**Cash flows from financing activities**		
	Secured loan taken	**295,851,142**	538,904,518
	Secured loan repaid	**(156,466,787)**	(294,900,280)
	Unsecured loan taken	**-**	20,000,000
	Unsecured loan repaid	**(20,000,000)**	(35,617,700)
	Unclaimed dividend paid	**(175,262)**	(116,208)
	Interest paid	**(57,993,561)**	(47,501,751)
	Net cash (used in) financing activities	**61,215,532**	180,768,579
	Net (decrease) / increase in cash and cash equivalents	**(4,175,443)**	4,048,998
	Cash and cash equivalents as at beginning of the year	**41,021,906**	36,972,908
	Cash and cash equivalents as at end of the year (Refer note 1 below)	**36,846,470**	41,021,906

Cash Flow Statement has been prepared under indirect method as set out in Accounting Standard 3 - Cash Flow Statement.

Notes:

1) Cash and cash equivalents at year end comprises:		
Cash in hand	**640,614**	975,607
Cheque in hand	**26,710**	-
Balances with scheduled banks in		
- Current accounts	**6,950,347**	12,915,143
- Fixed deposit accounts*	**29,228,799**	27,131,156
	36,846,470	41,021,906

* pledged as security against bank guarantees given for the Company.

As per our report of even date attached.

For **B S R & Co.**
Chartered Accountants
Firm's Registration No: 101248W

Bhavesh Dhupelia
Partner
Membership No: 042070

Place : Mumbai
Date : 27th May, 2011

For and on behalf of the Board of Directors

Subhash Ghai
Chairman and Managing Director

Parvez A. Farooqui
Executive Director

Rahul Puri
Executive Director

Ravi Poplai
Company Secretary

1. **Background**

Mukta Arts Limited ('Mukta' or 'the Company'), is a company incorporated in India under the Companies Act, 1956 ('the Act'). The Company was incorporated on 7 September 1982 as Mukta Arts Private Limited and was converted to a public limited company on 30 September 2000 and renamed as Mukta Arts Limited. The Company was promoted by Mr. Subhash Ghai who holds approximately 54.99% of the outstanding equity share capital as at 31 March 2011. The Company is primarily engaged in the business of film production and distribution. In addition, the Company is also involved in film exhibition wherein it provides film content to multiplexes and single screens across India. The Company also provides production equipment to other production houses and independent producers.

2. **Summary of significant accounting policies**

2.1 Basis of preparation

The financial statements have been prepared and presented under the historical cost convention, on the accrual basis of accounting, in accordance with the provisions of the Companies Act, 1956 ('the Act'), the accounting principles generally accepted in India ('Indian GAAP') and comply with the Accounting Standards ('AS') prescribed in the Companies (Accounting Standards) Rules, 2006, issued by the Central Government, in consultation with the National Advisory Committee on Accounting Standards, to the extent applicable. The financial statements are presented in Indian Rupees except per share data and where mentioned otherwise.

2.2 Use of estimates

The preparation of the financial statements in conformity with Indian GAAP requires management to make estimates and assumptions that affect the reported amount of assets and liabilities and disclosure of contingent liabilities as of the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Management believes that the estimates made in the preparation of financial statements are prudent and reasonable. Actual results may differ from the estimates used in preparing the accompanying financial statements. Any revision to accounting estimates is recognised prospectively in current and future periods.

2.3 Fixed assets

Tangible assets

Tangible fixed assets are stated at cost of acquisition less accumulated depreciation and any provision for impairment. Cost includes freight, duties, taxes (other than those recoverable from tax authorities) and other expenses directly attributable to the acquisition/ construction and installation of the fixed assets for bringing the asset to its working condition for its intended use. Advances paid towards the acquisition of fixed assets outstanding at each balance sheet date and the cost of fixed assets not ready for their intended use are disclosed under capital work-in-progress. Capital work-in-progress includes estimates of work completed, as certified by the management.

Intangible assets

Film rights comprising negative rights and distribution rights.

Negative film rights, distribution rights and films under production which were hitherto classified as Inventories have been classified as Intangibles.

Negative film rights are generally exploited through media such as theatrical exhibition, television/ satellite, cable, etc. Negative film rights in respect of films produced are recorded at cost which is determined on specific identification basis. Acquired negative rights are recorded at the purchase price paid to acquire the rights plus any additional cost incurred which is determined on specific identification basis. Cost incurred on films-in-progress is recorded as capital work-in-progress.

Distribution rights in films are for a contractually specified mode of exploitation, period and territory and are stated at cost. Cost of distribution comprises original purchase price/ minimum guarantee which are ascertained on specific identification basis. In case multiple films/ rights are acquired for a consolidated amount, cost is allocated to each film/ right based on management's best estimates. In respect of unreleased films, payments towards distribution rights are classified under capital advances as the amounts are refundable in the event of non release of the film.

Software

Application software purchased, which is not an integral part of the related hardware, is shown as intangible assets.

2.4 *Depreciation/ amortisation*

Tangible assets

Depreciation on fixed assets is provided on written down value method, at the rates prescribed in Schedule XIV to the Act which, in management's opinion, reflect the estimated useful lives of those fixed assets.

Leasehold improvements/ premises are depreciated at the lower of the estimated useful lives of the assets and the lease term, on a straight line basis.

Fixed assets costing individually up to Rs.5,000 are depreciated fully in the year of purchase.

Intangible assets

Film rights comprising negative rights and distribution rights

The individual film forecast method is used to amortise the cost of film rights. Under the film forecast method, costs are amortised in the proportion that gross revenue realized bears to management's estimate of total gross revenue expected to be received. If estimates of the total revenue and other events or changes in circumstances indicate that the realizable value of a right is less than its unamortized cost, a loss is recognized for the excess of unamortized cost over the film rights' realizable value. Hitherto, film rights were treated as Inventories and charged to the profit and loss account as cost of production on release of the film.

This change in policy has resulted in reduction in charge for the current period by Rs 20,000,000 and has been done to be in line with generally accepted accounting practices and which, in management's opinion, is a better representation of its usage pattern.

Software

Application software purchased is amortised over its license period or on a straight line basis over its useful life, not exceeding five years, as determined by management.

2.5 *Impairment*

In accordance with AS 28 – 'Impairment of Assets', where there is an indication of impairment of the company's assets, the carrying amount of the company's assets are reviewed at each balance sheet date to determine whether there is any impairment. The recoverable amount of the assets (or where applicable, that of the cash generating unit to which the asset belongs) is estimated as the higher of its net selling price and its value in use. An impairment loss is recognised whenever the carrying amount of an asset or the cash generating unit to which it belongs exceeds its recoverable amount. Impairment loss is recognised in the profit and loss account or against revaluation surplus, where applicable.

If at the balance sheet date there is an indication that a previously assessed impairment loss no longer exists, the recoverable amount is re-assessed and the asset is reflected at the recoverable amount subject to a maximum of the depreciated historical cost.

Value in use is the present value of estimated future cash flows expected to arise from the continuing use of the asset and from its disposal at the end of its useful life.

2.6 *Revenue recognition*

Revenue is recognized to the extent that it is probable that the economic benefits will flow to the company, revenue can be reliably measured and recoverability is reasonably certain. The amount recognized as income is exclusive of value added tax, service tax and net of trade discounts. Unbilled revenue represents costs incurred and revenues recognized on contracts to be billed in subsequent periods as per the terms of the contract.

Film/content production and related income

Revenue from sale of content/ motion pictures is recognized on assignment/sale of the rights in the concerned content/ motion picture from the date of their availability for exploitation or on the date of release of the content/ movie, as applicable.

Revenue from other rights in motion pictures such as satellite rights, overseas rights, music rights, video rights, etc., is recognized on assignment/ sale of the rights in the concerned motion picture from the date of their availability for exploitation.

Income from distribution and exhibition

Revenue comprising proceeds from sales of tickets, net of taxes and exhibitor's share is recognized on the date of release/ exhibition. Overflow, being excess of collection over Minimum Guarantee, net of eligible expenses is accrued on the basis of receipt of Business Statement from Sub Distributors/Theatre owners. As the Company is the primary obligor, the shares of producers, joint venture investors (other than those in jointly controlled assets) and sub-agents / sub distributors are included in revenues from distribution and exhibition (theatrical exploitation) and are correspondingly disclosed as direct cost.

Distribution/ sub-distribution commission is recognized as it is earned based on intimation by the theatre owners / distributors.

Revenue from management of theatres is recognised on an accrual basis as per the contractual arrangement entered into with the theatre owners.

Revenue from equipment hire/ facility rental

Income from equipment hire/ facility rental is recognised on a straight line basis over the period of the relevant agreement/ arrangement.

Interest income

Interest income is recognised on a time proportion basis.

Dividend income

Dividend income is recognised when the right to receive dividend is unconditional at the balance sheet date.

2.7 Investments

Long-term investments are carried at cost, less any provision for diminution, which is other than temporary, in value.

Current investments are carried at lower of cost and fair value. The comparison of cost and fair value is done separately in respect of each category of investments.

2.8 Employee benefits

(a) Short term employee benefits

All employee benefits payable wholly within twelve months of rendering the service are classified as short-term employee benefits. The undiscounted amount of short-term employee benefits expected to be paid in exchange for the services rendered by employees is charged to the profit and loss account in the period in which such services are rendered.

(b) Post employment benefits

Defined contribution plan:

The Company's contribution paid / payable under the recognised provident fund scheme and the employees' state insurance contribution is recognised as an expense in the profit and loss account during the period in which the employee renders the related service.

Defined benefit plan:

The Company's gratuity scheme is a defined benefit plan. The Company's net obligation in respect of the gratuity scheme is calculated by estimating the amount of future benefit that employees have earned in return for their services in the current and prior periods. These benefits are discounted to determine their present value, and the fair value of any plan assets is deducted therefrom.

The present value of the obligation under such defined benefit plan is determined based on actuarial valuation at each balance sheet date by an independent actuary, using the Projected Unit Credit Method, which recognises each period of service as giving rise to one additional unit of employee benefit entitlement and measures each unit separately to build up the final obligation.

The obligations are measured at the present value of the estimated future cash flows. The discount rates used for determining the present value of the obligations under the defined benefit plan are based on the market yields on government bonds as at the balance sheet date.

All actuarial gains and losses arising during the period are recognised immediately in the profit and loss account.

(c) Other long-term employee benefits

Compensated absences which are not expected to occur within twelve months after the end of the period in which the employee renders the related services are recognised as a liability at the present value of the defined benefit obligations at the balance sheet date based on an actuarial valuation by an independent actuary using the Projected Unit Credit Method. The discount rates used for determining the present value of the obligations under the defined benefit plan are based on the market yields on government bonds as at the balance sheet date.

2.9 Foreign currency transactions

Transactions denominated in foreign currency are recorded at the exchange rate prevailing on the date of the transactions. Exchange differences arising on foreign exchange transactions settled during the year are recognised in the profit and loss account of the year. Monetary assets and liabilities denominated in foreign currencies as at the balance sheet date are translated at the closing exchange rates on that date; the resultant exchange differences are recognised in the profit and loss account.

Non-monetary items are carried at historical cost using the exchange rate at the date of the transaction.

2.10 Earnings per share

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

2.11 Taxation

Income-tax expense comprises current tax expense and deferred tax charge or credit.

Current tax

Provision for current tax is recognised in accordance with the provisions of the Income-tax Act, 1961 and is made based on the tax liability after taking credit for tax allowances and exemptions.

Minimum Alternative Tax

Minimum Alternative Tax ('MAT') credit is recognised only to the extent there is convincing evidence that the company will pay normal income tax in excess of MAT during the specified period.

MAT credit entitlement is reviewed as at each balance sheet date and written down to the extent there is no longer convincing evidence that the company will pay normal income tax during the specified period.

Deferred tax

Deferred tax liability or asset is recognised for timing differences between the profits or losses offered for income taxes and profits/losses as per the financial statements. Deferred tax assets and liabilities and the corresponding deferred tax credit or charge are measured using the tax rates and tax laws that have been enacted or substantively enacted as at the balance sheet date.

Deferred tax asset is recognised only to the extent there is reasonable certainty that the assets can be realised in future; however, where there is unabsorbed depreciation or carried forward loss under taxation laws, deferred tax asset is recognised only if there is a virtual certainty of realisation of such asset. Deferred tax asset is reviewed as at each balance sheet date and written down or written up to reflect the amount that is reasonably/virtually certain to be realized.

2.12 Leases

The Company has various operating leases, principally for office space, with various renewal options. Rental expense in agreements with scheduled rent increases is recorded on a straight-line basis over the lease term.

Assets given on operating lease

Lease rentals in respect of assets given on operating lease are recognised on a straight line basis over the lease term unless another systematic basis is more representative of the time pattern of the benefit received.

2.13 Borrowing costs

Borrowing costs that are attributable to the acquisition, construction or production of qualifying assets are capitalised as part of the cost of such assets. A qualifying asset is one that necessarily takes a substantial period of time to get ready for its intended use. All other borrowing costs are charged to the profit and loss account.

2.14 Provisions and contingencies

A provision when there is a present obligation as a result of a past event that probably requires an outflow of resources and a reliable estimate can be made of the amount of the obligation. A disclosure for a contingent liability is made when there is a possible obligation or a present obligation that may, but probably will not, require an outflow of resources. When there is a possible obligation or a present obligation in respect of which the likelihood of outflow of resources is remote, no provision or disclosure is made.

Provisions are reviewed at each balance sheet date and adjusted to reflect the current best estimate. If it is no longer probable that an outflow of resources would be required to settle the obligation, the provision is reversed.

SCHEDULES TO THE FINANCIAL STATEMENTS AS AT 31 MARCH 2011

(Currency: Indian Rupees)

			Current Year 31.03.2011		Current Year 31.03.2010
3	**Share capital**				
	Authorised capital				
	24,000,000 (2010: 24,000,000) equity shares of Rs 5 each		**120,000,000**		120,000,000
	Issued, subscribed and paid-up capital				
	22,581,200 (2010: 22,581,200) equity shares of Rs 5 each, fully paid-up		**112,906,000**		112,906,000
	Of the above:				
	8,245,000 (2010: 8,245,000) equity shares of Rs 10 each, fully paid-up were issued as bonus shares on 30 January 2000 by capitalisation of general reserves. These shares were further split into 16,490,000 equity shares of Rs. 5 each in March 2000				
	Add : – Forfeited shares (Amount originally paid-up)		**11,500**		11,500
	[Number of shares forfeited: 4,000 (2010: 4,000)]				
			112,917,500		112,917,500
	As at 31 March 2011, 12,417,990 (2010: 12,417,990) equity shares of Rs 5 each, fully paid up are held by Mr. Subhash Ghai				
4	**Reserves and surplus**				
	Securities premium account		**973,360,000**		973,360,000
	General reserve				
	At the beginning of the year	**63,239,914**		63,239,914	
	Add: Transfer during the year	**–**		–	
		63,239,914		63,239,914	
	Less: Debit balance of profit and loss account, deducted as per contra	**(63,239,914)**	**–**	(63,239,914)	–
			973,360,000		973,360,000
5	**Profit and loss account**				
	Debit /(Credit) balance in profit and loss account at the beginning of the year		**126,071,547**		(116,372,145)
	Loss for the year		**61,632,884**		242,443,692
			187,704,431		126,071,547
	Less: deducted as per contra		**(63,239,914)**		(63,239,914)
			124,464,517		62,831,633
6	**Secured loans**				
	From banks				
	Long term				
	Term loans				
	Kotak Mahindra Bank		**179,632,481**		141,406,280
	(Secured against all current assets and commercial properties at Oshiwara and Bandra and personal guarantee of Mr. Subhash Ghai and Mrs. Mukta Ghai)				

SCHEDULES TO THE FINANCIAL STATEMENTS AS AT 31 MARCH 2011

(Currency: Indian Rupees)

	Current Year 31.03.2011	Current Year 31.03.2010
(Repayable within a year Rs 59,294,936 (2010: 59,255,696)		
HDFC Bank	**311,990,600**	229,000,000
(Secured against keyman insurance policy of Mr. Subhash Ghai)		
(Repayable within a year Rs 311,990,600 (2010: Nil)		
Car loans	**6,574,445**	10,192,733
(Secured against related vehicles)		
(Repayable within a year Rs 4,871,851 (2010: 4,554,106)		
Short term		
Cash credit facility	**124,665,211**	103,899,489
(Secured against all current assets and commercial properties at Oshiwara and Bandra and personal guarantee of Mr. Subhash Ghai and Mrs. Mukta Ghai)		
(Repayable on demand)		
From others – Long term		
Life Insurance Corporation of India loan	**6,607,000**	5,586,880
(Secured against keyman insurance policy of Mr. Subhash Ghai, Mr.Parvez Farooqui and Mr.Siraj Farooqui)		
(Repayable within a year Rs Nil (2010: Nil)	**629,469,737**	490,085,382
7 Unsecured loans		
Short term		
From others – Inter corporate deposits	**–**	20,000,000
Repayable within a year Rs. Nil (2010: 20,000,000)		
	–	20,000,000
8 Deferred tax		
(A) Deferred tax liability		
Arising on account of timing differences in:		
Depreciation/ amortisation	**25,302,797**	9,502,288
(B) Deferred tax asset		
Arising on account of timing difference in:		
Unabsorbed depreciation allowance and carried forward business loss	**98,534,723**	–
Provision for leave encashment and gratuity	**2,688,922**	–
Provision for doubtful debts and advances	**3,861,979**	–
Provision for diminution of investments	**1,306,130**	–
	106,391,754	–
Deferred tax asset restricted to the extent of deferred tax liabilty due to absence of virtual certainty	**25,302,797**	
Net deferred tax asset / net deferred tax (liability)	**–**	(9,502,288)

9 Fixed assets

Particulars	Gross block				Accumulated depreciation / amortisation				Net block	
	As at 1 April 2010	Additions during the year	Deductions during the year	As at 31 March 2011	As at 1 April 2010	Charge for the year	On deductions during the year	As at 31 March 2011	As at 31 March 2011	As at 31 March 2010
Intangible assets										
Distribution rights (also refer Schedule 22.15)	–	205,500,320	–	**205,500,320**	–	205,500,320	–	**205,500,320**	–	–
Negative rights (also refer Schedule 22.15)	231,075,768	104,629,920	–	**335,705,688**	231,075,768	75,224,423	–	**306,300,191**	**29,405,497**	–
Exhibition rights	2,500,000	–	–	**2,500,000**	1,976,071	104,785	–	**2,080,856**	**419,144**	523,929
Computer software	1,925,826	–	–	**1,925,826**	2,110	769,486	–	**771,596**	**1,154,230**	1,923,716
Total intangible assets	235,501,594	310,130,240	–	**545,631,834**	233,053,949	281,599,015	–	**514,652,963**	**30,978,871**	2,447,645
2010	2,500,000	233,001,594	–	235,501,594	1,845,089	231,208,860	–	233,053,949	2,447,645	
Tangible assets										
Land	–	80,316,000	–	**80,316,000**	–	–		–	**80,316,000**	
Ownership premises	113,553,429	119,799,660	836,717	**232,516,372**	26,557,253	7,031,713	209,509	33,379,457	**199,136,915**	86,996,176
Leasehold premises	–	120,762,320	–	**120,762,320**	–	5,247,791	–	5,247,791	**115,514,529**	–
Plant and machinery	184,716,001	7,138,485	–	**191,854,486**	141,973,395	9,312,500	–	151,285,895	**40,568,591**	42,742,606
Motor vehicles	43,805,079	2,961,808	522,148	**46,244,739**	25,807,099	4,790,905	320,150	30,277,854	**15,966,885**	17,997,980
Furniture fixtures and Office equipment	23,156,838	8,291,326	–	**31,448,164**	17,065,492	1,933,678	–	18,999,170	**12,448,994**	6,091,346
Computers	2,230,066	1,473,276	–	**3,703,342**	1,542,639	1,329,463	–	2,872,102	**831,240**	687,427
Total tangible assets	**367,461,413**	**340,742,875**	**1,358,865**	**706,845,423**	**212,945,878**	**29,646,050**	**529,659**	**242,062,269**	**464,783,154**	**154,515,535**
2010	350,897,563	18,273,467	1,709,617	367,461,413	194,426,442	18,185,150	334,286	212,945,878	154,515,535	
Total	**602,963,007**	**650,873,115**	**1,358,865**	**1,252,477,257**	**445,999,827**	**311,245,064**	**529,659**	**756,715,232**	**495,762,025**	**156,963,180**
2010	353,397,563	251,275,061	1,709,617	602,963,007	196,271,531	249,394,010	334,286	445,999,827	156,963,180	
Tangible assets – Capital work-in-progress (including capital advances)									**36,858,965**	101,230,547
Intangible assets – Capital work-in-progress (including capital advances)									**58,321,817**	137,713,630
Also refer schedule 2.3, 2.4 and 22.15									**95,180,782**	238,944,177

SCHEDULES TO THE FINANCIAL STATEMENTS AS AT 31 MARCH 2011

(Currency: Indian Rupees)

				Current Year 31.03.2011		Current Year 31.03.2010
10		**Investments**				
	A	**Long term (non-trade, unquoted and at cost)**				
	(a)	**Shares of subsidiary companies**				
	(i)	Connect.1 Limited 594 (2010: 594) equity shares of Rs.1,000 each, fully paid-up	**594,000**		594,000	
	(ii)	Whistling Woods International Limited 169,997 (2010: 169,997) equity shares of Rs.1,000 each, fully paid-up	**169,997,000**		169,997,000	
	(iii)	Mukta Tele Media Limited				
		4,996 (2010: 4,996) equity shares of Rs.100 each, fully paid-up	**499,600**		499,600	
	(iv)	8% Redeemable cumulative preference shares of Whistling Woods International Limited				
		200,000 (2010: 200,000) preference shares of Rs. 1,000 each, fully paid-up	**200,000,000**		200,000,000	
	(v)	Coruscant Tec Private Limited				
		10,000 (2010: 10,000) equity shares of Rs.10 each, fully paid-up	**2,500,000**	**373,590,600**	2,500,000	373,590,600
	(b)	**Others**				
	(i)	Indiasound Limited	**3,778,158**		3,778,158	
		7,500,000 (2010: 7,500,000) equity Shares of 0.1 Pence each, fully paid-up.				
		Less : Provision for diminution	**(3,778,158)**	–	–	3,778,158
	(ii)	Maya Digital Studios Private Limited		**5,000,000**		–
		500,000 (2010: Nil) equity shares of Rs 10 each, fully paid-up				
		As per the terms of the Shareholders agreement, additional shares, not exceeding 1,000,000 may be allotted to the Company on or before 31 March 2012, free of cost.				
	(iii)	Bashiron Co. Op. Housing Society Limited		**500**		500
		10 Shares (2010: 10) of Rs. 50 each				
	(iv)	Bait-Ush-Sharaf Co. Op. Housing Society Limited		**750**		750
		15 Shares (2010: 15) of Rs. 50 each				
				378,591,850		377,370,008
	B	**Current investments (non-trade, un-quoted and at lower of cost and fair value)**				
		Investment in mutual funds*		**19,821,152**		19,696,088
		1,952,265.392 (2010: 1,940,405.682) units of LIC NOMURA floating rate fund – Short term plan [Net asset value: Rs 19,821,152 (2010: 19,696,088)]				
		* Lien has been marked to the extent of 1,913,720 (2010: 1,913,720) units in favour of Punjab National Bank against guarantees given for the Company.				
				19,821,152		19,696,088
				398,413,002		397,066,096
		Aggregate value of quoted investments		**–**		–
		Aggregate value of unquoted investments		**398,413,002**		397,066,096

SCHEDULES TO THE FINANCIAL STATEMENTS AS AT 31 MARCH 2011

(Currency: Indian Rupees)

		Current Year 31.03.2011		Current Year 31.03.2010
11 Sundry debtors				
(Unsecured)				
Debts outstanding for a period exceeding six months				
Considered good		**6,735,276**		59,799,285
Considered doubtful		**8,283,214**		715,838
Other debts				
Considered good		**243,837,724**		153,052,829
Less: Provision for doubtful debts		**8,283,214**		715,838
		250,573,000		212,852,114
12 Cash and bank balances				
Cash in hand		**640,614**		975,607
Cheque in hand		**26,710**		–
Balances with scheduled banks in				
– Current accounts		**6,950,347**		12,915,143
– Fixed deposit accounts *		**29,228,799**		27,131,156
– Dividend accounts		**692,974**		868,236
* pledged as security against bank guarantees given for the Company		**37,539,444**		41,890,142
13 Loans and advances				
(Unsecured)				
Loans and advances to subsidiaries		**317,225,937**		295,169,209
Loans to others		**53,908,202**		48,528,586
Advances to staff	**1,849,859**		1,284,500	
Less: Provision for doubtful advances	**290,000**	**1,559,859**	–	1,284,500
Advances recoverable in cash or in kind or for value to be received	**324,918,104**		233,994,121	
Less: Provision for doubtful advances	**3,052,249**	**321,865,855**	–	233,994,121
Deposits				
– with Whistling Woods International Limited (Subsidiary)	**30,000,000**		30,000,000	
(Maximum amount due during the year: Rs 30,000,000 (2010: Rs 30,000,000))				
– with Mukta Tele Media Limited (Subsidiary)	**3,465,000**		3,555,000	
(Maximum amount due during the year: Rs 3,565,000 (2010: Rs 3,735,000))				
– with Connect1 Limited (Subsidiary)	**2,100,000**		2,325,000	
(Maximum amount due during the year: Rs 2,325,000 (2010: Rs 2,550,000))				
– with Mukta Arts (Proprietary concern of the Managing Director of the Company)	**300,000**		300,000	
(Maximum amount due during the year: Rs 300,000 (2010: Rs 300,000))				
– with Others	**11,751,939**	**47,616,939**	9,655,374	45,835,374
Advance tax (including tax deducted at source) (net of provision Rs.106,200,234; 2010: Rs 94,989,078)		**111,506,179**		165,625,725
		853,682,971		790,437,515

SCHEDULES TO THE FINANCIAL STATEMENTS AS AT 31 MARCH 2011

(Currency: Indian Rupees)

		Current Year 31.03.2011	Current Year 31.03.2010
13	**Loans and advances (continued)**		
	Loans and advances to subsidiaries:		
	(i) Whistling Woods International Limited (Maximum amount due during the year: Rs 322,832,851 (2010: Rs 300,831,225))	**303,547,298**	285,531,225
	(ii) Coruscant Tec Pvt. Limited (Maximum amount due during the year: Rs 7,040,655 (2010: Rs 3,106,512))	**7,040,655**	3,000,000
	(iii) Mukta Tele Media Limited (Maximum amount due during the year: Rs 6,637,984 (2010: Rs 6,637,984))	**6,637,984**	6,637,984
14	**Current liabilities**		
	Sundry creditors for goods and services:		
	– Dues to MSMED (refer schedule 22.2)	**–**	–
	– Others	**283,969,626**	165,580,001
	Dues to subsidiary company	**4,037,781**	–
	Advance for films and other services	**165,364,422**	72,497,416
	Other liabilities	**72,037,035**	53,072,235
	Unclaimed dividend (No amount is payable to investor education and protection fund Rs.Nil ; 2010: Rs Nil)	**692,974**	868,236
	Interest accrued but not due	**3,644,475**	1,073,894
		529,746,313	293,091,782
15	**Provisions**		
	Taxation (net of advance tax and tax deducted at source Rs 21,471,095 ; 2010: Rs 21,471,095)	**2,027,905**	2,027,905
	Gratuity	**3,626,176**	–
	Leave encashment	**4,468,110**	–
		10,122,191	2,027,905
16	**Revenue**		
	Own production	**82,031,474**	102,191,083
	Distribution and exhibition	**1,779,045,165**	784,135,232
	Rent and amenities charges	**58,029,677**	8,659,781
	Equipment hire	**4,229,677**	2,504,416
		1,923,335,993	897,490,512
17	**Other income**		
	Dividend income	**920,115**	841,426
	Interest income from:		
	- bank (Tax deducted at source Rs. 172,996 (2010: Rs 187,868)	**1,733,203**	1,878,683
	- loans, advances and other deposits (Tax deducted at source Rs. 718,989 (2010: Rs 2,634,391)	**28,520,941**	28,181,526
	Interest on income tax refund	**6,495,842**	–
	Profit on sale of assets, net (also refer Schedule 22.13)	**86,195,453**	171,079
	Keyman insurance claim received	**–**	9,500,000
	Excess provision written back, net	**4,441,151**	–
	Miscellaneous income	**799,712**	4,112,185
		129,106,417	44,684,899

SCHEDULES TO THE FINANCIAL STATEMENTS AS AT 31 MARCH 2011

(Currency: Indian Rupees)

		Current Year 31.03.2011	Current Year 31.03.2010
18	**Cost of production, distribution and exhibition**		
	Expenses of distribution and exhibition	**1,558,458,943**	753,704,113
	Other expenses	**29,631,053**	35,703,242
		1,588,089,996	789,407,355
19	**Personnel costs**		
	Salaries, wages and bonus	**43,737,755**	36,982,042
	Contribution to provident and other funds	**1,537,345**	1,574,250
	Gratuity (includes prior years charge: Rs. 3,495,320) (also refer Schedule 22.10)	**3,814,219**	35,000
	Leave encashment (includes prior years charge: Rs. 41,86,971) (also refer Schedule 22.10)	**4,484,731**	–
	Staff welfare expenses	**151,321**	297,577
		53,725,371	38,888,869
20	**Administrative and other expenses**		
	Repairs and maintenance :		
	– Buildings	**3,531,572**	912,931
	– Machinery	**345,621**	401,661
	– Others	**545,953**	166,794
	Printing and stationery	**1,121,922**	826,769
	Communication	**1,638,007**	1,733,482
	Insurance	**1,029,452**	721,763
	Brokerage and commission	**1,760,000**	2,183,855
	Electricity charges	**1,725,205**	1,005,532
	Rent	**17,032,149**	15,295,697
	Travelling expenses	**2,307,731**	2,891,343
	Auditor's remuneration (refer Schedule 22.4)	**820,077**	1,987,966
	Legal and professional fees	**12,467,584**	7,611,787
	Rates and taxes	**6,311,404**	1,840,445
	Bad debts / advances written-off	**21,004,404**	593,466
	Provision for diminution in value of investments (net)	**3,773,208**	158,550
	Provision for doubtful debts and advances	**11,625,463**	–
	Business promotion	**1,891,697**	1,499,545
	Motor car expenses	**2,845,475**	2,140,381
	Miscellaneous expenses	**6,964,928**	8,123,422
		98,741,853	50,095,389
21	**Interest and financial charges**		
	On term loans	**45,934,971**	36,001,638
	On cash credit facilities	**10,867,676**	12,256,612
	On other loans	**2,033,041**	1,210,639
	Finance charges	**1,728,454**	1,641,579
		60,564,142	51,110,468

22 Notes to the accounts

22.1 Contingent liabilities and commitment

Sr No	Particulars	2011	2010
1	Service tax matters	**2,115,000**	2,115,000
2	Guarantees given by bank on behalf of the Company	**21,544,383**	57,766,927
3	Corporate guarantees for loans taken by subsidiary	**150,000,000**	120,000,000
4	**Commitments**		
	Estimated amount of contracts remaining to be executed on capital account (net of advances) and not provided for	**5,706,143**	-

Notes:

1. Unless specified the amounts are excluding penalty and interest, if any that would be levied at the time of final conclusion.
2. The Company is a party to various legal proceedings in the normal course of business and does not expect the outcome of these proceedings to have any adverse effect on its financial conditions, results of operations or cash flows.

22.2 Dues to Micro, Small and Medium Enterprises

On the basis of the information and records available with the Management, none of the Company's suppliers are covered by The Micro, Small and Medium Enterprises Development Act, 2006. Accordingly, the disclosures prescribed under the said Act are not applicable.

22.3 Managerial remuneration

	2011	2010
Salaries, bonus and allowances	**16,816,800**	16,512,000
Contribution to Provident fund	**288,000**	288,000
Perquisites	**10,293,747**	22,64,488
	27,398,547	19,064,480

Note: The above figures do not include provisions for encashable leave and gratuity expenses as separate actuarial valuations are not available for the Directors.

The managerial remuneration paid to a whole-time director of the Company for the year aggregating to Rs 23,209,717 and for earlier years ended 31 March 2010, 31 March 2009 and 31 March 2008 aggregating to Rs 42,465,506 is in excess of the limits prescribed under Section 198 of the Companies Act, 1956. The Company has made an application to the Central Government seeking post-facto approval, which is awaited.

Computation under Section 198 of the Act is not made since no commission is paid to the directors.

22.4 Auditors' remuneration (excluding service tax)

	2011	2010
Audit fees	**800,000**	600,000
Taxation matters	**-**	525,000
Other services	**-**	125,000
Reimbursement of out-of-pocket expenses	**20,077**	132,500
Total auditors' remuneration	**820,077**	1,382,500

22.5 Foreign currency exposures not covered by forward contracts

The Company has no foreign currency exposures as at 31 March 2011 (2010: Rs Nil)

22.6 Expenditure in foreign currency (on accrual basis)

Particulars	2011	2010
Travelling expenses	**679,384**	566,425
Cost of film (included in Cost of production, distribution and exhibition-Intangible)	**4,262,940**	-
Miscellaneous expenses	**-**	422,160
	4,942,324	988,585

22.7 Earnings in foreign exchange (on accrual basis)

Particulars	2011	2010
Distribution and exhibition income	-	1,976,542

22.8 Lease disclosure under AS 19 – 'Leases'

a) The Company is obligated under non-cancellable leases primarily for office and residential premises which is renewable thereafter as per the terms of the respective agreement.

The future minimum lease payments in respect of non-cancellable operating lease are as follows:

Particulars	2011	2010
Minimum lease payments		
Amounts due within one year from the balance sheet date	**14,054,501**	4,033,496
Amounts due in the period between one year and five years	**29,932,067**	17,405,079
Amount due after five years	**72,398,853**	77,145,343
	116,385,421	98,583,918

Lease rent expenses of Rs 17,032,149 (2010: Rs 15,295,697) has been included under 'Rent' in the Profit and loss account.

b) The Company has subleased part of the office premises taken on lease. The future minimum sublease payment expected to be received under non-cancellable sub-lease as at 31 March 2011 is Rs 42,834,885.

Sublease rent income of Rs 23,656,778 has been included under 'Rent and amenities charges' in the Profit and loss account.

c) The Company has given office premises on lease which is renewable thereafter as per the terms of the respective agreement

The future minimum lease payment expected to be received in respect of non-cancellable operating lease are as follows:

Particulars	2011	2010
Minimum lease payments		
Amounts due within one year from the balance sheet date	**16,072,176**	-
Amounts due in the period between one year and five years	**69,473,490**	-
Amount due after five years	**24,351,319**	-
	109,896,985	-

Lease rent income of Rs 14,393,304 has been included under 'Rent and amenities charges' in the Profit and loss account.

22.9 Related party disclosures

Details of related parties including summary of transaction entered into during the year ended 31 March 2011 are summarized below:

A ***Parties where control exists***

(i) Shareholders holding more than 20%

- Subhash Ghai

(ii) Subsidiary companies

- Whistling Woods International Limited
- Connect.1 Limited
- Mukta Tele Media Limited
- Coruscant Tec Private Limited

(iii) Key management personnel and relatives of such personnel

- Subhash Ghai – Chairman and Managing Director
- Parvez Farooqui – Executive Director
- Rahul Puri – Executive Director
- Mukta Ghai – Wife of Subhash Ghai
- Ashok Ghai – Brother of Subhash Ghai
- Siraj Farooqui – Brother of Parvez Farooqui
- Sameer Farooqui – Brother of Parvez Farooqui
- Sajid Farooqui – Brother of Parvez Farooqui
- Meghna Ghai Puri – Daughter of Subhash Ghai

(iv) **Enterprise over which key management personnel have a control/substantial interest/significant influence**

- Mukta Arts **–** Proprietary concern of Subhash Ghai
- MAL Employees Welfare Trust – Executive Director is settler and one of the director is Trustee
- Mukta Tele Arts Private Limited – Enterprise in which Subhash Ghai exercises significant influence

B Transactions with related parties for the year ended 31 March 2011 are as follows:-

Transactions	**Subsidiaries Companies**		**Key Management Personnel and relatives of such personnel**		**Enterprises over which key management personnel have control / substantial interest / significant influence**	
	2011	2010	**2011**	2010	**2011**	2010
Rendering of services						
Coruscant Tec Private Limited	1,581,932	-	-	-	–	-
Receiving of Services						
Ashok Ghai	-	-	1,944,000	1,800,000	-	-
Connect. 1 Limited	240,000	240,000	–	-	-	-
Mukta Arts	–	-	-	-	60,000	60,000
Interest Income						
Whistling Woods International Limited	24,766,397	22,812,472	–	-	-	-
Payment of salaries						
Siraj Farooqui	–	-	2,052,400	1,900,000	-	-
Sameer Farooqui	–	-	412,920	377,480	-	-
Sajid Farooqui	–	-	455,040	426,140	-	-
Managerial remuneration						
Subhash Ghai	–	-	23,209,717	15,234,145	-	-
Parvez A. Farooqui	–	-	2,088,246	1,911,491	-	-
Rahul Puri	–	-	2,100,584	1,918,844	-	-
Reimbursement of expenses received by the Company						
Whistling Woods International Limited	11,134	63,912	–	-	-	-
Reimbursement of expenses paid by the Company						
Whistling Woods International Limited	4,118,468	224,137	–	-	-	-
Meghna Ghai Puri	–	–	243,734	–	–	-
Deposits paid during the year						
Mukta Tele Media Ltd	10,000	180,000	–	-	-	-
Connect. 1 Limited	–	225,000	–	-	-	-
Deposits received during the year						
Mukta Tele Media Ltd	100,000	–	–	-	-	-
Connect. 1 Limited	225,000	–	–	-	-	-
Loan given during the year	–	–	–	-	-	-
Whistling Woods International Limited	84,500,000	105,200,000	–	-	-	-

Transactions	Subsidiaries Companies		Key Management Personnel and relatives of such personnel		Enterprises over which key management personnel have control / substantial interest / significant influence	
	2011	2010	**2011**	2010	**2011**	2010
Loan repaid during the year						
Whistling Woods International Limited	70,000,000	58,700,000	–	–	–	–
Advances given during the year						
Coruscant Tec Private Limited	3,008,723	2,040,000	–	–	–	–
Subhash Ghai	–	–	5,000	50,000	–	–
Advances received during the year						
Coruscant Tec Private Limited	550,000	- –	–	-	-	-
Amount written off						
MAL Employees Welfare Trust	–	-	-	-	19,925,000	–
Loan receivable						
Whistling Woods International Limited	279,500,000	265,000,000	–	-	-	-
Interest receivable						
Whistling Woods International Limited	24,047,298	20,531,225	–	-	-	-
Payables						
Whistling Woods International Limited	3,821,781	–	–	-	-	-
Mukta Arts					60,000	–
Connect 1. Limited	216,000	–	–	-	-	-
Advances receivable						
Coruscant Tec Private Limited	7,040,655	3,000,000	–	-	-	-
Mukta Tele Media Ltd	6,637,984	6,637,984	–	-	-	-
MAL Employees Welfare Trust	–	–	–	–	–	19,925,000
Deposit receivable						
Whistling Woods International Limited (pursuant to mutual sharing arrangement)	30,000,000	30,000,000	–	-	-	-
Mukta Tele Media Ltd	3,465,000	3,555,000	–	-	-	-
Connect 1. Limited	2,100,000	2,325,000	–	-	-	-
Mukta Arts	–	–	–	–	300,000	300,000
Personal guarantee given jointly by Mr. Subhash Ghai and Mrs. Mukta Ghai for secured loan taken from Kotak Mahindra Bank			304,297,692	245,305,769		
Corporate guarantee given						
Whistling Woods International Limited	150,000,000	120,000,000	–	-	-	-

22.10 Earnings per share ('EPS')

Particulars	**2011**	2010
Net (loss) after tax	**(61,632,884)**	(242,443,692)
Weighted average number of equity shares outstanding during the year for basic EPS	**22,581,200**	22,581,200
Weighted average number of equity shares outstanding during the period for dilutive EPS	**22,581,200**	22,581,200
Basic EPS	**(2.73)**	(10.74)
Dilutive EPS	**(2.73)**	(10.74)
Nominal value per share	**5.00**	5.00

22.11 Employee benefits:

(i) Defined Contribution Plans

Contribution to provident fund - amount of Rs 1,383,849 (2010: Rs 1,463,334) and ESIC amount of Rs 153,498 (2010: Rs110,916) is recognized as an expense and included in "Personnel costs" in the Profit and Loss account.

(ii) ***Defined benefit plan and other long term employment benefit***

(a) Leave wages (other long term employment benefit)

The leave wages are payable to all eligible employees at the rate of daily salary for each day of accumulated leave on death or on resignation or upon retirement on attaining superannuation age. During the year, Rs. 4,484,731 (2010: Nil) is recognized as an expense in the Profit and Loss account

Actuarial assumptions	**2011**	2010
Discount Rate (p.a)	**7.85%**	*
Salary Escalation rate (p.a)	**8.00%**	*

* Detailed breakup of these components are not available.

(b) Gratuity (Defined benefit plan)

The Company has a defined benefit gratuity plan. Every employee who has completed five years or more of service gets a gratuity on death or resignation or retirement at 15 days salary (last drawn salary) for each completed year of service. The scheme is funded with an insurance company in the form of a qualifying insurance policy.

Particulars	**As at 31-Mar-11**	As at 31-Mar-10
A) Change in defined benefit obligation		
Opening defined benefit obligation	**3,927,346**	3,957,598
Current service cost	**465,928**	*
Interest cost	**509,594**	*
Actuarial (gain) / loss	**(299,141)**	*
Prior years charge	**3,495,320**	*
Benefits paid	**(191,365)**	(332,725)
Additional provision	**-**	-
Closing defined benefit obligation	**7,907,683**	3,927,346
B) Change in fair value of assets		
Opening fair value of plan assets	**3,927,346**	3,957,598 *
Expected return on plan assets	**208,916**	*
Actuarial gain / (loss) on plan assets	**148,567**	*
Contributions by employer	**188,043**	*
Benefits paid	**(191,365)**	(332,729)
Closing fair value of plan assets	**4,281,507**	3,927,346

C)	**Expenses recognised in the Profit and Loss account**		
	Current service cost	**465,928**	*
	Prior year charge	**3,495,320**	*
	Interest on Defined Benefit Obligation	**509,594**	*
	Expected return on plan assets	**(208 ,916)**	*
	Net Actuarial Losses recognized	**(447,708)**	*
	Total expense recognized	**3,814,219**	35,000
D)	**Amount recognised in Balance sheet**		
	Present value of Funded obligations	**7,907,683**	*
	Fair value of plan assets	**4,281,507**	*
	Net Liability	**3,626,176**	*
E)	**Actuarial assumptions**		
	Discount Rate (p.a)	**7.85%**	*
	Expected rate of return on assets (p.a)	**7.50%**	*
	Salary Escalation rate (p.a)	**8.00%**	*
F)	**Experience adjustments**		
	On plan assets	**(199,427)**	*
	On plan liabilities	**109,821**	*
G)	**Details of Plan Assets**		
	LIC managed funds	**4,281,507**	3,927,346

* Detailed breakup of these components are not available.

Pursuant to the actuarial valuation, liability pertaining to prior years aggregating to Rs 3,495,320 in respect of gratuity and Rs 4,186,971 in respect of leave encashment has been provided for during the year.

22.12 Other information

Other matters specified in Part II of Schedule VI to the Act are either Nil or not applicable to the Company and, as such, no details are given.

22.13 During the year, the Company recognized Rs. 84,799,660 being profit on redevelopment of property (possession obtained during the year) pursuant to agreement entered into on 20 January 2006.

22.14 Disclosure of Segment Reporting under AS 17 – 'Segment disclosures'

As per Accounting Standard (AS) 17 on "Segment Reporting", segment information has been provided in the notes to consolidated financial statements.

22.15 Prior period comparatives

a. Upto the previous year, negative and distribution rights in films ('Rights') were classified as 'Inventory' and amortization of the same was forming part of 'Cost of production, distribution and exhibition'. From the current year, management has decided to reclassify these rights as an 'Intangible asset' after reassessing their nature and to bring it in line with the industry practice. Correspondingly, amortization of these rights is also part of the fixed asset schedule. This re-classification has no impact on the results for the year. Gross block and accumulated depreciation in respect of negative and distribution rights for films released prior to 31 March 2010, except movies released in the previous year, has not been restated as the same have been fully exploited as at 1 April 2009.

b. Provision for Value added tax ('VAT') aggregating to Rs19,442,308 (2010: Rs13,200,000) which was earlier classified as 'Taxation' in Schedule 15, has now been reclassified as 'Other liabilities' in Schedule 14.

c. VAT and Service tax receivable aggregating to Rs 12,859,435 (2010: Rs 10,970,113) and Rs 8,627,385 (2010: Rs 8,060,039) respectively, which were earlier classified as 'Advance tax ' in Schedule 13, have now been reclassified as 'Advances recoverable in cash or in kind or for value to be received' in Schedule 13.

d. Provision for tax has been netted off against Advance tax; this was earlier presented at a gross level.

e. Upto the previous year, Cash credit facilities were classified as 'Other liabilities' in Schedule 14, have now been reclassified as 'Secured loans' in Schedule 6.

f. Inter-corporate deposits given aggregating to Rs.333,408,202 (2010: Rs 313,528,586) which were hitherto classified as Investments, have been grouped under ‘Loans and advances’ in Schedule 13.

g. Personnel costs and Interest and financial charges (net) were hitherto included as part of ‘Administrative and other expenses’, these have been disclosed separately.

h. The Statement of cashflows has been regrouped in line with the above, as applicable.

22.16 Prior year figures were audited by a firm of Chartered Accountants other than B S R & Co.

As per our report of even date attached.

For **B S R & Co.**
Chartered Accountants
Firm’s Registration No: 101248W

Bhavesh Dhupelia
Partner
Membership No: 042070

Place : Mumbai
Date : 27th May, 2011

For and on behalf of the Board of Directors

Subhash Ghai
Chairman and Managing Director

Parvez A. Farooqui
Executive Director

Rahul Puri
Executive Director

Ravi Poplai
Company Secretary

BALANCE SHEET ABSTRACT AND COMPANY'S GENERAL BUSINESS PROFILE

I. REGISTRATION DETAILS

Registration No.	L92110MH1982PLC028180	State Code:	011
Balance Sheet Date :	31.03.2011		

II. CAPITAL RAISED (AMOUNTS IN RS. THOUSANDS)

Public Issue :	Nil	Bonus Issue:	Nil
Rights Issue :	Nil	Private Placement :	Nil

III. POSITION OF MOBILISATION AND DEPLOYMENT OF FUNDS (AMOUNTS IN RS. THOUSANDS)

Total Liabilities	1715747	Total Assets	1715747
SOURCES OF FUNDS			
Paid-up Capital	112918	Reserves & Surplus	973360
Secured Loans	629469	Unsecured Loans	0
APPLICATION OF FUNDS			
Net Fixed Assets	590942	Investments	398413
Net Current Assets	601927	Misc. Expenditure	0
Deffered Tax Assets	0	Profit /Loss before tax	124465

IV. PERFORMANCE OF COMPANY (AMOUNT IN RS. THOUSANDS)

Turnover	2052442	Total Expenditure	2112366
Profit /Loss before tax	(59,924)	Profit /Loss after tax	(61,633)
Earning per Share – Rs	(2.73)	Dividend rate %	-

V. GENERIC NAMES OF PRINCIPAL PRODUCTS / SERVICES OF COMPANY

Item Code No.:	Not Applicable
Product Description:	SOFTWARE PRODUCTION, DISTRUBUTION & EQUIPMENT HIRE

AUDITORS' REPORT

To the Board of Directors of
Mukta Arts Limited

1 We have audited the attached Consolidated Balance sheet of Mukta Arts Limited ('the Company' or 'the Parent Company') and its subsidiaries, as listed in Note 2.2 to the Consolidated financial statements (collectively referred to as 'the Group'), as at 31 March 2011 and also the Consolidated Profit and loss account and the Consolidated Cash flow statement for the year ended on that date, annexed thereto. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated 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 a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

3 We did not audit the financial statements and other financial information of certain subsidiaries. The consolidated financial statements include Group's share of total assets of Rs 12,551,127 as at 31 March 2011 and the Group's share of total revenues of Rs 3,415,310 and net cash outflows aggregating Rs 161,775 for the year ended on that date in respect of these aforementioned subsidiaries. These financial statements and related other financial information have been audited by other auditors whose reports have been furnished to us, and our opinion, in so far as it relates to the amounts included in respect of these subsidiaries, is based solely on the reports of the other auditors. We have relied on the consolidated financial statements for the year ended 31 March 2010, audited and reported upon by Shamit Majmudar Associates, Chartered Accountants (Firm's registration No. 109881W).

4 *As more fully explained in Schedule 22.3 to the consolidated financial statements, the remuneration paid to a whole-time director of the Parent Company for the period 1 April 2010 to 31 March 2011 and for earlier years ended 31 March 2010, 31 March 2009 and 31 March 2008 is in excess of the limits prescribed under Section 198 of the Companies Act, 1956. The Company has made an application to the Central Government seeking post-facto approval, which is awaited.*

5 *As more fully explained in Schedule 22.1(4) to the consolidated financial statements, a subsidiary of the Company has disputed the demand from Income-tax authorities aggregating to Rs 12,044, 363 (2010: Rs 12,634,582 (including interest Rs 1,550,241 (2010: Rs 1,550,241) and penalty Rs 5,500,000 (2010: Rs 5,500,000)) for the financial years ended 31 March 2003 (assessment year 2003-04), 31 March 2004 (assessment year 2004-05), 31 March 2005 (assessment year 2005-06) and 31 March 2006 (assessment year 2006-07). No provision has been made in the financial statements in this regard. Had the Company accrued for this liability, the loss for the year and the debit balance in profit and loss account at year end would have been higher by Rs. 12,044,363.*

6 The consolidated financial statements have been prepared by the Company's management in accordance with the requirements of Accounting Standard (AS) 21 - Consolidated Financial Statements prescribed in the Companies (Accounting Standards) Rules, 2006.

7 Based on our audit as aforesaid, and on consideration of reports of other auditors as explained in paragraph 3 above, and to the best of our information and according to the explanations given to us, *subject to the effect of the matters stated in paragraphs 4 and 5 above*, the consolidated financial statements give a true and fair view in conformity with the accounting principles generally accepted in India:

(a) in the case of the Consolidated Balance sheet, of the state of affairs of the Group as at 31 March 2011;

(b) in the case of the Consolidated Profit and loss account, of the loss of the Group for the year then ended; and

(c) in the case of the Consolidated Cash flow statement, of the cash flows of the Group for the year then ended.

For **B S R & Co.**
Chartered Accountants
Firm's Registration No: 101248W

Bhavesh Dhupelia
Partner
Membership No: 042070

Mumbai
27 May 2011

CONSOLIDATED BALANCE SHEET AS AT 31 MARCH 2011

(Currency: Indian Rupees)

	Schedule	Current Year 2011	Previous Year 2010
SOURCES OF FUNDS			
Shareholders' funds			
Share capital	3	**112,917,500**	112,917,500
Reserves and surplus	4	**973,360,000**	973,360,000
		1,086,277,500	1,086,277,500
Minority interest		**5,350**	30,009,330
Loan funds			
Secured loans	6	**694,510,369**	534,728,827
Unsecured loans	7	**-**	20,000,000
		694,510,369	554,728,827
Deferred tax liability (net)	8	**-**	9,502,288
		1,780,793,219	1,680,517,945
APPLICATION OF FUNDS			
Fixed assets	9		
Gross block		**1,942,732,613**	1,284,222,300
Less: Accumulated depreciation/amortisation		**1,075,295,400**	715,946,367
Net block		**867,437,213**	568,275,933
Capital work-in-progress (including capital advances)		**98,916,189**	240,410,045
		966,353,402	808,685,978
Deferred tax asset (net)	8	**-**	-
Investments	10	**24,822,902**	23,475,996
Current assets, loans and advances			
Sundry debtors	11	**261,537,645**	218,030,277
Cash and bank balances	12	**39,245,234**	44,779,688
Loans and advances	13	**521,850,474**	478,276,310
		822,633,353	741,086,275
Less: Current liabilities and provisions			
Current liabilities	14	**616,916,012**	388,815,784
Provisions	15	**12,542,420**	3,898,501
		629,458,433	392,714,284
Net current assets		**193,174,921**	348,371,990
Miscellaneous expenditure (to the extent not written-off or adjusted)		**-**	31,330
Profit and loss account	5	**596,441,994**	499,952,651
		1,780,793,219	1,680,517,945
Significant accounting policies	2	**(0.08)**	(0.160)
Notes to the accounts	22		
The schedules referred to above form an integral part of this consolidated balance sheet.			

As per our report of even date attached.

For **B S R & Co.**
Chartered Accountants
Firm's Registration No: 101248W

Bhavesh Dhupelia
Partner
Membership No: 042070

Place : Mumbai
Date : 27 May 2011

For and on behalf of the Board of Directors

Subhash Ghai
Chairman and Managing Director

Parvez A. Farooqui
Executive Director

Rahul Puri
Executive Director

Ravi Poplai
Company Secretary

CONSOLIDATED PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31 MARCH 2011

(Currency: Indian Rupees)

	Schedule	**Current Year 2011**	Previous Year 2010
INCOME			
Revenue	*16*	**2,099,440,959**	1,090,033,253
Other income	*17*	**109,978,734**	46,213,806
		2,209,419,693	1,136,247,059
EXPENDITURE			
Cost of production, distribution and exhibition	*18*	**1,588,089,996**	789,407,355
Personnel costs	*19*	**88,102,753**	68,931,880
Administrative and other expenses	*20*	**231,121,988**	190,402,331
Interest and financial charges	*21*	**70,633,457**	82,540,838
Depreciation	*9*	**72,269,030**	74,514,264
Amortisation (also refer schedule 2.6 and 22.13)	*9*	**283,928,024**	231,075,768
Preliminary expenses written-off		**30,741**	5,457,563
		2,334,175,989	1,442,329,998
(Loss) before tax		**(124,756,295)**	(306,082,939)
Less: Provision for tax			
Current tax (includes Rs 11,211,156 pertaining to earlier years (2010: Rs Nil))		**11,238,156**	25,800
Deferred tax (credit)/ charge		**(9,502,288)**	257,768
		-	-
(Loss) after tax and before minority interest		**(126,492,163)**	(306,366,507)
Less: Minority interest allocation (refer note 2.2)		**580**	-
Add: Minority interest adjustment of earlier years (refer note 2.2)		**30,003,400**	-
(Loss) after tax		**(96,489,343)**	(306,366,507)
Accumulated balance brought forward		**(563,192,565)**	(256,826,058)
Accumulated balance carried forward - refer schedule 5		**(659,681,908)**	(563,192,565)
Earnings per share (Rs.)	*22.9*		
- Basic		**(4.27)**	(13.57)
- Diluted		**(4.27)**	(13.57)
Nominal value of shares (Rs.)		**5**	5
Significant accounting policies	*2*		
Notes to the accounts	*22*		
The schedules referred to above form an integral part of this consolidated profit and loss account.			

As per our report of even date attached.

For **B S R & Co.**
Chartered Accountants
Firm's Registration No: 101248W

Bhavesh Dhupelia
Partner
Membership No: 042070

Place : Mumbai
Date : 27 May 2011

For and on behalf of the Board of Directors

Subhash Ghai
Chairman and Managing Director

Parvez A. Farooqui
Executive Director

Rahul Puri
Executive Director

Ravi Poplai
Company Secretary

Consolidated Cash flow statement for the year ended 31 March 2011

(Currency: Indian Rupees)

		Current Year 2011	Previous Year 2010
A.	**Cash flows from operating activities**		
	Loss for the year before tax	(124,756,296)	(306,082,939)
	Adjustments for:		
	Depreciation	72,269,030	74,514,264
	Amortisation (also refer schedule 22.13)	283,928,024	231,075,768
	Provision for doubtful debts and advances	12,325,821	-
	Provision for dimunition in value of investment / (written back)	3,773,208	158,550
	Provisions written back	(4,441,151)	-
	Bad debts / advances written-off	21,553,597	1,516,674
	Interest and finance charges	70,633,457	82,540,839
	Interest income	(5,250,995)	(27,334,872)
	Interest on income tax refund	(6,495,842)	(2,727,596)
	Dividend income	(920,115)	(841,426)
	Profit on sale of assets / redelvopment, net (also refer schedule 22.12)	(86,195,453)	(171,079)
	Miscellaneous expenditure written-off	30,743	5,457,561
	Operating cash flow before working capital changes	236,454,028	58,105,744
	Adjustment for working capital changes		
	Increase in sundry debtors	(52,470,845)	(37,644,878)
	Increase in loans and advances	(117,373,955)	(136,626,584)
	Increase in current liabilities and provisions	186,894,836	195,969,681
	Cash generated from operations	253,504,066	(45,171,038)
	Income taxes refund (includes interest received)/ (paid)	45,790,227	(11,472,760)
	Net cash generated from operating activities	299,294,293	(56,643,798)
B.	**Cash flows from investing activities**		
	Interest income	5,250,995	27,334,872
	Dividend income	920,115	841,426
	Purchase of fixed assets	(378,575,889)	(216,938,732)
	Proceeds from sale of fixed assets	2,225,000	4,494,252
	Purchase of investment in mutual funds	(925,064)	(999,973)
	Proceeds from sale of investment in mutual funds	800,000	900,000
	Investment in equity share capital of Maya Digital Studios Private Limited	(5,000,000)	-
	Net cash generated / (used) from investing activities	(375,304,843)	(55,784,437)
	Income tax paid	(891,985)	(3,010,228)
	Net cash generated / (used) from investing activities	(376,196,828)	(58,794,665)
C.	**Cash flows from financing activities**		
	Secured loan taken	346,267,310	492,282,457
	Secured loan repaid	(186,485,828)	(324,990,386)
	Unsecured loan taken	-	125,800,000
	Unsecured loan repaid	(20,000,000)	(94,917,700)
	Unclaimed dividend paid	(175,262)	(116,208)
	Interest paid	(68,062,876)	(72,542,609)
	Net cash (used) finance activities	71,543,345	121,906,837
	Net (decrease) / increase in cash and cash equivalents	(5,359,192)	6,468,374
	Cash and cash equivalents as at beginning of the year	43,911,452	37,443,078
	Cash and cash equivalents as at end of the year (Refer note 1 below)	38,552,260	43,911,452
		0	(0)

Cash Flow Statement has been prepared under indirect method as set out in Accounting Standard 3 - Cash Flow Statement

		Current Year 2011	Previous Year 2010
1)	**Cash and cash equivalents at year end comprises:**		
	Cash on hand	745,802	1,004,700
	Cheque in hand	26,710	-
	Balances with scheduled banks in		
	- Current accounts	8,518,785	15,250,596
	- Fixed deposit accounts *	29,260,963	27,656,156
	* pledged as security against bank guarantees given for the Company		
		38,552,260	43,911,452

As per our report of even date attached.

For **B S R & Co.**
Chartered Accountants
Firm's Registration No: 101248W

Bhavesh Dhupelia
Partner
Membership No: 042070

Place : Mumbai
Date : 27 May 2011

For and on behalf of the Board of Directors

Subhash Ghai
Chairman and Managing Director

Parvez A. Farooqui
Executive Director

Rahul Puri
Executive Director

Ravi Poplai
Company Secretary

1. **Background**

Mukta Arts Limited ('Mukta' or 'the Company'), is a company incorporated in India under the Companies Act, 1956 ('the Act'). The Company was incorporated on 7 September 1982 as Mukta Arts Private Limited and was converted from a private limited company to a public limited company on 30 September 2000 and renamed as Mukta Arts Limited. The Company was promoted by Mr. Subhash Ghai who holds approximately 54.99% of the outstanding equity share capital as at 31 March 2011. The Company is primarily engaged in the business of film production and distribution. In addition the Company is also involved in film exhibition wherein it provides film content to multiplexes and single screens across India. The Company also provides extensive production facilities to other production houses and independent producers. The Company has four subsidiaries, Whistling Woods International Limited which is an education institute which imparts training in various skills related to films, television and media industry, Coruscant Tec Private Limited which is a wireless solutions company with a focus on wireless content, Connect1 Limited which is involved in marketing of film content and Mukta Tele Media Limited which is involved in production of television serials.

2. **Summary of significant accounting policies**

2.1 Basis of preparation and consolidation

These consolidated financial statements relate to Mukta Arts Limited ('the Company / Parent Company') and its subsidiary companies. The Company along with its subsidiaries constitute 'the Group'.

The audited financial statements of the subsidiaries used in the consolidation are for the same reporting period as that of the Company, i.e. year ended 31 March 2011. These financial statements are audited by the auditors of the respective entities.

The financial statements of the group are prepared and presented under the historical cost convention, on the accrual basis of accounting and in accordance with the provisions of the Act, and the accounting principles generally accepted in India ('Indian GAAP') and comply with the Accounting Standards ('AS') prescribed in the Companies (Accounting Standards) Rules, 2006, issued by the Central Government, in consultation with the National Advisory Committee on Accounting Standards, to the extent applicable. The financial statements are presented in Indian Rupees except per share data and where mentioned otherwise.

2.2 Principles of consolidation

The consolidated financial statements are prepared in accordance with AS 21 – 'Consolidated Financial Statements'. Consolidated financial statements are prepared using uniform accounting policies for transactions and other events in similar circumstances except where it is not practicable to do so. The consolidated financial statements are presented, to the extent possible, in the same format as that adopted by the Parent Company for its independent financial statements. The consolidated financial statements have been consolidated on the following basis:

Subsidiaries

The excess of cost to the Company of its investment in subsidiaries over its portion of equity in the subsidiaries at the respective dates on which investments in such subsidiaries was made is recognized in the financial statements as goodwill and any excess of assets over the investment in a subsidiary is transferred to Capital Reserve. The Company's portion of equity in the subsidiaries is determined on the basis of the book value of assets and liabilities as per the financial statements of the subsidiaries as on the date of the investment.

The financial statements of the Parent Company and its subsidiaries have been combined on a line-by-line basis by adding together the book values of like items of assets, liabilities, income and expenses, after eliminating intra-group balances / transactions and resulting unrealized profits in full. The amounts shown in respect of reserves / accumulated losses comprise the reserve / accumulated losses as per the balance sheet of the Parent Company and its share in the post-acquisition increase / decrease in the relevant reserve / accumulated losses of the subsidiaries.

The amount of Goodwill and Capital reserve are presented on a net basis for each subsidiary, wherever applicable

Minority interest share of profits or losses is adjusted against the income to arrive at the net income attributable to the shareholders of the Parent Company. Minority interest share of net assets is disclosed separately in the consolidated balance sheet.

The losses applicable to the minority in a consolidated subsidiary may exceed the minority interest in the equity of the subsidiary. The excess, and any further losses applicable to the minority, are adjusted against the majority interest except to the extent that the minority has a binding obligation to, and is able to, make good the losses. If the subsidiary subsequently reports profits, all such profits are allocated to the majority interest until the minority's share of losses previously absorbed by the majority has been recovered.

Sr. No	Name of the Subsidiary	Country of Incorporation	% of shareholding in 2011	% of shareholding in 2010
1	Whistling Woods International Limited	India	84.99%	84.99%
2	Connect 1 Limited *	India	99.00%	99.00%
3	Mukta Tele Media Limited*	India	99.92%	99.92%
4	Coruscant Tele Private Limited*	India	100.00%	100.00%

*audited by M/s Garg Devendra & Associates, Chartered Accountants (Firm registration No. 130993W).

2.3 Use of estimates

The preparation of the financial statements in conformity with Indian GAAP requires management to make estimates and assumptions that affect the reported amount of assets and liabilities and disclosure of contingent liabilities as of the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Management believes that the estimates made in the preparation of these financial statements are prudent and reasonable. Actual results may differ from the estimates used in preparing the accompanying financial statements. Any revision to accounting estimates is recognised prospectively in current and future periods.

2.4 Goodwill

The excess of cost to the Parent company of its investments over its portion of equity in the subsidiaries, as at the date on which the investment was made, is recognized as goodwill in the consolidated financial statements. The Parent Company's portion of equity in the subsidiaries is determined on the basis of the book value of assets and liabilities as per the financial statements of the subsidiaries as on the date of investment.

Goodwill is reviewed for a decline other than temporary in its carrying value, whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. The Group assesses the recoverability of goodwill by reference to the valuation methodology adopted by it on the acquisition date, which included strategic and synergic factors that were expected to enhance the enterprise value. Accordingly, the Group would consider that there exists a decline other than temporary in the carrying value of goodwill when, in conjunction with its valuation methodology, its expectations with respect to the underlying acquisitions it has made deteriorates with adverse market conditions.

2.5 Fixed assets

Tangible assets

Tangible fixed assets are stated at cost of acquisition less accumulated depreciation and any provision for impairment. Cost includes freight, duties, taxes (other than those recoverable from tax authorities) and other expenses directly attributable to the acquisition/ construction and installation of the fixed assets for bringing the asset to its working condition for its intended use. Costs of assets acquired on acquisition of business are determined based on fair values.

Advances paid towards the acquisition of fixed assets outstanding at each balance sheet date and the cost of fixed assets not ready for their intended use before such date are disclosed under capital work-in-progress. Capital work-in-progress includes estimates of work completed, as certified by the management.

Intangible assets

Film rights comprising negative rights and distribution rights.

Negative film rights, distribution rights and films under production which were hitherto classified as Inventories have been classified as Intangibles.

Negative film rights are generally exploited through media such as theatrical exhibition, television/ satellite, cable, etc. Negative film rights in respect of films produced are recorded at cost which is determined on specific identification basis. Acquired negative rights are recorded at the purchase price paid to acquire the rights. Cost incurred on films-in-progress is recorded as capital work-in-progress.

Distribution rights in films are for a contractually specified mode of exploitation, period and territory and are stated at cost. Cost of film rights comprises original purchase price/ minimum guarantee which are ascertained on specific identification basis. In case multiple films/rights are acquired for a consolidated amount, cost is allocated to each film/right based on management's best estimates. In respect of unreleased films, payments towards distribution rights are classified under capital advances as the amounts are refundable in the event of non release of the film.

Software

Application software purchased, which is not an integral part of the related hardware, is shown as intangible assets.

Intellectual property rights

Intangible assets also comprise of intellectual property rights ('IPR') in course curriculum and library of books. An intangible asset is recognized if, and only if, it is probable that the future economic benefits that are attributable to the asset will flow to the enterprise.

IPR in course curriculum consists of expenses incurred on internal development of course curriculum.

2.6 Depreciation/ amortisation

Tangible assets

Depreciation on fixed assets is provided on written down value method, at the rates prescribed in Schedule XIV to the Act which, in management's opinion, reflects the estimated useful lives of those fixed assets.

2.6 Depreciation/ amortisation (Continued)

Tangible assets *(Continued)*

Leasehold improvements are depreciated at lower of the estimated useful lives of the assets and lease term, on a straight line basis.

Fixed assets costing individually up to Rs.5,000 are depreciated fully in the year of purchase.

Intangible assets

Film rights comprising negative rights and distribution rights

The individual film forecast method is used to amortise the cost of film rights. Under the film forecast method, costs are amortised in the proportion that gross revenue realized bears to management's estimate of total gross revenue expected to be received. If estimates of the total revenue and other events or changes in circumstances indicate that the realizable value of a right is less than its unamortized cost, a loss is recognized for the excess of unamortized cost over the film rights' realizable value. Hitherto, films rights were treated as Inventories and charged to the profit and loss account as cost of production on release of the film.

This change in policy has resulted in reduction in charge for the current period by Rs 20,000,000 and has been done to be in line with generally accepted accounting practices and which in management's opinion is a better representation of its usage pattern.

Intellectual property rights

The amortisation of intangible assets is provided pro-rata on straight line basis over their useful life determined by the management as mentioned below:

Intangible assets	Estimated useful life
Intellectual property rights (course curriculum)	5 years
Library (books and copyrights)	1 year

Software

Application software purchased is amortised over its license period or on a straight line basis over its useful life, not exceeding five years, as determined by management.

2.7 Impairment

In accordance with AS 28 on 'Impairment of Assets', where there is an indication of impairment of the company's assets, the carrying amounts of the company's assets are reviewed at each balance sheet date to determine whether there is any impairment. The recoverable amount of the assets (or where applicable, that of the cash generating unit to which the asset belongs) is estimated as the higher of its net selling price and its value in use. An impairment loss is recognised whenever the carrying amount of an asset or the cash generating unit to which it belongs exceeds its recoverable amount. Impairment loss is recognised in the profit and loss account or against revaluation surplus, where applicable.

If at the balance sheet date there is an indication that a previously assessed impairment loss no longer exists, the recoverable amount is re-assessed and the asset is reflected at the recoverable amount subject to a maximum of the depreciated historical cost. Value in use is the present value of estimated future cash flows expected to arise from the continuing use of the asset and from its disposal at the end of its useful life

2.8 Revenue recognition

Revenue is recognized to the extent that it is probable that the economic benefits will flow to the company, revenue can be reliably measured and recoverability is reasonably certain. The amount recognized as income is exclusive of value added tax, service tax and net of trade discounts. Unbilled revenue represent costs incurred and revenue recognised on contract to be billed in subsequent period as per the terms of the contract.

Film/content production and related income

Revenue from sale of content/ motion pictures is recognized on assignment/sale of the rights in the concerned content/ motion picture from the date of their availability for exploitation or on the date of release of the content/ movie, as applicable.

Revenue from other rights in motion pictures such as satellite rights, overseas rights, music rights, video rights, etc., is recognized on assignment/sale of rights in the concerned motion picture from the date of their availability for exploitation.

Income from distribution and exhibition

Revenue comprising proceeds from sales of tickets, net of taxes and exhibitor's share is recognized on the date of release/ exhibition. Overflow, being excess of collection over Minimum Guarantee, net of eligible expenses is accrued on the basis of receipt of Business Statement from Sub Distributors/Theatre owners. As the Company is the primary obligor, the shares of producers, joint venture investors (other than those in jointly controlled assets) and sub-agents / sub distributors are included in revenues from distribution and exhibition (theatrical exploitation) and are correspondingly disclosed as direct cost.

Distribution/ sub-distribution commission is recognized as it is earned based on intimation by the theatre owners /distributors.

2.8 Revenue recognition (Continued)

Income from distribution and exhibition (Continued)

Revenue from management of theatres is recognised on an accrual basis as per the contractual arrangement entered into with the theatre owners.

Revenue from equipment Hire/ facility rental

Income from equipment hire/ facility rental is recognised on a straight line basis over the period of the relevant agreement / arrangement.

Tution Fees Income

Revenue from tution fee is recognized over the period of the course. Revenue from acceptance and admission fees is recognized at the time of acceptance/admission of the student. Revenue from sale of prospectus and other materials/goods is recognized on delivery to the student.

Interest Income

Interest income is recognised on a time proportion basis.

Dividend income

Dividend income is recognised when the right to receive dividend is unconditional at the balance sheet date.

2.9 Investments

Long-term investments are carried at cost, less any provision for diminution, which is other than temporary, in value.

Current investments are carried at lower of cost and fair value. The comparison of cost and fair value is done separately in respect of each category of investments.

2.10 Employee benefits

(a) ***Short term employee benefits***

All employee benefits payable wholly within twelve months of rendering the service are classified as short-term employee benefits. The undiscounted amount of short-term employee benefits expected to be paid in exchange for the services rendered by employees is charged to the profit and loss account in the period in which such services are rendered.

(b) Post employment benefits

Defined contribution plan:

The contribution paid / payable under the recognised provident fund scheme and the employees' state insurance contribution is recognised as an expense in the profit and loss account during the period in which the employee renders the related service.

Defined benefit plan:

The gratuity benefit scheme is a defined benefit plan. The net obligation in respect of the gratuity benefit scheme is calculated by estimating the amount of future benefit that employees have earned in return for their services in the current and prior periods. These benefits are discounted to determine their present value, and the fair value of any plan assets is deducted therefrom.

The present value of the obligation under such defined benefit plan is determined based on actuarial valuation at each balance sheet date by an independent actuary, using the Projected unit credit method, which recognises each period of service as giving rise to one additional unit of employee benefit entitlement and measures each unit separately to build up the final obligation.

The obligations are measured at the present value of the estimated future cash flows. The discount rates used for determining the present value of the obligations under the defined benefit plan are based on the market yields on government bonds as at the balance sheet date.

Actuarial gains and losses arising during the period are recognised immediately in the profit and loss account.

(c) Other long-term employee benefits

Compensated absences which are not expected to occur within twelve months after the end of the period in which the employee renders the related services are recognised as a liability at the present value of the defined benefit obligations at the balance sheet date based on an actuarial valuation by an independent actuary using the Projected unit credit method. The discount rates used for determining the present value of the obligations under the defined benefit plan are based on the market yields on government bonds as at the Balance sheet date.

2.11 Foreign currency transactions

Transactions denominated in foreign currency are recorded at the exchange rate prevailing on the date of the transactions. Exchange differences arising on foreign exchange transactions settled during the year are recognised in the profit and loss account of the year. Monetary assets and liabilities denominated in foreign currencies as at the balance sheet date are translated at the closing exchange rates on that date; the resultant exchange differences are recognised in the profit and loss account

Non-monetary items are carried at historical cost using the exchange rate at the date of the transaction.

2.12 Earning per share

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

2.13 Taxation

Income-tax expense comprises current tax expense and deferred tax charge or credit.

Current tax

Provision for current tax is recognised in accordance with the provisions of the Income tax Act, 1961 and is made based on the tax liability after taking credit for tax allowances and exemptions.

Minimum Alternative Tax

Minimum Alternative Tax ('MAT') credit is recognised only to the extent there is convincing evidence that the company will pay normal income tax in excess of MAT during the specified period. MAT credit entitlement is reviewed as at each balance sheet date and written down to the extent there is no longer convincing evidence that the company will pay normal income tax during the specified period.

Deferred tax

Deferred tax liability or asset is recognised for timing differences between the profits or losses offered for income taxes and profits/losses as per the financial statements. Deferred tax assets and liabilities and the corresponding deferred tax credit or charge are measured using the tax rates and tax laws that have been enacted or substantively enacted as at the balance sheet date.

Deferred tax asset is recognised only to the extent there is reasonable certainty that the assets can be realised in future; however, where there is unabsorbed depreciation or carried forward loss under taxation laws, deferred tax asset is recognised only if there is a virtual certainty of realisation of such asset. Deferred tax asset is reviewed as at each Balance sheet date and written down or written up to reflect the amount that is reasonably / virtually certain to be realized.

2.14 Leases

The group has various operating leases, principally for office space, with various renewal options. Rental expense in agreements with scheduled rent increases is recorded on a straight-line basis over the lease term.

Assets given on operating lease

Lease rentals in respect of assets given on operating lease are recognised on a straight line basis over the lease term unless another systematic basis is more representative of the time pattern of the benefit received.

2.15 Borrowing costs

Borrowing costs that are attributable to the acquisition, construction or production of qualifying assets are capitalised as part of the cost of such assets. A qualifying asset is one that necessarily takes a substantial period of time to get ready for its intended use. All other borrowing costs are charged to the profit and loss account.

2.16 Provisions and contingencies

A provision is created when there is a present obligation as a result of a past event that probably requires an outflow of resources and a reliable estimate can be made of the amount of the obligation. A disclosure for a contingent liability is made when there is a possible obligation or a present obligation that may, but probably will not, require an outflow of resources. When there is a possible obligation or a present obligation in respect of which the likelihood of outflow of resources is remote, no provision or disclosure is made.

Provisions are reviewed at each balance sheet date and adjusted to reflect the current best estimate. If it is no longer probable that the outflow of resources would be required to settle the obligation, the provision is reversed.

Schedules to the Consolidated financial statements as at 31 March 2011

(Currency: Indian Rupees)

		Current Year 2011		Previous Year 2010	
3	**Share capital**				
	Authorised capital				
	24,000,000 (2010: 24,000,000) equity shares of Rs 5 each		**120,000,000**		120,000,000
	Issued, subscribed and paid-up capital				
	22,581,200 (2010: 22,581,200) equity shares of Rs 5 each, fully paid-up		**112,906,000**		112,906,000
	Of the above:				
	8,245,000 (2010: 8,245,000) equity shares of Rs 10 each, fully paid-up were issued as bonus shares on 30 January 2000 by capitalisation of general reserves. These shares were further split into 16,490,000 equity shares of Rs. 5 each in March 2000.				
	Add :- Forfeited shares (Amount originally paid-up)		**11,500**		11,500
	[No. of shares forfeited: 4,000 (2010: 4,000)]				
			112,917,500		112,917,500
	As at 31 March 2011, 12,417,990 (2010: 12,417,990) equity shares of Rs 5 each, fully paid up are held by Mr. Subhash Ghai				
4	**Reserves and surplus**				
	Securities premium account		**973,360,000**		973,360,000
	General reserve				
	At the beginning of the year	**63,239,914**		63,239,914	
	Add: Transfer during the year	**-**		-	
	Debit balance of Profit and loss account, deducted as per contra	**(63,239,914)**	**-**	(63,239,914)	-
			973,360,000		973,360,000
5	**Profit and loss account**				
	Debit balance at the beginning of the year		**563,192,565**		256,826,058
	Loss for the year		**96,489,343**		306,366,507
			659,681,908		563,192,565
	Deducted as per contra		**(63,239,914)**		(63,239,914)
			596,441,994		499,952,651
6	**Secured loans**				
	From banks				
	Long term				
	Term loans				
	Kotak Mahindra Bank		**179,632,481**		140,888,980
	(Secured against all current assets and commercial properties at Oshiwara and Bandra and personal guarantee of Mr. Subhash Ghai and Mrs. Mukta Ghai)				
	(Repayable within a year Rs 59,294,936 (2010: 59,139,957)				
	HDFC Bank		**311,990,600**		229,000,000
	(Secured against keyman insurance policy of Mr. Subhash Ghai)				
	(Repayable within a year Rs 311,990,600 (2010: Nil)				
	Punjab National Bank		**15,141,704**		45,160,745
	(Secured against hypothecation of building and machinery, the term loans are repayable in 16 quarterly installments, commencing on 7 December 2007)				

Schedules to the Consolidated financial statements as at 31 March 2011

(Currency: Indian Rupees)

		Current Year 2011	Previous Year 2010
	(Repayable within one year is Rs. 15,141,704 (2010 : Rs. 30,019,041)		
	Car loans	**6,574,445**	10,192,733
	(Secured against related vehicles)		
	(Repayable within a year Rs 4,871,851 (2010: 4,554,106)		
-	***Short term***		
	Cash credit facility	**174,564,139**	103,899,489
	(Secured against all current assets and commercial properties at Oshiwara and Bandra and personal guarantee of Mr. Subhash Ghai and Mrs. Mukta Ghai)		
	(Repayable on demand)		
	From others - Long Term		
	Life Insurance Corporation of India loan	**6,607,000**	5,586,880
	(Secured against keyman insurance policy of Mr. Subhash Ghai, Mr.Parvez Farooqui and Mr.Siraj Farooqui)		
	(Repayable within a year Rs Nil (2010: Nil)	**694,510,369**	534,728,827
7	**Unsecured loans**		
	Short term		
	From others - Inter corporate deposits	**-**	20,000,000
	Repayable within a year Rs. Nil (2010: 20,000,000)		
		-	20,000,000
8	**Deferred tax**		
	(A) Deferred tax liability		
	Arising on account of timing differences in:		
	Depreciation/ amortisation *	**39,582,078**	14,754,416
	(B) Deferred tax asset		
	Arising on account of timing difference in:		
	Unabsorbed depreciation allowance and carried forward business loss *	**30,456,015**	4,394,333
	Disallowances *U/s* 43B	**561,251**	241,634
	Provision for leave encashment and gratuity	**3,215,070**	327,910
	Provision for doubtful debts and advances	**4,094,638**	288,251
	Provision for dimunition of investments	**1,255,104**	-
		39,582,078	5,252,128
	* 2011 - Deferred tax asset on unabsorbed depreciation allowance and carried forward business loss restricted to the extent of deferred tax liabilty due to absence of virtual certainty		
	Net deferred tax asset / net deferred tax (liability)	**-**	9,502,288

9 Fixed assets

Particulars	Gross block				Accumulated depreciation / amortisation				Net block	
	As at 1 April 2010	Additions during the year	Deductions during the year	As at 31 March 2011	As at 1 April 2010	Charge for the year	On deductions during the year	As at 31 March 2011	As at 31 March 2011	As at 31 March 2010
Intangible assets										
Distribution rights (also refer Schedule 22.13)	-	205,500,320	-	**205,500,320**	-	205,500,320	-	**205,500,320**	-	-
Negative rights (also refer Schedule 22.13)	231,075,768	104,629,920	-	**335,705,688**	231,075,768	75,224,423	-	**306,300,191**	**29,405,497**	-
Exhibition rights	2,500,000	-	-	**2,500,000**	1,976,071	104,785	-	**2,080,856**	**419,144**	523,929
Computer software	14,663,556	1,382,911.00	-	**16,046,467**	9,021,033	2,562,670	-	**11,583,703**	**4,462,764**	1,923,716
Intellectual property rights (Course curriculum)	5,546,359	528,500.00	-	**6,074,859**	3,274,572	535,825		**3,810,397**	**2,264,462**	2,271,789
Total intangible assets	253,785,683	312,041,651	-	**565,827,334**	**245,347,444**	**283,928,024**	-	**529,275,467**	**36,551,867**	4,719,434
Tangible assets										
Land	30,000,000	80,316,000	-	**110,316,000**	-	-	-	-	**110,316,000**	30000000
Ownership premises	125,809,799	119,799,660	836,717	**244,772,742**	30,139,961	7,465,396	209,509	37,395,848	**207,376,894**	96,690,019
Leasehold premises	-	120,762,320	-	**120,762,320**	-	5,247,791	-	5,247,791	**115,514,529**	-
Institute building	277,314,690	1,403,316	-	**278,718,006**	47,389,143	11,560,711	-	**58,949,854**	**219,768,152**	229,925,547.00
Temporary shed	666,964	-	-	**666,964**	666,964	-	-	**666,964**	-	-
Plant and machinery	368,120,143	9,511,360	-	**377,631,503**	228,636,693	26,110,585	-	254,747,278	**122,884,225**	143,147,533
Motor vehicles	47,542,166	2,961,808	522,148	**49,981,826**	28,192,720	5,140,800	320,150	33,013,370	**16,968,456**	18,128,858
Furniture fixtures and office equipment	58,015,916	8,799,388	-	**66,815,304**	40,947,326	4,612,882	-	45,560,208	**21,255,096**	17,627,825
Computers	116,131,672	3,528,318	-	**119,659,990**	91,472,738	11,385,258	-	102,857,996	**16,801,994**	28,036,716
Library of books	6,835,017	745,607	-	**7,580,624**	6,835,017	745,607	-	**7,580,624**	-	-
Total tangible assets	**1,030,436,367**	**347,827,777**	**1,358,865**	**1,376,905,279**	**474,280,562**	**72,269,030**	**529,659**	**546,019,933**	**830,885,346**	563,556,498
Total	**1,284,222,050**	**659,869,428**	**1,358,865**	**1,942,732,613**	**719,628,006**	**356,197,053**	**529,659**	**1,075,295,400**	**867,437,213**	568,275,933
2010	1,032,254,322	258,084,283	6,116,305	1,284,222,300	407,219,792	305,590,032	3,136,543	715,946,367	568,275,933	-
Tangible assets - Capital work-in-progress (including capital advances)									**36,858,965**	102,696,416
Intangible assets - Capital work-in-progress (including capital advances)									**62,057,224**	137,713,629
Also refer schedule 2.3 and 22.13									**98,916,189**	240,410,045

Schedules to the Consolidated financial statements as at 31 March 2011

(Currency: Indian Rupees)

			Current Year 2011		Previous Year 2010
10	**Investments**				
A	**Long term (non-trade, unquoted and at cost)**				
	(a) Others				
	(i) Indiasound Limited	**3,778,158**		3778158	
	7,500,000 (2010: 7,500,000) equity Shares of 0.1 Pence each, fully paid-up.				
	Less : Provision for diminution for investment	**(3,778,158)**	**-**	-	3,778,158
	(ii) Maya Digital Studios Private Limited.		**5,000,000**		-
	500,000 (2010: Nil) equity shares of Rs 10 each, fully paid-up				
	As per the terms of the Shareholders agreement, additional shares, not exceeding 1,000,000 may be allotted to the Company on or before 31 March 2012, free of cost.				
	(iii) Bashiron Co. Op. Housing Society Limited		**500**		500
	10 Shares (2010: 10) of Rs. 50 each				
	(iv) Bait-Ush-Sharaf Co. Op. Housing Society Limited		**1,250**		1,250
	15 Shares (2010: 15) of Rs. 50 each				
			5,001,750		3,779,908
B	**Current investments (non-trade, un-quoted and at lower of cost and fair value)**				
	Investment in mutual funds*		**19,821,152**		19,696,088
	1,952,265.392 (2010: 1,940,405.682) units of LIC NOMURA floating rate fund- Short term plan [Net asset value: Rs 19,821,152 (2010: 19,696,088)]				
	* Lien has been marked to the extent of 1,913,720 (2010: 1,913,720) units in favour of Punjab National Bank against guarantees given for the Company.				
			19,821,152		19,696,088
			24,822,902		23,475,996
	Aggregate value of quoted investments		**-**		-
	Aggregate value of unquoted investments		**24,822,902**		23,475,996
11	**Sundry debtors**				
	(Unsecured)				
	Debts outstanding for a period exceeding six months				
	Considered good		**6,890,003**		60,946,273
	Considered doubtful		**8,983,572**		1,648,692
	Other debts		**254,647,643**		157,084,004
	Considered good		**-**		-
	Less: Provision for doubtful debts		**8,983,572**		1,648,692
			261,537,645		218,030,277
12	**Cash and bank balances**				
	Cash in hand		**745,802**		1,004,700
	Cheque in hand		**26,710**		-
	Balances with scheduled banks in				
	- current accounts		**8,518,785**		15,250,596
	- fixed deposit accounts *		**29,260,963**		27,656,156
	- dividend accounts		**692,974**		868,236
			39,245,234		44,779,688
	* pledged as security against bank guarantees given for the Company				

Schedules to the Consolidated financial statements as at 31 March 2011

(Currency: Indian Rupees)

		Current Year 2011		Previous Year 2010	
13	**Loans and advances**				
	(Unsecured)				
	Loans to others		**53,908,202**		48,528,586
	Advances to staff	**1,849,859**		1,284,500	
	Less: Provision for doubtful advances	**290,000**	**1,559,859**	-	1,284,500
	Advances recoverable in cash or in kind or for value to be received	**330,261,134**		240,853,720	
	Less: Provision for doubtful advances	**3,052,249**	**327,208,885**	-	240,853,720
	Deposits				
-	with Mukta Arts (Proprietary concern of the Managing Director of the Company)	**300,000**		300,000	
	(Maximum amount due during the year: Rs 300,000 (2010: Rs 300,000))				
-	with Others	**15,368,699**	**15,668,699**	13,272,134	13,572,134
	Advance tax (including tax deducted at source) (net of provision Rs.106,200,234; 2010: Rs 94,989,078)		**123,504,829**		174,037,370
			521,850,474		478,276,310
14	**Current liabilities**				
	Sundry creditors for goods and services:				
	- Dues to MSMED (refer schedule 22.2)		**-**		-
	- Others		**303,703,707**		195,728,981
	Advance for films and other services		**165,364,422**		72,497,416
	Other liabilities		**88,363,073**		57,350,657
	Unclaimed dividend (No amount is payable to Investor Education and Protection Fund (2010: Rs.Nil))		**692,974**		868,236
	Interest accrued but not due		**3,644,475**		1,073,894
	Unearned revenue		**28,398,700**		33,318,750
	Deposit from students		**26,748,661**		27,977,850
			616,916,013		388,815,784
15	**Provisions**				
	Taxation (net of advance tax and tax deducted at source Rs 21,471,095 (2010: Rs 21,471,095))		**2,864,305**		2,837,305
	Gratuity		**3,885,811**		129,198
	Leave encashment		**5,792,304**		931,998
			12,542,420		3,898,501
16	**Revenue**				
	Own productions		**82,031,474**		102,191,083
	Distribution and exhibition		**1,777,463,233**		784,135,232
	Fees from students		**167,550,834**		177,613,102
	Rent and amenities charges		**65,110,431**		22,372,224
	Equipment hire		**4,229,677**		2,504,416
	Income from downloads		**3,055,310**		1,217,196
			2,099,440,959		1,090,033,253
17	**Other income**				
	Dividend income from				
	- current investment		**920,115**		841,426
	Interest income from:				
	- bank (Tax deducted at source Rs. 172,996 (2010: Rs 187,868)		**1,733,203**		1,878,683

Schedules to the Consolidated financial statements as at 31 March 2011

(Currency: Indian Rupees)

		Current Year 2011	Previous Year 2010
	- loans, advances and other deposits (Tax deducted at source Rs. 718,989 (2010: Rs 2,822,259)	**3,517,792**	25,456,189
	Interest on income tax refund	**6,495,842**	2,727,596
	Profit on sale of assets, net (also refer schedule 22.12)	**86,195,453**	171,079
	Keyman insurance claim received	**-**	9,500,000
	Excess provision written back, net	**4,441,151**	-
	Miscellaneous income	**6,675,178**	5,638,833
		109,978,734	46,213,806
18	**Cost of production, distribution and exhibition**		
	Expenses of distribution and exhibition	**1,558,458,943**	753,704,113
	Other operating expenses	**29,631,053**	35,703,242
		1,588,089,996	789,407,355
19	**Personnel costs**		
	Salaries, wages and bonus	**73,392,360**	66,207,907
	Contribution to provident and other funds	**3,388,303**	885,885
	Gratuity (includes prior years charge : Rs 3,495,320) (also refer Schedule 22.10)	**4,025,032**	171,488
	Leave encashment (includes prior years charge : Rs 4,186,971) (also refer Schedule 22.10)	**5,029,208**	131,654
	Staff welfare expenses	**2,267,850**	1,534,946
		88,102,753	68,931,880
20	**Administrative and other expenses**		
	Advertisement and publicity expenses	**10,900,940**	13,768,785
	Auditor's remuneration (refer Schedule 22.4)	**1,306,328**	1,826,871
	Bad debts / advances written-off	**21,553,597**	1,516,674
	Brokerage and commission	**1,869,663**	2,183,855
	Business promotion	**1,891,697**	15,268,330
	Communication	**5,491,670**	4,457,209
	Electricity charges	**17,234,470**	18,511,501
	Insurance	**1,935,965**	1,687,073
	Legal and professional fees	**56,861,889**	53,073,156
	Motor car expenses	**3,961,371**	3,086,513
	Printing and stationery	**3,232,059**	2,880,473
	Provision for diminution in investments	**3,773,208**	158,550
	Provision for doubtful debts and advances	**12,325,821**	-
	Rates and taxes	**11,405,276**	6,872,879
	Rent	**21,610,846**	25,327,356
	Repairs and maintenance :		
	- Buildings	**11,115,277**	9,316,226
	- Machinery	**345,621**	653,257
	- Others	**545,953**	170,704
	Scholarship awards	**2,564,750**	3,174,241
	Security charges	**5,546,975**	5,426,574
	Sets student practicals	**14,099,373**	14,941,061
	Travelling expenses	**11,141,832**	7,916,702
	Miscellaneous expenses	**10,407,407**	1,815,659
		231,121,988	190,402,331
21	**Interest and financial charges**		
	On term loans	**50,546,017**	44,506,368
	On cash credit facilities	**15,811,360**	12,256,612
	On other loans	**2,033,041**	24,024,355
	Finance charges	**2,243,039**	1,753,503
		70,633,457	82,540,838

22 Notes to the accounts

22.1 ***Contingent liabilities and commitments***

Sr No	Particulars	2011	2010
1	Service tax matters	**2,115,000**	2,115,000
2	Guarantees given by bank on behalf of the Company	**21,544,383**	57,766,927
3	Corporate guarantees for loans taken by subsidiary	**150,000,000**	120,000,000
4	**Matters in respect of Whistling Woods International Limited - Income Tax** **A) Assessment year 2003-04** There are certain additions/ disallowances made in the assessment and the department had raised a demand of Rs 2,913,501 (including interest Rs 651,159). Aggrieved by the assessment order, the Company had filed an appeal with the C.I.T (Appeals) who confirmed the additions/ disallowances. The Company subsequently filed an appeal with the Income Tax Appellate Tribunal which was also dismissed and the Company deposited the outstanding amount. Based on consultation with its legal counsel, the Company is proposing to file an appeal with the Hon'ble High Court of Judicature at Bombay. The Assessing officer has also levied penalty of Rs 2,500,000, which was contested by the Company with the C.I.T (Appeals) who confirmed the penalty. The Company subsequently filed an appeal with the Income Tax Appellate Tribunal which set aside the order and referred it back to the C.I.T Appeals and the matter is currently pending. The Company has not accrued for the liability as it is contesting these matters and management believes that its position will be upheld. **B) Assessment year 2004-05** There are certain additions/ disallowances made in the assessment and the department had raised a demand of Rs 3,478,871 (including interest Rs 738,005) Aggrieved by the assessment order, the Company had filed an appeal with the C.I.T (Appeals) who confirmed the additions/ disallowances. The Company subsequently filed an appeal with the Income Tax Appellate Tribunal which was also dismissed and the Company deposited the outstanding amount. Based on consultation with its legal counsel, the Company is proposing to file an appeal with the Hon’ble High Court of Judicature at Bombay. The Assessing officer has also levied penalty of Rs 3,000,000, which was contested by the Company with the C.I.T (Appeals) who confirmed the penalty. The Company subsequently filed an appeal with the Income Tax Appellate Tribunal which set aside the order and referred it back to the C.I.T Appeals and the matter is currently pending. The Company has not accrued for the liability as it is contesting these matters and management believes that its position will be upheld. **C) Assessment year 2005-06** There are certain additions/ disallowances made in the assessment and the department had raised a demand of Rs 524,063 (including interest Rs 106,950). Aggrieved by the assessment order, the Company had filed an appeal with the C.I.T (Appeals) who confirmed the additions/ disallowances. The Company subsequently filed an appeal with the Income Tax Appellate Tribunal which set aside the order and referred it back to the C.I.T Appeals and the matter is currently pending. The Company has not accrued for the liability as it is contesting these matters and management believes that its position will be upheld. **D) Assessment year 2006-07** There are certain additions/ disallowances made in the assessment and the department had raised a demand of Rs 207,903 (including interest Rs 54,127). Aggrieved by the assessment order, the Company had filed an appeal with the C.I.T (Appeals) who confirmed the additions/ disallowances. The Company subsequently filed an appeal with the Income Tax Appellate Tribunal and the matter is currently pending. The Company has not accrued for the liability as it is contesting these matters and management believes that its position will be upheld.		

Sr No	Particulars	2011	2010
5	**Others** **A)** Public Interest Litigation ('PIL') has been filed by Mr. Abdul Hamid Patel and Others alleging that the Maharashtra Film Stage and Cultural Development Corporation Limited (MFSCDCL) has not followed proper procedure while allotting the 20 acre land to the Whistling Woods International Limited. The PIL is admitted and pending before the High Court. However, no injunction/interim relief was granted to the petitioners. In the opinion of the management, the Company has a good chance of winning the case. **B)** In the year 1973-74, the Government of Maharashtra ('GOM'), as per the scheme, invited applications of plots for development of film industry infrastructure in film city at Goregaon (East), Mumbai. Many applications were received and M/s PDR Videotronics (India) Private Limited ('PDR') was one of the applicants. The GOM issued a letter to PDR for allotment of one hectare of land. Thereafter, MFSCDCL was formed for development of film city and as per the recommendation of Godbole Committee, the above scheme was scrapped. However, before scrapping of the scheme, PDR filed a suit in the High Court demanding specific performance of the scheme. The High Court admitted the suit and same is still pending. Meanwhile, PDR took out a notice of motion saying that MFSCDCL is carrying out the activities on the allotted land thereby affecting their rights. Since the MFSCDCL didn't argue, the High Court granted the injunction in favour of PDR. Thereafter in the year 2003, contempt petition was filed by PDR alleging that the construction work is being carried out on the said allotted land in violation of injuction. However, subsequently the contempt petition was disposed off by the High Court. PDR took out another notice of motion on the same issue. The High Court refused to grant any relief to PDR and directed that the notice of motion be clubbed with the original suit of PDR against MFSCDCL and same suit to be expedited. With a view to peacefully resolve the issue, the Whistling Woods International Limited has offered to earmark one hectare of land out of the available free land for a possible assignment to PDR, in case the final decision of the High Court is in the favour of PDR. In the opinion of the management the Company has a good chance of winning the case. **D)** Claims against Whistling Woods International Limited not acknowledged as debts pertaining to local levies Rs. 15,292,656 (2010: Rs Nil.).		
6	**Commitments** Estimated amount of contracts remaining to be executed on capital account (net of advances) and not provided for	**5,706,143**	Nil
	Notes: 1. Unless specified the amounts are excluding penalty and interest, if any that would be levied at the time of final conclusion. 2. The Group companies are party to various legal proceedings in the normal course of business and do not expect the outcome of these proceedings to have any adverse effect on the financial conditions, results of operations or cash flows.		

22.2 Dues to Micro, Small and Medium Enterprises

(a) On the basis of the information and records available with the Management, none of the Group's suppliers are covered by The Micro, Small and Medium Enterprises Development Act, 2006. Accordingly, the disclosures prescribed under the said Act are not applicable.

22.3 *Managerial remuneration*

	2011	2010
Salaries, bonus and allowances	**18,572,800**	18,268,000
Contribution to provident fund	**432,000**	432,000
Perquisites	**10,556,009**	2,505,670
Total managerial remuneration	**29,260,809**	21,205,670

Note: The above figures do not include provisions for encashable leave and gratuity expenses as separate actuarial valuations are not available for the Directors.

The managerial remuneration paid to the whole-time director of the Parent company for the year aggregating to Rs 23,209,717 and for earlier years aggregating to Rs 42,465,506 is in excess of the limits prescribed under Section 198 of the Companies Act, 1956. The Parent company has made an application to the Central Government seeking post-facto approval, which is awaited.

Computation under Section 198 of the Act is not made since no commission is paid to the directors.

22.4 ***Auditors' remuneration (excluding service tax)***

	2011	2010
Audit fees	**1,286,251**	1,044,371
Taxation matters	**-**	525,000
Other services	**-**	125,000
Reimbursement of out-of-pocket expenses	**20,077**	132,500
Total auditors' remuneration	**1,306,328**	1,826,871

22.5 ***Foreign currency exposures not covered by forward contracts***

The Group has no foreign currency exposures as at 31 March 2011 (2010: Rs.Nil).

22.6 ***Lease disclosure under AS 19 – 'Leases'***

a) The Parent company is obligated under non-cancellable leases primarily for office and residential premises which is renewable thereafter as per the terms of the respective agreement.

The future minimum lease payments in respect of non-cancellable operating lease are as follows:

Particulars	**2011**	2010
Minimum lease payments		
Amounts due within one year from the balance sheet date	**14,054,501**	4,033,496
Amounts due in the period between one year and five years	**29,932,067**	17,405,079
Amount due after five years	**72,398,853**	77,145,343
	116,385,421	98,583,918

Lease rent expenses of Rs 17,032,149 (2010: Rs 15,295,697) has been included under 'Rent' in the Profit and loss account.

b) The Parent company has subleased part of the office premises taken on lease. The future minimum sublease payment expected to be received under non-cancellable sub-lease as at 31 March 2011 is Rs 42,834,885 (2010: Rs Nil).

Sublease rent income of Rs 23,656,778 has been included under 'Rent and amenities charges' in the Profit and loss account.

c) The Parent company has given office premises on lease which is renewable thereafter as per the terms of the respective agreement

The future minimum lease payment expected to be received in respect of non-cancellable operating lease are as follows:

Particulars	**2011**	2010
Minimum lease payments		
Amounts due within one year from the balance sheet date	**16,072,176**	-
Amounts due in t he period between one year and five years	**69,473,490**	-
Amount due after five years	**24,351,319**	-
	109,896,985	-

Lease rent income of Rs 14,393,304 has been included under 'Rent and amenities charges' in the Profit and loss account.

The Whistling Woods International Limited does not have non-cancellable leases at year end. Lease rent of Rs.4,578,697 (2010 Rs 10,031,659) has been included under 'Rent' in Profit and account.

22.7 Segment reporting

Particulars	31 March 2011	31 March 2010
Segment revenue		
Software division	**1,861,076,639**	886,326,316
Equipment division	**10,950,430**	2,504,416
Fees from students	**167,550,833**	177,613,102
Others	**196,430,126**	69,803,227
Total	**2,236,008,029**	1,136,247,061
Less : Inter segment revenue	**26,588,329**	3,563,324
Net Sales / Income from operation	**2,209,419,700**	1,132,683,469
Segment results		
Profit/(Loss) before tax and interest from each segment		
Software division (includes prior period charge Rs 4,326,842 (2010: Rs Nil))	**(108,340,400)**	(134,157,368)
Equipment division (includes prior period charge Rs 119,306 (2010: Rs Nil))	**5,263,084**	2,605,042
Fees from students	**(62,600,008)**	(62,408,462)
Others (includes prior period charge Rs 3,236,143 (2010: Rs Nil))	**65,748,127**	69,803,469
Total	**(99,929,197)**	(124,157,319)
Less: Interest	**70,633,457**	68,476,934
Unallocated expenses, net of unallocable income	**(45,806,358)**	113,448,686
Total profit/(loss) before tax	**(124,756,296)**	(306,082,939)
Segment assets		
Software division	**745,262,551**	528,340,098
Equipment division	**67,628,673**	75,724,629
Fees from students	**401,652,245**	430,415,150
Others	**153,739,406**	79,905,077
Unallocable (includes advance for tax)	**574,323,737**	878,037,871
Segment liabilities		
Software division	**(356,269,062)**	(227,444,909)
Equipment division	**(1,267,333)**	(1,817,476)
Fees from students	**(147,959,585)**	(458,635,313)
Others	**(43,155,816)**	(30,537,346)
Unallocable (includes provision for tax and minority interest)	**(904,119,311)**	(687,662,651)
Capital expenditure		
Software division	**230,738,427**	147,485,598
Equipment division	**-**	-
Fees from students	**1,274,107**	498,321
Others	**322,281,296**	126,048,781
Unallocable	**(36,118,258)**	30,792,652
Depreciation and amortization		
Software division	**289,647,400**	237,252,200
Equipment division	**8,739,629**	7,129,190
Fees from students	**44,623,123**	55,544,919
Others	**7,147,265**	293,461
Unallocable	**6,039,636**	5,370,262
Capital employed		
(Segment assets - Segment Liabilities)		
Software Division	**388,993,489**	300,895,188
Equipment Division	**66,361,340**	73,907,153
Fees from students	**253,692,660**	(28,220,379)
Others	**110,583,590**	49,367,730
Unallocable	**(329,795,574)**	190,375,157

The Group has disclosed Business Segments as the primary segment.

Management has identified four business segments (including alignment of business segments identified in earlier years) – Software division, Equipment division, Education and others. Segments have been identified taking into account the nature of the business, the differing risks and returns, the organisation structure and internal reporting system.

Software division primarily comprise film/TV production, distribution and exhibition operations. Production operations represent production/ co-production of movies and allied. Distribution and exhibition operations represent acquisition of movie rights for overseas as well as Indian distribution for a fixed period and exploitation thereof. Equipment division comprises of the equipment given on hire to the outsider. Fees from students comprise the operations of an education, research and training institute that imparts training in various skills related to films, television and media industry. Others comprises mainly of the rental income.

The Company caters mainly to the domestic market and risks and rewards being similar across the market, there are no reportable geographical segments.

Segment Revenue, Segment Results, Segment Assets and Segment Liabilities include the respective amounts identifiable to each segment as also amounts allocable on a reasonable basis. Income and expenses which are not directly attributable to any business segment areshown as unallocated corporate income and expenses respectively. Assets and liabilities that cannot be allocated between the segments are shown as a part of unallocated assets and liabilities respectively.

22.8 Related party disclosures

Details of related parties including summary of transaction entered into by the company during the year ended 31 March 2011 are summarized below:

A Parties where control exists

(i) Shareholders holding more than 20%

- Subhash Ghai

(ii) Key management personnel and relatives of such personnel

- Subhash Ghai - Chairman and Managing Director
- Parvez Farooqui - Executive Director
- Rahul Puri - Executive Director
- Ashok Ghai - Brother of Subhash Ghai
- Siraj Farooqui - Brother of Parvez Farooqui
- Sameer Farooqui - Brother of Parvez Farooqui
- Sajid Farooqui - Brother of Parvez Farooqui
- Meghna Ghai Puri - Daughter of Subhash Ghai

***(iii)* Enterprise over which key management personnel have a control/substantial interest/significant influence**

- Mukta Arts – Proprietary concern of Chairman and Managing Director
- MAL Employees Welfare Trust - Executive Director is settler and one of the director is Trustee
- Mukta Tele Arts Private Limited – Enterprise in which Subhash Ghai exercises significant influence

B Transactions with related parties for the year ended 31 March 2011 are as follows:-

Transactions	Key Management Personnel and relatives of such personnel		Enterprises over which key management personnel have control / substantial interest / significant influence		Jointly Venture partner	
	2011	2010	2011	2010	2011	2010
Receiving of Services						
Ashok Ghai	**1,944,000**	1,800,000	**-**	-	-	-
Mukta Arts	**-**	-	**60,000**	60,000	-	-
Payment of salaries						
Siraj Farooqui	**2,052,400**	1,900,000	**-**	-	-	-
Sameer Farooqui	**412,920**	377,480	**-**	-	-	-
Sajid Farooqui	**455,040**	426,140	**-**	-	-	-

Transactions	Key Management Personnel and relatives of such personnel		Enterprises over which key management personnel have control / substantial interest / significant influence		Jointly Venture partner	
	2011	**2010**	**2011**	**2010**	**2011**	**2010**
Managerial remuneration						
Subhash Ghai	**23,209,717**	15,234,145	**-**	-	-	-
Parvez A. Farooqui	**2,088,246**	1,911,491	**-**	-	-	-
Rahul Puri	**2,100,584**	1,918,844	**-**	-	-	-
Meghna Puri	**2,162,262**	2,162,262	**-**	-	-	-
Reimbursement of expenses paid by the Company						
Meghna Ghai Puri	**243,734**	-	**-**	-	-	-
Amount written off						
MAL Employees Welfare Trust	**-**	-	**19,925,000**	-	-	-
Interest receivable						
Payables						
Mukta Arts			**60,000**	-		
Advances receivable						
MAL Employees Welfare Trust	**-**	-	-	19,925,000	**-**	-
Deposit receivable						
Mukta Arts	**-**	-	**300,000**	300,000	**-**	-
Personal guarantee given jointly by Mr. Subhash Ghai and Mrs. Mukta Ghai for secured loan taken from Kotak Mahindra Bank	**304,297,692**	245,305,769	-	-	-	-

22.9 Earnings per share ('EPS')

Particulars	**2011**	2010
Net (loss) after tax	**(96,489,344)**	(306,366,507)
Weighted average number of equity shares outstanding during the year for basic EPS	**22,581,200**	22,581,200
Weighted average number of equity shares outstanding during the year for dilutive EPS	**22,581,200**	22,581,200
Basic EPS	**(4.27)**	(13.57)
Dilutive EPS	**(4.27)**	(13.57)
Nominal value per share	**5.00**	5.00

22.10 Employee benefits:

(i) Defined Contribution Plans

Contribution to provident fund and ESIC - Amount of Rs 3,388,303 (2010: Rs 885,885) is recognized as an expense and included in "Personnel costs" in the Profit and Loss account.

(ii) Defined benefit plan and other long term employment benefit

(a) Leave wages (other long term employment benefit)

The leave wages are payable to all eligible employees at the rate of daily salary for each day of accumulated leave on death or on resignation or upon retirement on attaining superannuation age. During the year, Rs. 5,029,208 (2010: 131,654) is recognized as an expense in the Profit and Loss account.

(b) Employee benefits Gratuity (Defined benefit plan)

There is a defined benefit gratuity plan. Every employee who has completed five years or more of service gets a gratuity on death or resignation or retirement at 15 days salary (last drawn salary) for each completed year of service. The scheme is funded with an insurance company in the form of a qualifying insurance policy.

Particulars	2011	2010
A) Change in defined benefit obligation		
Opening defined benefit obligation	**5,007,951**	4,848,665
Current service cost *	**767,921**	294,969
Interest cost *	**617,951**	79,242
Actuarial (gain) / loss *	**(477,127)**	(294,203)
Prior year charge	**3,495,320**	-
Past service charge	**-**	136,176
Benefits paid	**(191,365)**	(359,375)
Additional provision	**-**	-
Closing defined benefit obligation	**9,220,652**	5,007,951
B) Change in fair value of assets		
Opening fair value of plan assets	**4,878,753**	4,855,955
Expected return on plan assets *	**289,490**	74,577
Actuarial gain / (loss) on plan assets *	**153,620**	5,119
Contributions by employer	**204,342**	-
Benefits paid	**(191,365)**	(359,375)
Closing fair value of plan assets	**5,334,840**	4,878,753
C) Expenses recognised in the Profit and Loss account		
Current service cost	**767,921**	294,969
Prior year charge	**3,495,320**	136,176
Interest on Defined Benefit Obligation	**617,951**	79,242
Expected return on plan assets	**(289,490)**	(74,577)
Net Actuarial Losses recognized	**(630,747)**	(299,322)
Total expense recognized	**3,960,956**	171,488
D) Amount recognised in Balance sheet		
Present value of Funded obligations	**9,220,652**	5,334,840
Fair value of plan assets	**5,334,810**	4,878,753
Net Liability	**3,885,812**	129,198
E) Actuarial assumptions		
Discount Rate (p.a)	**7.85% to 8.30%**	7.85% to 8.30%
Expected rate of return on assets (p.a)	**7.50%**	7.50%
Salary Escalation rate (p.a)	**6% to 8%**	6.% to 8%
F) Experience adjustments		
On plan assets	**(194,374)**	-
On plan liabilities	**(68,165)**	-
G) Details of Plan Assets		
LIC managed funds	**5334,840**	3,927,346

* Detailed breakup of these components for the year ended 31 March 2010 are not available for the Parent Company

Pursuant to the actuarial valuation, liability pertaining to prior years aggregating to Rs 3,495,320 in respect of gratuity and Rs 4,186,971 in respect of leave encashment has been provided for during the year.

2.11 Prior year figures were audited by a firm of Chartered Accountants other than B S R & Co.

2.12 During the year, the Company recognized Rs. 84,799,660 being profit on redevelopment of property (possession obtained during the year) pursuant to agreement entered into on 20 January 2006.

2.13 Prior period comparatives

a. Upto the previous year, negative and distribution rights in films ('Rights') were classified as 'Inventory' and amortization of the same was forming part of 'Cost of production, distribution and exhibition'. From the current year, management has decided to reclassify these rights as an 'Intangible asset' after reassessing their nature and to bring it in line with the industry practice. Correspondingly, amortization of these rights is also part of the fixed asset schedule. This re-classification has no impact on the results for the year. Gross block and accumulated depreciation in respect of negative and distribution rights for films released prior to 31 March 2010, except movies released in the previous year, has not been restated as the same have been fully exploited as at 1 April 2009.

b. Provision for Value added tax ('VAT') aggregating to Rs19,442,308 (2010: Rs13,200,000) which was earlier classified as 'Taxation' in Schedule 14, has now been reclassified as 'Other liabilities' in Schedule 13.

c. VAT and Service tax receivable aggregating to Rs 12,859,435 (2010: Rs 10,970,113) and Rs 8,627,385 (2010: Rs 8,060,039) respectively which was earlier classified as 'Advance tax ' in Schedule 13, has now been reclassified as 'Advances recoverable in cash or in kind or for value to be received' in Schedule 13.

d. Provision for tax has been netted of with Advance tax, this was earlier presented at a gross level.

e. Upto the previous year, Cash credit facilities were classified as 'Other liabilities' in Schedule 13, has now been reclassified as 'Secured loans' in Schedule 6.

f. Inter-corporate deposits given aggregating to Rs 333,408,202 (2010: Rs 313,528,586) which were hitherto classified as Investments, have be grouped under 'Loans and advances' in Schedule 13.

g. Personnel costs and Interest and financial charges (net) were hitherto included as part of 'Administrative and other expenses', these have been disclosed separately.

h. The Statement of cashflows has been regrouped in line with the above, as applicable.

For B S R & Co.
Chartered Accountants
Firm's Registration No: 101248W

Bhavesh Dhupelia
Partner
Membership No: 042070

Place : Mumbai
Date : 27 May 2011

For and on behalf of the Board of Directors

Subhash Ghai
Chairman and Managing Director

Parvez A. Farooqui
Executive Director

Rahul Puri
Executive Director

Ravi Poplai
Company Secretary

DIRECTORS' REPORT

Dear Members of

Whistling Woods International Ltd

Your Directors take pleasure in presenting the Tenth Annual Report and the Audited Statement of Accounts for the Accounting year ended 31st March 2011.

Operations:

The Gross Block of Fixed Assets of the Company as on 31.03.2011 excluding capital work in progress was placed at Rs.681,803,351 as compared to previous year figures of Rs 672,935,537 The Capital Work in progress as on 31st March 2011 is NIL.

During the year the Company recorded an income of Rs.180,150,303 and the total loss after tax is Rs 62,627,811. The expense includes a significant amount of Rs. 44,623,123 as depreciation.

Share Capital:

The share capital remains the same during the year under review.

Directors:

1. Mr. Pradeep Guha retires by rotation at the ensuing Annual General Meeting and being eligible offers himself for reappointment.
2. Mr. Vijay Choraria retires by rotation at the ensuing Annual General Meeting and being eligible offers himself for reappointment.

Auditor's Report:

The Management's explanation to the Auditors observation in their report is detailed herein below:

1) The Auditors have observed that no provision has been made in the Financial Statements for the Income Tax Liability for the Assessment year 2003-04, 2004-05, 2005-06 and 2006-07. Management has capitalized all costs till commencement of Project. In case interest Income is considered, as per the Appellate Tribunal Order, then corresponding administrative expenses for the relevant period also needs to be considered which will leave no taxable Income. Management has gone in appeal as only the income has been considered disallowing capitalization of the same. Management has been advised that stand is correct and chances of success in appeal are fair, hence no provision is made.
2) The Institute is presently working at 75% of its optimum capacity in line with the projections prepared at the time of commencement of the Institute. The losses include large amounts of depreciation provided. Management is hopeful of wiping of the accumulated losses in the next few years when the optimum capacity utilization is achieved.
3) During the project development stage, the short term funds available with the Company have been utilized partly for project related expenditure.
4) Due to the temporary funds constraint, there has been slight delay in repayment of loan to Punjab National Bank.

Directors' Responsibility Statement [Section 217 (2AA)]:

The Directors confirm that:

- in the preparation of the annual accounts, the applicable accounting standards have been followed along with proper explanation relating to material departures;
- 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 true and fair view of the state of affairs of the Company at the end of the financial year and of the loss of the company for the year;
- the Directors had taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of this Act for safeguarding the assets of the company and for preventing and detecting fraud and other irregularities;
- the Annual accounts have been prepared on a going concern basis;

Auditors and Auditors Report:

M/s BSR & Co. Chartered Accountants retire at the ensuing Annual General Meeting and being eligible offer themselves for reappointment as the Auditors of the Company.

Statutory Disclosures:

Particulars of employees required under Section 217 (2A) of the Companies Act, 1956 and the Companies (Particulars of Employees) Rules, 1975, as amended, are given in Annexure I.

Particulars regarding Foreign Exchange earnings and outgo required under Section 217 (1) (e) of the Companies Act, 1956 and Companies (Disclosure of Particulars in the report of the Board of Directors) Rules, 1988 are given in Schedule 27 & 28 (Statement of Significant Accounting Policies and Notes forming Part of Accounts) of this report.

The Particulars regarding disclosure about conservation of energy, technology absorption are not applicable to the Company.

Acknowledgements:

The Board of Directors wishes to thank and record its appreciation to the Government of Maharashtra, The Maharashtra Film Stage and Cultural Development Corporation Limited, Film Fraternity, Bankers and Media who have extended and are expected to extend their continued support of the Company.

Your Directors thank all the Governing Council Members, Advisory Board Members, employees and Faculty members of the Company for their dedicated services to the Company.

On behalf of the Board of Directors

Sd/-

Place : Mumbai
Dated : 26th May, 2011

Subhash Ghai
Chairman

Annexure – I

ANNEXURE TO DIRECTORS' REPORT

Information as per Section 217 (2A) of the Companies Act, 1956 read with the Companies (Particulars of Employees) Rules, 1975.

No employee of the Company was in receipt of remuneration as per the limit for the financial year 2010-2011 under section 217 (2 A) and the rules made thereunder.

AUDITORS' REPORT

To the Members of
Whistling Woods International Limited

We have audited the attached Balance Sheet of Whistling Woods International Limited ('the Company') as at 31 March 2011 and the related Profit and Loss Account and 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.

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 from material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

1 As required by the Companies (Auditor's Report) Order, 2003 ('the Order'), issued by the Central Government of India in terms of sub-section (4A) of Section 227 of the Companies Act, 1956 ('the Act'), we enclose in the Annexure, a statement on the matters specified in paragraphs 4 and 5 of the said Order.

2 *As more fully explained in Schedule 20.1 to the financial statements, the Company has disputed the demand from Income-tax authorities aggregating to Rs 12,044,363 (2010: Rs 12,634,582 (including interest Rs 1,550,241 (2010: Rs 1,550,241) and penalty Rs 5,500,000 (2010: Rs 5,500,000)) for the financial years ended 31 March 2003 (assessment year 2003-04), 31 March 2004 (assessment year 2004-05), 31 March 2005 (assessment year 2005-06) and 31 March 2006 (assessment year 2006-07). No provision has been made in the financial statements in this regard. Had the Company accrued for this liability, the loss for the year and the debit balance in profit and loss account at year end would have been higher by Rs. 12,044,363.*

3 Further to our comments in the Annexure referred to above, we report that:

a. we have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit;

b. in our opinion, proper books of account as required by law has been kept by the Company so far as appears from our examination of those books;

c. the Balance Sheet, Profit and Loss Account and Cash Flow Statement dealt with by this report are in agreement with the books of account;

d. in our opinion, the Balance Sheet, Profit and 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 Act;

e. on the basis of written representations received from the directors of the Company as at 31 March 2011, and taken on record by the Board of Directors, we report that none of the directors is disqualified as on 31 March 2011 from being appointed as a director in terms of clause (g) of sub-section (1) of Section 274 of the Act; and

f. in our opinion and to the best of our information and according to the explanations given to us, *subject to the effect of matters stated in paragraph 2 above*, the said accounts give the information required by the Act, in the manner so required, and give a true and fair view in conformity with the accounting principles generally accepted in India:

(i) in the case of the Balance Sheet, of the state of affairs of the Company as at 31 March 2011;

(ii) in the case of the Profit and Loss Account, of the loss of the Company for the year ended on that date; and

(iii) in the case of the Cash Flow Statement, of the cash flows of the Company for the year ended on that date.

For **B S R & Co.**
Chartered Accountants
Firm's Registration No: 101248W

Bhavesh Dhupelia
Partner
Membership No: 042070

Place : Mumbai
Dated : 26th May, 2011

Annexure to the Auditors' Report- 31 March 2011

(Referred to in our report of even date)

i) (a) The Company has maintained proper records showing full particulars including quantitative details and situation of fixed assets.

(b) The Company has a regular programme of physical verification of its fixed assets by which all fixed assets are verified in a phased manner over a period of two years. In our opinion, this periodicity of physical verification is reasonable having regard to the size of the Company and the nature of its assets. Pursuant to the programme, certain fixed assets were physically verified during the year and no material discrepancies were noticed on such verification.

(c) The Company has not disposed off any fixed assets during the year.

ii) The Company is a service company, primarily rendering training related to films, television and media industry to students. Accordingly, it does not hold any physical inventories. Thus, paragraph 4(ii) of the Order is not applicable.

iii) (a) The Company has not granted any loans to companies/ firms/ other parties covered in the register maintained under Section 301 of the Act.

(b) The Company has taken a loan from a company covered in the register maintained under Section 301 of the Act. The maximum amount outstanding during the year was Rs 298,500,000 and the year end balance of such loans was Rs 279,500,000.

(c) In our opinion, the rate of interest and other terms and conditions on which loans have been taken from a company listed in the register maintained under Section 301 of the Act are not prima facie prejudicial to the interests of the Company.

(d) In case of loans taken from a company listed in the register maintained under Section 301 of the Act, no specific terms of repayment have been specified and, according to the information and explanation given to us, payment of interest and repayments are being made regularly as and when demanded.

iv) In our opinion and according to the information and explanation given to us, there is an adequate internal control system commensurate with the size of the Company and the nature of its business with regard to purchase of fixed assets and with regard to sale/ rendering of services. The Company's nature of operations does not involve purchase of inventory and sale of goods.

v) (a) In our opinion and according to the information and explanations given to us, the particulars of contracts or arrangements referred to in Section 301 of the Act have been entered in the register required to be maintained under that section.

(b) In our opinion and according to the information and explanations given to us, the transactions made in pursuance of contracts and arrangements referred to in (a) above and exceeding the value of Rs 5 lakhs with a party during the year are for the Company's specialised requirements for which suitable alternative sources are not available to obtain comparable quotations. However, on the basis of information and explanations provided, the same appear reasonable.

vi) The Company has not accepted any deposits from the public.

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

viii) The Central Government has not prescribed the maintenance of cost records under Section 209(1)(d) of the Act for any of the services rendered by the Company.

(ix) (a) According to the information and explanations given to us and on the basis of our examination of records of the Company, *except for non deposit of provident fund dues aggregating Rs 390,808*, amounts deducted/ accrued in the books of accounts in respect of undisputed statutory dues including Provident fund, Income tax, Sales tax/ VAT, Service tax, Customs duty and other material statutory dues have been generally regularly deposited during the year by the Company with appropriate authorities. As explained to us, the Company did not have any dues on account of Investor Education and Protection Fund, Employees' State Insurance, Excise duty and Wealth tax.

There were no dues on account of Cess under Section 441A of the Act since the date from which the aforementioned section comes into force has not yet been notified by the Central Government.

According to the information and explanations given to us, no undisputed amounts payable in respect of Income tax, Sales tax/ VAT, Service tax, Custom duty and other material statutory dues were in arrears as at 31 March 2011 for a period of more than six months from the date they became payable, *except for non deposit of provident fund dues aggregating to Rs.302,440 which is outstanding for a period of more than six months from the date it became payable.*

(b) According to the information and explanations given to us, the following dues of income-tax have not been deposited by the Company on account of disputes:

Nature of the Statue	Nature of the Dues	Amount (including interest)*	Period to which the amount relates (Assessment Year)	Forum where the dispute is pending as at year end
Income tax Act, 1961	Penalty	2,500,000	2003-04	Income Tax Appellate Tribunal
	Penalty	3,000,000	2004-05	Income Tax Appellate Tribunal

* Excludes Rs 6,544,363 deposited under dispute

x) *The Company has accumulated losses at the end of the financial year exceeding 100% of its net worth. The Company has incurred cash losses in the current financial year and in the immediately preceding financial year.*

xi) In our opinion and according to the information and explanation given to us, the Company has not defaulted in repayment of dues to its banker; *however, there have been instances of delays in repayment of loan installments which have been subsequently paid*. The Company did not have any outstanding debentures or dues to any financial institutions during the year.

Nature of default	Principal amount	Due date	Date of payment	Delay (days)
Repayment of loan installment.	7,500,000	07 June 2010	17 June 2010	10
	7,500,000	07 September 2010	28 September 2010	21
	7,500,000	07 December 2010	06 January 2011	30
	7,500,000	07 March 2011	16 March 2011	09

xii) The Company has not granted any loans and advances on the basis of security by way of pledge of shares, debentures or other securities.

xiii) In our opinion and according to the information and explanations given to us, the Company is not a chit fund or nidhi/ mutual benefit fund/ society.

xiv) According to the information and explanations given to us, the Company is not dealing or trading in shares, securities, debentures and other investments.

xv) According to the information and explanations given to us, the Company has not given any guarantees for loans taken by others from banks or financial institutions.

xvi) In our opinion and according to the information and explanations given to us, the term loans taken by the Company have been applied for the purpose for which they were raised.

xvii) *According to the information and explanations given to us and on an overall examination of the Balance sheet of the Company, we are of the opinion that the funds raised on short term basis aggregating to Rs 391,802,255 have been used to finance fixed assets and the debit balance in the profit and loss account of the Company.*

xviii) The Company has not made any preferential allotment of shares to companies/firms/parties covered in the register maintained under Section 301 of the Act.

xix) The Company did not have any outstanding debentures during the year.

xx) The Company has not raised any money by public issues during the year.

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

For **B S R & Co.**
Chartered Accountants
Firm's Registration No: 101248W

Bhavesh Dhupelia
Partner
Membership No: 042070

Place : Mumbai
Dated : 26th May, 2011

BALANCE SHEET AS AT 31 MARCH 2011

(Currency: Indian Rupees)

	Schedules	**Current Year 31.03.2011**	Previous Year 31.03.2010
SOURCES OF FUNDS			
Shareholders' funds			
Share capital	*3*	**400,000,000**	400,000,000
Loan funds			
Secured loans	*4*	**65,040,632**	45,160,745
Unsecured loans	*5*	**279,500,000**	265,000,000
		744,540,632	710,160,745
APPLICATION OF FUNDS			
Fixed assets	*6*		
Gross block		**681,803,351**	672,935,537
Less: Accumulated depreciation/ amortisation		**315,808,436**	271,185,313
Net block		**365,994,915**	401,750,224
Add: Capital work in progress (including capital advances)		**-**	1,465,869
		365,994,915	403,216,093
Deferred tax asset (net)	*7*	-	-
Current assets, loans and advances			
Sundry debtors	*8*	**9,380,515**	4,663,270
Cash and bank balances	*9*	**1,575,281**	2,597,281
Loans and advances	*10*	**23,575,915**	18,812,885
		34,531,709	26,073,436
Less: Current liabilities and provisions			
Current liabilities	*11*	**144,580,034**	145,617,650
Provisions	*12*	**2,253,931**	1,731,296
Net current assets		**(112,302,256)**	(121,275,510)
Miscellaneous expenditure (*to the extent not written off or adjusted***)**	*13*	**-**	-
Profit and loss account		**490,847,973**	428,220,162
		744,540,632	710,160,745
Significant accounting policies	*2*		
Notes to the accounts	*20-31*		

The schedules referred to above form an integral part of this balance sheet.

As per our report attached

For **B S R & Co.**
Chartered Accountants
Firm's Registration No: 101248W

For and on behalf of the Board of Directors

Bhavesh Dhuepelia
Partner
Membership No: 042070

Subhash Ghai
Chairman

Meghna Ghai Puri
Director

Nivedita Nambiar
Company Secretary

Place : Mumbai
Date : 26th May, 2011

PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31 MARCH 2011

(Currency: Indian Rupees)

	Schedules	**Current Year 31.03.2011**	Previous Year 31.03.2010
Income			
Fees from students	*14*	**167,550,834**	177,613,102
Hire charges		**6,720,754**	12,987,338
Other income	*15*	**5,878,715**	1,528,906
		180,150,303	192,129,346
Expenditure			
Personnel costs	*16*	**31,944,600**	27,334,113
Operating and administrative expenses	*17*	**131,263,454**	139,867,554
Depreciation/ amortisation	*6*	**44,623,123**	55,544,919
Finance charges	*18*	**34,819,657**	31,430,370
		242,650,834	254,176,956
(Loss) before tax and prior period expenses		**(62,500,531)**	(62,047,610)
Prior period expenses	*19*	**127,280**	360,829
(Loss) before tax		**(62,627,811)**	(62,408,439)
Less : Provision for tax		**-**	-
(Loss) after tax		**(62,627,811)**	(62,408,439)
Accumulated balance brought forward		**(428,220,162)**	(365,811,723)
Balance carried forward to balance sheet		**(490,847,973)**	(428,220,162)
Basic and diluted earnings per equity share of face value of Rs 1,000 each	*30*	(313.14)	(312.04)
Significant accounting policies	*2*		
Notes to the accounts	*20-31*		

The schedules referred to above form an integral part of this profit and loss account.

As per our report attached

For **B S R & Co.**
Chartered Accountants
Firm's Registration No: 101248W

For and on behalf of the Board of Directors

Bhavesh Dhuepelia
Partner
Membership No: 042070

Subhash Ghai
Chairman

Meghna Ghai Puri
Director

Nivedita Nambiar
Company Secretary

Place : Mumbai
Date : 26th May, 2011

CASH FLOW STATEMENT FOR THE YEAR ENDED 31 MARCH 2011

(Currency: Indian Rupees)

	Current Year 31.03.2011	Previous Year 31.03.2010
Cash flows from operating activities		
Net (loss) before tax	**(62,627,811)**	(62,408,439)
Adjustments:		
Depreciation/ amortisation	**44,623,123**	55,544,919
Preliminary expenses written-off	**-**	307,750
Finance charges	**34,819,657**	31,430,370
Loss on sale of assets (net)	**-**	717,415
Provisions written back, net	**(1,429,074)**	(47,727)
Bad debts written-off	**421,868**	923,208
Provision for doubtful debts	**700,358**	-
Interest income	**(3,248)**	(2,259)
Operating profit before working capital changes	**16,504,873**	26,465,237
Working capital changes		
(Increase) / decrease in sundry debtors	**(3,973,763)**	(1,365,399)
(Increase) / decrease in loans and advances	**(442,402)**	(526,723)
(Decrease) / increase in current liabilities	**(2,160,808)**	(5,678,370)
Increase/ (Decrease) in provisions	**(602,987)**	45,336
Cash generated from operations	**9,324,914**	18,940,081
Taxes (paid)/ refund, net (including fringe benefits tax)	**(3,195,007)**	(1,905,874)
Net cash generated from operating activities (A)	**6,129,907**	17,034,207
Cash flows from investing activities		
Purchase of fixed assets	**(10,231,461)**	(6,722,379)
Proceeds from sale of fixed assets	**-**	552,730
Interest received	**3,248**	2,259
Net cash generated / (used) in investing activities (B)	**(10,228,213)**	(6,167,390)
Cash flows from financing activities		
Secured loans received	**49,898,932**	
Secured loans repaid	**(30,019,041)**	(30,090,106)
Unsecured loans received	**84,500,000**	105,800,000
Unsecured loans repaid	**(70,000,000)**	(59,300,000)
Financial charges	**(31,303,584)**	(25,040,858)
Net cash generated from/ (used in) financing activities (C)	**3,076,303**	(8,630,964)
Net increase / (decrease) in cash and cash equivalents (A+B+C)	**(1,022,000)**	2,235,854
Cash and cash equivalents at the beginning of the year	**2,597,281**	361,428
Cash and cash equivalents at the end of the year	**1,575,281**	2,597,281
The Company follows indirect method as prescribed in AS-3 Cash Flow Statements.		
Cash and cash equivalents at the year end comprises:		
Cash on hand	**94,338**	14,611
Balances with scheduled banks		
- in current account	**1,448,779**	2,057,670
- in term deposit account	**32,164**	525,000
	1,575,281	2,597,281

As per our report attached

For **B S R & Co.**
Chartered Accountants
Firm's Registration No: 101248W

For and on behalf of the Board of Directors

Bhavesh Dhuepelia
Partner
Membership No: 042070

Subhash Ghai
Chairman

Meghna Ghai Puri
Director

Nivedita Nambiar
Company Secretary

Place : Mumbai
Date : 26th May, 2011

SCHEDULES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2011

Background

Whistling Woods International Limited ('the Company') was incorporated in 2001 and is a subsidiary of Mukta Arts Limited ('MAL' or 'the holding company'). MAL holds 85% of the equity share capital of the Company. The Company is an education, research and training institute and imparts training in various skills related to films, television and media industry.

1 Going concern

The Company has accumulated losses exceeding 100% of its equity as at 31 March 2011. However, these financial statements have been prepared on a going concern basis as the Company's management believes that, based on the projected operating plans and the operating and financial support from its holding Company, Mukta Arts Limited, the Company will be able to operate as a going concern in the foreseeable future. These financial statements do not include any adjustments relating to the recoverability and classification of the carrying amounts of assets or to the amounts and classification of liabilities that may be necessary if the entity is unable to continue as a going concern.

2 Summary of significant accounting policies

2.1 Basis of preparation of financial statements

These financial statements have been prepared and presented under the historical cost convention, on the accrual basis of accounting and in accordance with the provisions of the Companies Act, 1956 and the accounting principles generally accepted in India and comply with the accounting standards prescribed in the Companies (Accounting Standards) Rules, 2006 issued by the Central Government, in consultation with the National Advisory Committee on Accounting Standards, to the extent applicable. Accounting policies have been consistently applied except where a newly issued accounting standard is initially adopted or a revision in accounting standard requires change in accounting policy hitherto in use. The management evaluates all recently issued and revised accounting standards on an ongoing basis

2.2 Use of estimates

The preparation of the financial statements in conformity with generally accepted accounting principles ('GAAP') in India requires management to make estimates and assumptions that affect the reported amount of assets and liabilities and disclosure of contingent liabilities as of the date of the financial statements, and the reported amount of revenue and expenses during the reporting period. The estimates and assumptions used in the accompanying financial statements are based upon management's evaluation of the relevant facts and circumstances as of the date of the financial statements. Actual results may differ from the estimates used in preparing the accompanying financial statements. Any revision to accounting estimates is recognised prospectively in current and future periods.

2.3 Leases

Lease payments under operating lease are recognised as an expense on a straight line basis over the lease term.

2.4 Fixed assets and depreciation

Tangible assets

Tangible fixed assets are carried at cost of acquisition or construction or revalued amount less accumulated depreciation and impairment loss, if any. Cost includes inward freight, duties, taxes, and expenses incidental to acquisition/construction of the fixed assets up to the time the assets are ready for intended use.

Intangible assets

Intangible assets comprise of intellectual property rights ('IPR') in course curriculum and library of books. An intangible asset is recognized if, and only if, it is probable that the future economic benefits that are attributable to the asset will flow to the enterprise.

IPR in course curriculum consists of expenses incurred on internal development of course curriculum.

Depreciation /amortisation

Depreciation on tangible fixed assets is provided pro-rata to the period of use, using the written down value method ('WDV') at rates prescribed in Schedule XIV to the Companies Act, 1956.

Tangible assets individually costing up to Rs 5,000 are depreciated fully in the year of capitalisation.

The amortisation of intangible assets is provided pro-rata on straight line basis over their useful life determined by the management as mentioned below:

Intangible assets	Estimated useful life
Intellectual property rights (course curriculum)	5 years
Library (books and copyrights)	1 year

2.5 ***Impairment***

In accordance with AS 28 on 'Impairment of Assets', where there is an indication of impairment of the Company's assets, the carrying amounts of the Company's assets are reviewed at each balance sheet date to determine whether there is any impairment. The recoverable amount of the asset (or where applicable, that of the cash generating unit to which the asset belongs) is estimated as the higher of its net selling price and its value in use. An impairment loss is recognised whenever the carrying amount of an asset or the cash generating unit exceeds its recoverable amount. Impairment loss is recognised in the profit and loss account or against revaluation surplus, where applicable.

Value in use is the present value of estimated future cash flows expected to arise from the continuing use of the asset and from its disposal at the end of its useful life.

2.6 ***Retirement benefits***

(a) Defined contribution plan

Contributions payable to the recognized Provident Fund are charged to the profit and loss account as incurred. The Company has no further obligations under the provident fund plan beyond its monthly contributions.

(b) Defined benefit plans

The Company's gratuity benefit scheme is a defined benefit plan. The Company's net obligation in respect of the gratuity benefit scheme is calculated by estimating the amount of future benefit that employees have earned in return for their service in the current and prior periods. Such benefit is discounted to determine its present value, and the fair value of any plan assets is deducted.

The present value of the obligation under such defined benefit plan is determined based on actuarial valuation using the Projected Unit Credit Method, which recognizes each period of service as giving rise to additional unit of employee benefit entitlement and measures each unit separately to build up the final obligation. The obligation is measured at the present value of the estimated future cash flows. The discount rates used for determining the present value of the obligation under defined benefit plan are based on the market yields on Government securities as at the balance sheet date.

When the calculation results in a benefit to the Company, the recognised asset is limited to the net total of any unrecognised actuarial losses and past service costs and the present value of any future refunds from the plan or reductions in future contributions to the plan.

Actuarial gains and losses are recognized immediately in the profit and loss account.

(c) Short-term employee benefits

All employee benefits payable wholly within twelve months of rendering the service are classified as short-term employee benefits. These benefits include compensated absences such as paid annual leave and sickness leave. Short term employee benefits are recognised as an expense at the undiscounted amount in the profit and loss account of the year in which the related service is rendered.

(d) Other Long term employee benefits

Compensated absences which are not expected to occur within twelve months after the end of the period in which the employee renders the related services are recognized as a liability at the present value of the defined benefit obligation at the Balance Sheet date using actuarial valuation. The discount rates used for determining the present value of the obligation under defined benefit plan are based on the market yields on Government securities as at the Balance Sheet date.

2.7 ***Revenue recognition***

Revenue from tution fee is recognized over the period of the course. Revenue from acceptance and admission fees is recognized at the time of acceptance/admission of the student. Revenue from sale of prospectus and other materials/goods is recognized on delivery to the student.

Facilitation charges include revenue from provision of hostel and other related facilities to the students and are recognized on a time proportion basis.

Revenue from hire of premises and equipments is recognized over the period of hire.

Interest income is recognized on a time proportion basis.

2.8 *Foreign currency transactions*

Transactions denominated in foreign currency are recorded at the exchange rate prevailing on the date of the transaction. Exchange differences arising on foreign exchange transactions settled during the period are recognised in the profit and loss account of the period.

Monetary assets and liabilities in foreign currency which are outstanding as at the period-end are translated at the period-end at the closing exchange rate and the resultant exchange differences are recognised in the profit and loss account.

2.9 *Taxes on income*

Income tax expense comprises of current tax expense and deferred tax charge or credit.

Current taxes

Provision for current income-tax is recognized in accordance with the provisions of the Income-tax Act, 1961 and is made annually based on the tax liability after taking credit for tax allowance and exemptions.

Deferred taxes

Deferred tax assets and liabilities are recognized for the future tax consequences attributable to timing differences that result between the profits offered for income taxes and the profits as per the financial statements. Deferred tax assets and liabilities are measured using the tax rates and the tax laws that have been enacted or substantively enacted at the balance sheet date. Deferred tax assets are recognized only to the extent there is reasonable certainty that the assets can be realized in the future; however, where there is unabsorbed depreciation or carried forward loss under taxation laws, deferred tax assets are recognized only if there is virtual certainty of realisation of such assets. Deferred tax assets are reassessed for the appropriateness of their respective carrying values at each balance sheet date.

2.10 *Provisions and contingencies*

Provision is recognized in the balance sheet when the Company has a present obligation as a result of a past event, and it is probable that an outflow of economic benefits will be required to settle the obligation and reliable estimation can be made of the amount required to settle the obligation. Contingent liabilities arising from claims, litigation, assessment, fines, penalties etc. are disclosed when there is a possible obligation or a present obligation as a result of a past event where it is not probable that an outflow of economic benefits will be required to settle the obligation, and the amount can be reasonably estimated. When there is a possible obligation or a present obligation in respect of which the likelihood of outflow of resources is remote, no provision or disclosure is made.

2.11 *Earnings per share ('EPS')*

Basic EPS is computed using the weighted average number of equity shares outstanding during the period. Diluted EPS is computed using the weighted average number of equity and dilutive equity equivalent shares outstanding during the period except where the results would be anti dilutive.

2.12 *Borrowing costs*

Borrowing costs directly attributable to the acquisition / construction of qualifying assets are capitalised as part of the cost of those assets. Other borrowing costs are recognised as an expense in the year in which they are incurred.

SCHEDULES TO THE FINANCIAL STATEMENTS AS AT 31 MARCH 2011

(Currency: Indian Rupees)

		Current Year 31.03.2011	Previous Year 31.03.2010
3.	**Share capital**		
	Authorised		
	200,000 (2010: 200,000) equity shares of Rs 1,000 each	**200,000,000**	200,000,000
	200,000 (2010: 200,000) 8% redeemable cumulative preference shares of Rs 1,000 each	**200,000,000**	200,000,000
		400,000,000	400,000,000
	Issued , subscribed and paid-up		
	200,000 (2010: 200,000) equity shares of Rs 1,000 each, fully paid-up	**200,000,000**	200,000,000
	200,000 (2010: 200,000) 8% redeemable cumulative preference shares of Rs 1,000 each, fully paid-up	**200,000,000**	200,000,000
		400,000,000	400,000,000
	Of the above:		
	(a) 30,000 (2010: 30,000) equity shares have been alloted as fully paid-up, pursuant to a contract without payment being received in cash.		
	(b) 169,997 (2010: 169,997) equity shares are held by Mukta Arts Limited, the holding company.		
	(c) 200,000 (2010: 200,000) 8% redeemable cumulative preference shares are held by Mukta Arts Limited, the holding company.		
	These preference shares were issued on 27 August 2007 and may be redemed at par at any time on or after 21 June 2012 and before 21 June 2027.		
4.	**Secured loans**		
	Term loan from bank	**15,141,704**	45,160,745
	(Secured against hypothecation of building and machinery, the term loans are repayable in 16 quarterly installments, commencing on 7 December 2007. The amount repayable within one year is Rs. 15,141,704 (2010 : Rs. 30,019,041)		
	Punjab National Bank-Bank overdraft facility	**49,898,928**	-
	(Secured against hypothecation of building and machinery)		
		65,040,632	45,160,745
5.	**Unsecured loans**		
	Borrowings from holding company - Mukta Arts Limited	**279,500,000**	265,000,000
	(No terms of repayment have been specified)		
		279,500,000	265,000,000

SCHEDULES TO THE FINANCIAL STATEMENTS AS AT 31 MARCH 2011

6. Fixed assets

(Currency: Indian Rupees)

Description of assets	Gross block				Accumulated depreciation/amortisation				Net block	
	As at 1 April 2010	Additions during the year	Deductions during the year	As at 31 March 2011	As at 1 April 2010	On assets sold / discarded	Charge for the year	As at 31 March 2011	As at 31 March 2011	As at 31 March 2010
Tangible assets										
Land rights #	30,000,000	-	-	**30,000,000**	-	-	-	**-**	**30,000,000**	30,000,000
Ownership premises	4,064,607	-	-	**4,064,607**	1,180,208	-	144,220	**1,324,428**	**2,740,179**	2,884,399
Institute building	277,314,690	1,403,316	-	**278,718,006**	47,389,143	-	11,560,711	**58,949,854**	**219,768,152**	229,925,547
Temporary shed	666,964	-	-	**666,964**	666,964	-	-	**666,964**	**-**	-
Plant and machinery	48,458,669	26,500	-	**48,485,169**	20,024,242	-	3,955,642	**23,979,884**	**24,505,285**	28,434,427
Motor vehicles	3,737,087	-	-	**3,737,087**	2,385,621	-	349,895	**2,735,516**	**1,001,571**	1,351,466
Furniture and fixtures	30,907,410	410,063	-	**31,317,473**	22,030,528	-	2,378,460	**24,408,988**	**6,908,485**	8,876,882
Office equipment	3,819,925	12,500	-	**3,832,425**	1,810,940	-	277,999	**2,088,939**	**1,743,486**	2,008,985
Electrical installation	26,843,999	498,939	-	**27,342,938**	10,712,188	-	2,313,337	**13,025,525**	**14,317,413**	16,131,811
Cinematography equipment	108,101,474	1,847,436	-	**109,948,910**	55,926,868	-	10,529,106	**66,455,974**	**43,492,936**	52,174,606
Computers and accessories and IT equipment	113,901,606	2,012,042	-	**115,913,648**	89,930,099	-	10,039,137	**99,969,236**	**15,944,412**	23,971,507
	647,816,431	6,210,796	-	**654,027,227**	252,056,801	-	41,548,507	**293,605,308**	**360,421,919**	395,759,630
Intangible assets										
Computer software	12,737,730	1,382,911	-	**14,120,641**	9,018,923	-	1,793,184	**10,812,107**	**3,308,534**	3,718,807
Intellectual property rights (Course curriculum)	5,546,359	528,500	-	**6,074,859**	3,274,572	-	535,825	**3,810,397**	**2,264,462**	2,271,787
Library of books	6,835,017	745,607	-	**7,580,624**	6,835,017	-	745,607	**7,580,624**	**-**	-
	25,119,106	2,657,018	-	**27,776,124**	19,128,512	-	3,074,616	22,203,128	5,572,996	5,990,594
Total	**672,935,537**	**8,867,814**	**-**	**681,803,351**	**271,185,313**	**-**	**44,623,123**	**315,808,436**	**365,994,915**	**401,750,224**
2010	670,619,846	6,722,379	4,406,688	672,935,537	218,776,937	3,136,543	55,544,919	271,185,313	401,750,224	-
Capital work in progress (including capital advances)									**-**	1,465,869

Note :
The Company has perpectual right to use the land and hence the same is not amortised.

SCHEDULES TO THE FINANCIAL STATEMENTS AS AT 31 MARCH 2011

(Currency: Indian Rupees)

		Current Year 31.03.2011	Previous Year 31.03.2010
7.	**Deferred tax asset (net)**		
	Deferred tax liabilities		
	Arising on account of timing difference in:		
	- Depreciation/ amortisation	**14,279,281**	5,252,128
	Deferred tax assets		
	Arising on account of timing difference in:		
	Retirement benefits	**489,404**	327,910
	Provision for doubtful debts and advances	**216,411**	288,252
	Section 43B disallowances	**561,251**	241,634
	Unabsorbed depreciation/ business loss as per Income tax Act, 1961	**13,012,215**	4,394,333
		-	-
	Deferred tax assets on account of unabsorbed depreciation and business loss has been recognised only to the extent of the deffered tax liabiliy, as this amount is considered to be virtually certain of realisation.		
8.	**Sundry debtors**		
	Unsecured		
	Debts outstanding for a period exceeding six months		
	- considered good	**114,956**	946,153
	- considered doubtful	**700,358**	932,854
	Other debts, considered good	**9,265,559**	3,717,117
		10,080,873	5,596,124
	Less: Provision for doubtful debts	**700,358**	932,854
		9,380,513	4,663,270
9.	**Cash and bank balances**		
	Cash in hand	**94,338**	14,611
	Balances with scheduled banks		
	- in current account	**1,448,779**	2,057,670
	- in term deposit account	**32,164**	525,000
		1,575,281	2,597,281
10.	**Loans and advances**		
	(Unsecured and considered good)		
	Advances recoverable in cash or in kind or for value to be received	**7,989,700**	3,210,171
	Service tax credit receivable	**554,467**	3,765,973
	Deposits	**3,616,760**	3,616,760
	Advance tax and tax deducted at source	**11,414,988**	8,219,981
		23,575,915	18,812,885
	Amounts recoverable from Companies under the same management		
	Name of the Company: Mukta Arts Limited		-
	Advances recoverable include balances recoverable from company under the same management Rs 3,821,781 (2010: Rs Nil). Maximum amount due at any time during the year Rs 3,821,781 (2010: Rs 972,793)		

SCHEDULES TO THE FINANCIAL STATEMENTS AS AT 31 MARCH 2011

(Currency: Indian Rupees)

	Current Year 31.03.2011	Previous Year 31.03.2010
11. Current liabilities		
Sundry creditors for goods and services		
- Dues to MSMED (refer Schedule 26)	-	-
- Others	**19,646,648**	30,102,302
Unearned revenue	**28,398,700**	33,318,750
Deposit received	**30,000,000**	30,000,000
Deposits from students	**26,748,661**	27,977,850
Interest accrued but not due on unsecured loans	**24,047,298**	20,531,225
Other liabilities	**15,738,727**	3,687,523
	144,580,034	145,617,650
12. Provisions		
Fringe benefits tax (net of advance tax Rs 1,125,622) (2010: Rs 1,125,622)	**670,100**	670,100
Gratuity	**259,636**	129,198
Leave encashment	**1,324,195**	931,998
	2,253,931	1,731,296
13. Miscellaneous expenditure **(***to the extent not written-off or adjusted***)**		
Balance at beginning of the year	-	307,750
Less: Written-off	-	307,750
	-	-
14. Fees from students		
Admission fees/acceptance fees	**29,940,726**	26,500,000
Tution fees	**136,535,235**	141,974,860
Sale of prospectus/application forms /re-examination fees	**411,273**	456,945
Facilitation charges recovered from students	**663,600**	8,681,297
	167,550,834	177,613,102
15. Other income		
Interest on fixed deposits (tax deducted at source Rs Nil (2010 : Rs Nil)	**3,248**	2,259
Consultancy fees	**2,295,000**	-
Excess provision written back, net	**1,429,074**	-
Miscellaneous income	**2,151,393**	1,526,647
	5,878,715	1,528,906
16. Personnel costs		
Salaries, bonus and allowances	**27,221,823**	24,942,717
Gratuity	**146,737**	136,488
Leave encashment	**544,477**	131,654
Contributions to provident and other funds	**1,850,958**	885,885
Staff welfare expenses	**2,180,605**	1,237,369
	31,944,600	27,334,113

SCHEDULES TO THE FINANCIAL STATEMENTS AS AT 31 MARCH 2011

(Currency: Indian Rupees)

	Current Year 31.03.2011	Previous Year 31.03.2010
17. Operating and administrative expenses		
Rent	**4,578,697**	10,031,659
Travelling and conveyance	**8,818,078**	5,007,935
Telephone	**3,836,008**	2,683,940
Electricity expenses	**15,509,265**	17,505,969
Repairs and maintenance- building	**7,583,705**	8,405,877
Printing and stationery	**2,108,654**	2,052,699
Legal and professional fees	**43,965,863**	45,251,863
Insurance	**906,513**	693,867
Courier and postage	**152,767**	165,836
Advertisement and publicity expenses	**10,900,940**	13,768,785
Laptop and other course material	**224,294**	254,000
Motor car expenses	**1,115,895**	946,132
Auditors' remuneration (refer Schedule 29)	**467,500**	425,620
Rates and taxes	**5,091,832**	5,032,434
Security charges	**5,546,975**	5,426,574
Sets/student practicals	**14,099,373**	14,941,061
Preliminary expenses written-off	**-**	307,750
Scholarships awards	**2,564,750**	3,174,241
Bad debts written-off	**421,868**	923,208
Provision for doubtful debts	**700,358**	-
Convocation ceremony	**582,251**	507,577
Prizes	**11,239**	230,000
Loss on sale of assets (net)	**-**	717,415
Brokerage and commission	**109,663**	76,105
Miscellaneous expenses	**1,966,966**	1,337,007
	131,263,454	139,867,554
18. Finance charges		
Interest		
Overdraft facility	**4,943,684**	-
On term loans from banks	**4,611,046**	8,504,730
On term loans from others	**24,766,397**	22,813,076
	34,321,127	31,317,806
On other loans for vehicles	**-**	640
	34,321,127	31,318,446
Financial expenses		
Loan processing charges and other bank charges	**498,530**	111,924
	34,819,657	31,430,370
19. Prior period expenses		
Miscellaneous expenses	**-**	8,653
Legal and professional fees	**37,896**	33,083
Postage and courier	**14,384**	-
Insurance	**-**	271,443
Repairs and maintenance - building	**75,000**	47,650
	127,280	360,829

20. Contingencies

20.1 Income tax

Assessment year 2003-04

There are certain additions/ disallowances made in the assessment and the department had raised a demand of Rs 2,913,501 (including interest Rs 651,159). Aggrieved by the assessment order, the Company had filed an appeal with the C.I.T (Appeals) who confirmed the additions/ disallowances. The Company subsequently filed an appeal with the Income Tax Appellate Tribunal which was also dismissed and the Company deposited the outstanding amount. Based on consultation with its legal counsel, the Company is proposing to file an appeal with the Hon'ble High Court of Judicature at Bombay. The Assessing officer has also levied penalty of Rs 2,500,000, which was contested by the Company with the C.I.T (Appeals) who confirmed the penalty. The Company subsequently filed an appeal with the Income Tax Appellate Tribunal which set aside the order and referred it back to the C.I.T Appeals and the matter is currently pending. The Company has not accrued for the liability as it is contesting these matters and management believes that its position will be upheld.

Assessment year 2004-05

There are certain additions/ disallowances made in the assessment and the department had raised a demand of Rs 3,478,871 (including interest Rs 738,005) Aggrieved by the assessment order, the Company had filed an appeal with the C.I.T (Appeals) who confirmed the additions/ disallowances. The Company subsequently filed an appeal with the Income Tax Appellate Tribunal which was also dismissed and the Company deposited the outstanding amount. Based on consultation with its legal counsel, the Company is proposing to file an appeal with the Hon'ble High Court of Judicature at Bombay. The Assessing officer has also levied penalty of Rs 3,000,000, which was contested by the Company with the C.I.T (Appeals) who confirmed the penalty. The Company subsequently filed an appeal with the Income Tax Appellate Tribunal which set aside the order and referred it back to the C.I.T Appeals and the matter is currently pending. The Company has not accrued for the liability as it is contesting these matters and management believes that its position will be upheld.

Assessment year 2005-06

There are certain additions/ disallowances made in the assessment and the department had raised a demand of Rs 524,063 (including interest Rs 106,950). Aggrieved by the assessment order, the Company had filed an appeal with the C.I.T (Appeals) who confirmed the additions/ disallowances. The Company subsequently filed an appeal with the Income Tax Appellate Tribunal which set aside the order and referred it back to the C.I.T Appeals and the matter is currently pending. The Company has not accrued for the liability as it is contesting these matters and management believes that its position will be upheld.

Assessment year 2006-07

There are certain additions/ disallowances made in the assessment and the department had raised a demand of Rs 207,903 (including interest Rs 54,127). Aggrieved by the assessment order, the Company had filed an appeal with the C.I.T (Appeals) who confirmed the additions/ disallowances. The Company subsequently filed an appeal with the Income Tax Appellate Tribunal and the matter is currently pending. The Company has not accrued for the liability as it is contesting these matters and management believes that its position will be upheld.

Others

20.2 Public Interest Litigation ('PIL') has been filed by Mr. Abdul Hamid Patel and Others alleging that the Maharashtra Film Stage and Cultural Development Corporation Limited (MFSCDCL) has not followed proper procedure while allotting the 20 acre land to the Company. The PIL is admitted and pending before the High Court. However, no injunction/interim relief was granted to the petitioners. In the opinion of the management, the Company has a good chance of wining the case.

20.3 In the year 1973-74, the Government of Maharashtra ('GOM'), as per the scheme, invited applications of plots for development of film industry infrastructure in film city at Goregaon (East), Mumbai. Many applications were received and M/s PDR Videotronics (India) Private Limited ('PDR') was one of the applicants. The GOM issued a letter to PDR for allotment of one hectare of land.

Thereafter, MFSCDCL was formed for development of film city and as per the recommendation of Godbole Committee, the above scheme was scrapped. However, before scrapping of the scheme, PDR filed a suit in the High Court demanding specific performance of the scheme. The High Court admitted the suit and same is still pending.

Meanwhile, PDR took out a notice of motion saying that MFSCDCL is carrying out the activities on the allotted land thereby affecting their rights. Since the MFSCDCL didn't argue, the High Court granted the injunction in favour of PDR.

Thereafter in the year 2003, contempt petition was filed by PDR alleging that the construction work is being carried out on the said allotted land in violation of injuction. However, subsequently the contempt petition was disposed off by the High Court. PDR took out another notice of motion on the same issue. The High Court refused to grant any relief to PDR and directed that the notice of motion be clubbed with the original suit of PDR against MFSCDCL and same suit to be expedited.

With a view to peacefully resolve the issue, the Company has offered to earmark one hectare of land out of the available free land for a possible assignment to PDR, in case the final decision of the High Court is in the favour of PDR. In the opinion of the management the Company has a good chance of wining the case.

20.4 Arrears of dividend on RCPS (Redeemable Cumulative Preference Shares) excluding dividend distribution tax not provided Rs 63,123,287 (2010: Rs 47,123,287).

20.5 Claims against the Company not acknowledged as debts pertaining to local levies Rs. 15,292,656 (2010: Rs Nil.).

21. Managerial remuneration

	2011	2010
Salaries, bonus and allowances	**1,756,000**	1,756,000
Contribution to provident and other funds	**144,000**	144,000
Perquisites	**262,262**	241,190
Total	**2,162,262**	2,141,190

Computation of net profits in accordance with the relevant provisions of the Companies Act, 1956, has not been disclosed as no commission is payable to the Director. The amount does not include gratuity and leave encashment benefits, which are actuarially determined on an overall basis for the Company and individual information in respect of the Director is not available.

Managerial remuneration paid to the whole time director in the previous year is in excess of the limits prescribed under Section 198 of the Act. The Company has made an application to the Central Government seeking post-fact approval, which was received during the year.

22. Related party disclosures

(A) ***Related parties and their relationship:***

Sr. No	**Category of related parties**	**Names**
I	**Related parties where control exists**	
	Holding company	Mukta Arts Limited
II	**Key managerial personnel**	Mrs. Meghna Ghai Puri (Whole time director)

(B) Transactions with related parties

Particulars	**Holding Company**	**Key managerial personnel**	**Total**
Loan received	84,500,000 (105,800,000)	- (-)	84,500,000 (105,800,000)
Repayment of loan	70,000,000 (59,300,000)	- (-)	70,000,000 (59,300,000)
Reimbursement of expenses received	4,118,468 (1,146,172)	- (-)	4,118,468 (1,146,172)
Reimbursement of expenses paid	11,134 (63,912)	- (-)	11,134 (63,912)
Interest on loan	24,766,397 (22,813,076)	- (-)	24,766,397 (22,813,076)
Remuneration paid to Meghna Puri (refer Schedule 21)	- (-)	2,162,262 (2,141,190)	2,162,262 (2,141,190)
Corporate guarantees given on behalf of the Company	150,000,000 (120,000,000)	- (-)	150,000,000 (120,000,000)

(C) Balances with related parties:

Particulars	**Holding Company**	**Key managerial personnel**	**Total**
Unsecured loan	279,500,000 (265,000,000)	- (-)	279,500,000 (265,000,000)
Interest accrued but not due	24,047,298 (20,531,225)	- (-)	24,047,298 (20,531,225)
Advance recoverable in cash or in kind	3,821,781 (-)	-	3,821,781 (-)
Deposit (pursuant to mutual sharing arrangement)	30,000,000 (30,000,000)	- (-)	30,000,000 (30,000,000)
Outstanding redeemable cumulative preference shares	200,000,000 (200,000,000)	- (-)	200,000,000 (200,000,000)

Note: - Previous year figures are given within brackets.

23. The Company is engaged primarily in imparting training in various skills related to films, television and media field which is the primary business segment. The Company does not have any exports and revenues from other services are not significant. Accordingly, the Company has only one reportable business segment, which is imparting training in various skills related to films, television and media and only one reportable geographical segment which is India. Accordingly, the segment information as required by the Accounting Standard 17 on Segment Reporting has not been separately disclosed.

24. The Company does not have non-cancellable leases at year end. Lease rent of Rs.4,578,697 (2010 Rs 10,031,659) has been included under 'Rent' in Profit and account.

25. Employee benefits

Defined benefit plan

a) Gratuity plan

The following table sets out the status of the gratuity plan as required under AS 15.

Reconciliation of opening and closing balances of the present value of the defined benefit obligation and fair value of plan assets:

Particulars	**2011**	2010
Change in present value of obligations		
Obligations at beginning of the year	**1,080,605**	891,067
Service cost	**301,993**	294,969
Interest cost	**108,357**	79,242
Actuarial (gain)/loss	**(177,986)**	(294,203)
Past service cost	**-**	136,176
Benefits paid	**-**	(26,646)
Obligations at the end of the year	**1,312,969**	1,080,605
Change in plan assets		
Fair value of plans assets at beginning of the year	**951,407**	898,357
Expected return on plan assets	**80,574**	74,577
Actuarial (gain)/loss	**5,053**	5,119
Contributions by employer	**16,299**	-
Benefits paid	**-**	(26,646)
Fair value of plans assets at end of the period	**1,053,333**	951,407
Actual return on plan assets		
Expected return on plan assets	**80,574**	74,577
Actuarial gain / (loss) on plan assets	**5,053**	5,119
Actual return on plan assets	**85,627**	79,696
Reconciliation of present value of the obligation and the fair value of plan assets		
Present value of the defined benefit obligations at the end of the year	**1,312,969**	1,080,605
Fair value of plan assets at the end of year	**(1,053,333)**	(951,407)
Present value of unfunded obligation	-	-
Funded status being amount of (liability)/asset recognized in the balance sheet	**(259,636)**	(129,198)
Gratuity cost for the year		
Service cost	**301,993**	294,969
Interest cost	**108,357**	79,242
Expected return on plan assets	**(80,574)**	(74,577)
Actuarial (gain)/loss	**(183,039)**	(299,322)
Past service cost	**-**	136,176
Net gratuity cost	**146,737**	136,488

Other disclosures - gratuity

	Year ended 31 March 2011	Year ended 31 March 2010	Year ended 31 March 2009
Present value of defined benefit obligation	**1,312,969**	1,080,605	891,067
Fair value of plan assets	**(1,053,333)**	(951,407)	(898,357)
(Deficit) / surplus of the plan	**(259,636)**	(129,198)	7,290
Experience adjustments on defined benefit obligation [loss / (gain)]	**(177,986)**	(96,707)	(375,862)
Experience adjustments on fair value of plan assets [(loss) / gain]	**5,053**	5,119	-

Actuarial assumptions

Mortality Table (LIC)	Gratuity	Leave encashment
Discount rate (per annum)	8.30%	8.30%
Expected rate of return on plan assets (per annum)	7.50%	7.5%-
Rate of escalation in salary (per annum)	6.00%	6.00%

Contribution to defined contribution benefit plan

b) The total charge during the year amounts to Rs 1,850,958 (2010: Rs 885,885)

26. On Under the Micro, Small and Medium Enterprise Development Act, 2006 certain disclosures are required to be made relating to micro and small enterprises. The Company has taken necessary steps to seek relevant information from its suppliers about the coverage under the Act. According to information available with the management, no amounts are outstanding pertaining to covered creditors for a period of more than 45 days.

Particulars	**31 March 2011**	31 March 2010
Amount due to creditors covered under the provisions of Micro, Small and Medium Enterprise Development Act, 2006	**Nil**	Nil
Other creditors	**19,646,648**	30,102,302
Total	**19,646,648**	30,102,302

27. Expenditure in foreign currency

Particulars	**2011**	2010
Travelling expenses	**254,248**	287,766
Professional fees	**2,949,138**	1,042,628
Advertisement expenses	**359,725**	-

28. Earnings in foreign exchange

Particulars	**2011**	2010
Tution fees	**3,374,412**	5,049,592
Fees for short course	**-**	2,096,444
Application form fees	**26,132**	30,884
Reimbursement of expenses	**-**	36,541

29. Auditors' remuneration (including service tax)

	2011	2010
Statutory audit fees	**467,500**	425,620

30. Earnings per share ('EPS')

		2011	2010
a)	Net loss **	**(62,627,811)**	(62,408,439)
b)	Weighted average number of equity shares outstanding during the year	**200,000**	200,000
	Basic and diluted earning per share of Rs 1,000 each*	**(313.14)**	(312.04)

* - Dilutive EPS has not been presented, since it is anti-dilutive.

** - Before adjusting 8% preference dividend on redeemable cumulative preference shares amounting to Rs 16,000,000 since it is anti-dilutive.

31. Information with regard to other matters specified in Part II of Schedule VI to the Companies Act, 1956 of India, is either Nil or not applicable to the Company for the year.

For **B S R & Co.**
Chartered Accountants
Firm's Registration No: 101248W

For and on behalf of the Board

Bhavesh Dhuepelia
Partner
Membership No: 042070

Subhash Ghai
Chairman

Meghna Ghai Puri
Director

Nivedita Nambiar
Company Secretary

Place : Mumbai
Date : 26th May, 2011

BALANCE SHEET ABSTRACT AND COMPANY'S GENERAL BUSINESS PROFILE

I.	**Registration Details**			
	Registration No.	U32141MH200IPTCI30394	State Code:	011
	Balance Sheet Date :	31.03.2011		
II.	**Capital raised during the year**			
	Public Issue :	-	Bonus Issue:	-
	Rights Issue :	-	Private Placement :	-
III.	**Position of mobilisation and deployment of funds**			
	Total Liabilities	892,500,219	Total Assets	892,500,219
	Sources of Funds			
	Paid-up Capital	400,000,000	Loans	344,540,632
	Application of Funds			
	Net Fixed Assets	365,994,915	Net Current Assets	(112,302,256)
	Accumulated losses	490,847,973	Misc. Expenditure	-
IV.	**Performance of Company**			
	Turnover / Other income	180,150,303	Total Expenditure	242,778,114
	Profit /Loss before tax	(62,627,811)	Profit /Loss after tax	(62,627,811)
	Earning per Share - Rs	(313.14)	Dividend rate %	
V.	**Generic Names of Principal Products / Services of Company**			
	Item Code No. :	N. A.		
	Product / Services: Description	Education, research and training institute		

For and on behalf of the Board

Subhash Ghai	**Meghna Ghai Puri**	**Nivedita Nambiar**
Chairman	*Director*	*Company Secretary*

Place : Mumbai
Date : 26 May 2011

DIRECTORS' REPORT

To the Members,

Your Directors take pleasure in presenting the Eleventh Annual Report and the Audited Accounts of the Company for the Accounting Year ended 31st March 2011.

Operations:

The Income to the tune of Rs.2,40,000 has been earned during the year. The Company has a profit of Rs. 57,998 after provision for tax during the year. The Directors are hopeful of increasing the profitability of the Company.

Directors:

Mrs. Meghna Ghai Puri retires by rotation at the ensuing Annual General Meeting and being eligible offers himself for reappointment.

Share Capital:

The Share Capital remains the same during the year under review.

Directors' Responsibility Statement [Section 217 (2AA)]:

The Directors confirm that:

i) in the preparation of the annual accounts, the applicable accounting standards have been followed along with proper explanation relating to material departures;

ii) the directors had selected such accounting policies & applied them consistently and made judgements and estimates that are reasonable and prudent so as to give true & fair view of the state of affairs of the company at the end of the financial year and of the profit of the company for the year;

iii) the directors had taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of this Act for safeguarding the assets of the company and for preventing and detecting fraud and other irregularities;

iv) the annual accounts are prepared on a going concern basis;

Auditors:

M/s Garg Devendra & Associates Chartered Accountants retire at the ensuing Annual General Meeting. You are requested to appoint the Statutory Auditors of the Company to hold office from the conclusion of this Annual General Meeting until the conclusion of next Annual General Meeting.

Disclosure about conservation of energy, technology absorption and foreign exchange outgo and earnings:

The Company is not engaged in manufacturing activities and as such particulars regarding disclosure about Conservation of energy, technology absorption are not applicable to the Company.

There has been no foreign exchange outgo and earnings.

Other Statutory Information:

The Company does not have any employees requiring disclosure as required under Section 217 (2A) of the Companies Act, 1956.

Acknowledgements:

The Board of Directors wishes to thank and record its appreciation to the Government Authorities and the Bankers, who have extended their continued support to the company.

Registered Office:

11, Bait-Ush-Sharaf, 29th Road,
TPS – III, Bandra (W),
Mumbai – 400 050

On Behalf of Board of Directors

Subhash Ghai
Chairman

Place : Mumbai
Date : 13th May, 2011

AUDITORS REPORT

To the Members

1. We have audited the attached Balance Sheet of **Connect.1 Limited** (Formerly known as Mukta Arts International Ltd**).** as at 31st March 2011 and the related Profit and Loss Account and the Cash Flow Statement for the year ended on that date, which we have signed under reference to this report. 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 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 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 issued by the Central Government of India in terms of sub-section (4A) of Section 227 of the Companies Act, 1956, we give in the Annexure a statement on the matters specified in paragraphs 4 and 5 of the said Order.

4. Further to our comments in the Annexure referred to in paragraph 3 above:

   (i) 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;

   (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 such books;

   (iii) the Balance Sheet, Profit and 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 and Loss Account and Cash Flow Statement dealt with by this report comply with the requirements of 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 as on 31st March, 2011, 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.

5. In our opinion and to the best of our information and according to the explanations given to us, the said accounts read with significant accounting policies and other notes thereon, 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:

   (i) in the case of the Balance Sheet, of the state of affairs of the Company as at 31st March, 2011;

   (ii) in the case of Profit and Loss Account of the profit of the Company for the year ended on that date, and

   (iii) in the case of Cash Flow Statement, of the cash flows for the year ended on that date.

For GARG DEVENDRA & ASSOCIATES
Firm Registration No. 130993W
Chartered Accountants

DEVENDRA KUMAR GARG
Proprietor
Membership No. FCA 056608

Place: Mumbai
Dated: 13th May, 2011

ANNEXURE TO THE AUDITORS' REPORT

[Referred to in paragraph (3) thereof]

(i) The nature of the Company's business/ activities during the year is such that clauses (ii), (vii), (viii), (x), (xi), (xii), (xiii), (xiv), (xv), (xvi), (xvii), (xviii), (xix) & (xx) of paragraph 4 of the Companies (Auditor's Report) order, 2003 are not applicable to the Company for the year ended.

(ii) In respect of fixed assets:

(a) The Company has maintained proper records showing full particulars including quantitative details and situation of fixed assets.

(b) The fixed assets of the company have been physically verified by the management at the end of the year and we are informed that no discrepancies between book records and the physical inventory have been noticed.

(c) In our opinion and according to the information and explanations given to us, the Company has not made any disposals during the year.

(iii) In respect of loans, secured or unsecured, granted or taken by the Company to or from companies, firms or other parties covered in the register maintained under section 301 of The Companies Act, 1956:

According to the information and explanations given to us the Company has neither granted nor taken any loans, secured or unsecured, to or from companies, firms or other parties covered in the register maintained under section 301 of The Companies Act, 1956.

(iv) 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 nature of its business, for purchase of fixed assets. There are no purchase of inventories and no sale of goods.

(v) In respect of transactions entered in the register maintained in pursuance of section 301 of the Companies Act 1956:

To the best of our knowledge and belief and according to the information and explanations given to us, transactions that needed to be entered into the register have been so entered.

(vi) The Company has not accepted any deposits from the public to which the provisions of Section 58A and section 58AA of the Companies Act, 1956 and the Companies (Acceptance of Deposits) Rules 1975, are applicable.

(vii) According to the information and explanations given to us in respect of statutory and other dues there were no undisputed amount payable in respect of Income Tax, Wealth Tax, Sales Tax, Customs Duty and Excise Duty outstanding as at 31st March, 2011 for more than six months from the date they became payable.

(viii) The Company has no accumulated losses as at the end of the year. The Company has not incurred losses during the financial year and the previous year.

(ix) To the best of our knowledge and belief and according to the information and explanations given to us, no fraud on or by the Company was noticed or reported during the year.

For GARG DEVENDRA & ASSOCIATES
Firm Registration No. 130993W
Chartered Accountants

DEVENDRA KUMAR GARG
Proprietor
Membership No. FCA 056608

Place: Mumbai
Dated: 13th May, 2011

BALANCE SHEET AS AT 31ST MARCH 2011

	SCHEDULE	Current Year 31.03.2011 Rupees	Previous Year 31.03.2010 Rupees
SOURCES OF FUNDS			
Shareholders' Fund			
Share Capital	A	600,000	600,000
Profit & Loss Account		285,069	227,071
TOTAL		885,069	827,071
APPLICATION OF FUNDS			
Fixed Assets	B		
Gross Block		3,931,700	3,931,700
Less: Depreciation		1,300,876	1,162,412
		2,630,824	2,769,288
Investments	C	250	250
Current Assets, Loans & Advances			
Cash & Bank Balance	D	19,616	249,053
Debtors & Advances	E	491,515	249,798
		511,131	498,851
Less : Current Liabilities & Provisions	F	2,257,136	2,441,318
Net Current Assets		(1,746,005)	(1,942,467)
TOTAL		885,069	827,071
Statement of Significant Accounting Policies and Notes forming part of accounts	I		

PROFIT & LOSS ACCOUNT FOR THE YEAR ENDED 31ST MARCH 2011

	SCHEDULE	Current Year 31.03.2011 Rupees	Previous Year 31.03.2010 Rupees
Income			
Rental Income		240,000	240,000
Interest Income		-	-
		240,000	240,000
Expenditure			
Administration and other expenses	G	16,538	16,338
Depreciation	B	138,464	145,752
Preliminary Expenses Written off		-	3,500
		155,002	165,590
Profit/(Loss) before Taxation		84,998	74,410
Less: Provision for Tax		27,000	25,800
Profit/(Loss) after Tax		57,998	48,610
Add: Balance brought forward from last year		227,071	178,461
Balance Carried to Balance Sheet		285,069	227,071
Statement of Significant Accounting Policies and Notes forming part of accounts	I		

As per our report of even date

For GARG DEVENDRA & ASSOCIATES
Firm Registration No. 130993 W
Chartered Accountants

DEVENDRA KUMAR GARG
Proprietor
Membership No. FCA 056608
Place : Mumbai
Date : 13th May, 2011

For and on behalf of the Board

SUBHASH GHAI
Chairman

PARVEZ A. FAROOQUI
Director

MEGHNA GHAI PURI
Director

CASH FLOW STATEMENT FOR THE YEAR ENDED 31ST MARCH 2011

		Current Year 31.03.2011 (Rupees)	Previous Year 31.03.2010 (Rupees)
A.	**CASH FROM OPERATING ACTIVITIES**		
	Net Profit before tax and extraordinary items :	**57,998**	48,610
	Adjustments for :		
	Depreciation	**138,464**	145,752
	Interest, dividend, etc., received	**-**	-
	Miscellaneous expenditure written off	**-**	3,500
	Operating profit before working capital changes	**196,462**	197,862
	Adjustments for :		
	(Increase)/ Decrease in Sundry Debtors	**(216,000)**	190,560
	Increase/(Decrease) in Trade Creditors	**13,818**	5,400
	Inc./ (Dec.) in Other current liabilities and provisions	**(198,000)**	(199,200)
	Cash generated from/(used in) operations	**(203,720)**	194,622
	Direct Taxes paid	**(25,717)**	(24,000)
	Cash flow before extraordinary items	**(229,437)**	170,622
	Net Cash Generated from/(used in) Operating Activities	**(229,437)**	170,622
B.	**CASH FLOW FROM INVESTING ACTIVITIES**		
	(Addition to)/ Redemption of Investments	**-**	-
	Interest, dividend, etc., received	**-**	-
	Net cash generated from/(used in) investing activities	**-**	-
	Net increase/(decrease) in cash and cash equivalents	**(229,437)**	170,622
	(A+B)		
	Cash and cash equivalents (opening)	**249,053**	78,431
	Cash and cash equivalents (closing)	**19,616**	249,053

As per our report of even date

For GARG DEVENDRA & ASSOCIATES
Firm Registration No. 130993 W
Chartered Accountants

DEVENDRA KUMAR GARG
Proprietor
Membership No. FCA 056608

Place : Mumbai
Date : 13th May, 2011

For and on behalf of the Board

SUBHASH GHAI
Chairman

PARVEZ A. FAROOQUI
Director

MEGHNA GHAI PURI
Director

SCHEDULES FORMING PARTS OF ACCOUNTS

	Current Year 31.03.2011 Rupees	Previous Year 31.03.2010 Rupees
SCHEDULE - A		
SHARE CAPITAL		
Authorised Capital		
5,000 Equity Share of Rs 1,000/- each		
(Previous year 5,000 equity shares of Rs 1,000/- each)	**5,000,000**	5,000,000
Issued, subscribed & paid up	**600,000**	600,000
600 Equity Shares of Rs 1,000/- each		
(Previous year 600 equity shares of Rs 1,000/- each)		
	600,000	600,000

SCHEDULE - B

Fixed Assets

(Amount in Rs.)

	GROSS BLOCK				DEPRECIATION			NET BLOCK	
Particulars	As on 01.04.2010	Additions during the year	Deletions during the year	Total as on 31.03.2011	Depreciation as on 31.03.2010	Depreciation for the year	Total Depreciation upto 31.03.2011	As on 31.03.2011	As on 31.03.2010
Block 'A'									
Ownership Premises	3,931,700	-	-	3,931,700	1,162,412	138,464	1,300,876	2,630,824	2,769,288
TOTAL	**3,931,700**	**-**	**-**	**3,931,700**	**1,162,412**	**138,464**	**1,300,876**	**2,630,824**	**2,769,288**
Previous year	3,931,950	-	-	3,931,700	1,016,660	145,752	1,162,412	2,769,288	2,915,040

SCHEDULE - C		
Investments		
Shares -Bait-Ush Saraf C.H. S. Ltd	**250**	250
	250	250

SCHEDULES FORMING PARTS OF ACCOUNTS

	Current Year 31.03.2011 Rupees	Previous Year 31.03.2010 Rupees
SCHEDULE - D		
Cash & Bank Balances		
Cash in hand	**6,384**	7,404
With Scheduled Bank (in current account)	**13,232**	241,649
	19,616	249,053
SCHEDULE - E		
Debtors & Advances		
Sundry Debtors	**216,000**	-
Advance Taxes & Other Payments	**275,515**	249,798
	491,515	249,798
SCHEDULE - F		
Current Liabilities & Provision		
Sundry Creditors- Annexure-1	**25,836**	12,018
Deposits	**2,100,000**	2,325,000
Provision for Income Tax	**131,300**	104,300
	2,257,136	2,441,318
SCHEDULE - G		
Administration and other expenses		
Audit Fees	**6,618**	6,618
Professonal Fees	**1,500**	2,010
Bank Charges	**200**	-
Filing Fees	**1,020**	510
Society Charges	**7,200**	7,200
	16,538	16,338

SCHEDULE I

Statement of Significant Accounting Policies and Notes forming Part of Accounts

1 Significant Accounting Policies

(a) Basis of Preparation of Accounts

The financial statements have been prepared under the historical cost convention, in accordance with Accounting Standards issued by the Institute of Chartered Accountants of India and the provisions of the Companies Act, 1956, as adopted consistently by the Company. All income and expenditure having a material bearing on the financial statements are recognised on accrual basis. The preparation of financial statements in conformity with the Accounting Standards require management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of financial statements, and the reported amounts of expenses during the year.

(b) (i) Fixed Assets

Fixed Assets are stated at cost of acquisition and attributable costs.

(ii) Depreciation

Depreciation has been provided on Written Down Value Method as per the provisions of Companies Act, 1956 and at the rates specified in Schedule XIV of the Companies Act, 1956.

(c) Revenue recognition

Interest Income and Rental Income are accounted on accrual basis.

(d) Preliminary Expenses

Preliminary Expenses are amortised over a period of 10 Years

(e) Impairment of Assets

An asset is treated as impaired when the carrying cost of asset exceeds its recoverable value.

(f) There are no intangible assets.

2 Employee Benefit Plans

There are no employees earning salary from the Company, hence there are no benefit plans defined or cost to be accountted in account during the year.

3 Related Party Transaction

Mukta Arts Limited	**99.00% – Holding Company**
Deposits Payable as on 31-03-2011	Rs. 21,00,000/-

	Current Year	Previous Year
4 Contingent Liabilities	**Nil**	Nil

5 (a) There were no amounts payable to Small Scale Industrial Undertaking on the Balance Sheet date.

(b) The Company has no Suppliers under the Micro, Small and Medium Enterprises Development Act, 2006 and hence disclosures, if any, relating to amounts unpaid as at the year end together with interest paid / payable as required under the said Act are not applicable.

	Current Year Rupees	Previous Year Rupees
6 Auditors Remuneration :		
Statutory Audit Fees	**6,618**	6,618

As per our Report of even date

For and on behalf of the Board

For GARG DEVENDRA & ASSOCIATES
Firm Registration No. 130993 W
Chartered Accountants

SUBHASH GHAI
Chairman

DEVENDRA KUMAR GARG
Proprietor
Membership No. FCA 056608

PARVEZ A. FAROOQUI
Director

MEGHNA GHAI PURI
Director

Place : Mumbai
Date : 13th May, 2011

BALANCE SHEET ABSTRACT AND COMPANY'S GENERAL BUSINESS PROFILE

I. REGISTRATION DETAILS

Registration No.	U92110MH2000PLC124018	State Code:	011
Balance Sheet Date :	31.03.2011		

II. CAPITAL RAISED (AMOUNTS IN RS. THOUSANDS)

Public Issue :	Nil	Bonus Issue:	Nil
Rights Issue :	Nil	Private Placement :	Nil

III. POSITION OF MOBILISATION AND DEPLOYMENT OF FUNDS (AMOUNTS IN RS. THOUSANDS)

Total Liabilities	885	Total Assets	885

SOURCES OF FUNDS

Paid-up Capital	600	Reserves & Surplus	285
Secured Loans	Nil	Unsecured Loans	Nil

APPLICATION OF FUNDS

Net Fixed Assets	2,631	Investments	0
Net Current Assets	(1,746)	Misc. Expenditure	-

IV. PERFORMANCE OF COMPANY (AMOUNT IN RS. THOUSANDS)

Turnover	240	Total Expenditure	155
Profit /Loss before tax	85	Profit /Loss after tax	58
Earning per Share - Rs	96.66	Dividend rate %	Nil

V. GENERIC NAMES OF PRINCIPAL PRODUCTS / SERVICES OF COMPANY

Item Code No. :	Not Applicable
Product / Services: Description	Marketing of films

DIRECTORS' REPORT

To the Members,

Your Directors take pleasure in presenting the Nineth Annual Report and the Audited Accounts of the Company for the Accounting year ended 31st March 2011.

Operations:

The Company's object is to take up production of tele-serials, management of event shows and entertainment software. The Rental Income to the tune of Rs 1,20,000 has been earned during the year. The result for the year show a net loss of Rs. 63,152.

Share Capital:

The Capital remains the same during the year under review.

Directors:

Mr. Vijay Choraria retires by rotation at the ensuing Annual General Meeting and, being eligible, offers herself for re-appointment.

Directors' Responsibility Statement [Section 217 (2AA)]:

The Directors confirm that:

i) in the preparation of the annual accounts, the applicable accounting standards have been followed along with proper explanation relating to material departures;

ii) the directors had selected such accounting policies & applied them consistently and made judgments and estimates that are reasonable and prudent so as to give true & fair view of the state of affairs of the company at the end of the financial year and of the loss of the company for the year;

iii) the directors had taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of this Act for safeguarding the assets of the company and for preventing and detecting fraud and other irregularities;

Auditors:

M/s Garg Devendra & Associates Chartered Accountants retire at the ensuing Annual General Meeting. You are requested to appoint the Statutory Auditors of the Company to hold office from the conclusion of this Annual General Meeting until the conclusion of next Annual General Meeting.

Disclosure about conservation of energy, technology absorption and foreign exchange outgo and earnings:

The Company is not engaged in manufacturing activities and as such particulars regarding disclosure about Conservation of energy, technology absorption are not applicable to the Company.

There has been no foreign exchange outgo and earnings.

Other Statutory Information:

The Company does not have any employees requiring disclosure as required under Section 217 (2A) of the Companies Act, 1956.

Acknowledgements:

The Board of Directors places on record its gratitude to, bankers, and the media for their continued support, patronage and goodwill. The Board also expresses its deep sense of appreciation to the employees and consultants for their guidance and support.

Registered Office: | **By Order of Board of Directors**

6, Bashiron, 28th Road,
TPS – III, Bandra (W),
Mumbai – 400 050

Parvez A. Farooqui
Chairman

Place : Mumbai
Date : 13th May, 2011

AUDITORS REPORT

To the Members

1. We have audited the attached Balance Sheet of **Mukta Tele Media Ltd**. as at 31st March 2011 and related the Profit and Loss Account and Cash Flow Statement for the year ended on that date, which we have signed under reference to this report. 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 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 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 issued by the Central Government of India in terms of sub-section (4A) of Section 227 of the Companies Act, 1956, we give in the Annexure a statement on the matters specified in paragraphs 4 and 5 of the said Order.
4. Further to our comments in the Annexure referred to in paragraph 3 above:
   (i) 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;
   (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 such books;
   (iii) the Balance Sheet, Profit and 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 and Loss Account and Cash Flow Statement dealt with by this report comply with the requirements of 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 as on 31st March, 2011, 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.
5. In our opinion and to the best of our information and according to the explanations given to us, the said accounts read with significant accounting policies and other notes thereon, 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:
   (i) in the case of the Balance Sheet, of the state of affairs of the Company as at 31st March, 2011;
   (ii) in the case of Profit and Loss Account of the Profit of the Company for the year ended on that date, and
   (iii) in the case of Cash Flow Statement, of the cash flows for the year ended on that date.

For GARG DEVENDRA & ASSOCIATES
Firm Registration No. 130993W
Chartered Accountants

DEVENDRA KUMAR GARG
Proprietor
Membership No. FCA 056608

Place : Mumbai
Dated : 13th May, 2011

Annexure to the Auditors' Report

[Referred to in paragraph (3) thereof]

(i) The nature of the Company's business/ activities during the year is such that clauses (vii), (viii), (xi), (xii), (xiii), (xiv), (xv), (xvi), (xvii), (xviii), (xix) & (xx) of paragraph 4 of the Companies (Auditor's Report) order, 2003 are not applicable to the Company for the year ended.

(ii) In respect of fixed assets:

(a) The Company has maintained proper records showing full particulars including quantitative details and situation of fixed assets.

(b) The fixed assets of the company have been physically verified by the management at the end of the year and we are informed that no discrepancies between book records and the physical inventory have been noticed.

(c) In our opinion and according to the information and explanations given to us, the Company has not made any disposals during the year.

(iii) In respect of inventories:

(a) As explained to us, inventories were physically verified during the year by the management at reasonable intervals.

(b) In our opinion and according to the information and explanations given to us, the procedures of physical verification of inventories followed by the management were reasonable and adequate in relation to the size of the Company and the nature of its activity during the year.

(c) In our opinion and according to the information and explanations given to us, the Company has maintained proper records of its inventories and no material discrepancies were noticed on physical verification.

(iv) In respect of loans, secured or unsecured, granted or taken by the Company to or from companies, firms or other parties covered in the register maintained under section 301 of The Companies Act, 1956:

According to the information and explanations given to us the Company has neither granted nor taken any loans, secured or unsecured, to or from companies, firms or other parties covered in the register maintained under section 301 of The Companies Act, 1956.

(v) 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 nature of its business, for purchase of inventory and fixed assets. There is no sale of goods.

(vi) In respect of transactions entered in the register maintained in pursuance of section 301 of the Companies Act 1956:

To the best of our knowledge and belief and according to the information and explanations given to us, transactions that needed to be entered into the register have been so entered.

(vii) The Company has not accepted any deposits from the public to which the provisions of Section 58A and section 58AA of the Companies Act, 1956 and the Companies (Acceptance of Deposits) Rules 1975, are applicable.

(viii) According to the information and explanations given to us in respect of statutory and other dues there were no undisputed amount payable in respect of Income Tax, Wealth Tax, Sales Tax, Customs Duty and Excise Duty outstanding as at 31st March, 2011 for more than six months from the date they became payable.

(ix) The Company has accumulated losses at the beginning of the year. The Company has incurred loss during the year. The accumulated losses have exceeded the entire net worth of the Company.

(x) To the best of our knowledge and belief and according to the information and explanations given to us, no fraud on or by the Company was noticed or reported during the year.

For GARG DEVENDRA & ASSOCIATES
Firm Registration No. 130993W
Chartered Accountants

DEVENDRA KUMAR GARG
Proprietor
Membership No. FCA 056608

Place : Mumbai
Dated : 13th May, 2011

BALANCE SHEET AS AT 31ST MARCH 2011

	SCHEDULE	Current Year 31.03.2011 Amount in Rs.	Previous Year 31.03.2010 Amount in Rs.
SOURCES OF FUNDS			
Shareholders' Fund			
Share Capital	A	**500,000**	500,000
TOTAL		**500,000**	500,000
APPLICATION OF FUNDS			
Fixed Assets	B		
Gross Block		**4,304,963**	4,304,963
Less: Depreciation		**1,423,907**	1,270,808
		2,881,056	3,034,155
Investments	C	**250**	250
Current Assets, Loans & Advances			
Inventories	D	**3,735,407**	3,735,407
Deposits & Advance Tax Paid	E	**120,644**	139,700
Cash and Bank Balances	F	**51,303**	11,017
		3,907,354	3,886,124
Current Liabilities & Provisions	G	**10,126,720**	10,210,102
Net Current Assets		**(6,219,366)**	(6,323,978)
Balance as per Profit & Loss account		**3,823,395**	3,760,243
Preliminary Expenses (to the extent not written off)		**14,665**	29,330
TOTAL		**500,000**	500,000
Statement of Significant Accounting Policies and Notes forming part of accounts	H		

As per our report of even date

For GARG DEVENDRA & ASSOCIATES
Firm Registration No. 130993 W
Chartered Accountants

DEVENDRA KUMAR GARG
Proprietor
Membership No. FCA 056608

Place : Mumbai
Date : 13th May, 2011

For and on behalf of the Board

PARVEZ A. FAROOQUI
Chairman

RAHUL PURI
Director

MEGHNA GHAI PURI
Director

PROFIT & LOSS ACCOUNT FOR THE YEAR ENDED 31ST MARCH 2011

	SCHEDULE	Current Year 31.03.2011 Amount in Rs.	Previous Year 31.03.2010 Amount in Rs.
INCOME			
Rental Income		**120,000**	480,000
Total		**120,000**	480,000
EXPENDITURE			
Administration and other Expenses	H	**15,388**	33,708
Depreciation		**153,099**	161,419
Preliminary Expenses written Off		**14,665**	14,665
Total		**183,152**	209,792
Profit/(Loss) after tax		**(63,152)**	270,208
Add: Balance brought forward from last year		**(3,760,243)**	(4,030,451)
Balance carried to Balance Sheet		**(3,823,395)**	(3,760,243)
Statement of Significant Accounting Policies and Notes forming part of accounts	I		

As per our report of even date

For GARG DEVENDRA & ASSOCIATES
Firm Registration No. 130993 W
Chartered Accountants

DEVENDRA KUMAR GARG
Proprietor
Membership No. FCA 056608

Place : Mumbai
Date : 13th May, 2011

For and on behalf of the Board

PARVEZ A. FAROOQUI
Chairman

RAHUL PURI
Director

MEGHNA GHAI PURI
Director

CASH FLOW STATEMENT FOR THE YEAR ENDED 31ST MARCH 2011

	Current Year 31.03.2011 Amount in Rs.	Previous Year 31.03.2010 Amount in Rs.
A. CASH FROM OPERATING ACTIVITIES		
Net Profit / (Loss) before tax and extraordinary items :	**(63,152)**	270,208
Adjustments for :		
Depreciation	**153,099**	161,419
Miscellaneous expenditure written off	**14,665**	14,665
Operating profit before working capital changes	**104,612**	446,292
Adjustments for :		
(Increase)/ Decrease in Inventories	**-**	-
(Increase)/ Decrease in Loans and advances	**19,056**	(88,780)
Increase/(Decrease) in Trade Creditors	**6,618**	9,450
Inc./ (Dec.) in Other current liabilities and provisions	**(90,000)**	(384,547)
Cash generated from/(used in) operations	**40,286**	(17,585)
Net Cash Generated from/(used in) Operating Activities	**40,286**	(17,585)
B. CASH FLOW FROM INVESTING ACTIVITIES		
Net cash generated from/(used in) investing activities	**-**	-
C. CASH FLOW FROM FINANCING ACTIVITIES		
Net cash recovered from/(used in) financing activities	**-**	-
Net increase/(decrease) in cash and cash equivalents	**40,286**	(17,585)
(A+B+C)		
Cash and cash equivalents (opening)	**11,017**	28,602
Cash and cash equivalents (closing)	**51,303**	11,017

As per our report of even date

For GARG DEVENDRA & ASSOCIATES
Firm Registration No. 130993 W
Chartered Accountants

DEVENDRA KUMAR GARG
Proprietor
Membership No. FCA 056608

Place : Mumbai
Date : 13th May, 2011

For and on behalf of the Board

PARVEZ A. FAROOQUI
Chairman

RAHUL PURI
Director

MEGHNA GHAI PURI
Director

SCHEDULES FORMING PARTS OF ACCOUNTS

	Current Year 31.03.2011 Rupees	Previous Year 31.03.2010 Rupees
SCHEDULE - A		
Share Capital		
Authorised Share Capital		
50,000 Equity Shares of Rs.100/- each		
(Previous year 50,000 Equity Shares of Rs.100/- each)	**5,000,000**	5,000,000
Issued , subscribed & paid up Capital		
5,000 Equity Shares of Rs. 100/- fully paid-up	**500,000**	500,000
(Previous year 5,000 Equity Shares of Rs.100/- fully paid-up)		
	500,000	500,000

SCHEDULE B
Fixed Assets

(Amount in Rs.)

Particulars	Rate	GROSS BLOCK			DEPRECIATION			NET BLOCK	
		As on 01.04.2010	Additions during the year	Total as on 31.03.2011	Depreciation as on 31.03.2010	Depreciation for the year	Total Depreciation upto 31.03.2011	As on 31.03.2011	As on 31.03.2010
Block 'A'									
Ownership Premises	5.00%	4,260,063	-	4,260,063	1,240,088	150,999	1,391,087	2,868,976	3,019,975
Block 'B'									
Furniture & Fixture	18.10%	10,800	-	10,800	7,742	553	8,295	2,505	3,058
Block 'C'									
Mobile Handset		5,000	-	5,000	5,000	-	5,000	-	-
Air Conditioners	13.91%	29,100	-	29,100	17,978	1,547	19,525	9,575	11,122
TOTAL		**4,304,963**	**-**	**4,304,963**	**1,270,808**	**153,099**	**1,423,907**	**2,881,056**	**3,034,155**
Previous year		4,304,963	-	4,304,963	1,109,389	161,419	1,270,808	3,034,155	3,195,574

	Current Year 31.03.2011 Rupees	Previous Year 31.03.2010 Rupees
SCHEDULE - C		
Investments (Unquoted)		
Shares of Bait-Ush-Sharaf Co. Op. Hsg. Society Ltd.	**250**	250
(5 shares of Rs 50 each , Previous year 5 shares)		
	250	250

SCHEDULES FORMING PARTS OF ACCOUNTS

	Current Year 31.03.2011 Rupees	Previous Year 31.03.2010 Rupees
SCHEDULE - D		
Inventories		
Remake Rights of Films	**200,000**	200,000
Under Production T.V.Serials	**3,535,407**	3,535,407
	3,735,407	3,735,407
SCHEDULE - E		
Deposits & Other Current Assets		
Reliance Energy Limited	**820**	820
Sundry Debtors	**-**	40,000
Advance Tax Paid	**119,824**	98,880
	120,644	139,700
SCHEDULE - F		
Cash & Bank Balances		
Cash in hand	**4,107**	5,127
With Scheduled Banks:		
In Current Account	**47,196**	5,890
	51,303	11,017
SCHEDULE - G		
Current Liability & Provisions		
Amount due (to Holding Company)	**10,102,984**	10,192,984
Sundry Creditors for goods and services rendered	**23,736**	17,118
	10,126,720	10,210,102
SCHEDULE - H		
Administrative Expenses		
Auditors Remuneration	**6,618**	6,618
Professional Fees	**1,500**	2,010
Subscription Charges	**6,050**	10,000
Society Charges	**-**	14,000
Bank Charges	**200**	50
Filing Fees	**1,020**	1,030
	15,388	33,708

SCHEDULE I

Statement of Significant Accounting Policies and Notes forming Part of Accounts

1 **Significant Accounting Policies**

(a) **Basis of Preparation of Accounts**

The financial statements have been prepared under the historical cost convention, in accordance with Accounting Standards issued by the Institute of Chartered Accountants of India and the provisions of the Companies Act, 1956, as adopted consistently by the Company. All income and expenditure having a material bearing on the financial statements are recognised on accrual basis. The preparation of financial statements in conformity with the Accounting Standards require management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of financial statements, and the reported amounts of expenses during the year.

(b) (i) **Fixed Assets**

Fixed Assets are stated at cost of acquisition and attributable costs.

(ii) **Depreciation**

Depreciation has been provided on Written Down Value Method as per the provisions of Companies Act, 1956 and at the rates specified in Schedule XIV of the Companies Act, 1956.

(c) **Inventories**

Inventories of under production of serials are valued at actual cost.

(d) **Revenue recognition**

Sales/Realisations/ Other Income are recognised on accrual basis.

(e) **Preliminary Expenses**

Preliminary Expenses are amortised over a period of 10 Years

(f) **Impairment of Assets**

An asset is treated as impaired when the carrying cost of asset exceeds its recoverable value.

(g) There are no intangible assets.

(h) No provision of MAT required as there are carry forward Depreciations and Losses.

2 **Employee Benefit Plans**

There are no employees earning salary from the Company, hence there are no benefit plans defined or cost to be accountted in account during the year.

3 **Related Party Transaction**

Mukta Arts Limited	**99.92% – Holding Company**
Advances Payable as on 31-03-2011	Rs. 66,37,984/-
Deposits Payable as on 31-03-2011	Rs. 34,65,000/-

	Current Year	Previous Year
4 **Contingent Liabilities**	**Nil**	Nil

5 The Company's accumulated losses as at 31st March 2010 far exceeds its paid-up capital and reserves as at that date. Since the Directors are looking for right opportunity to explore the similar line of business activity, the Directors consider that it is appropriate to prepare the financial statements on going concern basis.

6 (a) There were no amounts payable to Small Scale Industrial Undertaking on the Balance Sheet date.

(b) The Company has no Suppliers under the Micro, Small and Medium Enterprises Development Act, 2006 and hence disclosures, if any, relating to amounts unpaid as at the year end together with interest paid / payable as required under the said Act are not applicable.

7 **Additional information required to be given pursuant to Part II of Schedule VI to the Companies Act, 1956 is as follows :**

The Company is in the business of production of software which is not subject to any licence and as such information regarding consumption of Raw Materials, Production and sales is not applicable. Further the nature of business of the Company is such that the installed capacity is not applicable.

8 **Auditors Remuneration :**

	Current Year Rupees	Previous Year Rupees
Statutory Audit Fees	**6,618**	6,618

9 Previous year figures have been regrouped wherever necessary.

As per our report of even date

For GARG DEVENDRA & ASSOCIATES
Firm Registration No. 130993 W
Chartered Accountants

DEVENDRA KUMAR GARG
Proprietor
Membership No. FCA 056608

Place : Mumbai
Date : 13th May, 2011

For and on behalf of the Board

PARVEZ A. FAROOQUI
Chairman

RAHUL PURI
Director

MEGHNA GHAI PURI
Director

BALANCE SHEET ABSTRACT AND COMPANY'S GENERAL BUSINESS PROFILE

I. REGISTRATION DETAILS

Registration No.	U92100MH2002PLC137312	State Code:	011
Balance Sheet Date :	31.03.2011		

II. CAPITAL RAISED (AMOUNTS IN RS. THOUSANDS)

Public Issue :	Nil	Bonus Issue:	Nil
Rights Issue :	Nil	Private Placement :	Nil

III. POSITION OF MOBILISATION AND DEPLOYMENT OF FUNDS (AMOUNTS IN RS. THOUSANDS)

Total Liabilities	500	Total Assets	500

SOURCES OF FUNDS

Paid-up Capital	500	Reserves & Surplus	–
Secured Loans	–	Unsecured Loans	–

APPLICATION OF FUNDS

Net Fixed Assets	2,881	Investments	–
Net Current Assets	(6,219	Misc. Expenditure	15
Accumulated Losses	3,823		

IV. PERFORMANCE OF COMPANY (AMOUNT IN RS. THOUSANDS)

Turnover	120	Total Expenditure	183
Profit /Loss before tax	(63)	Profit /Loss after tax	(63)
Earning per Share - Rs	(12.63)	Dividend rate %	Nil

V. GENERIC NAMES OF PRINCIPAL PRODUCTS / SERVICES OF COMPANY

Item Code No. :	Not Applicable
Product Description:	PRODUCTION OF TELEVISION SOFTWARE

DIRECTORS' REPORT

To the Members,

Your Directors take pleasure in presenting the Eighth Annual Report and the Audited Accounts of the Company for the Accounting Year ended 31st March 2011.

Operations:

The Income to the tune of Rs.3,055,310/- has been earned during the year. The Company has incurred loss of Rs.2,210,260/- during the year. The Directors are hopeful of achieving better results in the years to come.

Share Capital:

The Authorised Capital of the Company have been increased from Rs. 10 Lacs to Rs. 1 Crore in the Extra Ordinary General Meeting held on 30th December, 2010. The Paid up capital of the Company have been increased from Rs. 1 Lacs to Rs. 75 Lacs in the Extra Ordinary General Meeting held on 21st February, 2011.

Directors:

Mr. Subhash Ghai retires by rotation in the ensuing annual general meeting and if being eligible offers himself for reappointment.

Directors' Responsibility Statement [Section 217 (2AA)]:

The Directors confirm that:

i) in the preparation of the annual accounts, the applicable accounting standards have been followed along with proper explanation relating to material departures;

ii) the directors had selected such accounting policies & applied them consistently and made judgements and estimates that are reasonable and prudent so as to give true & fair view of the state of affairs of the company at the end of the financial year and of the loss of the company for the year;

iii) the directors had taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of this Act for safeguarding the assets of the company and for preventing and detecting fraud and other irregularities;

iv) the annual accounts are prepared on a going concern basis;

Auditors:

M/s Garg Devendra & Associates Chartered Accountants retire at the ensuing Annual General Meeting. You are requested to appoint the Statutory Auditors of the Company to hold office from the conclusion of this Annual General Meeting until the conclusion of next Annual General Meeting.

Disclosure about conservation of energy, technology absorption and foreign exchange outgo and earnings:

The Company is not engaged in manufacturing activities and as such particulars regarding disclosure about Conservation of energy, technology absorption are not applicable to the Company.

Particulars regarding Foreign Exchange earnings and outgo required under Section 217 (1) (e) of the Companies Act, 1956 and Companies (Disclosure of Particulars in the report of the Board of Directors) Rules, 1988 are given in Schedule H (Statement of Significant Accounting Policies and Notes forming Part of Accounts) of this report.

Other Statutory Information:

The Company does not have any employees requiring disclosure as required under Section 217 (2A) of the Companies Act, 1956.

Acknowledgements:

The Board of Directors wishes to thank and record its appreciation of the stakeholders, who have extended their continued support to the company.

Registered Office: **By Order of Board of Directors**

Mukta House,
Behind Whistling Woods Institute
Filmcity Complex,
Goregaon (East),
Mumbai- 400 065

Subhash Ghai
Chairman

Place : Mumbai
Date : 13th May, 2011

AUDITORS REPORT

To the Members

1. We have audited the attached Balance Sheet of **Coruscant Tec Pvt. Limited** as at 31st March 2011 and related the Profit and Loss Account and Cash Flow Statement for the year ended on that date, which we have signed under reference to this report. 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 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 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 issued by the Central Government of India in terms of sub-section (4A) of Section 227 of the Companies Act, 1956, we give in the Annexure a statement on the matters specified in paragraphs 4 and 5 of the said Order.

4. *Employee Benefit plans- AS 15 is not followed.(kindly refer Note no.4 in schedule I)*

5. Further to our comments in the Annexure referred to above:

   (i) 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;

   (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 such books;

   (iii) the Balance Sheet, Profit and 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 and Loss Account and Cash Flow Statement dealt with by this report comply with the requirements of 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 as on 31st March, 2011, 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.

6. In our opinion and to the best of our information and according to the explanations given to us, subject to our comments in paragraph 4 above, the said accounts read with significant accounting policies and other notes thereon, 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:

   (i) in the case of the Balance Sheet, of the state of affairs of the Company as at 31st March, 2011;

   (ii) in the case of Profit and Loss Account of the *Loss* of the Company for the year ended on that date, and

   (iii) in the case of Cash Flow Statement, of the cash flows for the year ended on that date.

For GARG DEVENDRA & ASSOCIATES
Firm Registration No. 130993W
Chartered Accountants

DEVENDRA KUMAR GARG
Proprietor
Membership No. FCA 056608

Place : Mumbai
Dated : 13th May, 2011

ANNEXURE TO THE AUDITORS' REPORT

[Referred to in paragraph (3) thereof]

(i) The nature of the Company's business/ activities during the year is such that clauses (vii), (viii), (xi), (xii), (xiii), (xiv), (xv), (xvi), (xvii), (xviii), (xix) & (xx) of paragraph 4 of the Companies (Auditor's Report) order, 2003 are not applicable to the Company for the year ended.

(ii) In respect of fixed assets:

(a) The Company has maintained proper records showing full particulars including quantitative details and situation of fixed assets.

(b) The fixed assets of the company have been physically verified by the management at the end of the year and we are informed that no discrepancies between book records and the physical inventory have been noticed.

(c) In our opinion and according to the information and explanations given to us, the Company has not made any disposals during the year.

(iii) In respect of inventories:

There are no inventories at the end of year.

(iv) In respect of loans, secured or unsecured, granted or taken by the Company to or from companies, firms or other parties covered in the register maintained under section 301 of The Companies Act, 1956:

According to the information and explanations given to us the Company has neither granted nor taken any loans, secured or unsecured, to or from companies, firms or other parties covered in the register maintained under section 301 of The Companies Act, 1956.

(v) 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 nature of its business, for purchase of inventory and fixed assets. There is no sale of goods.

(vi) In respect of transactions entered in the register maintained in pursuance of section 301 of the Companies Act 1956:

To the best of our knowledge and belief and according to the information and explanations given to us, transactions that needed to be entered into the register have been so entered.

(vii) The Company has not accepted any deposits from the public to which the provisions of Section 58A and section 58AA of the Companies Act, 1956 and the Companies (Acceptance of Deposits) Rules 1975, are applicable.

(viii) According to the information and explanations given to us in respect of statutory and other dues there were no undisputed amount payable in respect of Income Tax, Wealth Tax, Sales Tax, Customs Duty and Excise Duty outstanding as at 31st March, 2011 for more than six months from the date they became payable.

(ix) The Company has accumulated losses at the end of the year. The Company has incurred loss during the year. The accumulated losses have exceeded the entire net worth of the Company.

(x) To the best of our knowledge and belief and according to the information and explanations given to us, no fraud on or by the Company was noticed or reported during the year.

For GARG DEVENDRA & ASSOCIATES
Firm Registration No. 130993W
Chartered Accountants

DEVENDRA KUMAR GARG
Proprietor
Membership No. FCA 056608

Place : Mumbai
Dated : 13th May, 2011

BALANCE SHEET AS AT 31ST MARCH 2011

	SCHEDULE	Current Year 31.03.2011 Rupees	Previous Year 31.03.2010 Rupees
SOURCES OF FUNDS			
Shareholders' Fund			
Share Capital	A	100,000	100,000
TOTAL		100,000	100,000
APPLICABLE OF FUNDS			
Fixed Assets	B		
Gross Block		215,343	86,843
Less: Depreciation		46,949	9,646
Net Block		168,394	77,197
Current Assets, Loans & Advances			
Sundry Debtors	C	1,584,132	474,893
Cash & Bank Balance	D	59,590	32,194
Loans & Advances	E	808,148	191,664
		2,451,869	698,751
Less : **Current Liabilities & Provisions**	F	7,697,327	3,643,440
Net Current Assets		(5,245,458)	(2,944,689)
Miscellaneous Expenditure	G	1,380	2,070
Profit & Loss Account		5,175,682	2,965,422
TOTAL		100,000	100,000
Statement of Significant Accounting Policies and Notes forming part of accounts	I		

As per our report of even date

For GARG DEVENDRA & ASSOCIATES
Firm Registration No. 130993 W
Chartered Accountants

DEVENDRA KUMAR GARG
Proprietor
Membership No. FCA 056608

Place : Mumbai
Date : 13th May, 2011

For and on behalf of the Board

SUBHASH GHAI
Director

PARVEZ A. FAROOQUI
Director

RAHUL PURI
Director

PROFIT & LOSS ACCOUNT FOR THE YEAR ENDED 31ST MARCH 2011

	SCHEDULE	Current Year 31.03.2011 Rupees	Previous Year 31.03.2010 Rupees
Income			
Sales / Download Income		**3,055,310**	1,217,196
Other Income		**-**	5,107
		3,055,310	1,222,303
Employees Cost		**2,432,783**	2,708,898
Download Charges		**2,006,932**	-
Administration and other expenses	H	**787,864**	336,265
Preliminery Expenses Written off		**690**	690
Depreciation	B	**37,303**	9,646
		5,265,570	3,055,499
Profit/(Loss) before Taxation		**(2,210,260)**	(1,833,196)
Less: Provision for Taxation		**-**	-
Profit/(Loss) after Tax		**(2,210,260)**	(1,342,986)
Add: Balance brought forward from last year		**(2,965,421)**	(1,132,225)
Balance Carried to Balance Sheet		**(5,175,681)**	(2,965,421)
Statement of Significant Accounting Policies and Notes forming part of accounts	I		

As per our report of even date

For GARG DEVENDRA & ASSOCIATES
Firm Registration No. 130993 W
Chartered Accountants

DEVENDRA KUMAR GARG
Proprietor
Membership No. FCA 056608

Place : Mumbai
Date : 13th May, 2011

For and on behalf of the Board

SUBHASH GHAI
Director

PARVEZ A. FAROOQUI
Director

RAHUL PURI
Director

CASH FLOW STATEMENT FOR THE YEAR ENDED 31ST MARCH 2011

		Current Year 31.03.2011 Amount in Rs.	Previous Year 31.03.2010 Amount in Rs.
A.	**CASH FROM OPERATING ACTIVITIES**		
	Net Profit / (Loss) before tax and extraordinary items :	**(2,210,260)**	(1,833,196)
	Adjustments for :		
	Depreciation	**37,303**	9,646
	Miscellaneous expenditure written off	**690**	690
	Operating profit before working capital changes	**(2,172,268)**	(1,822,859)
	Adjustments for :		
	(Increase)/ Decrease in Fixed Assets	**(128,500)**	(86,843)
	(Increase)/ Decrease in Receivables	**(1,109,239)**	(247,445)
	(Increase)/ Decrease in Loans and advances	**(616,484)**	(71,508)
	Increase/(Decrease) in Trade Creditors	**20,320**	(18,800)
	Inc./ (Dec.) in Other current liabilities and provisions	**4,033,567**	2,277,941
	Cash generated from/(used in) operations	**27,396**	30,485
	Net Cash Generated from/(used in) Operating Activities	**27,396**	30,485
B.	**CASH FLOW FROM INVESTING ACTIVITIES**		
	Net cash generated from/(used in) investing activities	**-**	-
	CASH FLOW FROM FINANCING ACTIVITIES		
	Net cash recovered from/(used in) financing activities	**-**	-
	Net increase/(decrease) in cash and cash equivalents (A+B+C)	**27,396**	30,485
	Cash and cash equivalents (opening)	**32,194**	1,709
	Cash and cash equivalents (closing)	**59,590**	32,194

As per our report of even date

For GARG DEVENDRA & ASSOCIATES
Firm Registration No. 130993 W
Chartered Accountants

DEVENDRA KUMAR GARG
Proprietor
Membership No. FCA 056608

Place : Mumbai
Date : 13th May, 2011

For and on behalf of the Board

SUBHASH GHAI
Director

PARVEZ A. FAROOQUI
Director

RAHUL PURI
Director

SCHEDULES FORMING PARTS OF ACCOUNTS

		Current Year 31.03.2011 Rupees	Previous Year 31.03.2010 Rupees
SCHEDULE - A			
SHARE CAPITAL			
Authorised Capital			
1,00,000 Equity Share of Rs 10/- each		**1,000,000**	1,000,000
Issued, subscribed & paid up		**100,000**	100,000
10,000 Equity Shares of Rs 10/- each			
	Total	**100,000**	100,000

SCHEDULE B

Fixed Assets (Amount in Rs.)

Particulars	GROSS BLOCK			DEPRECIATION			NET BLOCK	
	As on 01.04.2010	Additions during the year	Total as on 31.03.2011	Depreciation as on 31.03.2010	Depreciation for the year	Total Depreciation upto 31.03.2011	As on 31.03.2011	As on 31.03.2010
Block 'A'								
Office Equipments	86,843	85,500	172,343	9,646	20,645	30,291	142,052	77,197
Block 'B'								
Computer & Accessories	-	43,000	43,000	-	16,658	16,658	26,342	-
TOTAL	**86,843**	**128,500**	**215,343**	**9,646**	**37,303**	**46,949**	**168,394**	**77,197**

	Current Year	Previous Year
SCHEDULE - C		
Sundry Debtors		
a) Debts outstanding for a period exceeding six months		
- Considered good	**39,771**	200,835
b) Other Debts Considered good		
- Considered good	**1,544,361**	274,058
	1,584,132	474,893
SCHEDULE - D		
Cash & Bank Balances		
Cash in hand	**360**	1,950
With Scheduled Bank (in current account)	**59,230**	30,244
	59,590	32,194
SCHEDULE - E		
Loans & Advances		
Advances recoverable in cash or in kind	**500,000**	-
Advance Taxes -Income Tax & FBT	**308,148**	191,664
	808,148	191,664
SCHEDULE - F		
Current Liabilities & Provision		
Sundry Creditors	**37,861**	17,541
Bank Balance (credit) due to issue of cheques	**-**	-
Other Liabilities	**583,811**	590,899
Amount due to holding Co.	**7,040,655**	3,000,000
Provision for Taxation	**35,000**	35,000
	7,697,327	3,643,440

SCHEDULES FORMING PARTS OF ACCOUNTS

	Current Year 31.03.2011 Rupees	Previous Year 31.03.2010 Rupees
SCHEDULE - G		
Miscellaneous Expenditure		
Preliminery Expenses to the extent not written off or adjusted	**1,380**	2,070
	1,380	2,070
SCHEDULE - H		
Administration and other expenses		
Bank Charges	**1,520**	112
Office Maintenance	**36,400**	3,910
Postage, Telegram & Filing Fees	**150,800**	33,741
Printing & Stationery	**1,483**	1,005
Professional Charges	**425,442**	205,486
Computer Expenses	**5,700**	25,500
Travelling & Conveyance	**16,024**	17,423
Telephone Expenses	**17,654**	39,787
Download Charges	**-**	3,786
Audit Fees	**5,515**	5,515
Bad Debs written off	**127,325**	-
	787,864	336,265

SCHEDULE I

Statement of Significant Accounting Policies and Notes forming Part of Accounts

1 **Significant Accounting Policies**

Basis of Preparation of Accounts

The financial statements have been prepared under the historical cost convention, in accordance with Accounting Standards issued by the Institute of Chartered Accountants of India and the provisions of the Companies Act, 1956, as adopted consistently by the Company. All income and expenditure having a material bearing on the financial statements are recognised on accrual basis.

The preparation of financial statements in conformity with the Accounting Standards require management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of financial statements, and the reported amounts of expenses during the year.

2 **Contingent Liabilities**

Current Year	Previous Year
Nil	Nil

3 **Taxes on income**

Deferred tax assets and liabilities are recognized for the future tax consequences attributable to timing differences that result between the profits offered for income taxes and the profits as per the financial statements.

Deferred tax not provided as there is huge losses during the year.

4 **Employee Benefit Plans**

There are no confirmed employees in the employment of the Company, hence there are no benefit plans defined or cost to be accountted in account during the year.

Short Term employee benefits are recognised as an expense at the undiscounted amount in the Profit and Loss account of the year in which the related service is rendered.

5 **Impairment of Assets**

An asset is treated as impaired when the carrying cost of asset exceeds its recoverable value.

6 Preliminary Expenses

Preliminary Expenses are amortised over a period of 10 Years

7 Revenue recognition

Sales/Realisations are recognised on accrual basis.

8 Related Party Transaction

Mukta Arts Limited	**100% - Holding Company**
Advances Payable as on 31-03-2011	Rs. 70,40,655/-

9 (a) There were no amounts payable to Small Scale Industrial Undertaking on the Balance Sheet date.

(b) The Company has not received any intimation from "Suppliers" regarding their status under the Micro, Small and Medium Enterprises Development Act, 2006 and hence disclosures, if any, relating to amounts unpaid as at the year end together with interest paid / payable as required under the said Act have not been given.

10 Additional information required to be given pursuant to Part II of Schedule VI to the Companies Act, 1956 is as follows :

The Company is in the business of production of software which is not subject to any licence and as such information regarding consumption of Raw Materials, Production and sales is not applicable. Further the nature of business of the Company is such that the installed capacity is not applicable.

11 Transaction in Foreign Currency

	Current Year 31.03.2011 Rupees	Previous Year 31.03.2010 Rupees
Receipts	**Nil**	Nil
Payments	**Nil**	Nil

12 Auditors Remuneration :

Statutory Audit Fees	**5,515**	**5,515**

13 Previous year figures have been regrouped wherever necessary.

As per our report of even date

For GARG DEVENDRA & ASSOCIATES
Firm Registration No. 130993 W
Chartered Accountants

DEVENDRA KUMAR GARG
Proprietor
Membership No. FCA 056608

Place : Mumbai
Date : 13th May, 2011

For and on behalf of the Board

SUBHASH GHAI
Director

PARVEZ A. FAROOQUI
Director

RAHUL PURI
Director

BALANCE SHEET ABSTRACT AND COMPANY'S GENERAL BUSINESS PROFILE

I. REGISTRATION DETAILS

Registration No.	U72200MH2003PTC193963	State Code:	011
Balance Sheet Date :	31.03.2011		

II. CAPITAL RAISED (AMOUNTS IN RS. THOUSANDS)

Public Issue :	Nil	Rights Issue :	Nil
Bonus Issue:	Nil	Private Placement :	Nil

III. POSITION OF MOBILISATION AND DEPLOYMENT OF FUNDS (AMOUNTS IN RS. THOUSANDS)

Total Liabilities	100	Total Assets	100

SOURCES OF FUNDS

Paid-up Capital	100	Reserves & Surplus	Nil
Secured Loans	Nil	Unsecured Loans	-

APPLICATION OF FUNDS

Net Fixed Assets	168	Investments	-
Net Current Assets	(5,245)	Misc. Expenditure	1
Accumulated Losses	5,176		

IV. PERFORMANCE OF COMPANY (AMOUNT IN RS. THOUSANDS)

Turnover	3,055	Total Expenditure	5,266
Profit /Loss before tax	(2,210)	Profit /Loss after tax	(2,210)
Earning per Share - Rs	(221.03)	Dividend rate %	Nil

V. GENERIC NAMES OF PRINCIPAL PRODUCTS / SERVICES OF COMPANY

Item Code No. :	Not Applicable
Product / Services: Description	Development of Contents

MUKTA ARTS LIMITED

Registered Office: Mukta House, Behind Whistling Woods Institute, Filmcity Complex, Goregaon (East), Mumbai- 400065

ATTENDANCE SLIP

I hereby record my presence at the 29th Annual General Meeting of the Company at Whistling Woods Institute Auditorium, Dada Saheb Phalke Chitranagari, Goregaon (East), Mumbai- 400065 on Saturday, the 24th of September, 2011 at 4.00 p.m.

Member's / Beneficial Owner's Name (In block letters): ____

Folio No. / Beneficiary Account No.: ____

Signature of the Member/ Beneficial Owner: ____

Proxy / Authorised Representative ____

Note: Shareholder/Proxy holder wishing to attend the Meeting must bring the Attendance Slip to the Meeting and hand it over at the entrance of the Meeting venue duly signed.

MUKTA ARTS LIMITED

Registered Office: Mukta House, Behind Whistling Woods Institute, Filmcity Complex, Goregaon (East), Mumbai- 400065

PROXY FORM

I/We ____

of ____

being a Member(s)/ Beneficial Owner(s) of the above named Company hereby appoint ____

of____

or failing whom____

of____

as my /our Proxy to attend and vote for me/us and on my/our behalf at the **29th Annual General Meeting** of Mukta Arts Limited to be held on Saturday, the 24th September, 2011 at 4.00 p.m. at Whistling Woods Institute Auditorium, Dada Saheb Phalke Chitranagari, Goregaon (East), Mumbai- 400065 and at any adjournment(s) thereof.

Signed this …………...…………………… day ……….....…..…… 2011

Folio No. / Beneficiary Account No. : __________________________

Signature of the Member / Beneficial Owner: _____________________

Affix Revenue Stamp

Note: This Proxy form must reach the Registered Office of the Company not less than 48 hours before the time of holding the meeting.

MUKTA ARTS LIMITED

Registered Office

3rd Floor, Mukta House, Behind Whistling Woods Institute, Filmcity, Goregaon (E), Mumbai - 400 065.
Tel.: +91 22 3091 6250 Fax : +91 22 3091 6251
www.muktaarts.com