

**12th Annual Report 2010-2011**

**BABA ARTS LIMITED**



## **BABA ARTS LIMITED**

### **Board of Directors**

Shri Gordhan P. Tanwani  
**Chairman & Managing Director**

Shri Santosh A Shah  
Chairman – Audit Committee

Shri Pravin Karia

Shri Sanjiv Hinduja

### **Company Secretary**

Shri N.H.Mankad

### **Statutory Auditors**

Prakkash Muni & Associates  
Chartered Accountants

### **Banker**

Bank of India, Versova Branch, Andheri (West), Mumbai 400053.

### **Registered Office and Studio**

3A, Valecha Chambers,  
New Link Road,  
Andheri (West),  
Mumbai 400 053.  
Phone : (022) 2673 3131 Fax : (022) 2673 3375  
Email.: babaartslimited@yahoo.com

### **Registrars & Share Transfer Agents**

Universal Capital Securities Private Limited,  
21, Shakil Niwas, Mahakali Caves Road,  
Andheri (East), Mumbai 400 093  
Phone : (022) 2836 6620 Fax : (022) 2821 1996  
Email.: baba@unisec.in

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## ANNUAL REPORT 2010-2011

### NOTICE OF THE TWELFTH ANNUAL GENERAL MEETING

NOTICE is hereby given that the Twelfth Annual General Meeting of Baba Arts Limited will be held on Tuesday the 27th September, 2011 at 11.30 a.m. at Juhu Vile Parle Gymkhana Club, Orchid Hall, Second Floor, Opp: Juhu Bus Depot, Juhu, Mumbai 400049 to transact the following business:

### ORDINARY BUSINESS

1. To receive, consider and adopt the Audited Balance Sheet as at 31st March, 2011 and the Profit & Loss Account of the Company for the year ended on that date together with the Cash Flow Statement, Directors' Report and the Report of the Auditors thereon.
2. To appoint Director in place of Shri Pravin J Karia who retires by rotation and being eligible offers himself for reappointment.
3. To appoint Auditors and to fix their remuneration.

By Order of the Board  
For Baba Arts Limited

**N. H. Mankad**  
Company Secretary

### **Regd. Office:**

3A, Valecha Chambers,  
New Link Road,  
Andheri (West),  
Mumbai 400053.

Date: 11th August, 2011

### NOTES :

1. A MEMBER ENTITLED TO ATTEND AND VOTE AT THE MEETING IS ENTITLED TO APPOINT A PROXY OR PROXIES TO ATTEND AND VOTE, INSTEAD OF HIMSELF / HERSELF AND A PROXY NEED NOT BE A MEMBER OF THE COMPANY. PROXIES TO BE VALID MUST BE LODGED WITH THE COMPANY AT ITS REGISTERED OFFICE NOT LATER THAN 48 HOURS BEFORE THE COMMENCEMENT OF THE ANNUAL GENERAL MEETING. A PROXY SO APPOINTED SHALL NOT HAVE ANY RIGHT TO SPEAK AT THE MEETING. BLANK PROXY FORM IS ENCLOSED.
2. The Register of Members and Share Transfer Books of the Company will be closed from Friday the 23rd September, 2011 to Tuesday the 27th September, 2011 (both days inclusive).
3. Members are requested to:
  - a. Bring their copy of the Annual Report to the Annual General Meeting.
  - b. Bring the Attendance Slip sent herewith, duly filled in, for attending the meeting.
4. Brief profile of Director seeking appointment as per Clause 49 of the Listing Agreement with the Stock Exchange is given in the Report on Corporate Governance.
5. Beneficial Owners holding shares in electronic/demat form are requested to notify any change in their address, bank account, mandate, etc. to their respective Depository Participant. Members holding shares in physical form are requested to notify any change in their address, bank account etc. to the Registrar and Share Transfer Agents, Universal Capital Securities Pvt. Ltd.
6. Members desirous of getting any information about the accounts and operations of the company are requested to write their queries to the company at least seven days in advance of the meeting so that the information required can be made readily available at the meeting.
7. Pursuant to the provisions of Section 109A of the Companies Act, 1956, members are entitled to make a nomination in respect of the shares held by them. Members desirous of making nominations are requested to submit Form No. 2B



(which may be obtained from the company's Secretarial Department) duly filled in and signed by them to the company's Registrar & Share Transfer Agents in case of shares held in Physical Form and to the Depository Participants in case of shares held in electronic form. The nominee shall be a person in whom all rights of transfer and/ or amount payable in respect of the shares shall vest in the event of death of the member(s). A minor can be a nominee provided the name of the Guardian is given in the Nomination Form. The facility of nomination is not available to non individual members such as Societies, Trusts, Bodies Corporate, Kartas of HUF and holders of Power of Attorneys. For further details, please contact the Company's Secretarial Department.

8. The Ministry of Corporate Affairs has taken a "Green Initiative" in Corporate Governance by allowing paperless compliance by companies and has issued circulars allowing companies to send any notice / document (including Annual Reports) to its members via e-mail. To support this green initiative of the Government in letter and spirit, the company has taken an initiative to collect e-mail addresses of all its members who are agreeable to receive all notices and documents (including Annual Reports) via e-mail. Members holding shares in physical form and desiring to receive all such notices / documents (including Annual Report) via e-mail are requested to register their e-mail addresses with the Registrar and Transfer Agents of the company Universal Capital Securities Pvt. Ltd., 21, Shakeel Nivas, Mahakali Caves Road, Andheri (East), Mumbai 400093. Members holding shares in dematerialized form are requested to update their e-mail addresses with their respective Depository Participants.

By Order of the Board  
**For Baba Arts Limited**

**N. H. Mankad**  
*Company Secretary*

***Regd. Office:***

3A, Valecha Chambers,  
New Link Road,  
Andheri (West)  
Mumbai 400053.

Date: 11th August, 2011

## ANNUAL REPORT 2010-2011

### DIRECTORS' REPORT

To,  
The Members,

Your directors have pleasure in presenting their Twelfth Annual Report together with the Audited Accounts for the year ended on 31st March, 2011.

### FINANCIAL RESULTS

(Rs. Lac.)

| Particulars                                                 | March 31, 2011 | March 31, 2010 |
|-------------------------------------------------------------|----------------|----------------|
| Income from Operations                                      | 9953.97        | 15772.81       |
| Other Income                                                | 39.82          | 51.36          |
| Total Income                                                | 9993.79        | 15824.17       |
| Total Expenditure                                           | 9327.57        | 14939.25       |
| Profit /(Loss) before Finance Charges, Depreciation and Tax | 676.22         | 884.92         |
| Finance Charges                                             | 107.30         | 18.18          |
| Profit /(Loss) after interest but before Depreciation       | 568.92         | 866.74         |
| Depreciation                                                | 47.09          | 51.10          |
| Profit /(Loss) before Tax                                   | 521.83         | 815.64         |
| Provision for Tax                                           |                |                |
| - Current Tax                                               | 177.00         | 282.00         |
| - Deferred Tax                                              | (1.96)         | (2.61)         |
| - Wealth Tax                                                | 0.06           | -              |
| Net Profit /(Loss) for the Year                             | 346.73         | 536.25         |
| Prior period Income Tax Adjustments                         | (0.69)         | (21.31)        |
| Profit /(Loss) brought forward from previous year           | 939.92         | 629.89         |
| Profit available for Appropriations                         | 1285.96        | 1144.84        |
| <b>Appropriations</b>                                       |                |                |
| Transfer to General Reserve                                 | -              | 54.00          |
| Proposed Dividend                                           | -              | 129.00         |
| Tax on Dividend                                             | -              | 21.92          |
| Balance Profit /(Loss) carried forward to Balance Sheet     | 1285.96        | 939.92         |

### DIVIDEND

Your directors have not recommended any dividend on equity shares for the year ended on 31st March, 2011.

### SHARE CAPITAL

During the year, the company has issued 5,16,00,000 equity shares of Re. 1/- each as bonus shares in the ratio of one bonus share for every existing share held by the shareholders on 4th October, 2010 being the record date fixed by the Board of Directors for the said purpose. Consequently the paid up share capital of the company has now increased from Rs. 5,16,00,000 to Rs. 10,32,00,000.

### REVIEW OF OPERATIONS

During the year under review, income from Post Production activity declined to 37.70 Lac from Rs. 52.10 Lac in the previous year. Income from trading in IPR of Films also was lower at Rs. 9916.27 Lac from Rs.15220.69 Lac in the previous year. Your company earned Net Profit of Rs.346.73 Lac vis-à-vis Net Profit of Rs. 536.25 Lac in the previous year, after providing for Depreciation of Rs. 47.09 Lac, Current Tax of Rs. 177.00 Lac, Wealth Tax of Rs.0.06 Lac and accounting for deferred tax credit of Rs. 1.96 Lac.

### DEPOSITS

Your company has not invited / accepted any deposits from public within the meaning of Section 58A & 58AA of the Companies Act, 1956.

### CORPORATE GOVERNANCE

The Corporate Governance Report and Management's Discussion and Analysis form an integral part of this report and are set out as separate annexure to this report. The certificate from Auditors of the company certifying compliance of the conditions of Corporate Governance as stipulated in Clause 49 of the listing agreement is also annexed to the report on Corporate Governance.

### DIRECTORS

Shri Pravin J Kaira, Director retires by rotation and being eligible offers himself for reappointment.

### DIRECTORS' RESPONSIBILITY STATEMENT

Pursuant to Section 217 (2AA) of the Companies (Amendment) Act, 2001, the directors confirm that:

- in the preparation of the annual accounts, the applicable accounting standards have been followed;



- ii) the accounting policies have been consistently applied and reasonable and prudent judgment and estimates have been made so as to give a true and fair view of the profit of the company for the year ended on 31st March, 2011 and the state of affairs of the company as at 31st March, 2011 as disclosed in the enclosed accounts;
- iii) proper and sufficient care has been taken for maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 1956 for safeguarding the assets of the company and for preventing and detecting fraud and other irregularities; and
- iv) the annual accounts have been prepared on a going concern basis.

#### **RELATED PARTY TRANSACTIONS**

In accordance with the Accounting Standard 18 prescribed by the Institute of Chartered Accountants of India, transactions with related parties have been disclosed separately and form a part of this report.

#### **AUDITORS**

The company's Auditors M/s. Prakash Muni & Associates, Chartered Accountants, retire at the conclusion of the ensuing Annual General Meeting, and are eligible for reappointment. The company has received the certificate to this effect from the Auditors. Your Directors recommend their re-appointment.

#### **SUBSIDIARY COMPANY**

Mahadev Production Private Limited (MPPL) a subsidiary of the company earned income of Rs. 55.00 Lacs from sale of negative rights of the film "Vijay Bihari Mafia". After writing off the balance cost of production brought forward from the previous year, the subsidiary company has earned a profit before tax of Rs.11.44 Lac. Provision for tax is Rs.3.72 Lac and Net Profit after Tax is Rs. 7.72 Lac.

The report and accounts of MPPL is annexed to this report along with the statement pursuant to Section 212 of the Companies Act, 1956.

#### **CONSOLIDATED FINANCIAL STATEMENTS AND CASH FLOW ANALYSIS**

As stipulated by Clause 32 of the listing agreement with stock exchange, the consolidated financial statement have been prepared by the company in accordance with the applicable accounting standards issued by the Institute of Chartered Accountants of India. The audited consolidated financial statements together with Auditor's Report form part of this Annual Report.

The consolidated net profit of the company and its subsidiary amounted to Rs.354.45 Lac as against Rs.346.73 Lac for the company on a stand alone basis. The consolidated Cash Flow statement for the year under review is annexed hereto.

#### **PARTICULARS OF EMPLOYEES**

The particulars of Employees as per Section 217 (2A) of the Companies Act, 1956 and the rules framed there under are as follows:

| Sr. No. | Name                   | Designation                  | Age | Experience | Total Remuneration | Previous Employment |
|---------|------------------------|------------------------------|-----|------------|--------------------|---------------------|
| 1.      | Shri Gordhan P Tanwani | Chairman & Managing Director | 54  | 34         | 2,699,970          | -                   |

#### **CONSERVATION OF ENERGY, TECHNOLOGY ABSORPTION & FOREIGN EXCHANGE EARNINGS AND OUTGO:**

##### **Conservation of Energy**

Your company's activities do not require substantial energy consumption. However, the company continues to lay emphasis on reducing energy consumption by constantly monitoring the consumption and taking steps to reduce wasteful use of energy.

##### **Research & Development, Technology Absorption, Adoption and Innovation**

The company has not under taken any Research & Development activity.

##### **Foreign Exchange Earnings and Outgo**

- a. Foreign Exchange Earnings - Rs. Nil
- b. Foreign Exchange Outgo - Rs. 1.63 Lac

#### **ACKNOWLEDGEMENT**

The Board wishes to thank all the company's customers, film producers, artists and technicians, satellite channels, company's bankers, who have extended their continued support to the Company.

Your Directors specially thank the shareholders of the company for having reposed their confidence in the management of the company and employees and technicians of the company at all levels for their dedicated services to the company and the contribution made by them towards the growth of the company.

For and On behalf of the Board of Directors

**Gordhan P Tanwani**  
Chairman & Managing Director

Place : Mumbai  
Date : 26th May, 2011

## MANAGEMENT DISCUSSION AND ANALYSIS

### 1. Industry Structure and Development

Indian Media & Entertainment Industry earned revenue of INR 65200 Crore in the year 2010 vis a vis INR 58700 Crore in the year 2009 thereby registering a strong growth of 11% over the previous year. The industry is expected to log in a CAGR of over 14% during the next 3 years and its total revenue is set to double to INR 130000 Crore by the year 2015.

### 2. Outlook for Company

#### (i) Post Production

Post Production is non priority business for the company and income from the said activity has continued to decline over the years and the same trend will be continuing in future.

#### (ii) Trading in IPR of Films

After a very healthy start in the first half of the financial year 2010-11, there was sudden slump in demand for IPR of films from the Television Channels. Most of the channels have already completed their purchases of rights of films up to the year 2015. The only market that is active is for new films and under production films. With increase in cost of production of films irrespective of the content, the cost of acquiring new films and under production films are rising substantially and the channels are not showing interest in picking up films at such high prices. Your company has always adopted a cautious approach and not succumbed to the race of acquiring rights of new films or under production films at prohibitive prices. This has resulted in a temporary fall in top line and consequently drop in bottom line during the current year. However, your company is confident that in the long run the company would emerge as a stronger and long term player in the market for IPR of films.

#### (iii) Film Production

The pre production work on company's ambitious 3D composite animation film project "T2 – Taarzan The Wonder Car is Back" is in progress. The shooting of the film is expected to be commenced shortly.

#### (iv) Film Distribution

During the year 2010-11, for the first time the company had acquired World Rights of the film "Dil Toh Bachha Hai Ji" and the company generated satisfactory business from successful release of the film in theatres all over India, in overseas market and also on Satellite Channels.

#### (v) Home Entertainment

During the year 2010-11 the company earned income of Rs. 5.94 Lac from sale of VCD / DVDs of the popular stand up comedy show "The Great Indian Laughter Challenge". The DVD / VCD rights of the said show is available to the company for one more year and the company will earn further revenue from sale of the DVD / VCD rights during the financial year 2011-12.

### 3. Opportunities, Threats and Challenges

#### (i) Opportunities:

Even though there is a temporary slow down in demand for rights of films, your company is hopeful that very soon there will be strong recovery in demand. The television industry is expected to grow by over 15% during the next two to three years and your company is ideally placed to take full advantage of the recovery as and when it happens.

#### (ii) Threats and Challenges:

Major threat to the company remains the high cost of acquiring rights of films both in respect of television rights and theatrical distribution rights. In spite of poor audience response to some high profile films, the cost of producing films is continuing to mount whereby the producers are making unreasonable demands for parting with distribution rights and television rights of their films and the channels are not willing to shell out such high cost.



#### **4. Internal Control System**

The company has adequate internal control system to ensure operational efficiency and compliance of laws and regulations. The internal control system is reviewed by the Audit Committee from time to time and its suggestions, if any, are implemented. The company has appointed a qualified Chartered Accountant as Internal Auditor, who submits his report on a quarterly basis. Observations of Internal Auditor are noted and wherever necessary corrective steps are taken.

#### **5. Financial Performance with respect to Operational Performance**

##### **(i) Sales**

Income from post production activity declined to Rs.37.70 Lac from Rs.52.10 Lac in the previous year.

Income from Trading in IPR including theatrical distribution of commercial films and sale of DVD / VCD declined to Rs.9916.27 Lac from Rs.15220.70 Lac in the previous year.

##### **(ii) Operating Profit, Finance Charges, Depreciation and Net Profit**

The company's operating profit during the year was lower at Rs.676.22 Lac as against Rs.886.64 Lac in the previous year. Finance charges during the year were higher at Rs.105.99 Lac (Previous Year Rs.19.90 Lac). After providing for Depreciation of Rs.47.09 Lac (Previous Year Rs.51.10 Lac), and after providing for current taxation of Rs.177.00 Lac, Deferred Tax Credit of Rs.1.96 Lac and Wealth Tax of Rs. 0.06 Lac there was a Net Profit of Rs.346.73 Lac as against Net Profit of Rs.536.25 Lac in the previous year.

##### **(iii) Capital Investment**

During the year ended on 31st March, 2011 capital investment of Rs.39.74 Lac was made out of internal accruals.

##### **(iv) Working Capital**

The company was enjoying working capital facilities of Rs.3000 Lac during the year ended on 31st March, 2011. The company had utilized limit of Rs.952.34 Lac as on 31st March, 2011.

#### **6. Human Resources**

The company has maintained peaceful and cordial relationship with the employees.

#### **Cautionary Statement**

**Statements in this report on Management Discussion and Analysis describing the company's objectives, estimates and expectations are "forward looking" statements. These statements are based on certain assumptions and expectations of future events. The actual results may differ materially from those expressed or implied. Important factors that could make a difference to the company's operations include economic conditions affecting the Entertainment Industry, changes in government regulations, tax regimes, economic developments within India and outside the country and other factors such as litigations and industrial relations. The company assumes no responsibility to publicly amend, modify or revise any forward looking statements, on the basis of any subsequent developments, information or events.**



**CORPORATE GOVERNANCE REPORT**

**1. Company's Philosophy on Corporate Governance**

The company is complying with all the mandatory procedures and practices prescribed by SEBI under its Code of Corporate Governance.

- a. Corporate Governance is an integral part of the day to day working of the company which is implemented through policy of transparency, accountability, responsibility and professionalism and establishing a system of internal control to generate confidence amongst the company's stake holders and maximizing their value.

**2. Board of Directors**

**(i) Composition and Size of the Board**

The Board consists of Four (4) members who include One (1) Executive Chairman & Managing Director, One (1) Non Independent & Non Executive Director, and Two (2) Non Executive Independent Directors. The company did not have any pecuniary relationship or transactions with Non-Executive Directors.

**(ii) & (iii) Attendance at Board Meetings/ AGM & other particulars**

Membership and attendance of each Director at the Board of Directors meetings and the last Annual General Meeting and the number of companies in which he is a Director / Member of the Committee is tabulated below :

| Sr. No. | Name of the Director     | Category | Designation             | No. of Board Meetings attended | Attendance at The last AGM | No. of Directorship in other Public Limited Companies |
|---------|--------------------------|----------|-------------------------|--------------------------------|----------------------------|-------------------------------------------------------|
| 1.      | Shri. Gordhan P. Tanwani | P - ED   | Chairman & Mg. Director | 5                              | Yes                        | —                                                     |
| 2.      | Shri. Sanjiv Hinduja     | I – NED  | Director                | 5                              | Yes                        | —                                                     |
| 3.      | Shri. Pravin Karia       | P – NED  | Director                | 5                              | Yes                        | —                                                     |
| 4.      | Shri Santosh A. Shah     | I-NED    | Director                | 5                              | Yes                        | 1                                                     |

P – Promoter, ED – Executive Director, I - Independent Director. NED –Non Executive Director,

None of the Directors is Committee Member in any other company.

**(iv) Board Meetings held during the year**

The board meets at least once a quarter to review the quarterly performance and the financial results. The notice of the meeting is sent well in advance and detailed agenda along with other board papers are also sent to all the directors before the board meeting. The board meetings are generally held at the Registered Office of the company at Mumbai.

During the year Five Board Meetings were held on 14th May, 2010, 30th July, 2010, 13th August, 2010, 12th November, 2010 and 14th February, 2011.



**(v) Details of director being appointed at the AGM**

A brief resume of the director being appointed at the AGM is as follows:

|                                                                                                               |                                       |
|---------------------------------------------------------------------------------------------------------------|---------------------------------------|
| <b>Name</b>                                                                                                   | <b>Shri Pravin Karia</b>              |
| Date of Birth                                                                                                 | 20/12/1951                            |
| Date of Appointment                                                                                           | 20/10/2003                            |
| Qualification                                                                                                 | C.A.                                  |
| Experience in specific functional area                                                                        | Accounts, Taxation, Audit and Finance |
| Directorships in other Companies                                                                              | None                                  |
| Chairman/ Member of the Committees of the Board of Directors of the Company                                   | Member – Audit Committee              |
| Chairman/ Member of the Committees of the Board of Directors of the other Companies in which he is a Director | Nil                                   |
| No. of Shares of the Company held                                                                             | 8000                                  |

**3. Audit Committee**

**(i) Terms of Reference**

The Board of Directors has constituted an Audit Committee of directors to exercise powers and discharge functions as stipulated in Section 292A of the Companies Act, 1956 and Clause 49 of the listing agreement with the stock exchange and other relevant statutory / regulatory provisions.

**(ii) Composition**

The Audit Committee consists of, Shri Santosh A. Shah, Independent Non Executive Director, as Chairman of the Committee, Shri Sanjiv Hinduja Independent Non Executive Director and Shri Pravin Karia, Non Independent & Non Executive Director as members.

**(iii) Meetings & Attendance during the year**

The Audit Committee met Four (4) times during the year. The date of the Audit Committee Meetings and attendance of the Committee Members at the said meetings is given in table below:

| Name of the Members | Category | Meeting Held On |            |            |            |
|---------------------|----------|-----------------|------------|------------|------------|
|                     |          | 11/05/2010      | 11/08/2010 | 11/11/2010 | 10/02/2011 |
| Shri Santosh A Shah | Chairman | Yes             | Yes        | Yes        | Yes        |
| Shri Sanjiv Hinduja | Member   | Yes             | Yes        | Yes        | Yes        |
| Shri Pravin Karia   | Member   | Yes             | Yes        | Yes        | Yes        |

The Managing Director, Shri Gordhan P. Tanwani is permanent invitee to the meetings of the Audit Committee. The meetings of the Audit Committee were also attended by the Statutory Auditors, Internal Auditors and senior management staff of the company whenever required to provide information and answer queries raised by the committee members. The Company Secretary acts as Secretary of the Audit Committee.

**4. Remuneration Committee**

(i) & (ii) The Company has not appointed remuneration committee.

**(iii) Remuneration Policy**

The decisions regarding remuneration of executive and non-executive directors is taken by the entire Board subject to statutory and regulatory compliances as may be necessary. The Company does not pay any remuneration to non-executive directors except sitting fees for attending Board / Committee meetings.

**(iv) Details of Remuneration paid to the Directors**

**(a) Managing Director**

Shri Gordhan P. Tanwani the present Managing Director of the Company was paid Salary of Rs. 26,99,970/- during the year 2010-11.

**(b) Non Executive Directors**

The Non Executive Directors are not entitled to any remuneration except sitting fees for attending the meetings of the Board of Directors and Committees thereof. Total amount of sitting fees paid to the Non Executive Directors during the year was Rs. 3,15,000 /- only as per details given hereunder:

Shri Santosh A Shah Rs.1,05,000/-  
 Shri Pravin Karia Rs.1,05,000/-  
 Shri Sanjiv Hinduja Rs.1,05,000/-

**5. Investor Grievance Committee**

**(i) Composition**

The company has an Investor Grievance Committee to look into various issues relating shareholders' complaints and their redressal. The following are the present members of the committee :

Shri Gordhan P Tanwani Chairman  
 Shri Sanjiv Hinduja Member  
 Shri Santosh A Shah Member

All the investor complaints that are not settled by the Registrar and Transfer Agents and / or the Compliance Officer are required to be forwarded to this committee for final settlement. However, no complaint has so far been received by this committee.

**(ii) Compliance Officer**

Shri N.H. Mankad, Company Secretary has been designated as the Compliance Officer.

**(iii) to (v) Details of complaints**

Details of Investors' complaints received and resolved during the year is as under:

|                                                                    |     |
|--------------------------------------------------------------------|-----|
| No. of complaints pending at the beginning of the year             | NIL |
| No. of complaints received during the year                         | NIL |
| No. of complaints resolved to the satisfaction of the shareholders | NIL |
| No. of Complaints pending at the end of the year                   | NIL |
| No. of Share Transfers pending at the end of the year              | NIL |

The number of pending requests for share transfers and pending requests for dematerialization as on 31st March, 2011 were Nil.

**6. Code of Conduct and Ethics for Board of Directors and Senior Management**

The company has formulated and adopted a comprehensive Code of Conduct and Ethics applicable to all the directors and senior management personnel of the company. The code has been circulated to all the board members and senior management personnel of the company. A copy of the code has been posted on the company's website [www.studiogalaxy.com](http://www.studiogalaxy.com).

All the board members and senior management personnel have affirmed compliance of the Code of Conduct. A declaration signed by the Chairman & Managing Director in this regard is given below:

**DECLARATION PURSUANT TO CLAUSE 49 (D) (ii) OF THE LISTING AGREEMENT**

I hereby confirm that all the board members and senior management personnel of the company have affirmed to the Board of Directors, their compliance with the Code of Conduct of the company pursuant to Clause 49 (D) (ii) of the Listing Agreement for the financial year 2010-11.

**Gordhan P. Tanwani**  
 Chairman & Managing Director



## 7. Information on General Body Meetings

- (i) The date, time and location where last Three (3) Annual General Meetings were held is as follows:

|          | Date                            | Time       | Location                                                                           |
|----------|---------------------------------|------------|------------------------------------------------------------------------------------|
| 9th AGM  | Thursday<br>4th September, 2008 | 11.30 a.m. | Juhu Vile Parle Gymkhana Club, Party Hall, 2nd Floor, Juhu, Mumbai 400049          |
| 10th AGM | Tuesday<br>29th September, 2009 | 11.30 a.m. | Juhu Vile Parle Gymkhana Club, Old Squash Court, Ground Floor, Juhu, Mumbai 400049 |
| 11th AGM | Tuesday<br>21st September, 2010 | 11.30 a.m. | Juhu Vile Parle Gymkhana Club, ORCHID HALL, Ground Floor, Juhu, Mumbai 400049      |

- (ii), (iii) & (iv) Special Resolution & Resolution by Postal Ballot

At the 11th Annual General Meeting, the company did not pass any Special Resolution. The Company did not pass any resolution by Postal Ballot at the 11th Annual General Meeting.

- (v) & (vi) At the 12th AGM it is not proposed to pass any Special Resolution.

## 8. Subsidiaries

The Company does not have any material non-listed Indian Subsidiary whose turnover or net worth (i.e. paid up capital and free reserves) exceeds 20% of the consolidated turnover or net worth respectively, of the listed holding company and its subsidiaries in the immediately preceding accounting year.

## 9. Disclosures

- (i) There are no material transactions with directors or the management or their subsidiaries and relatives that have potential conflict with the interest of the company. The Register of Contracts detailing the transactions in which the directors of the company are interested is placed before the Board of Directors at its meetings pursuant to Section 301 of the Companies Act, 1956. All related party transactions have been disclosed in Note No.11 (B) of Schedule 21 of the Annual Accounts.

During the last three years, there were no strictures or penalties imposed by SEBI or the stock exchanges or any statutory authority for non-compliance of any matter related to the capital markets.

- (ii) The Company has not adopted Whistle Blower Policy.

### (iii) Compliance with Non-Mandatory requirements

The status of compliance in respect of non-mandatory requirements of Clause 49 of Listing Agreement is as follows:

- Maintenance of the Chairman's Office:** The company has an Executive Chairman and the office provided to him is also used by him in his capacity as Chairman of the Board. No separate office is maintained for the Non - Executive Chairman of the Audit Committee but secretarial and other assistance is provided to him, whenever needed, in performance of his duties.
- Tenure of Independent Directors:** No specific tenure has been specified for the Independent Directors.
- Shareholders rights:** Unaudited quarterly financial results were published in Free Press Journal & Navshakti, Mumbai. All the results were posted on website of the company [www.studiogalaxy.com](http://www.studiogalaxy.com).
- Remuneration Committee:** The company has not set up a separate Remuneration Committee.
- Audit Qualification:** So far there have been no qualifications by the Auditors in their report on the Accounts of the company. The company shall endeavor to continue to have unqualified financial statements.
- Training of Board of Directors:** The Directors of the company are persons from business and profession with experience in corporate sector. They are being kept posted with various statutory and regulatory changes which are applicable to the company.

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- g) **Mechanism for Evaluating Non – Executive Board Members:** Non Executive members of the board are highly qualified and there is no need for their evaluation.
- h) **Whistle Blower Policy:** The Company has so far not framed a formal whistle blower policy. However, the employees of the company have free access to the Board of Directors, Audit Committee and senior management personnel to report their concerns about unethical behavior, fraud or violation of statutory requirements, with assurance from the management to protect the employees from victimization in case they report any such unethical or fraudulent behavior.

(vi) Shareholding of the Non – Executive Directors in the Company

| Sr.No. | Name of the Non – Executive Director | No. of Shares Held |
|--------|--------------------------------------|--------------------|
| 1.     | Shri Sanjiv Hinduja                  | 8000               |
| 2.     | Shri Pravin Karia                    | 8000               |

### 10. Means of Communication

- Quarterly Results were published in The Free Press Journal & Nav Shakti, Mumbai. The same also include official company press release. The quarterly results are also posted on the company's website [www.studiogalaxy.com](http://www.studiogalaxy.com).
- The company has not made any presentations to analysts or institutional investors.
- Management Discussion & Analysis is a part of this Annual Report.

### 11. General Shareholder Information

#### (i) to (vi) AGM & Other Related Information

|                                                 |                                                                                                                                             |
|-------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------|
| 12th AGM Date, Time and Venue                   | 27th September, 2011 at 11.30 a.m. at Juhu Vile Parle Gymkhana Club, ORCHID HALL, Second Floor, Opp. Juhu Bus Depot, Juhu, Mumbai – 400049. |
| Financial Calendar                              | 2011-12                                                                                                                                     |
| Results for Quarter ending 30th June, 2011.     | 2nd Week of August, 2011                                                                                                                    |
| Results for Quarter ending 30th September, 2011 | 2nd Week of November, 2011                                                                                                                  |
| Results for Quarter ending 31st December, 2011  | 2nd Week of February, 2012                                                                                                                  |
| Results for Quarter ending 31st March, 2012     | 2nd Week of May, 2012                                                                                                                       |
| AGM for the year ending 31st March, 2012        | Before 30th September, 2012                                                                                                                 |
| Book Closure                                    | Friday, 23rd September 2011 to Tuesday, 27th September 2011 (both days inclusive)                                                           |
| Dividend Payment                                | The Board of Directors have not recommended any dividend for the year ended on 31st March, 2011.                                            |
| Listing on Stock Exchanges                      | Bombay Stock Exchange Limited, Mumbai<br>Phiroze Jeejeebhoy Towers, Dalal Street, Mumbai - 400001<br><br>Stock Code: 532380                 |
| Payment of Listing Fees                         | Listing fee for the year 2011-12 has been paid to the Bombay Stock Exchange Limited, Mumbai.                                                |
| Demat ISIN for NSDL & CDSL                      | INE893A01036                                                                                                                                |



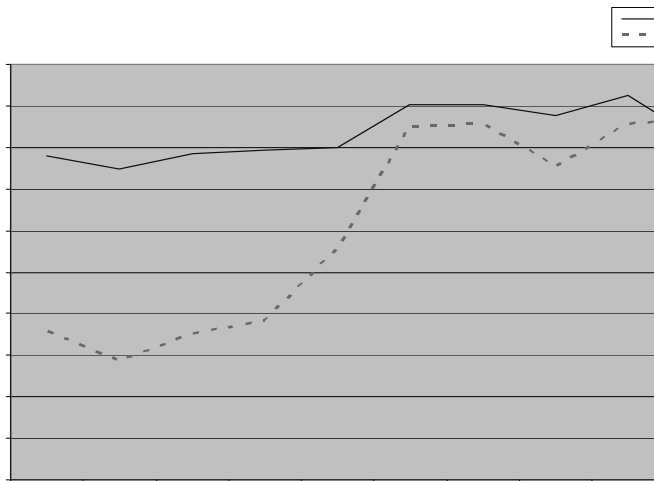
**(vii) Market Information**

Monthly high and low quotations of company's equity shares traded on Bombay Stock Exchange Limited during the year 2010-11 are as follows:

| Month       | Share Price (Rs.) |        | BSE Sensex |        |       |
|-------------|-------------------|--------|------------|--------|-------|
|             | High              | Low    | High       | Low    | Close |
| <b>2010</b> |                   |        |            |        |       |
| April       | 15.17             | 14.17  | 17970      | 17411  | 17559 |
| May         | 15.12             | 13.93  | 17386      | 16022  | 16945 |
| June        | 14.95             | 14.10  | 17876      | 16572  | 17709 |
| July        | 15.37             | 14.55  | 18131      | 17441  | 17868 |
| August      | 18.20             | 15.15  | 18455      | 17971  | 17971 |
| September   | @19.45            | #10.55 | 20117      | 182006 | 20069 |
| October     | 11.06             | 10.53  | 20688      | 19872  | 20032 |
| November    | 11.09             | 10.07  | 21005      | 19137  | 19521 |
| December    | 11.47             | 10.28  | 20509      | 19242  | 20509 |
| <b>2011</b> |                   |        |            |        |       |
| January     | 12.07             | 10.70  | 20561      | 18328  | 18327 |
| February    | 11.31             | 10.52  | 18506      | 17463  | 17823 |
| March       | 10.91             | 9.88   | 19445      | 18150  | 19445 |

@ Cum Bonus # Ex-Bonus.

**(viii) Performance of Company's Share Price in comparison with BSE Sensex**



**(ix) Name & Address of the Registrar and Share Transfer Agent**

UNIVERSAL CAPITAL SECURITIES PRIVATE LIMITED  
 21, Shakil Niwas, Mahakali Caves Road,  
 Andheri (East)  
 Mumbai 400093  
 Tel: (022) 2836 6620 Fax: (022) 28211996  
 E-mail: baba@uniseq.in

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### (x) Share Transfer System

Share transfer is normally effected within a maximum period of 15 Days from the date of receipt, if all the documents are complete in all respect. The Board of Directors have delegated the powers for approving share transfers to the Company Secretary up to 2500 Equity Share per Transfer and to the Managing Director for approving share transfers of more than 2500 Equity Shares per Transfer. Share Transfers are approved by The Company Secretary / The Managing Director on receipt of the report of the Registrar & Share Transfer Agent.

### (xi) (1) Distribution of Shareholding as on 31st March, 2011

| Range of Holding | No. of Share Holders | % to Total Share Holders | Shareholdings    | Share Amount (Rs.) | % to Total Share Capital |
|------------------|----------------------|--------------------------|------------------|--------------------|--------------------------|
| 1 – 500          | 663                  | 32.12                    | 114982           | 114982             | 0.11                     |
| 501 – 1000       | 328                  | 15.89                    | 267025           | 267025             | 0.26                     |
| 1001 – 2000      | 407                  | 19.72                    | 651121           | 651121             | 0.63                     |
| 2001 – 3000      | 157                  | 7.61                     | 386055           | 386055             | 0.37                     |
| 3001 – 4000      | 107                  | 5.18                     | 403395           | 403395             | 0.39                     |
| 4001 – 5000      | 84                   | 4.07                     | 400885           | 400885             | 0.39                     |
| 5001 – 10000     | 102                  | 4.94                     | 802434           | 802434             | 0.78                     |
| 10001 and above  | 216                  | 10.47                    | 100174103        | 100174103          | 97.07                    |
| <b>TOTAL</b>     | <b>2064</b>          | <b>100.00</b>            | <b>103200000</b> | <b>103200000</b>   | <b>100.00</b>            |

### (xi) (2) Categories of Shareholders as on 31st March, 2011

| Sr. No. | Category of Members               | No. of Shares Held | % to Total Capital |
|---------|-----------------------------------|--------------------|--------------------|
| 1.      | Promoters                         | 57790757           | 56.00              |
| 2.      | Independent Directors & Relatives | 1474200            | 1.42               |
| 3.      | Indian Public                     | 33611448           | 32.57              |
| 4.      | Private Corporate Bodies          | 9491804            | 9.20               |
| 5.      | NRIs/OCBs                         | 203088             | 0.20               |
| 6.      | Others (Clearing Members)         | 628703             | 0.61               |
|         | <b>TOTAL</b>                      | <b>103200000</b>   | <b>100.00</b>      |

\*\* For the purpose of SEBI (Substantial Acquisition of Shares & Takeover) Regulation 1997, the following persons are to be considered as Promoters/ Persons Acting in Concert (PAC) with promoters.

persons are to be considered as Promoters/Persons Acting in Convert (PAC) with Promoters.

| Sr. No. | Name of the Person         | Category | Relationship with Promoter | Shareholding as on 31.03.2011 |
|---------|----------------------------|----------|----------------------------|-------------------------------|
| 1.      | Shri.. Gordhan P. Tanwani  | Promoter | Self                       | 52632000                      |
| 2.      | Bhagwati Holdings Pvt. Ltd | PAC      | Group Company              | 5150757                       |
| 3.      | Shri Pravin Karia          | PAC      | Non Independent Director   | 8000                          |

### (xii) Dematerialisation of Shares and Liquidity

The trading in Company's Shares is compulsory in Demat Segment only through the two Depositories NSDL and CDSL. The status of dematerialisation as on 31st March, 2011 was as under:

| Particulars                     | No. of Shares    | % to Capital  | No. of Accounts / Folios |
|---------------------------------|------------------|---------------|--------------------------|
| NSDL                            | 49396592         | 47.86         | 1205                     |
| CDSL                            | 53375960         | 51.72         | 677                      |
| <b>Total Shares Under Demat</b> | <b>102772552</b> | <b>99.58</b>  | <b>1882</b>              |
| Physical                        | 427448           | 0.42          | 182                      |
| <b>Total Capital</b>            | <b>103200000</b> | <b>100.00</b> | <b>2064</b>              |

All the demat requests have been approved within 21 Days.



**(xiii) Outstanding ADRs/ GDRs/Warrants or any Convertible Instruments**

There are no instruments outstanding which are convertible in to equity shares of the company.

**(xiv) Plant Locations**

The company's Post Production Studio is located at:

3A, Valecha Chambers,  
New Link Road,  
Andheri (West),  
Mumbai 400053

**(xv) Address for Correspondence**

Investors may address correspondence to:

**Shri N.H.Mankad**  
Company Secretary & Compliance Officer

Baba Arts Limited  
3A, Valecha Chambers,  
New Link Road,  
Andheri (West)  
Mumbai 400053  
Phone: 022 2673 3131  
Fax: 022 2673 3375  
E-mail: babaartslimited@yahoo.com

**Shri Ravi Utekar**  
General Manager

Universal Capital Securities Pvt. Ltd.  
21, Shakil Niwas,  
Mahakali Caves Road,  
Andheri (East)  
Mumbai 400093  
Phone: 2836 6620  
Fax: 28211996  
E-mail: baba@unisec.in

**Risk Management**

An analysis of the company's risk profile has been made and presented to the Board of Directors of the company. The company will be undertaking regular review of the risk profile of the company and keep the Board of Directors adequately informed about the risk profile and the measures identified to mitigate such risks.

**Auditors' Certificate on Corporate Governance**

Certificate regarding compliance of conditions of Corporate Governance, as stipulated in the listing agreement with the stock exchange, received from M/s. Prakash Muni & Associates, Statutory Auditors of the Company, is annexed to this report. The said certificate will also be sent to the stock exchange along with the annual return to be filed by the Company.

**For Baba Arts Limited**

**Gordhan P Tanwani**  
*Chairman & Mg. Director*

Place: Mumbai  
Date: 26TH May, 2011.



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### CERTIFICATE

#### TO THE MEMBERS OF BABA ARTS LIMITED

We have examined the compliance of the conditions of Corporate Governance by **BABA ARTS LIMITED** for the year ended 31st March, 2011, as stipulated in Clause 49 (as amended) of the Listing agreement of the said Company with the Stock Exchanges.

The compliance of conditions of Corporate Governance is the responsibility of the management. Our examination has been limited to review of the procedures and implementation thereof, adopted by the company for ensuring the compliance of the conditions of the 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 explanation 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 Clause 49 of the above mentioned Listing Agreement.

As required by the Guidance Note issued by the Institute of Chartered Accountants of India, we have to state that the Registrars and Share Transfer Agents of the Company have maintained records to show the Investors' Grievance against the Company and have certified that as on March 31st 2011 there were no investor grievances remaining unattended / pending for more than 30 days.

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

**For PRAKKASH MUNI & ASSOCIATES**

*Chartered Accountants*

Firm Registration No.: 111792W

**Prakkash Muni**

*Proprietor*

Membership No.:30544

Place : Mumbai

Date : 26th May, 2011



## AUDITOR'S REPORT

TO,  
THE SHAREHOLDERS OF  
BABAARTS LIMITED.

1. I have audited the attached Balance Sheet of **BABA ARTS LIMITED** as at 31st March, 2011 and the Profit and Loss Account and the Cash Flow Statement for the year ended on that date annexed thereto. These financial statements are the responsibility of the Company's Management. My responsibility is to express an opinion on these financial statements based on my audit.
2. I have conducted my audit in accordance with auditing standards generally accepted in India. Those Standards require that I 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 the Management, as well as evaluating the overall financial statement presentation. I believe that my audit provides a reasonable basis for my opinion.
3. 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, I enclose in the Annexure a statement on the matters specified in paragraphs 4 and 5 of the said Order.
4. Further to my comments in the Annexure referred to in paragraph 3 above, I report that:
  - i) I have obtained all the information and explanations, which to the best of my knowledge and belief were necessary for the purposes of my audit;
  - ii) In my opinion, proper books of account as required by law have been kept by the Company so far as appears from our examination of those books;
  - iii) The Balance Sheet and the Profit and Loss Account and Cash Flow Statement dealt with by this report are in agreement with the books of account;
  - iv) In my opinion, the Balance Sheet and the Profit and Loss Account and Cash Flow Statement dealt with by this report comply with the applicable accounting standards referred to in sub-section (3C) of Section 211 of the Companies Act, 1956;
  - v) On the basis of written representations received from the directors, as on 31st March, 2011, and taken on record by the Board of Directors, I report that none of the directors is disqualified as on 31st March, 2011 from being appointed as a director in terms of clause (g) of sub-section (1) of Section 274 of the Companies Act, 1956;
  - vi) In my opinion and to the best of my information and according to the explanations given to me, the said accounts read together with the significant accounting policies and 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:
    - a) In the case of the Balance Sheet, of the state of affairs of the Company as at 31st March, 2011;
    - b) In the case of the Profit and Loss Account, of the profit for the year ended on that date; and
    - c) In the case of the Cash Flow Statement, of the cash flows for the year ended on that date.

**For PRAKKASH MUNI & ASSOCIATES**

*Chartered Accountants*

Firm Registration No.: 111792W

**PRAKKASH R. MUNI.**

*Proprietor*

Membership No.: 30544.

Place : Mumbai

Date : 26th May, 2011.

## ANNUAL REPORT 2010-2011

### ANNEXURE TO THE AUDITOR'S REPORT

(Referred to in paragraph 3 of our report of even date)

1. In respect of its Fixed Assets:
  - a) The Company has maintained proper records showing full particulars including quantitative details and situation of its fixed assets. With consideration to significant additions from time to time such records are being updated periodically.
  - b) All the assets have not been physically verified by the management during the year but there is regular program of reconciliation which in my opinion is reasonable having regard to the size of the company and nature of its assets. According to the information and explanation given to me no material discrepancy were noticed on such verification.
  - c) During the year the Company has not disposed of any part of the plant and machinery, disposal of fixed assets does not constitute a substantial part of the company's fixed assets.
2. Since, the company is having only Intellectual property rights as its inventory therefore the Para 2 of the order relating to physical verification of inventories is not applicable.
3. In respect of the loans, secured or unsecured, granted or taken by the Company to/from companies, firms or other parties covered in the Register maintained under Section 301 of the Companies Act, 1956:
  - (a) The Company has given loans to its subsidiary. In respect of the said loans, the maximum amount outstanding at any time during the year is Rs. 55 Lakhs and the year-end balance is Rs. Nil.
  - (b) In my opinion and according to the information and explanations given to me, the rate of interest, where applicable and other terms and conditions, are not prima facie prejudicial to the interest of the Company.
  - (c) The principal amounts are repayable on demand and there is no repayment schedule. The interest, where applicable, is payable on demand.
  - (d) In respect of the said loans, the same are repayable on demand and therefore the question of overdue amounts does not arise. In respect of interest, where applicable, there are no overdue amounts.
  - (e) The Company has not taken any loans, secured or unsecured, from companies, firms or other parties during the year covered in the Register maintained under Section 301 of the Companies Act, 1956.
4. In my opinion and according to the information and explanations given to me, Company's internal control systems are commensurate with the size of the Company and the nature of its business with regard to purchases of inventories and fixed assets and with regard to the sale of goods and services. During the course of my audit, I have not observed any continuing failure to correct major weakness in internal control system.
5. In respect of the contracts or arrangements referred to in Section 301 of the Companies Act, 1956:
  - a) According to the information and explanations provided by the management to me, there were no contracts or arrangements referred to in section 301 of the Act during the year. Accordingly sub clause (b) is not applicable
6. The Company has not accepted any deposits from the public to which the provisions 58A, 58AA or any other relevant provision of The Companies Act, 1956 and the Companies (Acceptance of Deposit) Rules, 1975 apply. Therefore, the provisions of clause (vi) of the paragraph 4 of the order are not applicable to the Company.
7. In my opinion and according to information and explanation given to me, the Company has an internal audit system commensurate with the size and nature of its business.
8. To the best of my knowledge and according to the information and explanations given to me, the Central Government has not prescribed the maintenance of cost records under Section 209 (1) (d) of the Companies Act, 1956, for any of the products of the Company.



9. In respect of statutory dues:

- a) According to the records of the Company, undisputed statutory dues including Provident Fund, Employees' State Insurance, Income Tax, Sales Tax, Wealth Tax, Service Tax, Customs Duty, Excise Duty, Cess and any other statutory dues have been generally regularly deposited with the appropriate authorities. According to the information and explanations given to me, no undisputed amounts payable in respect of the aforesaid dues were outstanding as at 31st March, 2011 for a period of more than six months from the date of becoming payable.
  - b) There are no disputed statutory dues payable by the company.
10. The Company does not have accumulated losses at the end of the financial year. The Company has not incurred any cash losses during the financial year covered by my audit and the preceding financial year.
  11. Based on our audit procedures and according to the information and explanation given to me, the Company has not defaulted in the repayment of its dues to a Financial Institutions and Bank.
  12. According to the information and explanations given to me, no loans and advances have been granted by the Company on the basis of security by way of shares, debentures and other securities.
  13. In my opinion and according to the information and explanations given to me, the Company is not a chit fund or a nidhi/ mutual benefit fund/society. Accordingly, the provisions of clause 4 (xiii) of the Order are not applicable to the Company.
  14. According to the information and explanations given to me, the Company is not dealing in shares, securities, debentures and other investments. Accordingly, the provisions of clause 4 (xiv) of the Order are not applicable to the Company.
  15. The Company has not raised any term loan during the year and there is no outstanding term loan during the year.
  16. According to the information and explanations given to me and on an overall examination of the Balance Sheet of the Company, we are of the opinion that there are no funds raised on short-term basis that have been used for long-term investment purpose.
  17. According to the information and explanations given to me, the Company has not made any preferential allotment of shares to parties and companies covered in the register maintained under Section 301 of the Companies Act, 1956.
  18. During the period covered by my audit report, the Company has not raised any money by public issues.
  19. To the best of my knowledge and belief and according to the information and explanations given to me, no material fraud on or by the Company has been noticed or reported during the year.

**For PRAKKASH MUNI & ASSOCIATES**

*Chartered Accountants*

Firm Registration No.: 111792W

**PRAKKASH R. MUNI.**

*Proprietor*

Membership No.: 30544

Place : Mumbai

Date : 26th May, 2011.

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### BALANCE SHEET AS AT 31<sup>st</sup> MARCH, 2011

| Particulars                                        | Schedule<br>No. | As At<br>March 31, 2011<br>Amount Rs. | As At<br>March 31, 2010<br>Amount Rs. |
|----------------------------------------------------|-----------------|---------------------------------------|---------------------------------------|
| <b>SOURCES OF FUNDS</b>                            |                 |                                       |                                       |
| <b>Shareholders' Funds</b>                         |                 |                                       |                                       |
| Share Capital                                      | 1               | 103,200,000                           | 51,600,000                            |
| <b>Reserves &amp; Surplus</b>                      | 2               | 211,438,979                           | 228,434,846                           |
| <b>Loan Funds</b>                                  |                 |                                       |                                       |
| Secured Loans                                      | 3               | 95,234,083                            | 42,792,345                            |
| Defered Tax Liability (Net)                        |                 | 1,566,498                             | 1,762,994                             |
| <b>TOTAL</b>                                       |                 | <b>411,439,560</b>                    | <b>324,590,185</b>                    |
| <b>APPLICATION OF FUNDS</b>                        |                 |                                       |                                       |
| <b>Fixed Assets</b>                                |                 |                                       |                                       |
| Gross Block                                        | 4               | 108,916,714                           | 104,942,408                           |
| Less : Depreciation                                |                 | 77,155,118                            | 72,446,510                            |
| <b>Net Block</b>                                   |                 | <b>31,761,596</b>                     | <b>32,495,898</b>                     |
| <b>Investments</b>                                 | 5               | <b>53,500</b>                         | <b>53,500</b>                         |
| <b>Current Assets, Loans &amp; Advances</b>        |                 |                                       |                                       |
| Inventories                                        | 6               | 260,581,453                           | 311,555,333                           |
| Sundry Debtors                                     | 7               | 201,165,201                           | 270,037,343                           |
| Cash & Bank Balances                               | 8               | 213,359,221                           | 44,176,172                            |
| Loans & Advances                                   | 9               | 67,003,468                            | 110,386,042                           |
| <b>Sub Total (A)</b>                               |                 | <b>742,109,343</b>                    | <b>736,154,890</b>                    |
| <b>Less : Current Liabilities &amp; Provisions</b> |                 |                                       |                                       |
| Current liabilities                                | 10              | 316,184,124                           | 381,120,366                           |
| Provisions                                         | 11              | 46,300,755                            | 62,993,737                            |
| <b>Sub Total (B)</b>                               |                 | <b>362,484,879</b>                    | <b>444,114,103</b>                    |
| <b>Net Current Assets (A) - (B)</b>                |                 | <b>379,624,464</b>                    | <b>292,040,787</b>                    |
| <b>TOTAL</b>                                       |                 | <b>411,439,560</b>                    | <b>324,590,185</b>                    |
| Accounting Policies and Notes to Accounts          | 21              |                                       |                                       |

As per our report of even date attached  
**For Prakkash Muni & Associates**  
*Chartered Accountants*  
 Firm Registration No.: 111792W

**Prakkash Muni**  
*Proprietor*  
 Membership No.: 30544

Place : Mumbai  
 Date : 26th May, 2011

For and on behalf of the Board

**Gordhan P. Tanwani**  
*Chairman & Managing Director*

**Sanjiv Hinduja**  
*Director*

**Pravin Karia**  
*Director*

**Santosh A. Shah**  
*Director*

**N.H.Mankad**  
*Company Secretary*

Place : Mumbai  
 Date : 26th May, 2011



**PROFIT & LOSS ACCOUNT FOR THE YEAR ENDED 31<sup>st</sup> MARCH, 2011**

|                                                                                                                                                   | Schedule No. | Year Ended March 31, 2011 Amount Rs. | Year Ended March 31, 2010 Amount Rs. |
|---------------------------------------------------------------------------------------------------------------------------------------------------|--------------|--------------------------------------|--------------------------------------|
| <b>INCOME</b>                                                                                                                                     |              |                                      |                                      |
| Sales                                                                                                                                             | 12           | 995,397,316                          | 1,577,280,911                        |
| Other Income                                                                                                                                      | 13           | 3,981,627                            | 5,136,656                            |
|                                                                                                                                                   |              | <u>999,378,943</u>                   | <u>1,582,417,567</u>                 |
| <b>EXPENDITURE</b>                                                                                                                                |              |                                      |                                      |
| Cost of IPR of Films                                                                                                                              | 14           | 923,005,196                          | 1,442,734,567                        |
| Cost of Production/ Distribution of Films                                                                                                         | 15           | -                                    | 33,754,709                           |
| Operating Expenses                                                                                                                                | 16           | 1,671,372                            | 2,346,595                            |
| Staff Costs                                                                                                                                       | 17           | 1,185,523                            | 1,291,360                            |
| Administration & Other Expenses                                                                                                                   | 18           | 5,353,463                            | 2,656,161                            |
| Selling Expenses                                                                                                                                  | 19           | 541,472                              | 10,970,126                           |
|                                                                                                                                                   |              | <u>931,757,026</u>                   | <u>1,493,753,518</u>                 |
| <b>Profit/ (Loss) before Interest, Depreciation and Tax</b>                                                                                       |              | <u>67,621,916</u>                    | <u>88,664,049</u>                    |
| Depreciation                                                                                                                                      | 4            | 4,708,606                            | 5,110,113                            |
| Profit/ (Loss) before Interest and Tax                                                                                                            |              | <u>62,913,310</u>                    | <u>83,553,936</u>                    |
| Finance Charges                                                                                                                                   | 20           | 10,730,150                           | 1,990,234                            |
| Profit/ (Loss) after Depreciation but before Tax                                                                                                  |              | <u>52,183,160</u>                    | <u>81,563,702</u>                    |
| Provision for Tax                                                                                                                                 |              | 17,700,000                           | 28,200,000                           |
| Provision for Wealth Tax                                                                                                                          |              | 6,155                                | -                                    |
| Deferred Tax                                                                                                                                      |              | (196,496)                            | (261,276)                            |
| Profit/ (Loss) after Tax                                                                                                                          |              | <u>34,673,501</u>                    | <u>53,624,978</u>                    |
| Prior period income tax adjustments                                                                                                               |              | (69,368)                             | (2,130,601)                          |
| Sub Total                                                                                                                                         |              | <u>34,604,133</u>                    | <u>51,494,377</u>                    |
| Balance of Profit brought forward                                                                                                                 |              | <u>93,991,575</u>                    | <u>62,989,553</u>                    |
| Profit available for Appropriation                                                                                                                |              | <u>128,595,708</u>                   | <u>114,483,930</u>                   |
| Transferred to General Reserve                                                                                                                    |              | -                                    | 5,400,000                            |
| Proposed Dividend                                                                                                                                 |              | -                                    | 12,900,000                           |
| Tax on Dividend                                                                                                                                   |              | -                                    | 2,192,355                            |
| Balance of Profit carried forward                                                                                                                 |              | <u>128,595,708</u>                   | <u>93,991,575</u>                    |
| Basic & Diluted Earning Per Share before prior Year Taxes (See Note B 10 of Schedule 21) Face Value of Re. 1/- per share (P.Y. Re. 1/- per share) |              | <u>0.34</u>                          | <u>0.52</u>                          |
| Basic & Diluted Earning Per Share after prior Year Taxes                                                                                          |              | <u>0.34</u>                          | <u>0.50</u>                          |
| Accounting Policies and Notes to Accounts                                                                                                         | 21           |                                      |                                      |

As per our report of even date attached  
**For Prakash Muni & Associates**  
*Chartered Accountants*  
 Firm Registration No.: 111792W

**Prakash Muni**  
*Proprietor*  
 Membership No.: 30544

Place : Mumbai  
 Date : 26th May, 2011

For and on behalf of the Board

**Gordhan P. Tanwani**  
*Chairman & Managing Director*

**Sanjiv Hinduja**  
*Director*

**Pravin Karia**  
*Director*

**Santosh A. Shah**  
*Director*

**N.H.Mankad**  
*Company Secretary*

Place : Mumbai  
 Date : 26th May, 2011

## ANNUAL REPORT 2010-2011

### CASH FLOW STATEMENT FOR THE YEAR ENDED 31<sup>ST</sup> MARCH, 2011

|                                                        | April 1, 2010 -<br>March 31, 2011<br>Amount Rs. | April 1, 2009 -<br>March 31, 2010<br>Amount Rs. |
|--------------------------------------------------------|-------------------------------------------------|-------------------------------------------------|
| <b>A. CASH FLOW FROM OPERATING ACTIVITIES :</b>        |                                                 |                                                 |
| Net Profit / (Loss) before Tax and Extraordinary items | 52,183,160                                      | 81,563,704                                      |
| Adjustment for :                                       |                                                 |                                                 |
| Depreciation                                           | 4,708,606                                       | 5,110,113                                       |
| Interest Income                                        | (3,976,387)                                     | (4,930,618)                                     |
| Dividend Income                                        | (325)                                           | (325)                                           |
| Interest Paid                                          | 10,730,150                                      | 1,818,312                                       |
| Profit/ (Loss) on Sale of Fixed Assets                 | -                                               | 53,271                                          |
|                                                        | 11,462,044                                      | 2,050,753                                       |
|                                                        | 63,645,204                                      | 83,614,457                                      |
| Operating profit before working capital changes        |                                                 |                                                 |
| Adjustment for :                                       |                                                 |                                                 |
| Sundry Debtors                                         | 68,872,142                                      | (144,716,755)                                   |
| Inventories                                            | 50,973,880                                      | (204,557,289)                                   |
| Other loans & Advances                                 | 10,688,690                                      | (1,168,986)                                     |
| Current Liabilities & Provisions                       | (84,243,024)                                    | 311,474,703                                     |
|                                                        | 46,291,688                                      | (38,968,327)                                    |
| Cash generated from operations                         | 109,936,892                                     | 44,646,130                                      |
| Taxes paid (Net of refund)                             | 27,124,516                                      | (32,473,449)                                    |
| <b>NET CASH FLOW OPERATING ACTIVITIES</b>              | <b>137,061,408</b>                              | <b>12,172,681</b>                               |
| <b>B. CASH FLOW FROM INVESTING ACTIVITIES</b>          |                                                 |                                                 |
| Purchase of Fixed Assets                               | (3,974,304)                                     | (161,777)                                       |
| Sale of Fixed Assets                                   | -                                               | 44,445                                          |
| Loan to Subsidiary Company                             | 5,500,000                                       | (500,000)                                       |
| Interest Received                                      | 3,976,387                                       | 4,930,618                                       |
| Dividend Received                                      | 325                                             | 325                                             |
| <b>NET CASH FLOW FROM INVESTING ACTIVITIES</b>         | <b>5,502,408</b>                                | <b>4,313,611</b>                                |



|                                                              | <b>April 1, 2010 -<br/>March 31, 2011<br/>Amount Rs.</b> | April 1, 2009 -<br>March 31, 2010<br>Amount Rs. |
|--------------------------------------------------------------|----------------------------------------------------------|-------------------------------------------------|
| <b>C. CASH FLOW FROM FINANCING ACTIVITIES :</b>              |                                                          |                                                 |
| Proceeds from Short Term Borrowings from bank                | <b>52,441,738</b>                                        | 40,756,334                                      |
| Interest Paid                                                | <b>(10,730,150)</b>                                      | (1,818,312)                                     |
| Dividend Paid (Incl. of Tax)                                 | <b>(15,092,355)</b>                                      | (15,092,355)                                    |
|                                                              | <hr/>                                                    | <hr/>                                           |
| NET CASH FLOW FROM FINANCING ACTIVITIES                      | <b>26,619,233</b>                                        | 23,845,667                                      |
|                                                              | <hr/>                                                    | <hr/>                                           |
| Net Increase/(Decrease) in Cash and Cash equivalents (A+B+C) | <b>169,183,049</b>                                       | 40,331,959                                      |
| Cash and Cash equivalents at beginning of the year           | <b>44,176,172</b>                                        | 3,844,213                                       |
| Cash and Cash equivalents at end of the year                 | <b>213,359,222</b>                                       | 44,176,172                                      |
|                                                              | <hr/>                                                    | <hr/>                                           |
| Net Increase/ (Decrease)                                     | <b>169,183,049</b>                                       | 40,331,959                                      |

**Note:**

- 1 The above cash flow statement has been prepared under the indirect method as set out in Accounting Standard - 3 issued by the Institute of Chartered Accountants of India.
- 2 Cash and cash equivalents consists of Cash on hand and Balance with banks.
- 3 Previous year's figures have been regrouped/rearranged wherever necessary.

As per our report of even date attached

**For Prakash Muni & Associates**

*Chartered Accountants*

Firm Registration No.: 111792W

**Prakash Muni**

*Proprietor*

Membership No.: 30544

Place : Mumbai

Date : 26th May, 2011

For and on behalf of the Board

**Gordhan P. Tanwani**

*Chairman & Managing Director*

**Sanjiv Hinduja**

*Director*

**Pravin Karia**

*Director*

**Santosh A. Shah**

*Director*

**N.H.Mankad**

*Company Secretary*

Place : Mumbai

Date : 26th May, 2011



## ANNUAL REPORT 2010-2011

### SCHEDULES TO BALANCE SHEET

|                                                                                     | As At<br>March 31, 2011<br>Amount Rs. | As At<br>March 31, 2010<br>Amount Rs. |
|-------------------------------------------------------------------------------------|---------------------------------------|---------------------------------------|
| <b>SCHEDULE : 1</b>                                                                 |                                       |                                       |
| <b>SHARE CAPITAL</b>                                                                |                                       |                                       |
| <b>Authorised</b>                                                                   |                                       |                                       |
| 300,000,000 ( P.Y.: 300,000,000) Equity Shares of Re. 1/- each                      | <b>300,000,000</b>                    | 30,000,000                            |
| <b>Issued, Subscribed &amp; Paid Up Capital</b>                                     |                                       |                                       |
| 103,200,000 (previous year 51,600,000) Equity Shares of Re. 1/- each fully paid up. | <b>103,200,000</b>                    | 51,600,000                            |
|                                                                                     | <b>103,200,000</b>                    | 51,600,000                            |

- Notes :1) 51,600,000 ( P.Y. - Nil ) Equity Shares of Re 1/- each, fully paid issued by way of Bonus Shares by utilisation of Securities Premium and Reserves
- 2) 12,900,000 Equity Shares of Rs. 4/- each were subdivided into 51,600,000 Equity Shares of Re. 1/- pursuant to Special Resolution passed at AGM held on 29th September,2009.
- 3) 2,849,530 (P.Y.- 2,849,530) Equity Shares issued on conversion of Optionally Fully Convertible Warrants.
- 4) The paid up value per share was reduced from Rs. 10/- to Rs. 4/- pursuant to Reduction of Capital approved by the members in their EGM held on 9th November 2004 and confirmed by the Bombay High Court vide its order dated 11th February, 2005

| <b>SCHEDULE : 2</b>           | As at 31.03.10     | Additions/(Ded.)<br>during the year | As at 31.03.11     |
|-------------------------------|--------------------|-------------------------------------|--------------------|
| <b>RESERVES &amp; SURPLUS</b> |                    |                                     |                    |
| Capital Reserves              | 9,462,068          | (9,462,068)                         | -                  |
| Securities Premium Account    | 113,981,200        | (42,137,932)                        | 71,843,268         |
| General Reserve               | 11,000,000         | -                                   | 11,000,000         |
| Profit & Loss Account         | 93,991,578         | 34,604,133                          | 128,595,711        |
|                               | <b>228,434,846</b> | <b>(16,995,867)</b>                 | <b>211,438,979</b> |

### SCHEDULE : 3

#### SECURED LOANS

|                                            |                   |            |
|--------------------------------------------|-------------------|------------|
| From a Scheduled Bank                      |                   |            |
| - Cash Credit Account (Refer note 1 below) | <b>95,234,083</b> | 42,792,345 |
|                                            | <b>95,234,083</b> | 42,792,345 |

Note 1 : The Cash Credit facility is secured by hypothecation of book debts / receivables arising out of trading in Satellite Rights / IPR, ownership rights of various films and T.V. serials, Hypothecation of Plant & Machinery, Equitable mortgage of Office Premises at Mumbai, Pledge of 3 Crore Equity Shares of Re. 1/- each of Promoters constituting 51.91 % of their holding & Personal Guarantee of Managing Director.

## SCHEDULES TO BALANCE SHEET

## SCHEDULE 4 - FIXED ASSETS

(Amount Rs.)

| ASSETS               | GROSS BLOCK        |                                 |                                  |                    | DEPRECIATION        |                  |                                  |                          | NET BLOCK           |                     |
|----------------------|--------------------|---------------------------------|----------------------------------|--------------------|---------------------|------------------|----------------------------------|--------------------------|---------------------|---------------------|
|                      | As at<br>01.04.10  | Additions<br>during the<br>Year | Deductions<br>during the<br>Year | As at<br>31.03.11  | Up to<br>01.04.2010 | For the<br>Year  | Deductions<br>during the<br>Year | Total Upto<br>31.03.2011 | As at<br>31.03.2011 | As at<br>31.03.2010 |
| OFFICE PREMISES      | 21,010,971         | -                               | -                                | 21,010,971         | 3,253,081           | 342,479          | -                                | 3,595,560                | 17,415,411          | 17,757,890          |
| PLANT & MACHINERY    | 74,019,760         | 82,381                          | -                                | 74,102,141         | 64,051,117          | 3,507,251        | -                                | 67,558,368               | 6,543,773           | 9,968,643           |
| FURNITURE & FIXTURES | 7,063,582          | -                               | -                                | 7,063,582          | 4,066,002           | 447,125          | -                                | 4,513,127                | 2,550,455           | 2,997,580           |
| OFFICE EQUIPMENTS:   | 2,848,098          | -                               | -                                | 2,848,098          | 1,076,312           | 135,285          | -                                | 1,211,597                | 1,636,501           | 1,771,786           |
| MOTOR CAR            | -                  | 3,891,922                       | -                                | 3,891,922          | -                   | 276,466          | -                                | 276,466                  | 3,615,456           | -                   |
| <b>TOTAL</b>         | <b>104,942,411</b> | <b>3,974,303</b>                | <b>-</b>                         | <b>108,916,714</b> | <b>72,446,513</b>   | <b>4,708,605</b> | <b>-</b>                         | <b>77,155,118</b>        | <b>31,761,596</b>   | <b>32,495,898</b>   |
| Previous Year        | 104,892,729        | 161,777                         | 112,097                          | 104,942,408        | 67,350,778          | 5,110,113        | 14,381                           | 72,446,510               | 32,495,898          | 37,541,947          |

## ANNUAL REPORT 2010-2011

### SCHEDULES TO BALANCE SHEET

|                                                                  | As At<br>March 31, 2011<br>Amount Rs. | As At<br>March 31, 2010<br>Amount Rs. |
|------------------------------------------------------------------|---------------------------------------|---------------------------------------|
| <b>SCHEDULE : 5</b>                                              |                                       |                                       |
| <b>INVESTMENTS</b>                                               |                                       |                                       |
| Unquoted - Long Term (Non Trade) at cost :                       |                                       |                                       |
| Punjab & Maharashtra Co - Op Bank Ltd.                           |                                       |                                       |
| 100 Shares (Previous Year 100 Shares) @ Rs. 25/- fully paid up   | 2,500                                 | 2,500                                 |
| <b>Investments in Subsidiary company-</b>                        |                                       |                                       |
| Mahadev Production Pvt Ltd                                       |                                       |                                       |
| 5100 Shares (Previous Year 5100 Shares) @ Rs. 10/- fully paid up | 51,000                                | 51,000                                |
|                                                                  | 53,500                                | 53,500                                |
| <b>SCHEDULE : 6</b>                                              |                                       |                                       |
| <b>INVENTORIES</b>                                               |                                       |                                       |
| Intellectual Property Rights of Films                            | 249,931,250                           | 311,258,333                           |
| Under Production Films                                           | 10,650,203                            | 297,000                               |
|                                                                  | 260,581,453                           | 311,555,333                           |
| <b>SCHEDULE : 7</b>                                              |                                       |                                       |
| <b>SUNDRY DEBTORS - Unsecured</b>                                |                                       |                                       |
| Debts outstanding for a period exceeding six months :            |                                       |                                       |
| - considered good                                                | 156,220,823                           | 44,629,437                            |
| (Out of this not due as per agreement Rs.141,463,582/-)          |                                       |                                       |
| Others debts :                                                   |                                       |                                       |
| - considered good                                                | 156,220,823                           | 44,629,437                            |
|                                                                  | 44,944,378                            | 225,407,906                           |
|                                                                  | 201,165,201                           | 270,037,343                           |
| <b>SCHEDULE : 8</b>                                              |                                       |                                       |
| <b>CASH &amp; BANK BALANCES</b>                                  |                                       |                                       |
| Cash on hand                                                     | 49,764                                | 50,202                                |
| Balances with Scheduled banks -                                  |                                       |                                       |
| - In Current Account                                             | 213,066,687                           | 44,006,391                            |
| - In Unclaimed Dividend Account                                  | 242,770                               | 119,579                               |
|                                                                  | 213,359,221                           | 44,176,172                            |



## SCHEDULES TO BALANCE SHEET

|                                                                                                                  | As At<br>March 31, 2011<br>Amount Rs. | As At<br>March 31, 2010<br>Amount Rs. |
|------------------------------------------------------------------------------------------------------------------|---------------------------------------|---------------------------------------|
| <b>SCHEDULE : 9</b>                                                                                              |                                       |                                       |
| <b>LOANS AND ADVANCES - (Unsecured, considered good, unless otherwise stated)</b>                                |                                       |                                       |
| Advance to Subsidiaries                                                                                          | -                                     | 5,500,000                             |
| Advance recoverable in cash or kind or for value to be received                                                  | 8,026,599                             | 5,424,585                             |
| Deposits                                                                                                         | 104,054                               | 13,441,428                            |
| Prepaid Expenses                                                                                                 | 73,811                                | 27,141                                |
| Advance Tax & TDS                                                                                                | 58,799,004                            | 85,992,888                            |
|                                                                                                                  | <b>67,003,468</b>                     | <b>110,386,042</b>                    |
| <b>SCHEDULE : 10</b>                                                                                             |                                       |                                       |
| <b>CURRENT LIABILITIES</b>                                                                                       |                                       |                                       |
| Sundry Creditors                                                                                                 | 301,299,849                           | 323,042,038                           |
| Outstanding Expenses                                                                                             | 329,173                               | 251,790                               |
| Statutory Liability                                                                                              | 4,928,879                             | 51,724,760                            |
| Advance from Customers                                                                                           | 9,383,453                             | 5,982,199                             |
| Unpaid Dividend *                                                                                                | 242,770                               | 119,579                               |
|                                                                                                                  | <b>316,184,124</b>                    | <b>381,120,366</b>                    |
| * No amounts due and outstanding to be credited to Investor Education and Protection Fund as at 31st March, 2011 |                                       |                                       |
| <b>SCHEDULE : 11</b>                                                                                             |                                       |                                       |
| <b>PROVISIONS</b>                                                                                                |                                       |                                       |
| For Employee Benefits                                                                                            | 259,100                               | 170,382                               |
| Proposed Dividend                                                                                                | -                                     | 12,900,000                            |
| Tax on Dividend                                                                                                  | -                                     | 2,192,355                             |
| For Wealth Tax                                                                                                   | 6,155                                 | -                                     |
| For Income Tax                                                                                                   | 46,035,500                            | 47,731,000                            |
|                                                                                                                  | <b>46,300,755</b>                     | <b>62,993,737</b>                     |

## ANNUAL REPORT 2010-2011

### SCHEDULES TO PROFIT AND LOSS ACCOUNT

|                                                                  | Year Ended<br>31st March, 2011<br>Amount Rs. | Year Ended<br>31st March, 2010<br>Amount Rs. |
|------------------------------------------------------------------|----------------------------------------------|----------------------------------------------|
| <b>SCHEDULE : 12</b>                                             |                                              |                                              |
| <b>SALES</b>                                                     |                                              |                                              |
| Post Production Activities                                       | 3,769,822                                    | 5,210,102                                    |
| Realisation from Film                                            | -                                            | 50,001,076                                   |
| Sale of IPR Local                                                | 651,443,149                                  | 1,136,757,556                                |
| Sale of IPR Export                                               | 900,000                                      | 91,500,000                                   |
| Income from Film Distribution                                    | 338,690,174                                  | 293,000,000                                  |
| Realisation from sale of VCD / DVD                               | 594,171                                      | 812,177                                      |
|                                                                  | <b>995,397,316</b>                           | <b>1,577,280,911</b>                         |
| <b>SCHEDULE : 13</b>                                             |                                              |                                              |
| <b>OTHER INCOME</b>                                              |                                              |                                              |
| Interest on IT Refund                                            | 3,087,578                                    | -                                            |
| Misc Income                                                      | 4,915                                        | 31,833                                       |
| Credit Balance Written Back                                      | -                                            | 173,880                                      |
| Dividend Income                                                  | 325                                          | 325                                          |
| Interest Received (TDS: Rs. 88,881/- Pr. Yr. Rs.765,991/-)       | 888,809                                      | 4,930,618                                    |
|                                                                  | <b>3,981,627</b>                             | <b>5,136,656</b>                             |
| <b>SCHEDULE : 14</b>                                             |                                              |                                              |
| <b>COST OF IPR OF FILMS</b>                                      |                                              |                                              |
| Opening Stock                                                    | 311,258,333                                  | 97,900,338                                   |
| Add : Purchases                                                  | 861,678,113                                  | 1,656,092,562                                |
|                                                                  | <b>1,172,936,446</b>                         | <b>1,753,992,900</b>                         |
| Less :Closing Stock (As taken, valued & certified by Management) | <b>249,931,250</b>                           | <b>311,258,333</b>                           |
|                                                                  | <b>923,005,196</b>                           | <b>1,442,734,567</b>                         |
| <b>SCHEDULE : 15</b>                                             |                                              |                                              |
| <b>COST OF PRODUCTION/ DISTRIBUTION OF FILMS</b>                 |                                              |                                              |
| Artists                                                          | 139,500                                      | 2,721,800                                    |
| Technicians                                                      | 1,849,728                                    | 4,174,712                                    |
| Production & Post Production Expenses                            | 8,660,975                                    | 17,886,530                                   |
| Advertising, Print & Publicity                                   | -                                            | 8,971,667                                    |
| Less: Closing Stock                                              | <b>(10,650,203)</b>                          | -                                            |
|                                                                  | <b>-</b>                                     | <b>33,754,709</b>                            |
| <b>SCHEDULE : 16</b>                                             |                                              |                                              |
| <b>OPERATING EXPENSES</b>                                        |                                              |                                              |
| Electricity Expenses                                             | 680,184                                      | 807,340                                      |
| Professional/ Technical Fees                                     | 879,552                                      | 1,176,709                                    |
| Transfer Charges                                                 | 52,954                                       | 49,046                                       |
| Operating Expenses                                               | 58,682                                       | 313,500                                      |
|                                                                  | <b>1,671,372</b>                             | <b>2,346,595</b>                             |



## SCHEDULES TO PROFIT AND LOSS ACCOUNT

|                                                  | Year Ended<br>31st March, 2011<br>Amount Rs. | Year Ended<br>31st March, 2010<br>Amount Rs. |
|--------------------------------------------------|----------------------------------------------|----------------------------------------------|
| <b>SCHEDULE : 17</b>                             |                                              |                                              |
| <b>STAFF COSTS</b>                               |                                              |                                              |
| Salaries & Wages                                 | 870,725                                      | 967,405                                      |
| Staff Welfare                                    | 226,080                                      | 323,955                                      |
| Gratuity                                         | 88,718                                       | -                                            |
|                                                  | <b>1,185,523</b>                             | <b>1,291,360</b>                             |
| <b>SCHEDULE : 18</b>                             |                                              |                                              |
| <b>ADMINISTRATION AND OTHER EXPENSES</b>         |                                              |                                              |
| Communication Expenses                           | 59,234                                       | 113,754                                      |
| Consultancy Charges                              | 20,000                                       | 19,305                                       |
| Insurance Expenses                               | 13,144                                       | 11,701                                       |
| Office Expenses                                  | 296,307                                      | 546,296                                      |
| Managing Director's Remuneration                 | 2,699,970                                    | -                                            |
| Membership & Subscription                        | 181,613                                      | 30,075                                       |
| Misc Expenses                                    | 6,458                                        | 2,598                                        |
| Postage & Telegram                               | 53,523                                       | 54,868                                       |
| Printing & Stationery                            | 81,984                                       | 89,621                                       |
| Security Charges                                 | 41,000                                       | 130,000                                      |
| Auditors' Remuneration -<br>Statutory Audit Fees | 175,000                                      | 66,180                                       |
| Tax Audit Fees                                   | 25,000                                       | 22,060                                       |
| Legal & Professional Fees                        | 523,760                                      | 162,867                                      |
| Other Expenses                                   | 378,815                                      | 411,734                                      |
| Loss on sale of Fixed Asset                      | -                                            | 53,271                                       |
| Rates & Taxes                                    | 5,000                                        | 2,500                                        |
| Repairs & Maintenance                            |                                              |                                              |
| - Building                                       | 657,368                                      | 642,168                                      |
| - Plant & Machinery                              | 13,150                                       | 33,576                                       |
| - Others                                         | 59,981                                       | 230,104                                      |
| Travelling & Conveyance                          | 62,156                                       | 33,484                                       |
|                                                  | <b>5,353,463</b>                             | <b>2,656,161</b>                             |
| <b>SCHEDULE : 19</b>                             |                                              |                                              |
| <b>Selling Expenses</b>                          |                                              |                                              |
| Advertisement                                    | 97,114                                       | 191,968                                      |
| Commission on Sales                              | 142,000                                      | -                                            |
| Bad Debts & Sundry Balance Written Off           | 86,092                                       | 10,774,472                                   |
| IPR Selling Expenses                             | 216,266                                      | 3,686                                        |
|                                                  | <b>541,472</b>                               | <b>10,970,126</b>                            |
| <b>SCHEDULE : 20</b>                             |                                              |                                              |
| <b>FINANCE CHARGES</b>                           |                                              |                                              |
| Interest On Other Loans                          | -                                            | 106,849                                      |
| Interest on Tax                                  | 131,646                                      | 171,922                                      |
| Stamp Duty (Finance Charges)                     | 1,672,841                                    | -                                            |
| Bank Charges                                     | 558,726                                      | 505,075                                      |
| Interest On CC                                   | 8,366,937                                    | 1,206,388                                    |
|                                                  | <b>10,730,150</b>                            | <b>1,990,234</b>                             |

## SCHEDULES TO BALANCE SHEET AND PROFIT AND LOSS ACCOUNT

### SCHEDULE: 21

#### ACCOUNTING POLICIES AND NOTES TO ACCOUNTS

##### A. SIGNIFICANT ACCOUNTING POLICIES

###### 1. (a) Basis of preparation

The Financial Statements have been prepared to comply in all material respects with the Accounting Standards notified by Companies (Accounting Standards) Rules, 2006 (as amended) and the relevant provisions of the Companies Act, 1956. The Financial statements are prepared under historical cost convention on an accrual basis of accounting except where impairment is made. The Accounting policies have been consistently applied by the company and are consistent with those used in the previous year.

###### (b) Use of estimates

The preparation of financial statements in conformity with GAAP (Generally Accepted Accounting Policies) requires that the management of the Company makes estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent liabilities at the date of the financial statements and the result of operations during the reporting period. Although these estimates are based upon management's best knowledge of current events and actions, actual results could differ from these estimates.

###### 2. Revenue Recognition

- a. Revenue from Post Production activities is based on machine hours spent and is net of service tax.
- b. Revenue from trading in satellite rights is recognized on its sales or on exploitation contract.
- c. Revenue is recognized to the extent it is probable that the economic benefit will flow to the company and the revenue can be reliably measured.
- d. The company deals in Intellectual Property Rights (IPR) of films, in case of sale of IPR of films, receipts/ income (including interest on advance payments made) to the company are subject to certain conditions, eventualities and uncertainties.
- e. The receipts/ income (including interest on advance payments made) are deemed to accrue as and when events take place or conditions are fulfilled or uncertainties are removed. Accordingly such income (including interest on advance payment made) is accounted only after the events take place or conditions are fulfilled or uncertainties are removed. This is in accordance with Accounting Standard in respect of recognition of revenue and prudential norms.
- f. In respect of cinematic content produced / acquired, income is recognised on the following basis :
  - i. In respect of cinematic content, which is not complete i.e. under production, no income is recognised.
  - ii. In respect of cinematic content, which is complete but not released, income is recognized as – so much of the estimated income on release as bears to the whole of the estimated income the same proportion as the actual recoveries / realizations / confirmed contracts bears to the total expected realisation.
  - iii. In respect of cinematic content completed and released during the year, income is recognized on release / delivery of release prints except income, if any, already recognized as per clause f (ii).
  - iv. In respect of cinematic content, which is complete but not released, income from streams other than theatrical release is recognised on the basis of contracts / deal memo and delivery of Digi Betas.

###### 3. Fixed Assets

Fixed assets are stated at cost less accumulated depreciation/ amortization and impairment losses if any. Cost comprises of purchase price, allocated pre – operative costs and any attributable cost of bringing the asset to its working condition for its intended use.

###### 4. Depreciation

- a. Depreciation on fixed assets is provided on Straight Line Method at the rate prescribed in Schedule XIV of the Companies Act, 1956 over the estimated useful life as estimated by the Management.
- b. Depreciation is charged on a pro – rata basis for assets purchased/ sold during the year (from the date on which it is 'Put to Use').



- c. Depreciation on impaired assets is provided by adjusting the depreciation charge in the remaining periods so as to allocate the revised carrying amount of the asset over its remaining useful life. The recoverable amount is measured at the higher of the net selling price and value in use; determined by present value of estimated cash flows.

## 5. Impairment

The carrying amount of assets are reviewed at each Balance Sheet date if there is any indication of impairment based on internal / external factors. An impairment loss is recognized wherever the carrying amount of an asset exceeds its estimated recoverable amount. The recoverable amount is greater of asset's net selling price and value in use. In assessing the value in use, the estimated future cash flows are discounted to the present value at the weighted average cost of capital. Previously recognized impairment loss is further provided or reversed depending on changes in circumstances.

## 6. Inventories

### a. Consumables

Consumables are valued at lower of cost and market value.

### b. Intellectual Property Rights (Copy Rights)

IPR of films are valued at lower of cost or net realizable value as certified by the management.

### c. Under Production Films

Cost of films are valued at actual cost incurred/ accrued which includes amount paid, bills settled and advance paid for which the bills are awaited.

In case of films which are released during the year, the realization from the sale of rights are reduced from the cost of production and the balance cost if any, is carried forward till the time the negative rights of the films are not exploited. The excess or deficit of the cost of production after exploitation of "negative" rights will be treated as profit or loss in the profit & loss a/c as the case may be.

## 7. Taxation

- a. Current tax: Provision for current tax ( Income Tax and Wealth Tax) for the year has been made after considering deduction / allowances / claims admissible to the company under the Income Tax Act, 1961.
- b. Deferred Tax: Deferred tax is recognized on timing differences; being difference between taxable income and accounting income that originate in one period and are capable of reversal in one or more subsequent periods.
- c. It is measured based on the tax rates and the tax laws enacted or substantively enacted at the Balance sheet date.
- d. Deferred tax assets arising from temporary timing differences are recognized to the extent there is reasonable certainty that the assets can be realized in future.
- e. Deferred tax assets in respect of unabsorbed depreciation and carry forward of losses are recognized if there is virtual certainty that there will be sufficient future taxable income available to realize such losses.

## 8. Foreign Currency Transactions

- a. Transactions in Foreign Currency are recorded at the rate prevailing on the date when the amount is received or remitted.
- b. Foreign currency assets and liabilities are converted into rupee at the exchange rate prevailing on the balance sheet date; gains/ losses are reflected in the profit and loss account.
- c. Exchange difference on account of acquisition of fixed assets is adjusted to carrying cost of fixed assets.

## 9. Investments

Investments are considered as Long Term and are accordingly stated at cost less provision, if any, for permanent diminution in value of such investments.

## 10. Miscellaneous Expenditure

The share issue expenses and expenses in connection with the formation of the company were treated as preliminary expenses, amortized over a period of five years.



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### 11. Employee Benefits

- a. Defined Contribution Plan: Contributions to Provident Fund and ESIC are recognized / provided as expense in the Profit and Loss Account, on accrual basis.
- b. Defined Benefit Plan and Other Long Term Benefits: Retirement benefits in form of gratuity and other long term benefits in form of leave encashment are determined on the basis of actuarial valuation. Actuarial gains / losses are recognized immediately in the Profit and Loss Account.
- c. Short term compensated absences are provided based on past experience of leave availed.

### 12. Cash and Cash equivalents

Cash and cash equivalents for the purpose of Cash Flow Statement comprise cash at bank, in hand and cash at film sets.

### 13. Contingencies / Provisions

A provision is recognized when an enterprise has a present obligation as a result of past event; it is probable that an outflow of resources embodying economic benefit will be required to settle the obligation, in respect of which a reliable estimate can be made. Provisions are not discounted to its present value and are determined based on best estimate required to settle the obligation at the Balance Sheet date. These are reviewed at each Balance Sheet date and adjusted to reflect the current best estimates. A contingent liability is disclosed, unless the possibility of an outflow of resources embodying the economic benefit is remote.

### 14. Earnings per share

Basic earnings per share are calculated by dividing the net profit or loss for the year attributable to equity shareholders by the weighted average number of equity shares outstanding during the year.

## B. NOTES TO ACCOUNTS

1. Contingent Liability – Nil
2. Remuneration to Directors:

Remuneration paid during the year ended 31st March, 2011 to Chairman & Managing Director Rs.26,99,970 (P.Y. Rs. Nil), which is within the limits permissible under The Companies Act, 1956.

Computation of Net Profit under Section 349 of the Companies Act, 1956:

| Particulars                                                                                          | 2010-2011         |
|------------------------------------------------------------------------------------------------------|-------------------|
| Net Profit before Tax                                                                                | 52,183,160        |
| Add:                                                                                                 |                   |
| Depreciation and amortization as per Profit & Loss Account                                           | 4,708,610         |
| Remuneration to Managing Director                                                                    | 2,699,970         |
| Less:                                                                                                |                   |
| Depreciation under Section 350 of the Companies Act, 1956                                            | 4,708,610         |
| <b>Profit as per Section 349 of the Companies Act, 1956</b>                                          | <b>54,883,130</b> |
| Maximum remuneration to Managing Director as per Section 198 and 309 of the Companies Act, 1956 @ 5% | 2,744,157         |
| Remuneration actually approved for Payment                                                           | 2,699,970         |

Non- Executive/ Independent Directors:

| Remuneration | 2010-11 | 2009-10 |
|--------------|---------|---------|
| Sitting Fees | 315,000 | 210,000 |



### 3. Additional Information

Information under Para 4 D of part II to Schedule VI of the Companies Act, 1956.

|                                                                            | 2010-11 | 2009-10     |
|----------------------------------------------------------------------------|---------|-------------|
| Earning in Foreign Currency                                                |         |             |
| - For Services                                                             | Nil     | Nil         |
| - For IPR of Films                                                         | Nil     | 75,000,000  |
| Expenditure in Foreign Currency-Travelling (Previous year purchase of IPR) | 162,775 | 445,000,000 |

#### 4. The deferred tax liability comprise of the following:

|                                                                  | 2010- 2011 | 2009- 2010 |
|------------------------------------------------------------------|------------|------------|
| <b>a. Deferred Tax Liability/(Assets)</b>                        |            |            |
| Related to fixed assets                                          | 1,566,498  | 1,762,994  |
| Opening Deferred Tax Liability                                   | 1,762,994  | 48,246     |
| Deferred Tax Liability/(Assets) to be recognized in current year | (196,496)  | 1,714,748  |

5. The company has sent memorandum to suppliers covered under The Micro, Small and Medium Enterprises Development Act, 2006; no replies have been received from them till date.
6. In the opinion of the Board and to the best of its knowledge and belief, the value on realization of the Current Assets, Loans & Advances in the ordinary course of the business will not be less than the value stated in the Balance Sheet and provision for all known liabilities are adequate and not in excess of the amount reasonably required to be provided.
7. Balances in respect of the Debtors, Creditors, Advances and Deposits are subject to confirmation.

7A. Loans & Advances includes loan to Subsidiary company as per details given below

| Particulars                  | 2010-11 | 2009-10   | Maximum Balance O/s |
|------------------------------|---------|-----------|---------------------|
| Mahadev Production Pvt. Ltd. | Nil     | 5,500,000 | 5,500,000           |

Note- There is no Repayment schedule in respect of the above Loan.

8. Other requirements of Para 3 & 4 of Part II of Schedule VI to the Companies Act, 1956 are not applicable to the Company.
9. The company does not have policy of leave encashment. The provision for gratuity has been made on the basis of actuarial report received.

Amounts for the current and previous year are as follows:

#### A) Reconciliation of opening and closing balances of Defined Benefit Obligation(Gratuity):

|                                      | 2010-11 | 2009-10  |
|--------------------------------------|---------|----------|
| Change in Defined Benefit Obligation |         |          |
| Opening Defined Benefit Obligation   | 170,382 | 195,626  |
| Current Service Cost                 | 29,023  | 47,222   |
| Interest Cost                        | 16,551  | 16,999   |
| Actuarial Losses / (Gain)            | 43,144  | (89,645) |
| Benefits Paid                        | -       | -        |
| Closing Defined Benefit Obligation   | 259,100 | 170,382  |

#### B) Reconciliation of opening and closing balances of fair value of Plan Assets is Nil

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C) Reconciliation of Fair value of Assets and Obligations:

|                                    | 2010-11 | 2009-10 |
|------------------------------------|---------|---------|
| Fair Value of Planned Assets       | -       | -       |
| Present Value of Obligation        | 259,100 | 170,382 |
| Amount recognized in Balance Sheet | 259,100 | 170,382 |

D) Expenses recognized during the year (under the head "Staff Cost")

|                           | 2010-11 | 2009-10  |
|---------------------------|---------|----------|
| Current Service Cost      | 29,023  | 47,222   |
| Interest Cost             | 16,551  | 16,999   |
| Actuarial Losses / (Gain) | 43,144  | (89,645) |
| Net Cost                  | 88,718  | (25,244) |

10. Earning Per Share

| Earning Per Share                                                                                        |             | 2010-11     | 2009-10      |
|----------------------------------------------------------------------------------------------------------|-------------|-------------|--------------|
| <b>Basic &amp; Diluted EPS :</b>                                                                         |             |             |              |
| Net Profit (Loss) after Tax for the year (Rs.)                                                           | A           | 34,604,133  | 51,494,377   |
| Weighted Average No. of Shares                                                                           | B           | 103,200,000 | 103,200,000* |
| Basic & Diluted Earnings Per Share of Face Value of Re 1 Per Share.(after prior period tax adjustments)  | C (A/B)     | 0.34        | 0.50         |
| Prior Year Tax Adjustments                                                                               | D           | 69,368      | 2,130,601    |
| Basic & Diluted Earnings Per Share of Face Value of Re 1 Per Share.(before prior period tax adjustments) | E ((A+D)/B) | 0.34        | 0.52         |

\* During the Year company has issued bonus share in ratio of 1:1.Number of shares, in previous year, has been appropriately increased.

11 Related Party Disclosure as per Accounting Standard (AS) 18

A. List of related parties.

- a. Key Management Personnel
  - (i) Shri Gordhan P. Tanwani – Chairman & Managing Director
- b. Subsidiary Companies :
  - (i) Mahadev Production Pvt. Ltd.
- c. Other related parties (companies in which director or their relatives have significant influence)
  - a. Bhagwati Media Pvt. Ltd. (Formerly–Baba Entertainments Pvt. Ltd.)
  - b. Larry's Electronics Pvt Ltd.
  - c. Silgate Solutions Ltd.
  - d. Bhagwati Holdings Pvt. Ltd.
  - e. M/s. Baba Developers
  - f. M/s. Super Plast
  - g. M/s. Baba Digital
  - h. M/s. Om Enterprises

B. Details of transaction with related parties

|    | Particulars                                              | 2010-11   | 2009-10   |
|----|----------------------------------------------------------|-----------|-----------|
| A. | Key Managerial Personnel Remuneration ( w.e.f. 01.06.10) | 2,699,970 | Nil       |
| B. | Subsidiary Company                                       |           |           |
|    | Loan – Opening Balance                                   | 5,500,000 | 5,000,000 |
|    | (-) Repaid during the year                               | 5,500,000 | —         |
|    | (+) Given during the year                                | —         | 500,000   |
|    | Loan – Closing Balance                                   | —         | 5,500,000 |
| C. | Other Related Parties                                    |           |           |
|    | Interest Paid                                            | Nil       | 106,849   |



## 12. Segment Information

The Company is at present engaged in main business segments of Trading in IPR of Films & Film Production in Hindi

These Business Segments have been identified in line with Accounting Standard (AS) – 17 “Segment Reporting”

Segment revenue results include amounts identifiable to each segment. Other unallocable expenditure includes revenues and expenditure, which are not directly identifiable to the individual segment as well as expenses, which relate to the company as a whole.

(Rs. In Lacs)

| Sr.No. | Particulars                                                    | 2010-11 | 2009-10  |
|--------|----------------------------------------------------------------|---------|----------|
| 1.     | Segment Revenue (Net Sales)                                    |         |          |
|        | a) IPR of Films                                                | 9916.27 | 15220.70 |
|        | b) Production of Films                                         | Nil     | 500.01   |
|        | c) Others                                                      | 37.70   | 52.10    |
|        | Total Net Income From Operations                               | 9953.97 | 15772.81 |
| 2.     | Segment Results – Profit before tax & Interest                 |         |          |
|        | a) IPR of Films                                                | 637.11  | 812.59   |
|        | b) Production of Films                                         | (0.24)  | 53.81    |
|        | c) Others                                                      | (15.18) | (14.21)  |
|        | Total                                                          | 621.69  | 852.19   |
|        | Less : Interest Expenses                                       | 107.30  | 18.18    |
|        | Other (Unallocable Income – Unallocable Exp)                   | 7.44    | 18.37    |
|        | Total Profit Before Tax                                        | 521.83  | 815.64   |
| 3.     | Capital Employed<br>(Segmental Assets – Segmental Liabilities) |         |          |
|        | a) IPR of Films                                                | 721.18  | 1568.03  |
|        | b) Production of Films                                         | 2245.78 | 693.35   |
|        | Add : Unallocated Net Assets                                   | 179.43  | 538.97   |
|        | Total Capital Employed                                         | 3146.39 | 2800.35  |

12. Previous year's figures have been regrouped/ rearranged wherever considered necessary.

13. The Schedules and the notes referred to above form an integral part of Balance Sheet and Profit & Loss Account.

For and on behalf of the Board

**Gordhan P. Tanwani**

*Chairman & Managing Director*

**Sanjiv Hinduja**

*Director*

**Pravin Karia**

*Director*

**Santosh A. Shah**

*Director*

**N.H.Mankad**

*Company Secretary*

Place : Mumbai

Date : 26th May, 2011

## ANNUAL REPORT 2010-2011

### BALANCE SHEET ABSTRACT AND COMPANY'S GENERAL BUSINESS PROFILE

#### I Registration Details

|                    |            |            |    |
|--------------------|------------|------------|----|
| Registration No.   | 119177     | State Code | 11 |
| Balance Sheet Date | 31.03.2011 |            |    |

#### II Capital raised during the year (Amount in Rs.'000)

|              |     |                    |     |
|--------------|-----|--------------------|-----|
| Public Issue | Nil | Rights Issue       | Nil |
| Bonus Issue  | Nil | Preferential Issue | Nil |

#### III Position of Mobilisation and Deployment of Funds (Amount in Rs. '000)

|                   |         |              |         |
|-------------------|---------|--------------|---------|
| Total Liabilities | 411,440 | Total Assets | 411,440 |
|-------------------|---------|--------------|---------|

##### Sources of Funds

|                        |         |                    |         |
|------------------------|---------|--------------------|---------|
| Paid up Capital        | 103,200 | Reserves & Surplus | 211,439 |
| Secured Loans          | 95,234  | Unsecured Loans    | NIL     |
| Deferred Tax Liability | 1,566   |                    |         |

##### Application of Funds

|                    |         |                   |    |
|--------------------|---------|-------------------|----|
| Net Fixed Assets   | 31,762  | Investments       | 54 |
| Net Current Assets | 379,624 | Misc. Expenditure | -  |

#### IV Performance of Company (Amount in Rs. '000)

|                           |         |                        |         |
|---------------------------|---------|------------------------|---------|
| Turnover                  | 999,379 | Total Expenditure      | 947,196 |
| (Includes Other Income)   |         |                        |         |
| Profit/ Loss Before Tax   | 52,183  | Profit/ Loss After Tax | 34,674  |
| Earnings Per Share in Rs. | 0.34    | Dividend Rate %        | Nil     |

#### IV Generic Names of Three Principal Products/ Services of Company

(as per monetary terms)

|                               |       |                     |                         |
|-------------------------------|-------|---------------------|-------------------------|
| (i) Item Code No. (ITC Code)  | 8,524 | Product Description | Audio and Software      |
| (ii) Item Code No. (ITC Code) | NA    | Product Description | Trading in IPR of Films |

As per our report of even date attached  
**For Prakkash Muni & Associates**  
*Chartered Accountants*  
 Firm Registration No.: 111792W

**Prakkash Muni**  
*Proprietor*  
 Membership No.: 30544

Place : Mumbai  
 Date : 26th May, 2011

For and on behalf of the Board

**Gordhan P. Tanwani**  
*Chairman & Managing Director*

**Sanjiv Hinduja**  
*Director*

**Pravin Karia**  
*Director*

**Santosh A. Shah**  
*Director*

**N.H.Mankad**  
*Company Secretary*

Place : Mumbai  
 Date : 26th May, 2011



## BABA ARTS LIMITED

### Statement relating to subsidiary Company pursuant to Section 212 of the Companies Act, 1956.

|                                                                                                                           |                              |
|---------------------------------------------------------------------------------------------------------------------------|------------------------------|
| 1. Name of Subsidiary                                                                                                     | Mahadev Production Pvt. Ltd. |
| 2. The Financial Year of the subsidiary company year ended on                                                             | 31.03.2011                   |
| 3. Holding Company                                                                                                        | Baba Arts Limited            |
| 4. Extent of Holding Company's interest                                                                                   | 51%                          |
| 5. Face Value per equity share                                                                                            | Rs. 10/-                     |
| 6. No. of equity shares held by the holding company and / or its subsidiaries                                             | 5,100                        |
| <b>7. The net aggregate amount of Profit (Loss) of the subsidiary so far as it concerns the members of Baba Arts Ltd:</b> |                              |
| (a) Is not dealt with in accounts of holding company                                                                      |                              |
| (i) For the financial year ended on 31st March, 2011 (Amt in Rupees)                                                      | 771,872                      |
| (ii) For the previous financial years of the subsidiary since it became subsidiary (Amt. in Rupees)                       | (34,468)                     |
| (b) Is dealt with in accounts of holding company                                                                          |                              |
| (i) For the financial year ended on 31st March, 2010 (Amt in Rupees)                                                      | Nil                          |
| (ii) For the previous financial year of the subsidiary since it became subsidiary (Amt. in Rupees)                        | Nil                          |

Place: Mumbai

Date : 26th May, 2011

## ANNUAL REPORT 2010-2011

### AUDITORS' REPORT ON CONSOLIDATED BALANCE SHEET

TO,  
THE SHAREHOLDERS OF  
**BABA ARTS LIMITED.**  
MUMBAI

Auditors' report to the Board of Directors of Baba Arts Limited on the consolidated financial statements of Baba Arts Limited and its subsidiary.

1. I have audited the attached consolidated Balance Sheet of Baba Arts Limited Group as at March 31, 2011, the Consolidated Profit and Loss Account and also the Consolidated Cash Flow statement for the year ended on that date annexed thereto. These financial statements are the responsibility of Company's management. My responsibility is to express an opinion on these financial statements based on my audit.
2. I have conducted my audit in accordance with auditing standards generally accepted in India. Those Standards require that I 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 the management, as well as evaluating the overall financial statement presentation. I believe that my audit provides a reasonable basis for my opinion.
3. I report that the consolidated financial statements have been prepared by the Company's management in accordance with the requirement of Accounting Standard (AS) 21, "Consolidated Financial Statement" as notified by Companies (Accounting Standards) Rules, 2006.
4. Based on my audit and to the best of my information and according to the explanations given to me, I am of the opinion that the attached Consolidated Financial Statements gives a true and fair view and in conformity with the accounting principles generally accepted in India:
  - a. in case of the Consolidated Balance Sheet, of the state of affairs of the Baba Arts Group as at March 31, 2011;
  - b. in the case of the Consolidated Profit and loss account, of the profit of the Group for the year ended on that date; and
  - c. in the case of the Consolidated Cash Flow Statement, of the Cash Flows of the Group for the year ended on that date.

**For PRAKKASH MUNI & ASSOCIATES**  
*Chartered Accountants*  
Firm Registration No: 111792W

**PRAKKASH R. MUNI**  
*Proprietor*  
Membership No.: 30544.

Place : Mumbai  
Date : 26th May, 2011.



**CONSOLIDATED BALANCE SHEET AS AT 31<sup>ST</sup> MARCH, 2011**

| Particulars                                 | Schedule<br>No. | As At<br>March 31, 2011<br>Amount Rs. | As At<br>March 31, 2010<br>Amount Rs. |
|---------------------------------------------|-----------------|---------------------------------------|---------------------------------------|
| <b>SOURCES OF FUNDS</b>                     |                 |                                       |                                       |
| <b>Shareholders' Funds</b>                  |                 |                                       |                                       |
| Share Capital                               | 1               | 103,200,000                           | 51,600,000                            |
| <b>Reserves &amp; Surplus</b>               | 2               | 211,815,055                           | 228,417,266                           |
| <b>Minority Interest</b>                    |                 | 410,328                               | 32,111                                |
| <b>Loan Funds</b>                           |                 |                                       |                                       |
| Secured Loans                               | 3               | 95,234,083                            | 42,792,345                            |
| Deferred Tax Liability                      |                 | 1,566,498                             | 1,762,994                             |
| <b>TOTAL</b>                                |                 | <b>412,225,964</b>                    | <b>324,604,716</b>                    |
| <b>APPLICATION OF FUNDS</b>                 |                 |                                       |                                       |
| <b>Fixed Assets</b>                         |                 |                                       |                                       |
| Gross Block                                 | 4               | 108,916,714                           | 104,942,408                           |
| Less : Depreciation                         |                 | 77,155,118                            | 72,446,510                            |
| <b>Net Block</b>                            |                 | <b>31,761,596</b>                     | <b>32,495,898</b>                     |
| <b>Investments</b>                          |                 |                                       |                                       |
|                                             | 5               | 2,500                                 | 2,500                                 |
| <b>Current Assets, Loans &amp; Advances</b> |                 |                                       |                                       |
| Inventories                                 | 6               | 260,581,453                           | 315,883,189                           |
| Sundry Debtors                              | 7               | 201,165,201                           | 270,597,343                           |
| Cash & Bank Balances                        | 8               | 213,844,613                           | 44,806,632                            |
| Loans & Advances                            | 9               | 67,741,118                            | 104,991,390                           |
| Sub Total (A)                               |                 | <b>743,332,385</b>                    | <b>736,278,554</b>                    |
| Less : Current Liabilities & Provisions     |                 |                                       |                                       |
| Current liabilities                         | 10              | 316,200,669                           | 381,182,859                           |
| Provisions                                  | 11              | 46,672,755                            | 62,993,737                            |
| Sub Total (B)                               |                 | <b>362,873,424</b>                    | <b>444,176,596</b>                    |
| Net Current Assets (A) - (B)                |                 | <b>380,458,961</b>                    | <b>292,101,958</b>                    |
| Miscellaneous Expenditure                   |                 | 2,907                                 | 4,360                                 |
| <b>TOTAL</b>                                |                 | <b>412,225,964</b>                    | <b>324,604,716</b>                    |
| Accounting Policies and Notes to Accounts   | 21              |                                       |                                       |

As per our report of even date attached  
**For Prakash Muni & Associates**  
*Chartered Accountants*  
 Firm Registration No.: 111792W

**Prakash Muni**  
*Proprietor*  
 Membership No.: 30544

Place : Mumbai  
 Date : 26th May, 2011

For and on behalf of the Board

**Gordhan P. Tanwani**  
*Chairman & Managing Director*

**Sanjiv Hinduja**  
*Director*

**Pravin Karia**  
*Director*

**Santosh A. Shah**  
*Director*

**N.H.Mankad**  
*Company Secretary*

Place : Mumbai  
 Date : 26th May, 2011



## ANNUAL REPORT 2010-2011

### CONSOLIDATED PROFIT & LOSS ACCOUNT FOR THE YEAR ENDED 31<sup>ST</sup> MARCH, 2011

|                                                                                                                                                      | Schedule<br>No. | Year Ended<br>March 31, 2011<br>Amount Rs. | Year Ended<br>March 31, 2010<br>Amount Rs. |
|------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------|--------------------------------------------|--------------------------------------------|
| <b>INCOME</b>                                                                                                                                        |                 |                                            |                                            |
| Sales                                                                                                                                                | 12              | 1,000,897,316                              | 1,579,030,912                              |
| Other Income                                                                                                                                         | 13              | 3,981,627                                  | 5,136,657                                  |
|                                                                                                                                                      |                 | <b>1,004,878,943</b>                       | <b>1,584,167,569</b>                       |
| <b>EXPENDITURE</b>                                                                                                                                   |                 |                                            |                                            |
| Cost of IPR of Films                                                                                                                                 | 14              | 923,005,196                                | 1,442,734,567                              |
| Cost of Production/ Distribution of Films                                                                                                            | 15              | 4,327,856                                  | 35,504,709                                 |
| Operating Expenses                                                                                                                                   | 16              | 1,671,372                                  | 2,346,595                                  |
| Staff Costs                                                                                                                                          | 17              | 1,185,523                                  | 1,291,360                                  |
| Administration & Other Expenses                                                                                                                      | 18              | 5,511,928                                  | 2,859,646                                  |
| Selling Expenses                                                                                                                                     | 19              | 541,472                                    | 10,970,126                                 |
| Premiinary Expenses written off                                                                                                                      |                 | 1,453                                      | 1,453                                      |
|                                                                                                                                                      |                 | <b>936,244,800</b>                         | <b>1,495,708,456</b>                       |
| Profit/ (Loss) before Interest,<br>Depreciation and Tax                                                                                              |                 | <b>68,634,142</b>                          | <b>88,459,113</b>                          |
| Depreciation                                                                                                                                         | 4               | 4,708,605                                  | 5,110,113                                  |
| Profit/ (Loss) before Depreciation and Tax                                                                                                           |                 | <b>63,925,536</b>                          | <b>83,349,000</b>                          |
| Finance charges                                                                                                                                      | 20              | 10,598,504                                 | 1,818,312                                  |
| Profit/ (Loss) after Depreciation but before Tax                                                                                                     |                 | <b>53,327,032</b>                          | <b>81,530,688</b>                          |
| Provision for Tax                                                                                                                                    |                 | 18,072,000                                 | 28,200,000                                 |
| Provision for Wealth Tax                                                                                                                             |                 | 6,155                                      | -                                          |
| Deferred Tax                                                                                                                                         |                 | (196,496)                                  | (261,276)                                  |
| Profit/ (Loss) after Tax                                                                                                                             |                 | <b>35,445,373</b>                          | <b>53,591,964</b>                          |
| Prior period income tax adjustments                                                                                                                  |                 | (69,368)                                   | (2,130,601)                                |
| Profit/ (Loss) after Tax (Before adjustment for Minority Interest)                                                                                   |                 | <b>35,376,005</b>                          | <b>51,461,363</b>                          |
| Add: Share of (Profit) / Loss transferred to Minority                                                                                                |                 | (378,217)                                  | 16,889                                     |
| Profit/ (Loss) after Tax (After adjustment for Minority Interest)                                                                                    |                 | <b>34,997,788</b>                          | <b>51,478,252</b>                          |
| Balance of Profit brought forward                                                                                                                    |                 | <b>93,973,996</b>                          | <b>62,988,099</b>                          |
| Profit available for Appropriation                                                                                                                   |                 | <b>128,971,784</b>                         | <b>114,466,352</b>                         |
| Transferred to General Reserve                                                                                                                       |                 | -                                          | 5,400,000                                  |
| Proposed Dividend (Pr. Yr. Interim Dividend)                                                                                                         |                 | -                                          | 12,900,000                                 |
| Tax on Dividend                                                                                                                                      |                 | -                                          | 2,192,355                                  |
| Balance of Profit carried forward                                                                                                                    |                 | <b>128,971,784</b>                         | <b>93,973,997</b>                          |
| Basic & Diluted Earning Per Share before prior Year Taxes (See Note B 10<br>of Schedule 21) Face Value of Re. 1/- per share (P.Y. Re. 1/- per share) |                 | <b>0.34</b>                                | <b>0.52</b>                                |
| Basic & Diluted Earning Per Share after prior Year Taxes                                                                                             |                 | <b>0.34</b>                                | <b>0.50</b>                                |
| Accounting Policies and Notes to Accounts                                                                                                            | 21              |                                            |                                            |

As per our report of even date attached  
**For Prakkash Muni & Associates**  
*Chartered Accountants*  
 Firm Registration No.: 111792W

**Prakkash Muni**  
*Proprietor*  
 Membership No.: 30544

Place : Mumbai  
 Date : 26th May, 2011

For and on behalf of the Board

**Gordhan P. Tanwani**  
*Chairman & Managing Director*

**Sanjiv Hinduja**  
*Director*

**N.H.Mankad**  
*Company Secretary*

Place : Mumbai  
 Date : 26th May, 2011

**Pravin Karia**  
*Director*

**Santosh A. Shah**  
*Director*



## CONSOLIDATED CASH FLOW STATEMENT FOR THE YEAR ENDED 31<sup>ST</sup> MARCH, 2011

|                                                        | April 1, 2010 -<br>March 31, 2011<br>Amount Rs. | April 1, 2009 -<br>March 31, 2010<br>Amount Rs. |
|--------------------------------------------------------|-------------------------------------------------|-------------------------------------------------|
| <b>A. CASH FLOW FROM OPERATING ACTIVITIES :</b>        |                                                 |                                                 |
| Net Profit / (Loss) before Tax and Extraordinary items | 53,327,032                                      | 81,530,688                                      |
| Adjustment for :                                       |                                                 |                                                 |
| Depreciation                                           | 4,708,605                                       | 5,110,113                                       |
| Interest Income                                        | (3,976,387)                                     | (4,930,618)                                     |
| Dividend Income                                        | (325)                                           | (325)                                           |
| Interest Paid                                          | 10,598,504                                      | 1,818,312                                       |
| Preliminary Expenses Written Off                       | 1,453                                           | 1,453                                           |
| Profit/ Loss on Sale of Fixed Assets                   | -                                               | 53,271                                          |
|                                                        | 11,331,850                                      | 2,052,206                                       |
|                                                        | 64,658,882                                      | 83,582,894                                      |
| Operating profit before working capital changes        |                                                 |                                                 |
| Adjustment for :                                       |                                                 |                                                 |
| Sundry Debtors                                         | 69,432,142                                      | (145,265,755)                                   |
| Adjustment for Stock                                   | 55,301,736                                      | (203,184,859)                                   |
| Other loans & Advances                                 | 10,688,690                                      | (1,168,986)                                     |
| Current Liabilities & Provisions                       | (84,288,972)                                    | 310,529,053                                     |
|                                                        | 51,133,596                                      | (39,090,547)                                    |
| Cash generated from operations                         | 115,792,478                                     | 44,492,347                                      |
| Taxes paid ( Net of refund)                            | 26,492,216                                      | (32,578,798)                                    |
| NET CASH FLOW OPERATING ACTIVITIES                     | 142,284,695                                     | 11,913,549                                      |
| <b>B. CASH FLOW FROM INVESTING ACTIVITIES</b>          |                                                 |                                                 |
| Purchase of Fixed Assets                               | (3,974,304)                                     | (161,777)                                       |
| Sales of Fixed Assets                                  | -                                               | 44,445                                          |
| Interest Received                                      | 3,976,387                                       | 4,930,618                                       |
| Dividend Received                                      | 325                                             | 325                                             |
| NET CASH FLOW FROM INVESTING ACTIVITIES                | 2,408                                           | 4,813,611                                       |

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|                                                              | April 1, 2010 -<br>March 31, 2011<br>Amount Rs. | April 1, 2009 -<br>March 31, 2010<br>Amount Rs. |
|--------------------------------------------------------------|-------------------------------------------------|-------------------------------------------------|
| <b>C. CASH FLOW FROM FINANCING ACTIVITIES :</b>              |                                                 |                                                 |
| Proceeds from Short Term Borrowings from bank                | <b>52,441,738</b>                               | 40,756,334                                      |
| Interest Paid                                                | <b>(10,598,504)</b>                             | (1,818,312)                                     |
| Dividend Paid (Incl. of Tax)                                 | <b>(15,092,355)</b>                             | (15,092,355)                                    |
| <br>                                                         |                                                 |                                                 |
| NET CASH FLOW FROM FINANCING ACTIVITIES                      | <b>26,750,879</b>                               | 23,845,667                                      |
| <br>                                                         |                                                 |                                                 |
| Net Increase/(Decrease) in Cash and Cash equivalents (A+B+C) | <b>169,037,982</b>                              | 40,572,827                                      |
| Cash and Cash equivalents at beginning of the year           | <b>44,806,632</b>                               | 4,233,804                                       |
| Cash and Cash equivalents at end of the year                 | <b>213,844,614</b>                              | 44,806,632                                      |
| <br>                                                         |                                                 |                                                 |
| Net Increase/ (Decrease)                                     | <b>169,037,982</b>                              | 40,572,827                                      |

Note: -

- 1 The above cash flow statement has been prepared under the indirect method as set out in Accounting Standard - 3 issued by the Institute of Chartered Accountants of India.
- 2 Cash and cash equivalents consists of Cash on hand and Balance with banks.
- 3 Previous year's figures have been regrouped/rearranged wherever necessary.

As per our report of even date attached  
**For Prakkash Muni & Associates**  
*Chartered Accountants*  
 Firm Registration No.: 111792W

**Prakkash Muni**  
*Proprietor*  
 Membership No.: 30544

Place : Mumbai  
 Date : 26th May, 2011

For and on behalf of the Board

**Gordhan P. Tanwani**  
*Chairman & Managing Director*

**Sanjiv Hinduja**  
*Director*

**Pravin Karia**  
*Director*

**Santosh A. Shah**  
*Director*

**N.H.Mankad**  
*Company Secretary*

Place : Mumbai  
 Date : 26th May, 2011



## SCHEDULES TO THE CONSOLIDATED BALANCE SHEET

|                                                                                     | As At<br>March 31, 2011<br>Amount Rs. | As At<br>March 31, 2010<br>Amount Rs. |
|-------------------------------------------------------------------------------------|---------------------------------------|---------------------------------------|
| <b>SCHEDULE : 1</b>                                                                 |                                       |                                       |
| <b>SHARE CAPITAL</b>                                                                |                                       |                                       |
| <b>Authorised</b>                                                                   |                                       |                                       |
| 300,000,000( P.Y.: 300,000,000) Equity Shares of Re. 1/- each                       | <b>300,000,000</b>                    | 30,000,000                            |
| <b>Issued, Subscribed &amp; Paid Up Capital</b>                                     |                                       |                                       |
| 103,200,000 (previous year 51,600,000) Equity Shares of Re. 1/- each fully paid up. | <b>103,200,000</b>                    | 51,600,000                            |
|                                                                                     | <b>103,200,000</b>                    | 51,600,000                            |

- Notes : 1) 51,600,000 ( P.Y. - Nil ) Equity Shares of Re. 1/- each, fully paid issued by way of Bonus Shares by utilisation of Securities Premium and Reserves
- 2) 12,900,000 Equity Shares of Rs. 4/- each were subdivided into 51,600,000 Equity Shares of Re. 1/- pursuant to Special Resolution passed at AGM held on 29th September,2009.
- 3) 2,849,530 (P.Y.- 2,849,530) Equity Shares issued on conversion of Optionally Fully Convertible Warrants.
- 4) The paid up value per share was reduced from Rs. 10/- to Rs. 4/- pursuant to Reduction of Capital approved by the members in their EGM held on 9th November 2004 and confirmed by the Bombay High Court vide its order dated 11th February, 2005

|                               | As at 31.03.10     | Additions/(Ded.)<br>during the year | As at 31.03.11     |
|-------------------------------|--------------------|-------------------------------------|--------------------|
| <b>SCHEDULE : 2</b>           |                    |                                     |                    |
| <b>RESERVES &amp; SURPLUS</b> |                    |                                     |                    |
| Capital Reserves              | 9,462,068          | (9,462,068)                         | -                  |
| Securities Premium Account    | 113,981,200        | (42,137,932)                        | 71,843,268         |
| General Reserve               | 11,000,000         | -                                   | 11,000,000         |
| Profit & Loss Account         | 93,973,998         | 34,997,788                          | 128,971,786        |
|                               | <b>228,417,266</b> | <b>(16,602,212)</b>                 | <b>211,815,054</b> |

### SCHEDULE : 3

#### SECURED LOANS

From a Scheduled Bank

|                                            |                   |            |
|--------------------------------------------|-------------------|------------|
| - Cash Credit Account (Refer note 1 below) | <b>95,234,083</b> | 42,792,345 |
|                                            | <b>95,234,083</b> | 42,792,345 |

Note 1 : The Cash Credit facility is secured by hypothecation of book debts / receivables arising out of trading in Satellite Rights / IPR, ownership rights of various films and T.V. serials, Hypothecation of Plant & Machinery, Equitable mortgage of Office Premises at Mumbai, Pledge of 3 Crore Equity Shares of Re. 1/- each of Promoters constituting 51.91 % of their holding & Personal Guarantee of Managing Director.

**SCHEDULES TO CONSOLIDATED BALANCE SHEET**

**SCHEDULE 4 - FIXED ASSETS**

(Amount Rs.)

| ASSETS               | GROSS BLOCK        |                                 |                                  |                    | DEPRECIATION        |                  |                                  |                          | NET BLOCK           |                     |
|----------------------|--------------------|---------------------------------|----------------------------------|--------------------|---------------------|------------------|----------------------------------|--------------------------|---------------------|---------------------|
|                      | As at<br>01.04.10  | Additions<br>during the<br>Year | Deductions<br>during the<br>Year | As at<br>31.03.11  | Up to<br>01.04.2010 | For the<br>Year  | Deductions<br>during the<br>Year | Total Upto<br>31.03.2011 | As at<br>31.03.2011 | As at<br>31.03.2010 |
| OFFICE PREMISES      | 21,010,971         | -                               | -                                | 21,010,971         | 3,253,081           | 342,479          | -                                | 3,595,560                | 17,415,411          | 17,757,890          |
| PLANT & MACHINERY    | 74,019,760         | 82,381                          | -                                | 74,102,141         | 64,051,117          | 3,507,251        | -                                | 67,558,368               | 6,543,773           | 9,968,643           |
| FURNITURE & FIXTURES | 7,063,582          | -                               | -                                | 7,063,582          | 4,066,002           | 447,125          | -                                | 4,513,127                | 2,550,455           | 2,997,580           |
| OFFICE EQUIPMENTS:   | 2,848,098          | -                               | -                                | 2,848,098          | 1,076,312           | 135,285          | -                                | 1,211,597                | 1,636,501           | 1,771,786           |
| MOTOR CAR            | -                  | 3,891,922                       | -                                | 3,891,922          | -                   | 276,466          | -                                | 276,466                  | 3,615,456           | -                   |
| <b>TOTAL</b>         | <b>104,942,411</b> | <b>3,974,303</b>                | <b>-</b>                         | <b>108,916,714</b> | <b>72,446,513</b>   | <b>4,708,605</b> | <b>-</b>                         | <b>77,155,118</b>        | <b>31,761,596</b>   | <b>32,495,898</b>   |
| Previous Year        | 104,892,729        | 161,777                         | 112,097                          | 104,942,408        | 67,350,778          | 5,110,113        | 14,381                           | 72,446,510               | 32,495,898          | 37,541,947          |



## SCHEDULES TO THE CONSOLIDATED BALANCE SHEET

|                                                                                   | As At<br>March 31, 2011<br>Amount Rs. | As At<br>March 31, 2010<br>Amount Rs. |
|-----------------------------------------------------------------------------------|---------------------------------------|---------------------------------------|
| <b>SCHEDULE : 5</b>                                                               |                                       |                                       |
| <b>INVESTMENTS</b>                                                                |                                       |                                       |
| Unquoted - Long Term (Non Trade) at cost :                                        |                                       |                                       |
| Punjab & Maharashtra Co - Op Bank Ltd.                                            |                                       |                                       |
| 100 Shares (Previous Year 100 Shares) @ Rs. 25/- fully paid up                    | 2,500                                 | 2,500                                 |
|                                                                                   | 2,500                                 | 2,500                                 |
| <b>SCHEDULE : 6</b>                                                               |                                       |                                       |
| <b>INVENTORIES</b>                                                                |                                       |                                       |
| Intellectual Property Rights of Films                                             | 249,931,250                           | 311,258,333                           |
| Under Production Films                                                            | 10,650,203                            | 4,624,856                             |
|                                                                                   | 260,581,453                           | 315,883,189                           |
| <b>SCHEDULE : 7</b>                                                               |                                       |                                       |
| <b>SUNDRY DEBTORS - Unsecured</b>                                                 |                                       |                                       |
| Debts outstanding for a period exceeding six months :                             |                                       |                                       |
| - considered good                                                                 | 156,220,823                           | 44,629,437                            |
| (Out of this not due as per agreement Rs.141,463,582/-)                           | -                                     | -                                     |
| Others debts :                                                                    | -                                     | 44,629,437                            |
| - considered good                                                                 | 44,944,378                            | 225,967,906                           |
|                                                                                   | 201,165,201                           | 270,597,343                           |
| <b>SCHEDULE : 8</b>                                                               |                                       |                                       |
| <b>CASH &amp; BANK BALANCES</b>                                                   |                                       |                                       |
| Cash on hand                                                                      | 67,870                                | 70,428                                |
| Balances with Scheduled banks -                                                   |                                       |                                       |
| - In Current Account                                                              | 213,533,973                           | 44,616,624                            |
| - In Unclaimed Dividend Account                                                   | 242,770                               | 119,579                               |
|                                                                                   | 213,844,613                           | 44,806,631                            |
| <b>SCHEDULE : 9</b>                                                               |                                       |                                       |
| <b>LOANS AND ADVANCES - (Unsecured, considered good, unless otherwise stated)</b> |                                       |                                       |
| Advance recoverable in cash or kind or for value to be received                   | 8,026,599                             | 5,424,585                             |
| Deposits                                                                          | 104,054                               | 13,441,428                            |
| Prepaid Expenses                                                                  | 73,811                                | 27,141                                |
| Advance Tax & TDS                                                                 | 59,536,654                            | 86,098,238                            |
|                                                                                   | 67,741,118                            | 104,991,392                           |

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### SCHEDULES TO THE CONSOLIDATED BALANCE SHEET

|                            | As At<br>March 31, 2011<br>Amount Rs. | AsAt<br>March 31, 2010<br>Amount Rs. |
|----------------------------|---------------------------------------|--------------------------------------|
| <b>SCHEDULE : 10</b>       |                                       |                                      |
| <b>CURRENT LIABILITIES</b> |                                       |                                      |
| Sundry Creditors           | 301,316,394                           | 323,065,583                          |
| Outstanding Expenses       | 329,173                               | 251,790                              |
| Statutory Liability        | 4,928,879                             | 51,763,708                           |
| Advance from Customers     | 9,383,453                             | 5,982,199                            |
| Unpaid Dividend *          | 242,770                               | 119,579                              |
|                            | <b>316,200,669</b>                    | <b>381,182,859</b>                   |

\* No amounts due and outstanding to be credited to Investor Education and Protection Fund as at 31st March, 2011

### SCHEDULE : 11

#### PROVISIONS

|                       |                   |                   |
|-----------------------|-------------------|-------------------|
| For Employee Benefits | 259,100           | 170,382           |
| Proposed Dividend     | -                 | 12,900,000        |
| Tax on Dividend       | -                 | 2,192,355         |
| For Wealth Tax        | 6,155             | -                 |
| For Income Tax        | 46,407,500        | 47,731,000        |
|                       | <b>46,672,755</b> | <b>62,993,737</b> |



## SCHEDULES TO CONSOLIDATED PROFIT AND LOSS ACCOUNT

|                                                                  | Year Ended<br>31st March, 2011<br>Amount Rs. | Year Ended<br>31st March, 2010<br>Amount Rs. |
|------------------------------------------------------------------|----------------------------------------------|----------------------------------------------|
| <b>SCHEDULE : 12</b>                                             |                                              |                                              |
| <b>SALES</b>                                                     |                                              |                                              |
| Post Production Activities                                       | 9,269,822                                    | 5,210,102                                    |
| Realisation from Film                                            | -                                            | 51,751,076                                   |
| Sale of IPR Local                                                | 651,443,149                                  | 1,430,569,734                                |
| Sale of IPR Export                                               | 900,000                                      | 91,500,000                                   |
| Income from Film Distribution                                    | 338,690,174                                  | -                                            |
| Realisation from sale of VCD / DVD                               | 594,171                                      | -                                            |
|                                                                  | <u>1,000,897,316</u>                         | <u>1,579,030,912</u>                         |
| <b>SCHEDULE : 13</b>                                             |                                              |                                              |
| <b>OTHER INCOME</b>                                              |                                              |                                              |
| Interest on IT Refund                                            | 3,087,578                                    | -                                            |
| Misc Income                                                      | 4,915                                        | 31,834                                       |
| Credit Balance Written Back                                      | -                                            | 173,880                                      |
| Dividend Income                                                  | 325                                          | 325                                          |
| Interest Received (TDS: Rs. 88,881/- Pr. Yr. Rs.765,991/-)       | 888,809                                      | 4,930,618                                    |
|                                                                  | <u>3,981,627</u>                             | <u>5,136,657</u>                             |
| <b>SCHEDULE : 14</b>                                             |                                              |                                              |
| <b>COST OF IPR OF FILMS</b>                                      |                                              |                                              |
| Opening Stock                                                    | 311,258,333                                  | 97,900,338                                   |
| Add : Purchases                                                  | 861,678,113                                  | 1,656,092,562                                |
|                                                                  | <u>1,172,936,446</u>                         | <u>1,753,992,900</u>                         |
| Less :Closing Stock (As taken, valued & certified by Management) | 249,931,250                                  | 311,258,333                                  |
|                                                                  | <u>923,005,196</u>                           | <u>1,442,734,567</u>                         |
| <b>SCHEDULE : 15</b>                                             |                                              |                                              |
| <b>COST OF PRODUCTION/ DISTRIBUTION OF FILMS</b>                 |                                              |                                              |
| Opening Stock                                                    | 4,327,856                                    |                                              |
| Artists                                                          | 139,500                                      | 2,721,800                                    |
| Technicians                                                      | 1,849,728                                    | 4,174,712                                    |
| Production & Post Production Expenses                            | 8,660,975                                    | 23,964,386                                   |
| Advertising, Print & Publicity                                   | -                                            | 8,971,667                                    |
| Less: Closing Stock                                              | (10,650,203)                                 | (4,327,856)                                  |
|                                                                  | <u>4,327,856</u>                             | <u>35,504,709</u>                            |
| <b>SCHEDULE : 16</b>                                             |                                              |                                              |
| <b>OPERATING EXPENSES</b>                                        |                                              |                                              |
| Electricity Expenses                                             | 680,184                                      | 807,340                                      |
| Professional/ Technical Fees                                     | 879,552                                      | 1,176,709                                    |
| Transfer Charges                                                 | 52,954                                       | 49,046                                       |
| Post Production Studio Operating Expenses                        | 58,682                                       | 313,500                                      |
|                                                                  | <u>1,671,372</u>                             | <u>2,346,595</u>                             |



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### SCHEDULES TO CONSOLIDATED PROFIT AND LOSS ACCOUNT

|                                                  | Year Ended<br>31st March, 2011<br>Amount Rs. | Year Ended<br>31st March, 2010<br>Amount Rs. |
|--------------------------------------------------|----------------------------------------------|----------------------------------------------|
| <b>SCHEDULE : 17</b>                             |                                              |                                              |
| <b>STAFF COSTS</b>                               |                                              |                                              |
| Salaries & Wages                                 | 870,725                                      | 967,405                                      |
| Staff Welfare                                    | 226,080                                      | 323,955                                      |
| Gratuity                                         | 88,718                                       | -                                            |
|                                                  | <b>1,185,523</b>                             | <b>1,291,360</b>                             |
| <b>SCHEDULE : 18</b>                             |                                              |                                              |
| <b>ADMINISTRATION AND OTHER EXPENSES</b>         |                                              |                                              |
| Administration Expenses                          |                                              | 113,754                                      |
| Communication Expenses                           | 59,234                                       | 19,305                                       |
| Consultancy Charges                              | 20,000                                       | 11,701                                       |
| Insurance Expenses                               | 13,144                                       | 546,296                                      |
| Office Expenses                                  | 296,307                                      |                                              |
| Managing Director's Remuneration                 | 2,699,970                                    |                                              |
| Membership & Subscription                        | 181,613                                      | 30,075                                       |
| Misc Expenses                                    | 6,458                                        | 2,598                                        |
| Postage & Telegram                               | 53,523                                       | 54,868                                       |
| Printing & Stationery                            | 81,984                                       | 89,621                                       |
| Interest on Tax                                  | 131,646                                      | 171,922                                      |
| Security Charges                                 | 41,000                                       | 130,000                                      |
| Auditors' Remuneration -<br>Statutory Audit Fees | 175,000                                      | 66,180                                       |
| Tax Audit Fees                                   | <u>25,000</u>                                | <u>22,060</u>                                |
| Legal & Professional Fees                        | 523,760                                      | 88,240                                       |
| Other Expenses                                   | 389,089                                      | 194,429                                      |
| Loss on sale of Fixed Asset                      | -                                            | 411,734                                      |
| Rates & Taxes                                    | 5,000                                        | 53,271                                       |
| Repairs & Maintenance                            |                                              | 2,500                                        |
| - Building                                       | 657,368                                      | 642,168                                      |
| - Plant & Machinery                              | 13,150                                       | 33,576                                       |
| - Others                                         | 59,981                                       | 230,104                                      |
| Travelling & Conveyance                          | 62,156                                       | 33,484                                       |
|                                                  | <b>5,511,928</b>                             | <b>2,859,646</b>                             |
| <b>SCHEDULE : 19</b>                             |                                              |                                              |
| <b>Selling Expenses</b>                          |                                              |                                              |
| Advertisement                                    | 97,114                                       | 191,968                                      |
| Commission on Sales                              | 142,000                                      | -                                            |
| Bad Debts & Sundry Balance Written Off           | 86,092                                       | 10,774,472                                   |
| IPR Selling Expenses                             | 216,266                                      | 3,686                                        |
|                                                  | <b>541,472</b>                               | <b>10,970,126</b>                            |
| <b>SCHEDULE : 20</b>                             |                                              |                                              |
| <b>FINANCE CHARGES</b>                           |                                              |                                              |
| Interest On Other Loans                          | -                                            | 106,849                                      |
| Stamp Duty (Finance Charges)                     | 1,672,841                                    | -                                            |
| Bank Charges                                     | 558,726                                      | 505,075                                      |
| Interest On CC                                   | 8,366,937                                    | 1,206,388                                    |
|                                                  | <b>10,598,504</b>                            | <b>1,818,312</b>                             |



**SCHEDULE 21: NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS OF THE COMPANY AND ITS SUBSIDIARIES FOR THE FINANCIAL YEAR 2010-11**

**1. Accounting Policies:**

Most of the accounting policies of the holding company and that of the subsidiary's are similar. The accounting policies followed by the holding company are disclosed in the individual financial statement annexed in the annual report.

**2. Principal for Consolidation:**

The consolidated financial statements relate to BABA ARTS LTD and its subsidiary company. The consolidated financial statements have been prepared on following basis:

- a) The financial statement of the company and its subsidiary companies have been consolidated on a line-by-line basis by adding together the book value of like items of assets, liabilities, income and expenses, after fully eliminating intra-group balances and intra-group transaction resulting in unrealized profit and losses as per accounting standard 21-"Consolidated Financial Statement" notified by Companies (Accounting Standard) Rules, 2006.
  - b) Minority Interest's share of net assets of the consolidated subsidiary is identified and presented in consolidated balance sheet separate from liabilities and the equity of the company's shareholders.
  - c) The difference between the cost of investments in the subsidiary and the company's share of net assets at the time of acquisition of shares in subsidiary is recognised in financial statement as Goodwill or Capital Reserve as the case may be.
  - d) The financial statement of the subsidiary is consolidated and is drawn up to the same reporting date as that of the company i.e. 31st March, 2011.
3. The list of Subsidiary Company which forms part of Consolidation and the company's holdings therein are as under:

| Sr. No. | Name of the Company           | Country of Incorporation | % of Holding |
|---------|-------------------------------|--------------------------|--------------|
| A       | Subsidiary                    |                          |              |
| 1.      | Mahadev Productions Pvt. Ltd. | India                    | 51 %         |

4. Previous Year's figures are regrouped and rearranged wherever necessary.
5. There is no Contingent Liability for the consolidated group of companies.
6. Consolidated Earnings Per Share (EPS)

| Earnings Per Share                                                                                        |             | 2010-11     | 2009-10      |
|-----------------------------------------------------------------------------------------------------------|-------------|-------------|--------------|
| <b>Basic &amp; Diluted EPS :</b>                                                                          |             |             |              |
| Net Profit (Loss) after Tax for the year (Rs.)                                                            | A           | 34,997,788  | 51,478,252   |
| Weighted Average No. of Shares                                                                            | B           | 103,200,000 | 103,200,000* |
| Basic & Diluted Earnings Per Share of Face Value of Re 1 Per Share. (after prior period tax adjustments)  | C (A/B)     | 0.34        | 0.50         |
| Prior Year Tax Adjustments                                                                                | D           | 69,368      | 2,130,601    |
| Basic & Diluted Earnings Per Share of Face Value of Re 1 Per Share. (before prior period tax adjustments) | E ((A+D)/B) | 0.34        | 0.52         |

\* During the Year company has issued bonus share in ratio of 1:1. Number of shares, in previous year, has been appropriately increased.

**7. Related Party Disclosure as per Accounting Standard (AS) 18**

**A List of related parties.**

- a. Key Management Personnel
  - (i) Shri Gordhan P. Tanwani – Chairman & Managing Director
- b. Other related parties (companies in which director or their relatives have significant influence)
  - (i) Bhagwati Media Pvt. Ltd. (Formerly – Baba Entertainments Pvt. Ltd.)
  - (ii) Larry's Electronics Pvt Ltd.
  - (iii) Silgate Solutions Ltd.

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- (iv) Bhagwati Holdings Pvt. Ltd.
- (v) M/s. Baba Developers
- (vi) M/s. Super Plast
- (vii) M/s. Baba Digital
- (viii) M/s. Om Enterprises

### B. Details of transaction with related parties

|    | Particulars                                              | 2010-11   | 2009-10 |
|----|----------------------------------------------------------|-----------|---------|
| A. | Key Managerial Personnel Remuneration ( w.e.f. 01.06.10) | 2,699,970 | Nil     |
| B. | Other Related Parties Interest Paid                      | Nil       | 106,849 |

### 8. Segment Information

The Company is at present engaged in main business segments of Trading in IPR of Films & Film Production in Hindi. These Business Segments have been identified in line with Accounting Standard (AS) – 17 “Segment Reporting”

Segment revenue results include amounts identifiable to each segment. Other unallocable expenditure includes revenues and expenditure, which are not directly identifiable to the individual segment as well as expenses, which relate to the Company as a whole.

(Rs. In Lacs)

| Sr.No. | Particulars                                                 | 2010-11         | 2009-10         |
|--------|-------------------------------------------------------------|-----------------|-----------------|
| 1.     | Segment Revenue (Net Sales)                                 |                 |                 |
|        | a) IPR of Films                                             | 9916.27         | 15220.70        |
|        | b) Production of Films                                      | 55.00           | 517.21          |
|        | c) Others                                                   | 37.70           | 52.10           |
|        | <b>Total Net Income From Operations</b>                     | <b>10008.97</b> | <b>15790.31</b> |
| 2.     | Segment Results – Profit before tax & Interest              |                 |                 |
|        | a) IPR of Films                                             | 637.11          | 812.59          |
|        | b) Production of Films                                      | 11.19           | 53.47           |
|        | c) Others                                                   | (15.18)         | (14.21)         |
|        | <b>Total</b>                                                | <b>633.13</b>   | <b>851.85</b>   |
|        | Less : Interest Expenses                                    | 107.30          | 18.18           |
|        | Other (Unallocable Income – Unallocable Exp)                | 7.44            | 18.37           |
|        | <b>Total Profit Before Tax</b>                              | <b>533.27</b>   | <b>815.30</b>   |
| 3.     | Capital Employed (Segmental Assets – Segmental Liabilities) |                 |                 |
|        | a) IPR of Films                                             | 721.18          | 1568.03         |
|        | b) Production of Films                                      | 2253.64         | 693.49          |
|        | Add : Unallocated Net Assets                                | 179.43          | 538.97          |
|        | <b>Total Capital Employed</b>                               | <b>3154.25</b>  | <b>2800.49</b>  |

9. The Schedules and the notes referred to above form an integral part of Balance Sheet and Profit & Loss Account.

For and on behalf of the Board

**Gordhan P. Tanwani**  
*Chairman & Managing Director*

**Sanjiv Hinduja**  
*Director*

**Pravin Karia**  
*Director*

**Santosh A. Shah**  
*Director*

**N.H.Mankad**  
*Company Secretary*

Place : Mumbai  
Date : 26th May, 2011



## **NOTICE OF THE FOURTH ANNUAL GENERAL MEETING**

NOTICE is hereby given that the Fourth Annual General Meeting of MAHADEV PRODUCTION PRIVATE LIMITED will be held on Friday the 30th September, 2011 at 11.00 a.m. at 3A, Valecha Chambers, New Link Road, Andheri (West), Mumbai 400053 to transact the following business:

### **ORDINARY BUSINESS**

1. To receive, consider and adopt the Balance Sheet as at 31st March, 2011 together with the Directors' Report and the Report of the Auditors thereon.
2. To appoint Auditors and to fix their remuneration.

By Order of the Board  
**For Mahadev Production Private Limited**

**Ajay Acharya**  
*Director*

### ***Regd. Office:***

Bungalow No. 122,  
MHADA, SVP Nagar  
Andheri (West)  
Mumbai 400053.

Date: 24th May, 2011

### **NOTES :**

1. A MEMBER ENTITLED TO ATTEND AND VOTE AT THE MEETING IS ENTITLED TO APPOINT A PROXY OR PROXIES TO ATTEND AND VOTE, INSTEAD OF HIMSELF / HERSELF AND A PROXY MUST BE A MEMBER OF THE COMPANY. PROXIES TO BE VALID MUST BE LODGED WITH THE COMPANY AT ITS REGISTERED OFFICE NOT LATER THAN 48 HOURS BEFORE THE COMMENCEMENT OF THE ANNUAL GENERAL MEETING. A PROXY SO APPOINTED SHALL NOT HAVE ANY RIGHT TO SPEAK AT THE MEETING. BLANK PROXY FORM IS ENCLOSED.

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### DIRECTORS' REPORT

To,  
The Members,

Your Directors have pleasure in presenting their Fourth Annual Report together with the Audited Accounts for the year ended on 31st March, 2011.

#### OPERATIONS

During the year under review, your company achieved sales of Rs. 55.00 Lac from sale of negative rights of the film "Vijay Bihari Mafia". After writing off the balance cost of production of film brought forward from previous year, the company has earned a profit before tax of Rs. 11.44 Lac. Provision for Tax was Rs. 3.72 Lac and Net Profit after Tax was Rs. 7.72 Lac. After adjusting brought forward loss of Rs. 0.34 Lac, balance profit is of Rs. 7.37 Lac is carried forward to balance sheet.

#### DIVIDEND

Your board of directors have not recommended any dividend on equity shares for the year under review.

#### HOLDING COMPANY

Your Company is a subsidiary company of Baba Arts Limited which owns 51% of the paid up capital of the Company.

#### DEPOSITS

Your Company has not invited / accepted any deposits from public within the meaning of Section 58A & 58AA of the Companies Act, 1956.

#### DIRECTORS

Shri Ravi Krishan Shukla has resigned as Director of the Company with effect from 2nd May, 2011. Your board of directors has placed on record its sincere appreciation for the valuable services rendered by him during his association with the company as a director.

Shri N.H.Mankad was appointed as Director of the company with effect from 2nd May, 2011 by the members in their Extra Ordinary General Meeting held on 2nd May, 2011.

The Directors of the Company have confirmed that they are not disqualified to act as Directors of the Company pursuant to Section 274(1)(g) of the Companies Act, 1956.

#### DIRECTORS' RESPONSIBILITY STATEMENT

Pursuant to Section 217 (2AA) of the Companies (Amendment) Act, 2001, the Directors confirm that:

- i) in the preparation of the annual accounts, the applicable accounting standards have been followed;
- ii) the accounting policies have been consistently applied and reasonable and prudent judgment and estimates have been made so as to give a true and fair view of the state of affairs of the company as at 31st March, 2011 and of the loss incurred during the year ended on 31st March, 2011 as disclosed in the enclosed accounts;
- iii) proper and sufficient care has been taken for maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 1956 for safeguarding the assets of the company and for preventing and detecting fraud and other irregularities; and
- iv) the annual accounts have been prepared on a going concern basis.

#### AUDITORS

The company's Auditors M/s. Prakash Muni & Associates, Chartered Accountants, retire at the conclusion of the ensuing Annual General Meeting, and are eligible for reappointment. The company has received the certificate to this effect from the Auditors. Your Directors recommend their re-appointment.

#### PARTICULARS OF EMPLOYEES

There were no employees, covered under the purview of Section 217 (2A) of the Companies Act, 1956 and the Rules framed there under.

#### CONSERVATION OF ENERGY, TECHNOLOGY ABSORPTION & FOREIGN EXCHANGE EARNINGS AND OUTGO.

##### Conservation of Energy

Your Company's activities do not require substantial energy consumption.

##### Research & Development, Technology Absorption, Adoption and Innovation

The Company has not under taken any Research & Development Activity.

##### Foreign Exchange Earnings and Outgo

|                              |   |     |
|------------------------------|---|-----|
| a. Foreign Exchange Earnings | - | Nil |
| b. Foreign Exchange Outgo    | - | Nil |

#### ACKNOWLEDGEMENT

The Board wishes to thank all the artists and technicians, who have extended their support to the Company.

For and On behalf of the Board of Directors

**Ajay Acharya**  
Director

**N.H.Mankad**  
Director

Place : Mumbai  
Date : 24th May, 2011



## AUDITOR'S REPORT

TO,  
THE SHAREHOLDERS OF  
MAHADEV PRODUCTION PRIVATE LIMITED.

1. I have audited the attached Balance Sheet of MAHADEV PRODUCTION PRIVATE LIMITED as at 31st March, 2011 and the Profit and Loss Account and the Cash Flow Statement for the year ended on that date annexed thereto. These financial statements are the responsibility of the Company's Management. My responsibility is to express an opinion on these financial statements based on my audit.
2. I have conducted my audit in accordance with auditing standards generally accepted in India. Those Standards require that I 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 the Management, as well as evaluating the overall financial statement presentation. I believe that our audit provides a reasonable basis for my opinion.
3. 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, I enclose in the Annexure a statement on the matters specified in paragraphs 4 and 5 of the said Order.
4. On the basis of written representations received from the directors, as on 31st March, 2011, and taken on record by the Board of Directors, I 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. Further to my comments in the Annexure referred to in paragraph 3 & 4 above, I report that:
  - i) I have obtained all the information and explanations, which to the best of my knowledge and belief were necessary for the purposes of my audit;
  - ii) In my opinion, proper books of account as required by law have been kept by the Company so far as appears from our examination of those books;
  - iii) The Balance Sheet and the Profit and Loss Account and Cash Flow Statement dealt with by this report are in agreement with the books of account;
  - iv) In my opinion, the Balance Sheet and the Profit and Loss Account and Cash Flow Statement dealt with by this report comply with the applicable accounting standards referred to in sub-section (3C) of Section 211 of the Companies Act, 1956;
  - v) In my opinion and to the best of my information and according to the explanations given to me, the said accounts read together with the significant accounting policies and 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:
    - a) In the case of the Balance Sheet, of the state of affairs of the Company as at 31st March, 2011;
    - b) In the case of the Profit and Loss Account, of the profit for the year ended on that date.
    - c) In the case of the cash flow statement, of the cash flows for the year ended on that date.

**For PRAKKASH MUNI & ASSOCIATES**

*Chartered Accountants*

Firm Registration No.: 111792W

**PRAKKASH R. MUNI.**

*Proprietor*

Membership No.: 30544.

Place : Mumbai

Date : 24th May, 2011.

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### ANNEXURE TO THE AUDITOR'S REPORT

(Referred to in paragraph 3 of our report of even date)

1. Since, the company does not have Fixed Assets Para 1 of the order is not applicable
2. Since, the company is having only Intellectual property rights as its inventory therefore the Para 2 of the order relating to physical verification of inventories is not applicable
3. In respect of the loans, secured or unsecured, granted or taken by the Company to/from companies, firms or other parties covered in the Register maintained under Section 301 of the Companies Act, 1956:
  - (a) Since the company has not granted or taken any loans from companies, firms or other parties where in the register maintained under Section 301 of the Companies Act, 1956, Clause (iii) of the order is not applicable.
  - (b) The Company has not taken any loan during the year from companies, firms or other parties covered in the Register maintained under Section 301 of the Companies Act, 1956. Consequently, the requirements of Clauses (iii) (f) and (iii) (g) of paragraph 4 of the Order are not applicable.
4. In my opinion and according to the information and explanations given to me, the Company has internal control systems commensurate with the size of the Company and the nature of its business with regard to purchases of inventories and fixed assets and with regard to the sale of goods and services. During the course of my audit, I have not observed any continuing failure to correct major weakness in internal control system.
5. Since, the Company has no transactions made in pursuance of contract or arrangement Clause (v) of the order is not applicable.
6. The Company has not accepted any deposits from the public to which the provisions 58A, 58AA or any other relevant provision of The Companies Act, 1956 and the Companies (Acceptance of Deposit) Rules, 1975 apply. Therefore, the provisions of clause (vi) of the paragraph 4 of the order are not applicable to the Company.
7. In my opinion and according to information and explanation given to me, the Company has an internal audit system commensurate with the size and nature of its business.
8. To the best of my knowledge and according to the information and explanations given to me, the Central Government has not prescribed the maintenance of cost records under Section 209 (1) (d) of the Companies Act, 1956, for any of the products of the Company.
9. In respect of Statutory dues:
  - a) According to the records of the Company, undisputed statutory dues including Provident Fund, Employees' State Insurance, Income Tax, Sales Tax, Wealth Tax, Service Tax, Customs Duty, Excise Duty, Cess and any other statutory dues have been generally regularly deposited with the appropriate authorities. According to the information and explanations given to me, no undisputed amounts payable in respect of the aforesaid dues were outstanding as at March 31, 2011 for a period of more than six months from the date of becoming payable.
  - b) There is no disputed statutory dues payable by the company.
10. The Company does not have accumulated losses at the end of the financial year. The Company has not incurred cash losses during the financial year covered by my audit. The Company has incurred cash losses during the preceding financial year.
11. Based on our audit procedures and according to the information and explanation given to me, the Company has not defaulted in the repayment of its dues to a Financial Institutions, Banks and Debenture Holders.
12. According to the information and explanations given to me, No loans and advances have been granted by the Company on the basis of security by way of shares, debentures and other securities.
13. In my opinion and according to the information and explanations given to me, the Company is not a chit fund or a nidhi/mutual benefit fund/society. Accordingly, the provisions of clause 4 (xiii) of the Order are not applicable to the Company.
14. According to the information and explanations given to me, the Company is not dealing in shares, securities, debentures and other investments. Accordingly, the provisions of clause 4 (xiv) of the Order are not applicable to the Company.
15. The Company has not raised any term loan during the year and there is no outstanding term loan during the year.
16. According to the information and explanations given to me and on an overall examination of the Balance Sheet of the Company, we are of the opinion that there are no funds raised on short-term basis that have been used for long-term investment.
17. According to the information and explanations given to me, the Company has not made any preferential allotment of shares to parties and companies covered in the register maintained under Section 301 of the Companies Act, 1956.
18. During the period covered by my audit report, the Company has not raised any money by public issues.
19. To the best of my knowledge and belief and according to the information and explanations given to me, no material fraud on or by the Company has been noticed or reported during the year.

**For PRAKKASH MUNI & ASSOCIATES**

*Chartered Accountants*  
Firm Registration No.: 111792W

**PRAKKASH R. MUNI.**

*Proprietor*  
Membership No.: 30544

Place : Mumbai  
Date : 24th May, 2011.



## BALANCE SHEET AS AT 31<sup>st</sup> MARCH, 2011

| Particulars                                                         | Schedule No. | As At<br>March 31, 2011<br>Amount Rs. | As At<br>March 31, 2010<br>Amount Rs. |
|---------------------------------------------------------------------|--------------|---------------------------------------|---------------------------------------|
| <b>SOURCES OF FUNDS</b>                                             |              |                                       |                                       |
| <b>Shareholders' Funds</b>                                          |              |                                       |                                       |
| Share Capital                                                       | 1            | 100,000                               | 100,000                               |
| Reserves & Surplus                                                  | 2            | 737,404                               |                                       |
| <b>Loan Funds</b>                                                   |              |                                       |                                       |
| Unsecured Loans                                                     | 3            | -                                     | 5,500,000                             |
| TOTAL                                                               |              | <u>837,404</u>                        | <u>5,600,000</u>                      |
| <b>APPLICATION OF FUNDS</b>                                         |              |                                       |                                       |
| <b>Current Assets, Loans &amp; Advances</b>                         |              |                                       |                                       |
| Inventories                                                         | 4            | -                                     | 4,327,856                             |
| Sundry Debtors                                                      | 5            | -                                     | 560,000                               |
| Cash & Bank Balances                                                | 6            | 485,392                               | 630,459                               |
| Loans & Advances                                                    | 7            | 737,650                               | 105,350                               |
| Sub Total (A)                                                       |              | <u>1,223,042</u>                      | <u>5,623,665</u>                      |
| <b>Less : Current Liabilities &amp; Provisions</b>                  |              |                                       |                                       |
| Current liabilities                                                 | 8            | 16,545                                | 62,493                                |
| Provisions                                                          | 9            | 372,000                               |                                       |
| Sub Total (B)                                                       |              | <u>388,545</u>                        | <u>62,493</u>                         |
| Net Current Assets (A) - (B)                                        |              | <u>834,497</u>                        | <u>5,561,172</u>                      |
| <b>Miscellaneous Expenditure</b><br>(To the extent not written off) |              |                                       |                                       |
| Profit & Loss A/c                                                   | 10           | 2,907                                 | 4,360                                 |
|                                                                     |              | -                                     | 34,468                                |
| TOTAL                                                               |              | <u>837,404</u>                        | <u>5,600,000</u>                      |
| Accounting Policies and Notes to Accounts                           | 13           |                                       |                                       |

As per our report of even date attached  
**For Prakash Muni & Associates**  
*Chartered Accountants*  
Firm Registration No.: 111792W

For and on behalf of the Board

**Prakash Muni**  
*Proprietor*  
Membership No.: 30544

Place : Mumbai  
Date : 24th May, 2011

**Ajay Acharya**  
*Director*

**N.H.Mankad**  
*Director*

Place : Mumbai  
Date : 24th May, 2011



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### PROFIT & LOSS ACCOUNT FOR THE YEAR ENDED 31<sup>ST</sup> MARCH, 2011

|                                                                 | Schedule<br>No. | Year Ended<br>31.03.2011<br>Amount Rs. | Year Ended<br>31.03.2010<br>Amount Rs. |
|-----------------------------------------------------------------|-----------------|----------------------------------------|----------------------------------------|
| <b>INCOME</b>                                                   |                 |                                        |                                        |
| Sales                                                           | 11              | 5,500,000                              | 1,750,000                              |
|                                                                 |                 | 5,500,000                              | 1,750,000                              |
| <b>EXPENDITURE</b>                                              |                 |                                        |                                        |
| Cost of Production/ Distribution of Films                       | 12              | 4,327,856                              | 1,750,000                              |
| Audit Fees                                                      |                 | 16,545                                 | 16,545                                 |
| Indirect Expenses                                               |                 | 10,274                                 | 15,017                                 |
| Preliminary Expenses Written off                                |                 | 1,453                                  | 1,453                                  |
|                                                                 |                 | 4,356,128                              | 1,783,015                              |
| <b>Profit/ (Loss) before Interest,<br/>Depreciation and Tax</b> |                 | 1,143,872                              | (33,015)                               |
| Finance Charges                                                 |                 | -                                      | -                                      |
| <b>Profit/ (Loss) before Depreciation and Tax</b>               |                 | 1,143,872                              | (33,015)                               |
| Depreciation                                                    |                 | -                                      | -                                      |
| <b>Profit/ (Loss) after Depreciation but before Tax</b>         |                 | 1,143,872                              | (33,015)                               |
| Provision for Tax                                               |                 | 372,000                                | -                                      |
| Deferred Tax                                                    |                 | -                                      | -                                      |
| <b>Profit/ (Loss) after Tax</b>                                 |                 | 771,872                                | (33,015)                               |
| Prior period income tax adjustments                             |                 | -                                      | -                                      |
| <b>Sub Total</b>                                                |                 | 771,872                                | (33,015)                               |
| Balance of Profit brought forward                               |                 | (34,468)                               | (1,453)                                |
| Profit available for Appropriation                              |                 | 737,404                                | (34,468)                               |
| Transferred to General Reserve                                  |                 | -                                      | -                                      |
| Proposed Dividend                                               |                 | -                                      | -                                      |
| Tax on Dividend                                                 |                 | -                                      | -                                      |
| Balance of Profit carried forward                               |                 | 737,404                                | (34,468)                               |
| Basic & Diluted Earning Per Share                               |                 | 77.19                                  | (3.30)                                 |
| Face Value of Rs. 10/- per share                                |                 |                                        |                                        |
| Accounting Policies and Notes to Accounts                       | 13              |                                        |                                        |

As per our report of even date attached

**For Prakkash Muni & Associates**

*Chartered Accountants*

Firm Registration No.: 111792W

For and on behalf of the Board

**Prakkash Muni**

*Proprietor*

Membership No.: 30544

Place : Mumbai

Date : 24th May, 2011

**Ajay Acharya**

*Director*

**N.H.Mankad**

*Director*

Place : Mumbai

Date : 24th May, 2011



## CASH FLOW STATEMENT FOR THE YEAR ENDED MARCH 31, 2011

|                                                              | April 1, 2010 -<br>March 31, 2011<br>Amount Rs. | April 1, 2009 -<br>March 31, 2010<br>Amount Rs. |
|--------------------------------------------------------------|-------------------------------------------------|-------------------------------------------------|
| <b>A. CASH FLOW FROM OPERATING ACTIVITIES :</b>              |                                                 |                                                 |
| Net Profit / (Loss) before Tax and Extraordinary items       | 1,143,872                                       | (33,015)                                        |
| Adjustment for :                                             |                                                 |                                                 |
| Preliminary Expenses Written Off                             | 1,453                                           | 1,453                                           |
|                                                              | <u>1,453</u>                                    | <u>1,453</u>                                    |
| Operating profit before working capital changes              | <u>1,145,326</u>                                | <u>(31,562)</u>                                 |
| Adjustment for :                                             |                                                 |                                                 |
| Sundry Debtors                                               | 560,000                                         | (549,000)                                       |
| Inventories                                                  | 4,327,856                                       | 1,372,430                                       |
| Current Liabilities & Provisions                             | (45,948)                                        | (945,650)                                       |
|                                                              | <u>4,841,908</u>                                | <u>(122,220)</u>                                |
| Cash generated from operations                               | <u>5,987,234</u>                                | <u>(153,782)</u>                                |
| Taxes paid                                                   | (632,300)                                       | (105,350)                                       |
|                                                              | <u>5,354,934</u>                                | <u>(259,132)</u>                                |
| Prior Period Items                                           | -                                               | -                                               |
| <b>NET CASH FLOW OPERATING ACTIVITIES</b>                    | <u>5,354,934</u>                                | <u>(259,132)</u>                                |
| <b>B. CASH FLOW FROM INVESTING ACTIVITIES</b>                |                                                 |                                                 |
| <b>NET CASH FLOW FROM INVESTING ACTIVITIES</b>               | -                                               | -                                               |
| <b>C. CASH FLOW FROM FINANCING ACTIVITIES :</b>              |                                                 |                                                 |
| Loan received from Holding Company                           | (5,500,000)                                     | 500,000                                         |
| <b>NET CASH FLOW FROM FINANCING ACTIVITIES</b>               | <u>(5,500,000)</u>                              | <u>500,000</u>                                  |
| Net Increase/(Decrease) in Cash and Cash equivalents (A+B+C) | <u>(145,067)</u>                                | <u>240,868</u>                                  |
| Cash and Cash equivalents at beginning of the year           | 630,459                                         | 389,591                                         |
| Cash and Cash equivalents at end of the year                 | 485,392                                         | 630,459                                         |
| Net Increase/ (Decrease)                                     | <u>(145,067)</u>                                | <u>240,868</u>                                  |

**Note: -**

- 1 The above cash flow statement has been prepared under the indirect method as set out in Accounting Standard - 3 issued by the Institute of Chartered Accountants of India.
- 2 Cash and cash equivalents consists of Cash on hand and Balance with banks.
- 3 Previous year's figures have been regrouped/rearranged wherever necessary.

As per our report of even date attached

For and on behalf of the Board

**For Prakkash Muni & Associates**

Chartered Accountants

Firm Registration No.: 111792W

**Prakkash Muni**

Proprietor

Membership No.: 30544

Place : Mumbai

Date : 24th May, 2011

**Ajay Acharya**

Director

Place : Mumbai

Date : 24th May, 2011

**N.H.Mankad**

Director

## ANNUAL REPORT 2010-2011

### BALANCE SHEET SHEDULE

| Particulars                                                                                                           | As at<br>31st March, 2011<br>Amount Rs. | As at<br>31st March, 2010<br>Amount Rs. |
|-----------------------------------------------------------------------------------------------------------------------|-----------------------------------------|-----------------------------------------|
| <b>SCHEDULE : 1</b>                                                                                                   |                                         |                                         |
| <b>SHARE CAPITAL</b>                                                                                                  |                                         |                                         |
| <b>Authorised</b><br>10,000 ( P.Y. 10,000) Equity Shares of Rs.10/- each                                              | <b>100,000</b>                          | 100,000                                 |
| <b>Issued, Subscribed &amp; Paid Up Capital</b><br>10,000 ( P.Y. 10,000) Equity Shares of Rs.10/- each fully paid up. | <b>100,000</b>                          | 100,000                                 |
|                                                                                                                       | <b>100,000</b>                          | 100,000                                 |
| <b>SCHEDULE : 2</b>                                                                                                   |                                         |                                         |
| <b>Reserves &amp; Surplus</b>                                                                                         | <b>As at 31.03.2010</b>                 | <b>Additions</b>                        |
| Profit & Loss                                                                                                         | <b>(34,468)</b>                         | <b>771,872</b>                          |
|                                                                                                                       | <b>(34,468.00)</b>                      | <b>771,872.00</b>                       |
|                                                                                                                       |                                         | <b>As at 31.03.2011</b>                 |
|                                                                                                                       |                                         | <b>737,404</b>                          |
|                                                                                                                       |                                         | <b>737,404.00</b>                       |
| <b>SCHEDULE : 3</b>                                                                                                   |                                         |                                         |
| <b>UNSECURED LOANS</b>                                                                                                |                                         |                                         |
| From Holding Company                                                                                                  | -                                       | 5,500,000                               |
|                                                                                                                       | -                                       | 5,500,000                               |
| <b>SCHEDULE : 4</b>                                                                                                   |                                         |                                         |
| <b>INVENTORIES</b>                                                                                                    |                                         |                                         |
| Under Production Films                                                                                                | -                                       | 4,327,856                               |
|                                                                                                                       | -                                       | 4,327,856                               |
| <b>SCHEDULE : 5</b>                                                                                                   |                                         |                                         |
| <b>SUNDRY DEBTORS - Unsecured</b>                                                                                     |                                         |                                         |
| Debts outstanding for a period exceeding six months :                                                                 |                                         |                                         |
| - considered good                                                                                                     | -                                       |                                         |
| - considered doubtful                                                                                                 | -                                       |                                         |
| Others debts :                                                                                                        |                                         |                                         |
| - considered good                                                                                                     | -                                       | 560,000                                 |
|                                                                                                                       | -                                       | 560,000                                 |
| <b>SCHEDULE : 6</b>                                                                                                   |                                         |                                         |
| <b>CASH &amp; BANK BALANCES</b>                                                                                       |                                         |                                         |
| Cash on hand                                                                                                          | <b>18,106</b>                           | 20,226                                  |
| Balances with Scheduled banks -<br>- In Current Account                                                               | <b>467,286</b>                          | 610,233                                 |
|                                                                                                                       | <b>485,392</b>                          | 630,459                                 |



## BALANCE SHEET SHEDULE

| Particulars                                 | As at<br>31st March, 2011<br>Amount Rs.      | As at<br>31st March, 2010<br>Amount Rs.      |
|---------------------------------------------|----------------------------------------------|----------------------------------------------|
| <b>SCHEDULE : 7</b>                         |                                              |                                              |
| <b>Loans &amp; Advances</b>                 |                                              |                                              |
| TDS Receivable                              | 737,650                                      | 105,350                                      |
|                                             | 737,650                                      | 105,350                                      |
| <b>SCHEDULE : 8</b>                         |                                              |                                              |
| <b>CURRENT LIABILITIES</b>                  |                                              |                                              |
| Sundry Creditors                            | 16,545                                       | 23,545                                       |
| Statutory Liabilities                       |                                              | 38,948                                       |
|                                             | 16,545                                       | 62,493                                       |
| <b>SCHEDULE : 9</b>                         |                                              |                                              |
| <b>Provisions</b>                           |                                              |                                              |
| Provision for Tax                           | 372,000                                      |                                              |
|                                             | 372,000                                      | -                                            |
| <b>SCHEDULE : 10</b>                        |                                              |                                              |
| <b>Miscellaneous Expenditure</b>            |                                              |                                              |
| Preliminary Expenses                        |                                              | 7,266                                        |
| Opening Balance                             | 4,360                                        | 2,906                                        |
| Less: Written off                           | 1,453                                        |                                              |
|                                             | 2,907                                        | 4,360                                        |
| <b>SCHEDULES TO PROFIT AND LOSS ACCOUNT</b> |                                              |                                              |
|                                             | Year Ended<br>31st March, 2011<br>Amount Rs. | Year Ended<br>31st March, 2010<br>Amount Rs. |
| <b>SCHEDULE : 11</b>                        |                                              |                                              |
| <b>SALES</b>                                |                                              |                                              |
| Realisation from Film Release               | 5,500,000                                    | 1,750,000                                    |
|                                             | 5,500,000                                    | 1,750,000                                    |
| <b>SCHEDULE : 12</b>                        |                                              |                                              |
| <b>Cost Of Production</b>                   |                                              |                                              |
| Opening Stock                               | 4,327,856                                    | -                                            |
| Production Expenses                         |                                              | 6,077,856                                    |
|                                             | 4,327,856                                    | 6,077,856                                    |
| Less: Closing Stock                         | -                                            | 4,327,856                                    |
| Cost of Production                          | 4,327,856                                    | 1,750,000                                    |

## SCHEDULES TO BALANCE SHEET AND PROFIT AND LOSS ACCOUNT

### SCHEDULE: 13

#### ACCOUNTING POLICIES AND NOTES TO ACCOUNTS

##### A. SIGNIFICANT ACCOUNTING POLICIES

###### 1. Basis of Accounting

The Financial statements are prepared under historical cost convention on an accrual basis of accounting in accordance with the generally accepted accounting principles, on going concern basis, and in line with accounting standards issued by the Institute of Chartered Accountants of India, as applicable, and the provisions of the Companies Act, 1956.

The preparation of financial statements in conformity with GAAP (generally accepted accounting policies) requires that the Management of the Company makes estimates and assumptions that affect the reported amounts of income and expenses of the period, the reported balances of assets and liabilities and the assumptions relating to contingent liabilities as on the date of financial statements. Examples of such estimates include the useful life of tangible and intangible fixed assets, provision for doubtful debts / advances, future obligation in respect of retirement benefit plans, etc. Difference, if any, between the actual results and estimates is recognized in the period in which the results are known.

###### 2. Revenue Recognition

- a. The receipts/ income (including interest on advance payments made) are deemed to accrue as and when events take place or conditions are fulfilled or uncertainties are removed. Accordingly such income (including interest on advance payment made) is accounted only after the events take place or conditions are fulfilled or uncertainties are removed. This is in accordance with Accounting Standard in respect of recognition of revenue and prudential norms.
- b. In respect of cinematic content produced / acquired, income is recognized on the following basis
  - i. In respect of cinematic content, which is not complete i.e. under production, no income is recognized.
  - ii. In respect of cinematic content, which is complete but not released, income is recognized as – so much of the estimated income on release as bears to the whole of the estimated income the same proportion as the actual recoveries / realizations / confirmed contracts bears to the total expected realization.
  - iii. In respect of cinematic content completed and released during the year, income is recognized on release delivery of release prints except income, if any, already recognized as per clause b (ii).
  - iv. In respect of cinematic content, which is complete but not released, income from streams other than theatrical release is recognized on the basis of contracts / deal memo and delivery of Digi Betas.

###### 3. Inventories

###### a. Consumables

Consumables are valued at lower of cost and market value.

###### b. Under Production Films

Cost of films are valued at actual cost incurred/ accrued which includes amount paid, bills settled and advance paid for which the bills are awaited.

In case of films which are released during the year, the realization from the sale of rights are reduced from the cost of production and the balance cost if any, is carried forward till the time the negative rights of the films are not exploited. The excess or deficit of the cost of production after exploitation of "negative" rights will be treated as profit or loss in the profit & loss a/c as the case may be.

###### 4. Taxation

- a. Current tax : Provision for current tax for the year has been made after considering deduction/ allowances/ claims admissible to the company under the Income Tax Act, 1961.
- b. Deferred Tax : Deferred tax is recognized on timing differences, being difference between taxable income and accounting income that originate in one period and are capable of reversal in one or more subsequent periods.



- c. It is measured using relevant enacted tax rates.
- d. Deferred tax assets arising from temporary timing differences are recognized to the extent there is reasonable certainty that the assets can be realized in future.
- e. Deferred tax assets in respect of unabsorbed depreciation and carry forward of losses are recognized if there is virtual certainty that there will be sufficient future taxable income available to realize such losses.

**5. Miscellaneous Expenditure**

The share issue expenses and expenses in connection with the formation of the company were treated as preliminary expenses, amortized over a period of five years.

**6. Cash and Cash equivalents**

Cash and cash equivalents for the purpose of Cash Flow Statement comprise cash at bank, in hand and cash at film sets.

**7. Contingencies / Provisions**

A provision is recognized when an enterprise has a present obligation as a result of past event; it is probable that an outflow of resources embodying economic benefit will be required to settle the obligation, in respect of which a reliable estimate can be made. Provisions are not discounted to its present value and are determined based on best estimate required to settle the obligation at the Balance Sheet date. These are reviewed at each Balance Sheet date and adjusted to reflect the current best estimates. A contingent liability is disclosed, unless the possibility of an outflow of resources embodying the economic benefit is remote.

**8. Earnings per share**

Basic earnings per share are calculated by dividing the net profit or loss for the year attributable to equity shareholders by the weighted average number of equity shares outstanding during the year.

**B. NOTES TO ACCOUNTS**

1. Contingent Liability

|                       |                |
|-----------------------|----------------|
| <b>Year Ended</b>     | Year Ended     |
| <b>March 31, 2011</b> | March 31, 2010 |
| NIL                   | NIL            |

2. Auditors Remuneration

|                                    | <b>Year Ended<br/>March 31, 2011<br/>(Amount Rs.)</b> | Year Ended<br>March 31, 2010<br>(Amount Rs.) |
|------------------------------------|-------------------------------------------------------|----------------------------------------------|
| Audit Fees (Excluding Service Tax) | 15,000                                                | 15,000                                       |

3. The Company has sent memorandum to suppliers covered under The Micro, Small and Medium Enterprises Development Act, 2006; no replies have been received from them till date.

4. In the opinion of the Board and to the best of its knowledge and belief, the value on realization of the Current Assets, Loans & Advances in the ordinary course of the business will not be less than the value stated in the Balance Sheet and provision for all known liabilities are adequate and not in excess of the amount reasonably required to be provided.

5. Balance in respect of the Debtors, Creditors, Advances and Deposits are subject to confirmation.

5A. The Company has taken loan from the Parent company as per details given below :

| Sr. No. | Name of the Parent | 2011 | 2010      | Maximum Balance O/s | Payment Schedule |
|---------|--------------------|------|-----------|---------------------|------------------|
| 1       | Baba Arts Limited  | Nil  | 5,500,000 | 5,500,000           | Not Provided     |

6. Other requirements of Para 3 & 4 of Part II of Schedule VI to the Companies Act, 1956 are not applicable to the Company.

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7. The company has not provided for gratuity and leave encashment as it does not have any employee as on date.
8. Earning Per Share

|                                          |         | Year Ended<br>31st March, 2011 | Year Ended<br>31st March, 2010 |
|------------------------------------------|---------|--------------------------------|--------------------------------|
| Basic EPS :                              |         |                                |                                |
| Net Profit (Loss) after Tax for the year | A       | 771,872                        | (33,015)                       |
| Weighted Average No. of Shares           | B       | 10,000                         | 10,000                         |
| Basic Earning Per Share of Rs. 10 Each   | C (A/B) | 77.19                          | (3.30)                         |

9. Related Party Disclosure as per Accounting Standard (AS) 18

A. List of related parties.

- a. Key Management Personnel
- i. Shri Ravi Kishan Shukla.
  - ii. Shri Ajhai Acharya

- b. Holding Companies :
- Baba Arts Limited

C. Details of transaction with related parties

| Particulars                  | 2010-11   | 2009-10   |
|------------------------------|-----------|-----------|
| Loan from Holding Company    |           |           |
| Loan – Opening Balance       | 5,500,000 | 5,000,000 |
| (-) Repaid during the year   | 5,500,000 | —         |
| (+) Received during the year | —         | 500,000   |
| Loan – Closing Balance       | —         | 5,500,000 |

10. Previous year's figures have been regrouped/ rearranged wherever considered necessary.

11. The Schedules and the notes referred to above form an integral part of Balance Sheet and Profit & Loss Account.

As per our report of even date attached

**For Prakash Muni & Associates**

*Chartered Accountants*

Firm Registration No.: 111792W

For and on behalf of the Board

**Prakash Muni**

*Proprietor*

Membership No.: 30544

Place : Mumbai

Date : 24th May, 2011

**Ajay Acharya**

*Director*

Place : Mumbai

Date : 24th May, 2011

**N.H.Mankad**

*Director*



## BALANCE SHEET ABSTRACT AND COMPANY'S GENERAL BUSINESS PROFILE

### I Registration Details

|                    |            |            |    |
|--------------------|------------|------------|----|
| Registration No.   | 175,699    | State Code | 11 |
| Balance Sheet Date | 31.03.2011 |            |    |

### II Capital raised during the year (Amount in Rs.'000)

|              |     |                          |     |
|--------------|-----|--------------------------|-----|
| Public Issue | Nil | Allotment to subscribers | Nil |
| Bonus Issue  | Nil | Preferential Issue       | Nil |

### III Position of Mobilisation and Deployment of Funds (Amount in Rs. '000)

|                   |     |              |     |
|-------------------|-----|--------------|-----|
| Total Liabilities | 837 | Total Assets | 837 |
|-------------------|-----|--------------|-----|

#### Sources of Funds

|                 |     |                    |     |
|-----------------|-----|--------------------|-----|
| Paid up Capital | 100 | Reserves & Surplus | 737 |
| Unsecured Loans | -   | Secured Loans      | -   |

#### Application of Funds

|                    |     |                   |   |
|--------------------|-----|-------------------|---|
| Net Fixed Assets   | -   | Investments       | - |
| Net Current Assets | 834 | Misc. Expenditure | 3 |

### IV Performance of Company (Amount in Rs. '000)

|                           |       |                        |       |
|---------------------------|-------|------------------------|-------|
| Turnover                  | 5,500 | Total Expenditure      | 4,356 |
| (Includes Other Income)   |       |                        |       |
| Profit/ Loss Before Tax   | 1,144 | Profit/ Loss After Tax | 772   |
| Earnings Per Share in Rs. | 77.19 | Dividend Rate %        | 0%    |

### IV Generic Names of Three Principal Products/ Services of Company

(as per monetary terms)

|                              |                                  |
|------------------------------|----------------------------------|
| (i) Item Code No. (ITC Code) | -                                |
| Product Description          | Film Production and Distribution |

As per our report of even date attached

**For Prakash Muni & Associates**

*Chartered Accountants*

Firm Registration No.: 111792W

For and on behalf of the Board

**Prakash Muni**

*Proprietor*

Membership No.: 30544

Place : Mumbai

Date : 24th May, 2011

**Ajay Acharya**

*Director*

Place : Mumbai

Date : 24th May, 2011

**N.H.Mankad**

*Director*



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# BABA ARTS LIMITED

Registered Office : 3A, Valecha Chambers, New Link Road, Andheri (West), Mumbai - 400 053.

## PROXY

Reg. Folio No. .... No. of Shares held .....

I/We .....

.....of.....

.....Being a Member/ Members of BABAARTS LIMITED

hereby appoint .....of.....or

failing him.....of.....as

my/ our proxy to vote for me/ us on my behalf at the 12TH ANNUAL GENERAL MEETING of the Company to be held on Tuesday the 27th September, 2011 and at any adjournment thereof.

Signed this ..... day of ....., 2011

Signature .....

Affix  
Rupee. 1  
Revenue  
Stamp

Note : This form duly completed and signed must be deposited at the Registered office of the Company not less than 48 hours before the Meeting.

# BABA ARTS LIMITED

Registered Office : 3A, Valecha Chambers, New Link Road, Andheri (West), Mumbai - 400 053.

## ATTENDANCE

(To be handed over at the entrance of the Meeting Hall)

12th Annual General Meeting - 27th September, 2011

I hereby record my presence at the 12TH ANNUAL GENERAL MEETING of the company held at Juhu Vile Parle Gymkhana Club, Orchid Hall, Second Floor, Opp: Juhu Bus Depot, Juhu, Mumbai 400049 on Tuesday the 27th September, 2011, at 11.30 a.m.

Full name of Member (IN BLOCK LETTERS).....

Reg. Folio No./ Demat ID.....

No. of shares held.....

Full name of Proxy (IN BLOCK LETTERS)  
.....  
.....

Member's / Proxy Signature

**BOOK - POST**

**To**

*If undelivered, please return to :*

**BABA ARTS LIMITED**

3A, Valecha Chambers,  
New Link Road, Andheri (West),  
Mumbai - 400 053.