

ADLABS

Adlabs Films Limited

ADLABS

Adlabs Films Limited, Filmcity Complex, Goregoan (East), Mumbai 400 065

Annual Report 2004-05

Printed by Infomedial India Ltd.

ANNUAL REPORT 2004-2005

BOARD OF DIRECTORS

Mr. Manmohan Shetty

Chairman & Managing Director

Mr. Vasanji Mamania

Wholetime Director

Ms. Pooja Shetty

Wholetime Director

Mr. Berjis Desai

Mr. Shyam Shroff (upto 28.10.2004)

Mr. Pradeep Guha

Mr. Chandir Gidwani

COMPANY SECRETARY

Ms. Kirti Desai

AUDITORS

H.O Agarwal & Co.

Chartered Accountants, Mumbai

BANKERS

Bank of Baroda

Chakala Branch, Mumbai

REGISTERED OFFICE

Adlabs Films Limited

Film City Complex

Goregaon (East), Mumbai 400 065

Phone: (022) 2842 33 33/44 88

Fax: (022) 2842 22 11

Email: adlabs@bom3.vsnl.net.in

Website: www.adlabsfilms.com

REGISTRAR & TRANSFER AGENTS

Intime Spectrum Registry Limited

C-13, Pannalal Silk Mills

Compound, L.B.S Marg,

Bhandup, Mumbai 400 078

Phone: (022) 2592 38 37

Fax: (022) 2567 26 93

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NOTICE

Notice is hereby given that the Eighteenth Annual General Meeting of Adlabs Films Limited will be held at the Registered Office of the Company at Filmcity Complex, Goregaon (East), Mumbai 400 065 on Thursday, 29th September, 2005 at 2.30 p.m. to transact the following business:

1. To receive, consider and adopt the audited Balance Sheet as at 31st March 2005 and the Profit and Loss Account for the year ended on that date and the Reports of Directors and Auditors thereon.
2. To declare a dividend for the year ended 31st March 2005.
3. To appoint a Director in place of Mr. Pradeep K. Guha who retires by rotation and being eligible offers himself for re-appointment.
4. To appoint a Director in place of Mr. Chandir G. Gidwani, who retires by rotation and being eligible offers himself for re-appointment.
5. To appoint Auditors to hold office from the conclusion of this meeting until the conclusion of the next Annual General Meeting and to fix their remuneration by passing the following resolution:
"RESOLVED that M/s. BSR & Co, Chartered Accountants, Mumbai be and are hereby appointed as the Statutory Auditors of the Company to hold office from the conclusion of this Annual General Meeting till the conclusion of the next Annual General Meeting on a remuneration to be fixed by the Board of Directors, in place of M/s. H.O Agarwal & Co., Chartered Accountants, who are not seeking re-appointment."
6. To consider and, if thought fit, to pass, with or without modification, the following resolution as an Ordinary Resolution:
"RESOLVED THAT pursuant to the provisions of Section 198,269,309,310 and Schedule XIII and other applicable provisions, if any, of the Companies Act, 1956 ("the Act") including any statutory modifications or re-enactments thereof, for the time being in force, consent of the Company be and is hereby accorded to the renewal of service period of Mr. Manmohan Shetty, Managing Director with effect from 1st August 2005 to 31st July 2010 (both days inclusive) and payment of remuneration, perquisites, benefits and amenities upon such terms, conditions and stipulations as are set out in the Agreement to be entered into between the Company and Mr. Manmohan Shetty and as is set forth in the Explanatory Statement forming part of the Notice;
"RESOLVED FURTHER THAT in the event of absence or inadequacy of profit during Mr. Manmohan Shetty's term of office as Managing Director, the remuneration payable to Mr. Manmohan Shetty shall not exceed the maximum limits as permissible under Schedule XIII of the Act;
"RESOLVED FURTHER THAT the Board of Directors of the Company be and is hereby authorized to modify/revise the remuneration of Mr. Manmohan Shetty as may be acceptable to him in accordance with the applicable provisions of the Act for the time being in force and/or in accordance with such guidelines on managerial remuneration as may be issued by the Central Government from time to time;
"RESOLVED FURTHER THAT the Board of Directors of the Company be and is hereby authorized to do all such acts, matters, deeds and things as may be necessary or desirable to implement this resolution".
7. To consider and, if thought fit, to pass, with or without modification, the following resolution as an Ordinary Resolution:
"RESOLVED THAT pursuant to the provisions of Section 198,269,309,310 and Schedule XIII and other applicable provisions, if any, of the Companies Act, 1956 ("the Act") including any statutory modifications or re-enactments thereof, for the time being in force, consent of the Company be and is hereby accorded to the renewal of service period of Mr. Vasanji Mamania, Wholetime Director with effect from 1st August 2005 to 31st July 2006 (both days inclusive) and payment of remuneration, perquisites, benefits and amenities upon such terms, conditions and stipulations as are set out in the Agreement to be entered into between the Company and Mr. Vasanji Mamania and as is set forth in the Explanatory Statement forming part of the Notice;

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“RESOLVED FURTHER THAT in the event of absence or inadequacy of profit during Mr. Vasanji Mamania’s term of office as Wholetime Director, the remuneration payable to Mr. Vasanji Mamania shall not exceed the maximum limits as permissible under Schedule XIII of the Act;

“RESOLVED FURTHER THAT the Board of Directors of the Company be and is hereby authorized to modify/revise the remuneration of Mr. Vasanji Mamania as may be acceptable to him in accordance with the applicable provisions of the Act for the time being in force and/or in accordance with such guidelines on managerial remuneration as may be issued by the Central Government from time to time;

“RESOLVED FURTHER THAT the Board of Directors of the Company be and is hereby authorized to do all such acts, matters, deeds and things as may be necessary or desirable to implement this resolution”.

Registered Office

Filmcity Complex,
Goregaon (East),
Mumbai 400 065

Mumbai, 24th August, 2005

By Order of the Board

KIRTI DESAI

Company Secretary

Notes:

- 1) A MEMBER ENTITLED TO ATTEND AND VOTE AT THE MEETING IS ENTITLED TO APPOINT ONE OR MORE PROXIES TO ATTEND AND VOTE INSTEAD OF HIMSELF AND THE PROXY NEED NOT BE A MEMBER OF THE COMPANY.
- 2) The proxies to be effective, should be deposited at the Registered Office of the Company not later than 48 hours before the commencement of the meeting.
- 3) An Explanatory Statement as required by Section 173 of the Companies Act, 1956, in respect of Item 5, 6 and 7 is annexed hereto.
- 4) The Register of Members and the Share Transfer Books of the Company will remain closed from Thursday, 22nd September, 2005 to Thursday, 29th September, 2005 (both days inclusive).
- 5) The dividend, if declared at the meeting, will be payable on or before 15th October, 2005, to Members.
- 6) Members are requested to inform any change in their addresses immediately so as to enable the Company or its Registrar and Share Transfer Agents to send communications at their correct addresses.
- 7) Members are requested to direct all correspondence relating to shares to the Company’s Registrar and Share Transfer Agents, Intime Spectrum Registry Limited at C-13, Pannalal Silk Mills Compound, L.B.S Marg, Bhandup, Mumbai 400 078.
- 8) Members / Proxies attending the meeting are requested to complete the enclosed attendance slip and handover the same at the entrance of the Meeting Hall. Members holding shares in dematerialized form are requested to bring their Client ID and DP ID numbers for easy identification of members attending the meeting.
- 9) Members/Proxies should bring along with them the Annual Report copy at the time of attending the Meeting.
- 10) Queries on accounts and operations of the Company, if any, may please be sent to the Company at least seven days in advance so that required information may be made available at the meeting.

ANNEXURE TO NOTICE

As required by Clause 49 (VIA) of the Listing Agreement with the Stock Exchange the information relating to the Directors proposed to be re-appointed is provided hereunder :-

Mr. Pradeep Guha :

Mr. Guha is a graduate in Arts from Mumbai University and Member of Asian Institute of Management, Manila. Presently Mr. Guha is the Chief Executive of Zee Telefilms Limited and is associated with many bodies in fields of marketing.

Details of Mr. Guha's other Directorships are given below :

Sr. No.	Name of the Company	Designation/ Membership of Board Committees
1	Culture Company (India) Private Limited	Director
2	Whistling Woods International Private Limited	Director

Except Mr. Pradeep Guha, no other Director of the Company is concerned or interested in the Resolution.

Mr. Chandir Gidwani :

Mr. Gidwani holds Master's Degree in Commerce from Mumbai University and is a Fellow of the Institute of Chartered Accountants of India.

He has vast experience in areas of Internal and Management Audit, Accounting procedures, policies and practices, Internal control and Management Information System.

Details of Mr. Gidwani's other Directorships are given below:

Sr. No.	Name of the Company	Designation/ Membership of Board Committees
1	Business Match Services India Private Limited	Director
2	Casby Logistic Private Limited	Director
3	Centrum Direct Limited	Vice Chairman
4	Centrum Fiscal Private Limited	Director
5	Expressit Logistics Worldwide Limited	Director
6	Ferrari Express Private Limited	Director
7	Nanikrami Agro Private Limited	Director
8	Ocean Express Private Limited	Director
9	Rap Media Limited	Director
10	Sanchajyo Investment & Finance Private Limited	Director

Except Mr. Chandir Gidwani, no other Director of the Company is concerned or interested in the Resolution.

Registered Office

Filmcity Complex,
Goregaon (East),
Mumbai 400 065.

Mumbai, 24th August, 2005

By Order of the Board

KIRTI DESAI
Company Secretary

Explanatory Statement pursuant to Section 173(2) of the Companies Act, 1956:

Item No. 5

M/s H.O.Agarwal & Co., Chartered Accountants, were appointed Statutory Auditors of the Company by the Members in the last Annual General Meeting held on 28th September, 2004 to hold office from the conclusion of the last Annual General Meeting till the conclusion of ensuing Annual General Meeting. M/s H.O.Agarwal & Co., Chartered Accountants are not seeking re-appointment.

It is proposed that M/s BSR & Co. Chartered Accountants, affiliated to KPMG group who are an internationally reknowned firm, be appointed Statutory Auditors of the Company to hold office from the conclusion of the ensuing Annual General Meeting to be held on 29th September, 2005 till the conclusion of next Annual General Meeting on a remuneration to be fixed by the Board of Directors. The Company has received certificate from them that such appointment shall be in accordance with the limits in respect of maximum number of audits that they can accept under the provisions of Section 224(IB) of the Companies Act, 1956.

The Resolution under this item seeks the approval of the Members for the said appointment as Statutory Auditors.

None of the Directors is concerned or interested in the above Resolution.

Item no.6

At the Extra ordinary General Meeting of the Company held on 1st August, 2000, Members had approved the appointment of Mr. Manmohan Shetty as Managing Director of the Company for a period of 5 years from 1st August, 2000 to 31st July, 2005 (both days inclusive) and payment of remuneration, benefits and perquisites as contained in the Agreement dated 1st August, 2000 between him and the Company.

The Board of Directors at its meeting held on 11th August, 2001 had revised the remuneration, amenities and perquisites payable to Mr. Manmohan Shetty with effect from 1st April, 2001 for the remainder of his tenure. This was approved by the Members in the Annual General Meeting dated 27th September, 2001 and recorded in the Supplementary Agreement dated 28th September, 2001 between him and the Company.

Now, with the tenure of Mr. Manmohan Shetty having expired on July 31, 2005, subject to approval of Members and on recommendation of Remuneration Committee, the Board of Directors have again resolved to reappoint him as a Managing Director for a further term of five years with effect from 1st August, 2005 to 31st July, 2010 (both days inclusive) and payment of remuneration, perquisites, benefits and amenities upon such terms, conditions and stipulations as are set out in the Agreement to be entered into between the Company and Mr. Manmohan Shetty and as is set forth herein below:

- 1 Salary:
Rs. 3,00,000/- (Rupees Three Lakhs only) per month.
- 2 Perquisites:
 - i Housing :
Company shall provide rent free furnished accommodation for occupation by self and family. In lieu of rent-free accommodation, the Company shall give House Rent Allowance up to 50% of the salary set out in (1) above.

Company shall also provide facilities such as gas, electricity, air conditioners and furnishing at residence or reimburse expenses incurred towards such facilities. The expenditure incurred by the Company on these facilities shall be evaluated as per the Income Tax Rules, 1962.
 - ii Leave Travel Commission :
Mr. Shetty shall be entitled to the payment of Leave Travel Concession once in a year as per Rules of the Company subject to maximum of one month's salary.
 - iii Club Fees :
Membership Fees of One Club including admission fees and expenses. These shall not be considered as perquisites.

- iv Medical Reimbursement :
Reimbursement of medical expenses (including hospitalization) actually incurred by him.
- v Leave and Leave Encashment :
In accordance with the Rules of the Company.
- vi Car :
Company shall provide chauffer driven car, all expenses for running and upkeep of such car as also the salary of the chauffer to be borne and paid by the Company. Use of car for private purpose shall be billed to Mr. Shetty.
- vii Telephone :
Company shall provide a telephone at his residence for use on Company's business. The rent, call charges for business and other outgoings in respect thereof as also in respect of mobile phone shall be paid by the Company, personal long distance calls shall be billed by the Company to Mr. Shetty.
- viii Personal Accident Insurance :
Company shall pay the premium of a sum not exceeding Rs.10,000/- per annum.
- ix Others :
Such other perquisites, benefits, allowances in accordance with the Rules of the Company or as may be agreed to by the Board of Directors. The perquisites and benefits shall be estimated to be an amount equal to the Annual Salary and allowances payable to Mr. Shetty.

For the purpose of calculating the above ceiling, perquisites and allowances shall be evaluated as per Income Tax Rules, wherever applicable. In the absence of any such rules, perquisites shall be evaluated at actual cost to the Company.

The remuneration payable by the Company to Mr. Manmohan Shetty together with the remuneration payable by the Company to its other Whole time Directors shall not exceed 10% of the net profits computed in the manner provided in the Companies Act, 1956.

3 Retirement Benefits:

- (i) Company's contribution towards Provident Fund Scheme as per rules of the scheme.
- (ii) Gratuity as per rules of the Company.

4 Minimum Remuneration:

In the absence or inadequacy of profits in any financial year, remuneration payable to Mr. Shetty shall be subject to the provisions of Section II of Part II of Schedule XIII to the Companies Act, 1956.

The revised terms for remuneration, perquisites and allowances as set out above may be treated as an abstract under Section 302 of the Companies Act, 1956.

The Board commends the Resolution for approval by Members.

None of the Directors except, Mr. Manmohan Shetty and Ms. Pooja Shetty who is a relative of Mr. Manmohan Shetty is concerned or interested in the Resolution.

The Agreements dated 1st August, 2000, Supplementary Agreement dated 28th September, 2001 and the draft Supplementary Agreement proposed to be entered into between Mr. Manmohan Shetty and the Company are available for inspection by Members at the Registered Office of the Company on any working day, excluding Saturdays, between 11.00 a.m to 1.00 p.m till the date of this Annual General Meeting.

Item No. 7

At the Extra ordinary General Meeting of the Company held on 1st August, 2000, Members had approved the appointment of Mr. Vasanji Mamania as Wholetime Director of the Company for a period of 5 years from 1st August, 2000 to 31st July, 2005 (both days inclusive) and payment of remuneration, benefits and perquisites as contained in the Agreement dated 1st August, 2000 between him and the Company.

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The Board of Directors at its meeting held on 11th August, 2001 had revised the remuneration, amenities and perquisites payable to Mr. VasANJI Mamania with effect from April 1, 2001 for the remainder of his tenure. This was approved by the Members in the Annual General Meeting dated 27th September, 2001 and recorded in the Supplementary Agreement dated 28th September, 2001 between him and the Company.

Now, with the tenure of Mr. VasANJI Mamania having expired on 31st July, 2005, subject to approval of Members and on recommendation of Remuneration Committee, the Board of Directors have again resolved to reappoint him as a Wholetime Director for a further term of one year with effect from 1st August, 2005 to 31st July, 2006 (both days inclusive) and payment of remuneration, perquisites, benefits and amenities upon such terms, conditions and stipulations as are set out in the Agreement to be entered into between the Company and Mr. VasANJI Mamania and as is set forth herein below:

- 1 Salary :
Rs 3,00,000/- (Rupees Three Lakhs only) per month.
- 2 Perquisites :
 - i Housing :

Company shall provide rent free furnished accommodation for occupation by self and family. In lieu of rent-free accommodation, the Company shall give House Rent Allowance up to 50% of the salary set out in (1) above.

Company shall also provide facilities such as gas, electricity, air conditioners and furnishing at residence or reimburse expenses incurred towards such facilities. The expenditure incurred by the Company on these facilities shall be evaluated as per the Income Tax Rules, 1962.
 - ii Leave Travel Commission :

Mr. Mamania shall be entitled to the payment of Leave Travel Concession once in a year as per Rules of the Company subject to maximum of one month's salary.
 - iii Club Fees :

Membership Fees of One Club including admission fees and expenses. These shall not be considered as perquisites.
 - iv Medical Reimbursement :

Reimbursement of medical expenses (including hospitalization) actually incurred by him.
 - v Leave and Leave Encashment :

In accordance with the Rules of the Company.
 - vi Car :

Company shall provide chauffer driven car, all expenses for running and upkeep of such car as also the salary of the chauffer to be borne and paid by the Company. Use of car for private purpose shall be billed to Mr. Mamania.
 - vii Telephone :

Company shall provide a telephone at his residence for use on Company's business. The rent, call charges for business and other outgoings in respect thereof shall be paid by the Company, personal long distance calls shall be billed by the Company to Mr. Mamania.
 - viii Personal Accident Insurance :

Company shall pay the premium of a sum not exceeding Rs.10,000/- per annum.
 - ix Others:

Such other perquisites, benefits, allowances in accordance with the Rules of the Company or as may be agreed to by the Board of Directors. The perquisites and benefits shall be estimated to be an amount equal to the Annual Salary and allowances payable to Mr. Mamania.

For the purpose of calculating the above ceiling, perquisites and allowances shall be evaluated as per Income Tax Rules, wherever applicable. In the absence of any such rules, perquisites shall be evaluated at actual cost to the Company.

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The remuneration payable by the Company to Mr.Vasanji Mamania together with the remuneration payable by the Company to its Managing Director and other Whole time Director shall not exceed 10% of the net profits computed in the manner provided in the Companies Act, 1956.

3 Retirement Benefits:

- (i) Company's contribution towards Provident Fund Scheme as per rules of the scheme.
- (ii) Gratuity as per rules of the Company.

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In the absence or inadequacy of profits in any financial year, remuneration payable to Mr. Mamania shall be subject to the provisions of Section II of Part II of Schedule XIII to the Companies Act, 1956.

The revised terms for remuneration, perquisites and allowances as set out above may be treated as an abstract under Section 302 of the Companies Act, 1956.

The Board commends the Resolution for approval by Members.

None of the Directors except, Mr. Vasanji Mamania is concerned or interested in the Resolution.

The Agreements dated 1st August, 2000, Supplementary Agreement dated 28th September, 2001 and the draft Supplementary Agreement proposed to be entered into between Mr. Vasanji Mamania and the Company are available for inspection by Members at the Registered Office of the Company on any working day, excluding Saturdays, between 11.00 a.m to 1.00 p.m till the date of this Annual General Meeting.

Registered Office

Filmcity Complex,
Goregaon (East),
Mumbai 400 065.

Mumbai, 24th August, 2005

By Order of the Board

KIRTI DESAI
Company Secretary

CHAIRMAN'S STATEMENT

Dear Shareholders,

As you are aware, Mr. Anil Dhirubhai Ambani led Reliance Capital Limited recently acquired majority shareholding of your company, a matter of honour and pride for all of us. This strategic investment in your company will help us expand very rapidly thus, making us the largest entertainment conglomerate of India.

With the infusion of the fresh capital in to the Company, we intend to venture into new businesses such as overseas distribution of Hindi films, Indian theatrical distribution, Indian home videos, television channel, etc.

Multiplexes will remain an important growth sector for the company, and further investments will be made in order to achieve an all India presence with the largest market share.

Currently we are operating 24 screens in 6 multiplexes and by March 2006 we will be adding 22 screens in 5 multiplexes taking our screen total to 46 in 11 properties. Aggressive growth in this division has resulted in identification and finalization of new properties.

In an effort to enter other potent markets for the growth and expansion of our film processing business, the company recently set up operations in Chennai in association with Vijay Labs (existing lab) - a joint venture in April 2005. Further expansion will take place in Kolkatta. The premises for lab operations here have already been acquired. The lab will be operational by December 2005 and will include sound mixing and editing facilities.

The film funding/production division – Entertainment one will see further investments in order to increase the number of films produced as originally planned. This year we have released 'Waqt – A race against time' by Vipul Shah and will be releasing, 'Dil jo bhi kahey' by Romesh Sharma, 'Apharan' by Prakash Jha, 'Marigold' by Willard, and 'Bluff Master' by Rohan Sippy. A report on this is printed else where in this report.

Finally, for the 6th time, your company has bagged the National Film Award for best film processing laboratory, for the films 'SWADES' and 'GIRNI'.

Thank you,

Mumbai, 24th August, 2005

MANMOHAN SHETTY
CHAIRMAN & MANAGING DIRECTOR

ADLABS

DIRECTORS' REPORT

TO THE MEMBERS,

Your Directors are pleased to present their Eighteenth Annual Report and the Audited Accounts of the Company for the year ended 31st March 2005.

FINANCIAL RESULTS

	(Rs. in Lacs)	
	2004-05	2003-2004
Gross income		
Sales	3921.78	3729.45
Traded Goods	2336.36	1990.31
Theatre Operations	1950.99	1814.49
Other income	519.96	356.30
Recovery of Bad Debts	26.43	—
Total	8755.52	7890.55
Expenditure	4823.17	4526.85
Profit Before Depreciation, Interest & Tax	3932.35	3363.71
Interest	158.26	134.71
Depreciation	545.50	448.16
Profit Before Tax	3228.59	2780.84
Tax	1150.11	1002.00
Short provision for tax in respect of earlier years	11.55	14.61
Profit After Tax	2066.93	1764.23
Balance brought forward from previous year	89.88	33.41
TOTAL	2156.81	1797.64
Appropriations		
General Reserve	206.70	1100.00
Proposed Dividend	720.02	537.52
Dividend Tax	100.98	70.25
Balance Carried Forward	1129.11	89.87
TOTAL	2156.81	1797.64

REVIEW OF OPERATIONS

The overall turnover of the Company registered a 10.96% while Net Profit rose by 17.16%.

During the year the thrust was on the expansion of Company's Multiplex business, the details of which are mentioned elsewhere in this Report.

DIVIDEND

Your Board has recommended a dividend of 40% (Rs.2.00 per equity share) for the year ended 31st March, 2005 and hereby seeks your approval for the same. The total outgo of dividend to be paid to shareholders will be Rs.821.00 (inclusive of Corporate Tax on Dividend) as against Rs.607.77 lacs paid in the previous year.

PREFERENTIAL ALLOTMENT OF EQUITY SHARES TO FOREIGN INSTITUTIONAL INVESTORS

Your Company has made a preferential allotment of 35,00,000 equity shares of Face Value Rs.5/- at a price of Rs.150/- each (including premium of Rs. 145 per share) to Foreign Institutional Investors which are subject to lock-in for a period of one year from date of allotment of May 24, 2005. The

Company has received trading approval for these shares pursuant to their listing on The Stock Exchange, Mumbai and National Stock Exchange of India Limited in August 2005.

PREFERENTIAL ALLOTMENT OF EQUITY SHARES TO RELIANCE LAND PRIVATE LIMITED

Your Company has further allotted the following securities to Reliance Land Private Limited (RLPL), part of Reliance Capital Limited (RCL):

- (a) 1,10,00,000 Equity Shares of Rs. 5 each of the Company for cash at a price of Rs. 175.20 (including a premium of Rs. 170.20) per share.
- (b) 38,00,000 Warrants, entitling the holders to subscribe equity shares of Rs. 5 each of the Company for cash at a price of Rs. 175.20 (including a premium of Rs. 170.20) per share.

RLPL along with RCL have also made an open offer to the Shareholders of Adlabs to acquire from them upto 83,60,150 equity shares representing 21.01% of the post preferential issue capital of Adlabs, in terms of Regulation 10 and 12 of the Securities and Exchange Board of India (Substantial Acquisition of Shares and Takeovers) Regulations, 1997.

RLPL along with RCL being the largest shareholders of the Company, are deemed to have acquired control and become the Promoters of the Company, to the exclusion of the erstwhile Promoters and Persons in Control (along with the Persons Acting in Concert with each of them respectively).

CONSOLIDATED FINANCIAL STATEMENTS

In accordance with Accounting Standard AS-21 prescribed by The Institute of Chartered Accountants of India relating to Consolidated Financial Statements, the Audited Consolidated Financial Statements for the year ended March 31, 2005 is annexed to this Report. The reports and audited accounts of subsidiary companies viz. Entertainment One (India) Ltd., Gemini Exhibitors Ltd and Runwal Multiplex Pvt. Ltd. along with statement pursuant to Section 212 of the Companies Act, 1956 containing full details of the performance also form part of the Annual Report.

STRATEGIC ALLIANCES AND JOINT VENTURES IN RESPECT OF MULTIPLEX BUSINESS

The Company is operating with 24 screens in 6 multiplexes on its own as also in association with other developers/players and by March 2006 this number is expected to add another 22 screens in 5 multiplexes making a total of 46 screens in 11 multiplexes.

The Company's existing ventures are R-Adlabs, DivyaAdlabs and FameAdlabs. Further, of the projects mentioned in the last Annual Report, GOLDAdlabs, the 3 screen multiplex theatre with 1109 seat capacity at Pune was completed and opened to public in April 2005. This project is implemented as an association between Goldfields Habitat Private Limited and Gemini Exhibitors Limited which is a 100% subsidiary of Adlabs Films Ltd.

HumaAdlabs, the multiplex situated at Kanjur Marg, Mumbai has 4 screens with 1263 seats and its operations commenced on 5th August 2005.

BUSINESS OUTLOOK 2005-2006

Overall: The rise in the number of multiplexes and growth in digital cinemas are the two main criteria expected to drive the market in the coming years. Home video market comprising of DVDs/VCDs sell through and other future formats is expected to considerably revolutionise the market.

The rising number of Indian overseas population will continue to boost the demand for overseas prints and collection for the Indian producers. The advent of digital delivery, though reflecting a modest growth will be the answer to piracy in the country.

In light of takeover by the Reliance group, the Company is repositioning itself for growth in its thrust areas of multiplexes and has further plans to launch new business activities like film distribution in domestic and overseas market, television software and animation films and contents at international levels. The scenario on the existing business is expected to be as follows:

Film Processing: The Company's existing lab operations comply with international quality standards. The Company's front end processing lab at Chennai in association with Vijaya Labs, Chennai has commenced functioning since April 2005 and the Kolkatta lab is expected to start in December 2005. The Company shall make all efforts to retain market leadership in this field of business through ongoing technological improvement and upgradation.

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Film Exhibition Business: The Multiplex business at Wadala during the year has shown a steady performance.

This year saw the release of two IMAX DMR films namely “Robots” and “Batman Begins” . We intend to release two more DMR films towards the end of 2005 viz., ‘Charlie and the Chocolate Factory” and “Harry Potter-The Goblet of Fire” distributed by Warner brothers. IMAX DMR films have had successful runs at our theatre and we expect the above mentioned films to be box office successes.

Last year the Company launched an extensive school programme to reach out to various schools in Mumbai in order to create awareness about the IMAX format and its educational content. This programme was successful and during this year, the programme will be continued and we expect to see higher attendance numbers.

The Company is also currently negotiating to manage an IMAX flat screen cinema in the North.

Due to the release of a string of good films, this quarter ending June 2005 has seen good results. Efforts are being made to increase footfalls in all our theatres by effective marketing and promotions, online contesting and effective programming. We are focusing on increasing food and beverage revenues and advertising income. There has been an increase in ticket rates across our properties, and we use the variable pricing option to maximize revenues. We are aggressively working towards bringing down cost of operations. We are also investing in training manpower to ensure delivery of quality service across all our properties.

The Imax Multiplex having entered its fourth year of operation is now attracting a benefit of 75% exemption from entertainment tax.

The Company has plans to open 22 more screens during the year across India viz. MetroAdlabs (5 screens-Mumbai), Cineplex Adlabs (3 screens-Mangalore), Adlabs (4 screens-Indore), Adlabs (3 screens+1 IMAX flat screen –Ghaziabad), Adlabs (3 screens-Ghaziabad), RDB Adlabs (3 screens-Kolkatta).

Film Production: The year 2004-05 saw the release of “DEV” by the Company's wholly owned subsidiary viz. Entertainment One (India) Limited, which won three awards viz. Filmfare Critics Award-2004, Award for Best Film and also for Best Actress. The films under production are : Dil jo Bhi Kahey, Apaharan, Marigold (International banner), Bluff Master and Darwaza Band Rakho. The details on these projects are given in the Directors' Report of Entertainment One (India) Limited.

Digital Exhibition: Continuous efforts are on to improve technology for effective delivery.

The post production services are carried on at the Company's premises at Filmcity, Goregaon in association with Prime Focus Limited.

AWARDS AND ACHIEVEMENTS

During 2004-05, the Company has bagged the National Film Award for best film processing for the 6th time for the films “SWADES” and “GIRNI”.

DIRECTORS

Mr. Shyam Shroff, Director, resigned during the year with effect from October 28, 2004. The Board places on record its appreciation for the valuable contribution during his tenure. In accordance with the provisions of the Companies Act, 1956 and the Articles of Association, Mr. Pradeep Guha and Mr. Chandir Gidwani retire by rotation and being eligible, offer themselves for reappointment. A brief profile, expertise and details of other directorships of these Directors have been furnished in the Annexure to Notice of the Annual General Meeting.

With the tenure of Mr. Manmohan Shetty and Mr. Vasanji Mamanian expiring on July 31, 2005, subject to approval of Members and on recommendation of the Remuneration Committee, the Board of Directors at its meeting held on August 24, 2005, have again resolved to reappoint Mr. Manmohan Shetty as Managing Director for a further term of five years with effect from 1st August, 2005 to 31st July, 2010 (both days inclusive) and reappoint Mr. Vasanji Mamanian as Wholetime Director for a further term of one year with effect from 1st August, 2005 to 31st July, 2006 (both days inclusive) and payment of remuneration, perquisites, benefits and amenities upon such terms and conditions as set out in the Agreement to be entered into between the Company and the erstwhile Directors.

DIRECTORS' RESPONSIBILITY STATEMENT

In terms of provisions of Section 217(2AA) of the Companies Act, 1956, the Directors hereby state :

- a) that in the preparation of the annual accounts, the applicable accounting standards have been followed and that no material departures have been made for the same;

- b) that they have selected such accounting policies and applied them consistently and made judgements and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company at the end of the financial year ended 31st March, 2004 and of the profit of the Company for that year.
- c) that they have taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 1956, for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities;
- d) that they have prepared the annual accounts on a going concern basis.

CORPORATE GOVERNANCE

The Company has complied with the mandatory provisions of Corporate Governance as prescribed in Clause 49 of the Listing Agreement with the Stock Exchanges. A Report on Corporate Governance is annexed hereto and forms part of the Report.

MANAGEMENT DISCUSSION AND ANALYSIS

Pursuant to Clause 49 of the Listing Agreement with the Stock Exchanges, Management Discussion and Analysis Report is annexed hereto and forms part of the Report.

AUDITORS

M/s. H.O. Agarwal & Co., Chartered Accountants, were appointed as Statutory Auditors of the Company at the Annual General Meeting held on 28th September 2004 to hold office from the conclusion of that Meeting until the conclusion of the ensuing Annual General Meeting of the Company.

M/s H.O Agarwal & Co. do not seek re-appointment. The Board of Directors at its meeting held on August 24,2005, placed on record its sincere appreciation for the valuable services rendered by them and on the recommendation of the Audit Committee has proposed that M/s .BSR & Co., affiliated to K.P.M.G group be appointed as the Statutory Auditors of the Company to hold office from the conclusion of the ensuing Annual General Meeting till the conclusion of the next Annual General Meeting of the Company.

M/s.BSR & Co. have forwarded their Certificate to the Company stating that their appointment, if made, shall be within the limit specified in that behalf in Sub-section 1(b) of Section 224 of the Companies Act, 1956.

You are requested to appoint the auditors for the current year and fix their remuneration.

DISCLOSURE OF PARTICULARS

As required under Section 217 (1) (e) of the Companies Act, 1956, read with the Companies (Disclosure of particulars in the Report of Board of Directors) Rules, 1988, the relevant information regarding conservation of energy, technology absorption, foreign exchange earnings and outgo is given in annexure to this report.

PARTICULARS OF EMPLOYEES

A statement giving particulars of employees required in accordance with the provisions of Section 217(2A) of the Companies Act, 1956, read with the Companies (particulars of employees) Rules 1975, is annexed hereto and forms part of this report.

ACKNOWLEDGEMENTS

Your Directors take this opportunity to thank the employees for their dedicated service and contribution towards the growth of the Company. It also thanks its clients for the patronage of your Company's services.

The Directors further would also like to place on record their sincere appreciation to their strategic alliance partners, banks, financial institutions and shareholders for their continued support towards the conduct of Company's operations and all business endeavours.

On behalf of the Board

Date: 24th August, 2005
Place: Mumbai.

Manmohan Shetty
Chairman & Managing Director

REPORT ON CORPORATE GOVERNANCE

1. COMPANY’S PHILOSOPHY ON CODE OF CORPORATE GOVERNANCE

The Company’s philosophy on Corporate Governance is aimed at maintaining high standards of business ethics and compliance of all statutory and regulatory requirements. While pursuing these objectives the management continuously strives to attain high level of accountability, transparency and fairness in its dealings with various stakeholders of the Company.

During the year 2004-2005, Clause 49 of the Listing Agreement which relates to Corporate Governance was revised pursuant to SEBI circular no. SEBI/CFD/DIL/CG/1/2004/12/10 dated 29th October 2004, whereby far reaching amendments were incorporated. SEBI has extended the last date for ensuring compliance by listed companies with the revised Clause 49 to 31st December, 2005. The Board has approved the implementation of the new requirements and the Company shall effect its implementation on the due date.

2. BOARD OF DIRECTORS

Composition of Board of Directors

The constitution of the Board of Directors of Adlabs Films Limited is in conformity with the Code of Corporate Governance. It consists of six Directors of which three are Wholetime Directors. The Managing Director who is also a Wholetime Director is the Chairman of the Company. The three Independent Non-Executive Directors are eminent professionals from the field of law, media and finance.

The names of members of Board of Directors, their attendance at the Company's Board Meetings and Last Annual General Meeting, the number of Directorships / Committee Memberships in other Companies and Membership on Board Committees of other Companies during the year, are given below:

Name of Director	Category of Directorship	Number of Board Meetings attended during the year	Attendance at the last AGM	Number of Directorship in Other Companies excluding alternate directorship & directorship in private companies	Number of membership on Board Committees of Other Companies
Mr. Manmohan Shetty	Chairman & Managing Director	4	Yes	9	2
Mr. VasANJI Mamania	Wholetime Director	4	Yes	3	Nil
Miss Pooja M. Shetty	Wholetime Director	4	Yes	4	Nil
Mr. Shyam Shroff (resigned w.e.f. 28.10.04)	Independent Non-Executive Director	2	No	N.A.	N.A.
Mr. Pradeep Guha	Independent Non-Executive Director	4	No	2	Nil
Mr. Berjis Desai	Independent Non-Executive Director	3	Yes	6	6
Mr. Chandir Gidwani	Independent Non-Executive Director	3	Yes	3	Nil

Number of the Board Meetings

Four Board Meetings were held during the year on the following dates:

29th April 2004	28th October 2004
29th July 2004	24th January 2005

The maximum time gap between any two Board meetings is not more than four calendar months.

None of the Directors is a member in more than 10 Committees or acts as Chairman of more than five committees across all companies in which he is a Director. All Directors of the Company notify annually about their Directorships and Committee positions they occupy in other Companies as also changes therein as and when they occur.

In terms of the Company's Corporate Governance policy all statutory, significant and material information is placed before the Board.

3. AUDIT COMMITTEE

During the year, three Committee meetings were held on 29th April 2004, 29th July 2004, and 24th January 2005. The constitution of the Committee and the attendance of each member of the Committee is given below :

Name	Designation	Category	Profession	Committee Meetings	
				Held during their tenure	Attended
Mr. Berjis Desai	Chairman	Non executive/ Independent	Solicitor and Advocate	3	3
Mr. Shyam Shroff (resigned w.e.f. 28.10.04)	Member	Non executive/ Independent	—	2	2
Mr. Pradeep Guha	Member	Non executive/ Independent	Media Professional	3	3
Mr. Chandir Gidwani	Member	Non executive/ Independent	Corporate Executive	3	3

The Company Secretary acts as the Secretary to the Committee.

The terms of reference of the Audit Committee include those specified under the Clause 49 of the Listing Agreement as well as under Section 292A of the Companies Act, 1956, such as :

- To hold periodic discussion with the Statutory Auditors and Internal Auditors of the Company concerning the accounts of the Company, internal control system, scope of audit and observations of the Auditors / Internal auditors;
- To review compliance with internal control systems;
- To review the quarterly, half-yearly and annual financial results of the Company before submission to the Board;
- To make recommendation to the Board on any matter relating to the financial management of the Company, including the Audit Report.

4. REMUNERATION COMMITTEE

The Remuneration Committee of the Board recommends the remuneration of the Executive Directors, Commission to be paid to Executive Directors as per their respective terms of appointment taking into account the profits and performance of the Company, external competitive environment and growth plan and revision in remuneration and service period of the Directors.

At its meeting held on April 29, 2004, the Board constituted the Remuneration Committee consisting of four members. Remuneration Committee met once during the financial year 2004-05 on 30th April 2004.

Name	Designation	Category	No. of meeting attended
Mr. Chandir Gidwani	Chairman	Non executive/ Independent	1
Mr. Berjis Desai	Member	Non executive/ Independent	1
Mr. Pradeep Guha	Member	Non executive/ Independent	1
Mr. Shyam Shroff (resigned w.e.f. 28.10.04)	Member	Non executive/ Independent	1

The Chairman of the Remuneration Committee, Mr. Chandir Gidwani was present at the last Annual General Meeting.

The break up of remuneration paid to the Directors during financial year 2004-05 was as follows:

Name of the Director	Position Held	Salary Rs.	House Rent Allowance Rs.	Benefits Rs.	Bonus Rs.	Commission Rs.	Performance linked incentive Rs.	Sitting fees Rs.	Total Rs.
Mr. Manmohan Shetty	Chairman & Managing Director	36,00,000	18,00,000	4,58,400	Nil	Nil	Nil	Nil	58,58,400
Mr. VasANJI Mamania	Wholetime Director	36,00,000	18,00,000	4,58,400	Nil	Nil	Nil	Nil	58,58,400
Ms. Pooja Shetty	Wholetime Director	18,00,000	9,00,000	2,42,400	Nil	Nil	Nil	Nil	29,42,400
Mr. Pradeep Guha	Non-Executive Director	Nil	Nil	Nil	Nil	Nil	Nil	80,000	80,000
Mr. Shyam Shroff	Non-Executive Director	Nil	Nil	Nil	Nil	Nil	Nil	35,000	35,000
Mr. Berjis Desai	Non-Executive Director	Nil	Nil	Nil	Nil	Nil	Nil	60,000	60,000
Mr. Chandir Gidwani	Non - Executive Director	Nil	Nil	Nil	Nil	Nil	Nil	60,000	60,000

NOTES :

- The service contract of 5 years of Managing Director, Mr. Manmohan Shetty , expired on July 31, 2005. The Board of Directors at its meeting held on August 24, 2005, subject to approval of Members and on the recommendation of the Remuneration Committee, have again resolved to reappoint him as a Managing Director for a further term of five years with effect from 1st August 2005 to 31st July 2010 (both days inclusive). The attention of Members is invited to the Notice to Annual General Meeting wherein payment of remuneration, perquisites, benefits and amenities upon such terms, conditions and stipulations as set out in the Agreement to be entered into between the Company and Mr. Manmohan Shetty are included.
- The service contract of 5 years of Wholetime Director, Mr. VasANJI Mamania , expired on July 31, 2005. The Board of Directors at its meeting held on August 24, 2005, subject to approval of Members and on the recommendation of the Remuneration Committee, have again resolved to reappoint him as a Wholetime Director for a further term of one year with effect from 1st August 2005 to 31st July 2006 (both days inclusive). The attention of Members is invited to the Notice to Annual General Meeting wherein payment of remuneration, perquisites, benefits and amenities upon such terms, conditions and stipulations as set out in the Agreement to be entered into between the Company and Mr. VasANJI Mamania are included.
- The Wholetime Director Ms. Pooja Shetty has a service contract of three years from April 1, 2004 to March 31, 2007 (both days inclusive) with notice period of six months by either party. No severance fee is payable under the contract.
- Presently Company does not have stock option scheme for any of its Directors.
- The sitting fees payable to the Non-Executive Directors for attending the Board Meetings has increased from Rs.5000/- to Rs.20,000/- per meeting with effect from the Board Meeting held on July 29, 2004 and is within the limits prescribed vide Central Government Notification ref :GSR 580(E) dated 24-07-2003 and in accordance with Rule 10B of Companies General Rules & Forms 1956. The fees for the Audit Committee meetings however continue to be Rs.5000/- per meeting.

5. DETAILS OF DIRECTORS SEEKING RE-APPOINTMENT

Mr. Pradeep Guha and Mr. Chandir Gidwani are seeking re-appointment at the ensuing Annual General Meeting. The necessary details regarding their brief resume, nature of expertise and names of Companies in which they are Directors has been furnished in the Annexure to Notice of the Annual General Meeting.

6. SHAREHOLDERS / INVESTORS GRIEVANCE COMMITTEE

The Committee functions under the Chairmanship of Mr. Chandir Gidwani, who has been appointed as a Member and Chairman of the Committee by the Board on 28th October 2004 in place of Mr. Shyam Shroff. The other members of the Committee are Ms. Pooja Shetty and Mr. Pradeep Guha.

Ms. Kirti Desai, Company Secretary, is the Compliance Officer of the Committee.

During the year, the Company received 98 complaints from shareholders, relating to matters regarding non receipt of dividend warrants posted by the Company, change of address and bank details, request for revalidation of expired dividend warrants and all of these have been attended to. At the close of the financial year there were Nil complaints remaining unattended.

7. SHARE TRANSFER COMMITTEE

The Company's Share Transfer Committee comprises Mr. Manmohan Shetty, Chairman and Managing Director, Mr. Vasanti Mamania Wholetime Director and Ms. Pooja Shetty, Wholetime Director. The Company Secretary Ms. Kirti Desai acts as the Secretary to the Committee. The physical transfer and other request from shareholders are processed by the Registrar and Transfer Agents viz. Intime Spectrum Registry Limited. The Committee meets at least once in a month to approve the physical transfer of shares, transmission of shares, issue of duplicate share certificate etc.

The number of pending transfers at the close of the financial year was Nil.

8. GENERAL BODY MEETINGS**Details of General Meetings of Shareholders**

Date	Meeting	Venue	Time	No. of Special Resolution passed
26-07-2005	EGM	Rangsharda Natyamandir, K.C Marg, Bandra Reclamation, Bandra (West), Mumbai 400 050	3.00 p.m	2
14-05-2005	EGM	Adlabs Films Limited, Film City Complex, Goregaon (East), Mumbai 400 065	11.00 a.m	3
28-09-2004	AGM	Hotel Rangsharda K.C Marg, Bandra Reclamation, Bandra (West), Mumbai 400 050	3.30 p.m	—
23-09-2003	AGM	Hotel Rangsharda K.C Marg, Bandra Reclamation, Bandra (West), Mumbai 400 050	3.30 p.m	1
23-09-2002	AGM	Adlabs Films Limited, Film City Complex, Goregaon (East), Mumbai 400 065	3.30 p.m	—

The special resolution were passed on show of hands.

Postal Ballots

During the year ended March 31, 2005, there were no resolutions passed by the Shareholders by postal ballot nor there are any resolution proposed at the ensuing Annual General Meeting to be passed by postal ballot.

9. DISCLOSURE

All transactions with related parties including transactions of material nature between the Company and its promoters, directors, management, their subsidiaries or relatives etc. are disclosed in the Notes to the Accounts forming part of the Annual Report. There were no materially significant related party transactions during the year having conflict with the interests of the Company.

During the last three years there were no penalties or strictures imposed on the Company on any matter related to capital markets.

10. MEANS OF COMMUNICATION

The quarterly unaudited financial results and the annual audited financial results are normally published in the widely circulating national and local newspapers viz. "The Economic Times", "Maharashtra Times", "Free Press Journal" and "Navshakti". The half yearly results are not sent to each household of shareholders.

The Company's financial results and official press releases, if any, thereon are being displayed on Company's website "www.adlabsfilms.com" No presentations have been made to Institutional Investors or Analysts.

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Further, in compliance with the requirements of the Listing Agreement, Company has also posted the Financial Results, Shareholding pattern and other data on the website of SEBI's Electronic Data Information and Retrieval (EDIFAR) System maintained by National Informatics Center.

The Management Discussions & Analysis Report forms part of the Annual Report.

11. GENERAL SHAREHOLDER INFORMATION

a) 18th Annual General Meeting

Date	: 29th September, 2005
Time	: 2.30 p.m.
Venue	: Adlabs Films Limited, Filmcity Complex, Goregaon (East), Mumbai 400065

b) Financial Calendar

Accounting Year	: April to March
First Quarter Result	: End July
Second Quarter Result	: End October
Third Quarter Result	: End January
Fourth Quarter Result	: End April
Full year Audited Result	: End July/August

c) **Date Of Book Closure** : Thursday, 22nd September 2005 to Thursday, 29th September 2005, both days inclusive.

d) **Dividend Payment Date** : On or before 15th October, 2005.

e) Listing On Stock Exchanges

The Stock Exchange Mumbai, Phiroze Jeejeebuoy Towers, Dalal Street, Mumbai 400001	National Stock Exchange of India Ltd., Exchange Plaza, Bandra-Kurla Complex, Bandra (East), Mumbai 400051.
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1. The annual listing fees have been paid to both the Exchanges.
2. 35,00,000 Equity Shares of the Company as allotted to Foreign Institutional Investors were listed and admitted on The Stock Exchange Mumbai for trading in dematerialized form with effect from 8th August, 2005 and on National Stock Exchange with effect from 10th August 2005. The listing fees in respect of these shares has also been paid by the Company to both the Exchanges.

f) Stock Code

Stock Exchange Mumbai	: 532399
National Stock Exchange	: 532399
ISIN Number for NSDL & CDSL	: INE540B01015

g) Market Price Data

The Monthly high and low quotations of shares traded on the National Stock Exchange of India Limited and The Stock Exchange Mumbai during the period under the review are as follows:

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Month	National Stock Exchange of India Ltd.		The Stock Exchange Mumbai	
	High	Low	High	Low
April 2004	104.10	98.30	110.00	92.30
May	85.50	79.50	97.50	64.60
June	72.10	68.90	74.25	66.60
July	81.40	77.00	95.45	63.25
August	89.90	86.20	95.15	81.45
September	96.00	92.90	101.00	90.00
October	101.60	96.20	109.35	91.10
November	106.30	102.50	116.50	99.00
December	107.90	103.00	119.25	99.90
January 2005	103.30	97.90	118.50	88.00
February	125.80	118.90	134.40	98.30
March	126.50	119.80	134.40	112.00

h) Registrar & Share Transfer Agent

Intime Spectrum Registry Limited,
C-13, Pannalal Silk Mills Compound,
L.B.S Marg, Bhandup, Mumbai-400 078
Tel : (22) 55555454
Fax: (22) 55555353

i) Share Transfer System

The share transfers which are received in physical form are processed by Registrar and Transfer Agents and approved by the Share Transfer Committee. The Committee normally meets once a month and the transfer is effected and share certificates despatched within the time limit prescribed under the Listing Agreement.

j) Distribution Of Shareholding As On 31st March, 2005

No. of Equity shares held	No. of Shareholders	No. of Shares held	% of Holding
1 - 500	5647	7,42,331	3.45
501 - 1000	369	3,21,033	1.49
1001 - 2000	139	2,20,033	1.02
2001 - 4000	74	2,19,293	1.01
4001 - 6000	28	1,40,816	0.66
6001 - 8000	12	83,317	0.39
8001 - 10000	16	1,53,261	0.72
10001 - 20000	8	1,08,486	0.51
20001 and above	32	1,95,12,180	90.75
Total	6325	2,15,00,750	100.00

k) Shareholding Pattern As On 31st March, 2005

Category of Shareholders	No. of Shareholders	No. of Shares held	% of Holding
Indian Promoters	2	1,35,50,000	63.02
Directors & Relatives	6	600	-
Financial Institutions & Banks	2	1,31,654	0.61
Mutual Funds & UTI	9	13,18,893	6.14
FII's	5	8,51,922	3.96
NRIs/OCBs	36	44,267	0.21
Private Corporate Bodies	298	19,47,795	9.06
Public	5905	35,88,776	16.69
Clearing Members (Transit Position)	62	66,843	0.31
TOTAL	6325	2,15,00,750	100.00

At its Extra Ordinary General Meeting held on 14th May 2005, the Members of Adlabs Films Limited have approved the increase in Authorised Share Capital from Rs.12 Crores to Rs.15 Crores and issue and allotment of 35,00,000 Equity Shares of Face Value Rs.5/- each at a issue price of Rs.150/- each (including a premium of Rs.145/- per share) on a preferential basis to two Foreign Institutional Investors viz. BSMA Limited Sub A/c Bear, Stearns & Co. Inc and Arisaig Partners (Asia) Pte Ltd. Sub A/c Arisaig India Fund Limited.

Pursuant to this, the Company's issued and paid up equity share capital has increased to 2,50,00,750 Equity Shares of Face Value Rs.5/- each.

Subsequently, at its Extra Ordinary General Meeting held on 26th July, 2005, Members have further approved the increase in Authorised Share Capital from Rs.15 Crores to Rs. 25 Crores and issue and allotment of 1,10,00,000 Equity Shares of Rs. 5 each at a issue price of Rs. 175.20 (including premium of Rs. 170.20 per share) and 38,00,000 Warrants entitling the holder to subscribe for one Equity Share of Rs. 5 each at a price of Rs. 175.20 (including premium of Rs. 170.20 per share) against each Warrant to Reliance Land Private Limited on preferential basis.

After the issue and allotment of the abovementioned equity shares on 8th August, 2005, the Post issue equity share capital of the Company now is 3,60,00,750 Equity Shares of Face Value Rs.5/- each.

Mr. VasANJI MAMANIA, Promoter and Ms. RUBAIYAT ARUN PATEL who became a Person Acting in Concert (PAC) with the Promoters with effect from April 8, 2005, had entered into agreements on June 30, 2005 with Reliance Land Private Limited (RLPL) to sell their Promoter/PAC stake of 58,00,000 equity shares in the Company. The said shares are held in ESCROW and shall be released to Reliance Land Private Limited upon completion of Open Offer made by RLPL to shareholders of Adlabs Films Limited pursuant to SEBI (Substantial Acquisition of Shares and Takeovers Regulations),1997.

Mr. VasANJI MAMANIA and Ms. RUBAIYAT PATEL have further, on July 15, 2005, transferred their entire balance holding in Adlabs Films Limited to Mr. Manmohan Shetty, Managing Director and Mr. Chandir Gidwani, Director, in an off market transaction, thus making their shareholding Nil.

Mr. Manmohan Shetty's shareholding, pursuant to the above transaction, increased to 82,91,234 equity shares equivalent to 33.16% of the Company's total shareholding as on the same date while Mr. Chandir Gidwani's holding became 11,00,000 equity shares equivalent to 4.40% of the total shareholding as on the same date.

However with the acquisition of majority stake by Mr. Anil Ambani led Reliance group, Reliance Capital Limited and Reliance Land Private Limited, along with its affiliates are deemed to

acquire control and become the Promoters of the Company, to the exclusion of erstwhile Promoters and Persons Acting in Concert.

l) Dematerialisation of Shares And Liquidity

The Company's shares are held in dematerialised form since listing commenced in early January, 2001. Out of public holding of 79,50,150 equity shares of the Company as on 31st March, 2005, 78,46,260 equity shares were in dematerialised form. The Indian Promoters, Directors and Relatives together as on 31st March, 2005 held 1,35,50,600 equity shares representing 63.02% of the paid up capital of the Company. Of these 1,35,50,000 equity shares were held in dematerialized form.

The ratio of Company's dematerialized shares as a percentage of its total paid up capital was 99.51% as on 31st March, 2005.

m) Outstanding GDRS/ADRS/Warrants Or Convertible Instruments :

The Company has issued and allotted 38,00,000 Warrants with an option to get allotted one Equity Share per Warrant on or before expiry of 18 months from date of allotment of Warrants by way of preferential allotment on August 8,2005.

n) Plant Locations:

I) FILM PROCESSING LABORATORY:

Adlabs Films Limited,
Film City Complex,
Goregaon (East),
Mumbai- 400065.

II) MULTIPLEX DIVISION :

IMAX ADLABS

Imax Adlabs, Near Bhakti Park,
Anik Wadala Link Road,
Wadala, Mumbai- 400037.

DIVYAADLABS

Divya Shakti Marketing Pvt. Ltd.
Purab Paschim Plaza, Trimurti chowk,
Opp. Trimurti post office,
Cidco, Nashik - 422008.

HUMAADLABS

Huma Adlabs Multiplex,
Huma mall, Next to Tata house,
L.B.S. Marg, Kanjurmarg (W),
Mumbai - 400078.

R-ADLABS

Runwal Multiplex, R Mall, 3rd floor,
L.B.S. Marg, Mulund (West),
Mumbai-400070.

FAMEADLABS

Plot No. 621, Oshiwara,
Andheri Link Road,
Andheri (West),
Mumbai- 400053.

GOLDADLABS

Mariplex Mall,
Marigold complex,
Kalayani nagar,
Pune- 411014.

o) Address For Investor Correspondence:

(1) Shareholders :

Intime Spectrum Registry Limited,
C-13, Pannalal Silk Mills Compound,
L.B.S Marg, Bhandup, Mumbai-400 078.
Tel : (22) 55555454
Fax: (22) 55555353

On behalf of the Board

Manmohan Shetty
Chairman & Managing Director

Date: 24th August, 2005
Place: Mumbai.

ADLABS

AUDITORS' CERTIFICATE ON CORPORATE GOVERNANCE

TO THE MEMBERS OF ADLABS FILMS LIMITED MUMBAI.

We have examined the compliance of conditions of Corporate Governance by Adlabs Films Limited, for the year ended on March 31, 2005, as stipulated in clause 49 of the Listing Agreement of the said company with Stock Exchanges.

The compliance of conditions of Corporate Governance is the responsibility of the management. Our examination was limited to procedures and implementation thereof, adopted by the Company for ensuring the compliance of the conditions of 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 explanations given to us, we certify that the Company has complied with the conditions of Corporate Governance as stipulated in the above mentioned Listing Agreement.

As required by the guidance note issued by the Institute of Chartered Accountants of India, we state that, based on the records maintained by the Company and confirmation received from the Registrars of the Company, no investor grievances are pending for a period exceeding one month against the Company as at March 31, 2005.

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 **H.O.Agarwal & Co.**,
Chartered Accountants

H.O.Agarwal
(Proprietor)
Membership No. 14270

Mumbai, 24th August, 2005.

MANAGEMENT DISCUSSION AND ANALYSIS

INDUSTRY STRUCTURE

The Indian film industry considered to be the largest in the world, in terms of number of films produced and released continues to make its mark in terms of consolidation, realignment and growth. Over 800 films are released every year and the cumulative consumer spending on filmed entertainment in India averages at approximately Rs.60 billion per annum. The Hindi films segment attracts 40-50% of the total consumer spending in India. Though this segment is primarily unorganized, several developments in terms of corporatisation and improved corporate governance has changed the face of the industry.

The Indian film industry during the year was largely impacted by growing number of multiplexes thus enabling movie goers in urban India experience a new way of enjoying movies and providing an incentive for low budget niche films and experimental cinema. The effect was also seen in terms of decrease in average release time in theatres, providing direct growth opportunity to home video business and growing revenues from satellite and cable rights. The year also saw the digitalisation of cinema which along with steps taken by some major producers to make their own distribution arrangements has helped in checking piracy. Besides, the ever increasing NRI population provided a steady platform not only to Indian film producers who successfully tapped this home-starved population by making films with cross-over themes but have also invested in Indian movies as producers.

Overall the year witnessed a steady growth and the industry is expected to benefit further in the years to come on the back of a fast growing economy and increasing disposable income

COMPANY'S PERFORMANCE

During 2004-05, Adlabs Films Limited aggressively established its presence across a wide and well diversified range of business activities.

The financial performance during the year is as stated below:

(Rs in Lacs)

Income Stream	2002-03	2003-04	2004-05
Film processing activity	3412.53	3729.45	3921.78
Theatre operations	1744.82	1814.49	1950.99
Sale of unexposed negative films	2249.81	1990.31	2336.36
Other income	398.20	356.30	519.96
Recovery of Bad Debts	—	—	26.43
Total income	7805.36	7890.55	8755.52

Segmentwise Analysis:

1. Film Processing:

The Company's film processing business has been built around a strong working relation with almost all big and small production houses in India. As most of the large film banners are located in Western India, the Company enjoys a sustained locational advantage. Keeping in mind the dominance of regional films in the Indian filmed entertainment market, Adlabs has set up front end film processing laboratories in Chennai and Kolkatta, the effect of which shall be visible in the Company's performance of 2005-06.

2. IMAX Dome and Multiplex Theatre Operations:

The forward integration into exhibition business has seen the Company consolidate this business by setting up further multiplexes in Mumbai (HumaAdlabs) and Pune (GoldAdlabs). The Company is currently operating 24 screens in Mumbai, Nasik and Pune. As mentioned in the Directors' Report to the Members, the Company plans to open 22 more screens by March 2006.

ADLABS

The Company intends to use the lease model for all future multiplex acquisitions. Multiplexes shall be located in malls rather than standalone properties and we plan to acquire dominant market share in each of the cities we plan to enter similar to Mumbai.

The year 2004-05 saw the successful release of DMR films like “Harry Potter and the Prisoner of Azkaban”, “Spiderman 2” and “Polar Express” at the Dome. Based on these successful releases the Company subsequently released “ROBOTS” AND “BATMAN BEGINS” in the Dome theatre in DMR Format. “Charlie and the Chocolate Factory” and “Harry Potter-The Goblet of Fire” are scheduled to release by the end of 2005.

The extensive launch of school programmes to reach out to children and create awareness of IMAX Dome concept by exhibiting edutainment films is an ongoing process. Coupled with cost control measures and contribution from other streams of income the Theatre segment is expected to post a steady performance.

BUSINESS OUTLOOK 2005 – 2006

A detailed discussion on the business outlook is included in the Directors' Report to the Members.

OPPORTUNITIES & THREATS

Opportunities: While co-production treaties, rising demand for number of prints in overseas market, rising share of regional films in the Indian film market and the increase in number of international films dubbed in Indian languages can provide an opportunity to grow for the production and the processing and allied services business; the organised retail boom, demand for quality theatre complexes, better occupancy due to multiple screens, flexibility to decide on screening schedule and finally effective cost management is expected to be the growth driver for multiplex business. Besides the association with other business groups for its processing and multiplex business shall enable the company to derive infrastructure support while providing technical expertise and support to the group projects.

Threats: It is felt that there is possibility of saturation of film processing revenues or the growth could be at a steady pace at current levels. Anticipating this the Company has set front end labs at Chennai and Kolkatta keeping in mind the dominance of regional films and tremendous business opportunity. The rising number of entrants in multiplex business may affect the established players. However the diversity of Company's services substantially offsets any potential adverse impact on the Company's business. Besides the pressure on margins due to the levy of entertainment tax after expiry of the initial holiday period is expected to be countered with increase in ticket prices and adding other revenue streams to multiplex business. The risk of changes in Government regulations and tax policies across states could affect the industry. Finally as the Company is entertainment dependent, any downslides in the industry could directly impact the Company's performance.

RISK MANAGEMENT

Obsolescence risk: The Company makes investment in new premises, technology in line with expected growth of its business. If this investment becomes obsolete or the growth does not fructify, due to everchanging technology, Company's investment could become obsolete. This risk is mitigated by effective planning, continuous assessment of process and business requirement and cross deployment of resources.

Competition risk: With entry of new aggressive players in Company's multiplex business, competition will intensify. To mitigate this risk, Company scans diligently for locations before finalising any project for present and potential competitors and tracking their strengths, weaknesses and strategies.

Operation risk: This mainly implies risk from non performance of resources such as men, machines or systems or effect of any external event. This is endemic to every business. The Company has procedures in place to identify, control and measure any adversities resulting from such risks based on management perception.

Risk due to manmade/natural disaster: The physical facilities and infrastructure are insured to cover only loss that may arise on account of insurable risks which as per management perception is generally covered by insurance companies and assets of the Company are exposed to risks to that extent.

INTERNAL CONTROL SYSTEM & THEIR ADEQUACY

The Company has independent internal audit systems, covering its business operations and functions commensurate with its size and nature of business. The internal control procedures enable systematic procedures, authorization and approval guidelines ensuring efficient use and safeguarding of assets and resources. An independent firm of Chartered Accountant is appointed to carry out audit assignment which is focused on independently evaluating adequacy of internal controls, ensuring adherence to operating guidelines and regulatory requirements and recommending improvements.

FINANCIAL PERFORMANCE

The Company's financial performance is discussed in details under the head "Review of Operations" in Directors' Report to the Members.

HUMAN RESOURCES

Human resources are the strength of the Company and the Company recognizes the contribution by the employees towards the growth of the Company. Necessary training program is arranged as and when required to bridge gaps between the existing skills and desired skills of the employees. The H.R department has been strengthened to source and develop high caliber employees and facilitating their assessment procedure. The Company's employee relations continued to be harmonious during the year under review.

On behalf of the Board

Manmohan Shetty
Chairman & Managing Director

Date: 24th August, 2005
Place: Mumbai.

**ANNEXURE TO THE DIRECTORS' REPORT
DISCLOSURE OF PARTICULARS**

Information pursuant to Companies(Disclosure of particulars in the report of the Board of Directors), Rules 1988.

CONSERVATION OF ENERGY & TECHNOLOGY ABSORPTION:

The Company was engaged in processing & trading activities and had no direct manufacturing activities during the year under review.

No particulars are therefore furnished in this report in relation to the conservation of energy and technology absorption as required under section 217(1)(e) of the Companies Act, 1956.

FOREIGN EXCHANGE EARNING AND OUTGO:

The details of foreign exchange earnings and outgo are mentioned in note no.4(a)(b) of schedule R to the accounts forming part of the balance sheet.

**ANNEXURE TO THE DIRECTORS' REPORT
PARTICULARS OF EMPLOYEES**

Information under section 217(2A) of the Companies Act, 1956, read with th Companies (particulars of employees) Rules, 1975 and forming part of the Director's report for the year ended 31st March, 2003.

Name & qualification	Age in years	Designation	Remuneration Gross(Rs.)	Remuneration Net (Rs.)	Date of commencement of employment	Years of previous experience	Last employment held
Mr. Manmohan Shetty	56	Chairman & Managing Director	5858400	3615778	1st April 2000	29	Adlabs Films (Private) Ltd.
Mr. Vasanji Mamania	66	Wholetime Director	5858400	3615778	1st April 2000	36	Adlabs Films (Private) Ltd.
Miss. Pooja Shetty	27	Wholetime Director	2942400	1830208	1st August 2000	5	Adlabs Films Ltd.

Notes :

1. Gross remuneration includes salary, HRA, provident fund & taxable value of perquisites.
2. The nature of employment in all cases is contractual and terminable by notice on either side.
3. Net remuneration includes salary, less income-tax, profession tax and contribution to provident fund.

On behalf of the Board

Date: 24th August, 2005
Place: Mumbai.

Manmohan Shetty
Chairman & Managing Director

AUDITORS' REPORT

We have audited the attached Balance Sheet of **ADLABS FILMS LIMITED** as at 31st March, 2005, the Profit and Loss Account and also the Cash Flow Statement for the year ended on that date annexed thereto. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in India. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

- (1) As required by the Companies (Auditors' Report) Order, 2003 [as amended by the Companies (Auditors' Report) (Amendment) Order, 2004] issued by the Central Government of India in terms of sub-section (4A) of Section 227 of the Companies Act, 1956, we enclose in the Annexure, a statement on the matters specified in paragraphs 4 and 5 of the said Order.
- (2) Further to our comments in the Annexure referred to above, we report that :
 - (a) We have obtained all the information and the explanations, which to the best of our knowledge and belief were necessary for the purpose of our audit;
 - (b) In our opinion, proper books of account as required by law have been kept by the Company so far as it appears from our examination of those books;
 - (c) The Balance Sheet, Profit and Loss account and Cash Flow Statement dealt with by this report are in agreement with the books of account;
 - (d) In our opinion, the Balance Sheet, Profit and Loss Account and Cash Flow Statement dealt with by this report comply with the Accounting Standards referred to in sub-section (3C) of Section 211 of the Companies Act, 1956;
 - (e) On the basis of written representations received from the directors as on 31st March, 2005 and taken on record by the Board of Directors, we report that none of the Directors is disqualified as on 31st March, 2005 from being appointed as a Director in terms of clause (g) of sub-section (1) of Section 274 of the Companies Act, 1956;
 - (f) In our opinion and to the best of our information and according to the explanations given to us, the said accounts together with the significant accounting policies and notes annexed thereto, give the information required by the Companies Act, 1956, in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India:
 - i) in the case of the Balance Sheet, of the state of affairs of the Company as at 31st March, 2005;
 - ii) in the case of the Profit and Loss Account, of the **PROFIT** for the year ended on that date; and
 - iii) in the case of Cash Flow Statement, of the cash flows for the year ended on that date.

For H. O. AGARWAL & CO.
CHARTERED ACCOUNTANTS

H. O. AGARWAL
(PROPRIETOR)
Membership No. 14270

Mumbai, 24th August, 2005.

ANNEXURE TO THE AUDITORS' REPORT

(Referred to in paragraph (1) of our report of even date on the accounts for the year ended 31st March, 2005 of Adlabs Films Limited)

- i) a) The Company has maintained proper records showing full particulars including quantitative details and situation of fixed assets.
- b) All the assets have not been physically verified by the management during the year but there is a regular program of verification which, in our opinion, is reasonable having regard to the size of the Company and nature of its assets. No material discrepancies were noticed on the assets verified during the year.
- c) In our opinion and according to the information and explanations given to us, a substantial part of fixed assets has not been disposed off by the Company during the year.
- ii) a) The stock of finished goods and raw materials have been verified during the year by the management. In our opinion, the frequency of verification is reasonable.
- b) The procedures of physical verification of stock followed by the management are reasonable and adequate in relation to the size of the Company and the nature of its business.
- c) On the basis of our examination of the records of stock, we are of the opinion that the Company is maintaining proper records of stock. The discrepancies noticed on verification between the physical stocks and the book records were not material.
- iii) The Company has neither granted nor taken any loans, secured or unsecured to/from companies, firms or other parties covered in the register maintained under section 301 of the Companies Act, 1956 and as such clauses 4 (iii) (a) to 4 (iii) (g) of the Order are not applicable.
- iv) In our opinion and according to the information and explanations given to us there is adequate internal control system commensurate with size of the Company and nature of its business with regard to purchases of inventories, fixed assets and with regard to the sale of goods and services. During the course of our audit no major weaknesses have been observed in the internal control system.
- v) a) In our opinion and according to the information and explanations given to us, the particulars of contracts or arrangements referred to in section 301 of the Companies Act, 1956 have been so entered in the register maintained under that section.
- b) In our opinion and according to the information and explanations given to us, the transactions made in pursuance of contracts or arrangements entered in the register maintained under section 301 of the Companies Act, 1956, and exceeding the value of Rs. 5 lakhs in respect of any party during the year have been made at prices which are reasonable having regard to prevailing market prices at the relevant time.
- vi) In our opinion, the Company has an adequate internal audit system commensurate with its size and nature of its business.
- vii) To the best of our knowledge and according to the information given to us, the Central Government has not prescribed the maintenance of cost records under section 209 (1) (d) of the Companies Act, 1956 for the products of the Company and for the services rendered by the Company.
- viii) a) According to the records of the Company, the Company is regular in depositing with appropriate authorities undisputed statutory dues including provident fund, investor education and protection fund, employees state insurance, income tax, sales tax, wealth tax, service tax, custom duty, excise duty, cess and other material statutory dues applicable to it. According to the information and explanations given to us no undisputed amounts payable in respect of such statutory dues were in arrears as at 31st March, 2005 for the period of more than six months from the date they became payable.
- b) According to the information and explanations given to us, there are no dues of income tax, sales tax, wealth tax, service tax, custom duty, excise duty / cess outstanding on account of any dispute, other than those stated in the statement attached herewith.

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- ix) According to the information and explanations given to us and as shown by the records examined by us, the Company has not defaulted in repayment of dues to banks.
- x) According to the information and explanations given to us and as shown by the records examined by us, the Company has not given any guarantee for loans taken by others from banks or financial institutions.
- xi) In our opinion and on the basis of information and explanations given to us, the term loans were applied for the purposes for which the loans were obtained.
- xii) Based on examination of documents and records made available and on the basis of information and explanations given to us, the Company has not used funds raised on short term basis for long term investments.
- xiii) Based upon the audit procedures performed and on the basis of information and explanations given by the management, we report that no fraud on or by the Company has been noticed or reported during the course of our audit.
- xiv) The provisions of clauses (vi), (x), (xii), (xiii), (xiv), (xviii), (xix) and (xx) of paragraph 4 of the Companies (Auditors' Report) Order, 2003 [as amended by the Companies (Auditors' Report) (Amendment) Order, 2004] are not applicable to the Company for the current year.

For H. O. AGARWAL & CO.
CHARTERED ACCOUNTANTS

H. O. AGARWAL
(PROPRIETOR)

Membership No. 14270

Mumbai, 24th August, 2005.

Statement of statutory dues outstanding on account of disputes, as on March 31, 2005, referred to in para (viii)(b) of the annexure to the auditor's report

No.	Name of Statute	Nature of dues	Amount (Rs. in lakhs)	Period to which the amount relates	Forum where dispute is pending
1	Income Tax Act, 1961	Income tax demand	403.62	A.Y. 1993-94, A.Y. 1995-96, A.Y. 1998-99, A.Y. 1999-2000 and Block Period 1991-92 to May 1998	The Income Tax Appellate Tribunal. (Appeals are filed by the Income Tax Department)
2	Income Tax Act, 1961	Income tax demand	120.16	A.Y. 1996-97 and A.Y. 1997-98	The Income Tax Appellate Tribunal. (Appeals are filed by the Company)
3	Central Excise Act, 1944	Excise duty and penalties	479.28	1st Apr 1998 to 28th Feb 2002 and 1st Mar 2002 to 31st Jan 2003, 1st Feb 2003 to 31st Oct 2003, 1st Nov 2003 to 30th Sept 2004	Customs, Excise and Service Tax Appellate Tribunal, WZB

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BALANCE SHEET AS AT 31st MARCH 2005

	Schedule	31-Mar-2005 Rupees	31-Mar-2004 Rupees
SOURCES OF FUNDS			
Shareholders' fund			
Share capital	A	107,503,750	107,503,750
Reserves and surplus	B	1,065,528,348	940,934,996
		<u>1,173,032,098</u>	<u>1,048,438,746</u>
Loans funds			
Secured loans	C	241,461,668	143,049,323
Deferred tax liability		<u>78,281,000</u>	<u>68,570,000</u>
		<u>1,492,774,766</u>	<u>1,260,058,069</u>
APPLICATION OF FUNDS			
Fixed assets			
Gross block	D	853,491,282	800,615,645
Less : Depreciation		<u>214,457,606</u>	<u>166,305,224</u>
Net block		639,033,676	634,310,421
Capital work in progress		61,807,593	11,329,895
Investments	E	130,218,600	54,618,600
Current assets, loans and advances			
Inventories		9,354,293	6,119,186
Sundry debtors	F	362,583,027	320,417,162
Cash and bank balances	G	21,894,760	27,039,575
Loans and advances	H	809,630,084	615,876,307
		<u>1,203,462,164</u>	<u>969,452,230</u>
Less : Current liabilities and provisions			
Liabilities	I	188,441,144	156,409,778
Provisions	J	353,899,710	264,776,573
		<u>661,121,310</u>	<u>548,265,879</u>
Net current assets		661,121,310	548,265,879
Miscellaneous expenditure			
Deferred revenue expenditure (To the extent not written off or adjusted)		593,587	11,533,274
		<u>1,492,774,766</u>	<u>1,260,058,069</u>
ACCOUNTING POLICIES	P		
NOTES ON ACCOUNTS	Q		

The schedules referred to above form an integral part of the balance sheet. Signatures to balance sheet and schedule A to J and P & Q.

For and on behalf of Board of Directors

As per our report of even date

For H.O. Agarwal & Co.,
Chartered Accountants

Mr. Manmohan Shetty
Chairman & Managing Director

Mr. Vasanji Maman
Wholetime Director

Miss. Pooja M. Shetty
Wholetime Director

H.O.AGARWAL
Proprietor
Membership No. 14270

Mr. Chandir Gidwani
Director

Mr. Pradeep Guha
Director

Ms. Kirti V. Desai
Company Secretary

Mumbai, 24th August, 2005.

PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31st MARCH 2005

	Schedule	31-Mar-2005 Rupees	31-Mar-2004 Rupees
INCOME			
Sales		392,177,604	372,945,418
Other sales(Traded goods)		233,636,473	199,031,102
Income - Theatre operations		195,099,197	181,448,906
Other income		51,995,839	35,630,255
Recovery of bad debts		2,643,048	—
		875,552,161	789,055,681
EXPENDITURE			
Inventory adjustment	K	(3,235,107)	1,055,129
Other purchase (Traded goods)		182,688,643	175,737,486
Production expenses	L	94,882,988	91,365,550
Expenses - Theatre operations	M	134,708,862	113,205,682
Employees remuneration and benefits	N	41,699,009	39,047,794
Administrative expenses	O	31,572,549	32,273,411
Interest		15,826,274	13,470,823
Depreciation		54,550,038	44,815,692
		552,693,256	510,971,567
PROFIT BEFORE TAX		322,858,905	278,084,114
Less : Provision for tax :			
Current		105,300,000	84,000,000
Deferred		9,711,000	16,200,000
		115,011,000	100,200,000
Less : Short provision of tax of previous years		1,154,843	1,460,616
PROFIT AFTER TAX		206,693,062	176,423,498
Add : Balance brought forward from previous years		8,987,746	3,340,821
		215,680,808	179,764,319
APPROPRIATIONS			
General reserve		20,670,000	110,000,000
Proposed dividend		72,001,500	53,751,875
Dividend tax		10,098,210	7,024,698
Balance carried to balance sheet		112,911,098	8,987,746
		215,680,808	179,764,319
Earnings per share(basic & diluted)		9.61	8.21
ACCOUNTING POLICIES	P		
NOTES ON ACCOUNTS	Q		

The schedules referred to above form an integral part of the profit and loss account. Signatures to profit and loss account and schedule K to O and P & Q.

For and on behalf of Board of Directors

As per our report of even date

For H.O. Agarwal & Co.,
Chartered Accountants

Mr. Manmohan Shetty
Chairman & Managing Director

Mr. Vasanji Maman
Wholetime Director

Miss. Pooja M. Shetty
Wholetime Director

H.O.AGARWAL
Proprietor
Membership No. 14270

Mr. Chandir Gidwani
Director

Mr. Pradeep Guha
Director

Ms. Kirti V. Desai
Company Secretary

Mumbai, 24th August, 2005.

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SCHEDULE FORMING PART OF THE BALANCE SHEET AS AT 31st MARCH, 2005

	31-Mar-2005 Rupees	31-Mar-2004 Rupees
A. SHARE CAPITAL		
Authorised		
24,000,000 equity shares of Rs.5/-each (Previous year 24,000,000 equity shares of Rs.5/-each)	120,000,000	120,000,000
Issued, subscribed and paid up capital		
21,500,750 equity share of Rs.5/- each fully paid up (Includes 17,000,000 equity share were allotted as bonus share on capitalisation of general reserves.)	107,503,750	107,503,750
	107,503,750	107,503,750
B. RESERVES AND SURPLUS		
General reserves		
As per last balance sheet	425,930,000	315,930,000
Add : Transferred from profit and loss account	20,670,000	110,000,000
	446,600,000	425,930,000
Share premium account	506,017,250	506,017,250
Surplus as per profit and loss account	112,911,098	8,987,746
	1,065,528,348	940,934,996
C. SECURED LOANS		
From banks	241,461,668	143,049,323
(The nature of security vide note no. 2 in schedule "Q")	241,461,668	143,049,323
D. FIXED ASSETS		

	Gross block				Depreciation				Net block	
	As on 1-Apr-04	Additions	Deduction	Total 31-Mar-05	As on 1-Apr-04	Provided during the year	Depreciation on assets sold	Total 31-Mar-05	As on 31-Mar-05	As on 31-Mar-04
Tangible assets										
Leasehold land	22,001,760	571,650	-	22,573,410	-	-	-	-	22,573,410	22,001,760
Buildings:										
Leasehold	35,108,330	-	-	35,108,330	7,015,385	1,080,498	-	8,095,883	27,012,447	28,092,945
Freehold	232,325,384	3,372,073	-	235,697,457	21,574,441	7,824,315	-	29,398,756	206,298,701	210,750,943
Air conditioner plant	36,009,013	726,377	1,464,862	35,270,528	11,655,199	1,792,139	1,384,155	12,063,183	23,207,345	24,353,814
Electrical installation	48,950,526	1,490,701	116,712	50,324,515	14,976,822	3,483,304	109,490	18,350,636	31,973,879	33,973,704
Plant and machinery	127,688,803	43,035,686	3,365,341	167,359,148	38,140,739	16,340,215	2,594,937	51,886,017	115,473,131	89,548,064
Theatres and equipments	256,766,501	184,581	-	256,951,082	58,240,333	18,475,664	-	76,715,997	180,235,085	198,526,168
Furniture and fixtures	28,335,529	7,828,037	1,425,958	34,737,608	10,160,654	3,091,260	1,357,570	11,894,344	22,843,264	18,174,875
Vehicles	13,429,799	2,278,250	1,423,549	14,284,500	4,541,651	2,225,702	951,504	5,815,849	8,468,651	8,888,148
Sub total	800,615,645	59,487,355	7,796,422	852,306,578	166,305,224	54,313,097	6,397,656	214,220,665	638,085,913	634,310,421
Intangible assets										
Computer software	-	1,184,704	-	1,184,704	-	236,941	-	236,941	947,763	-
Sub total	-	1,184,704	-	1,184,704	-	236,941	-	236,941	947,763	-
Total	800,615,645	60,672,059	7,796,422	853,491,282	166,305,224	54,550,038	6,397,656	214,457,606	639,033,676	634,310,421
Previous year	719,092,268	84,880,641	3,357,264	800,615,645	121,489,531	44,815,692	-	166,305,224	634,310,421	597,602,737

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SCHEDULE FORMING PART OF THE BALANCE SHEET AS AT 31ST MARCH, 2005

	31-Mar-2005 Rupees	31-Mar-2004 Rupees
E INVESTMENT (AT COST)		
I. Unquoted - Non trade : Long term :		
Shares in Prime Focus Limited :	46,657,600	46,657,600
964,000 equity Shares of Rs. 5/- each fully paid up		
Shares in Mukta Adlabs Digital Exhibition Pvt. Ltd. :	50,000	50,000
500 equity shares of Rs. 100/- each fully paid up		
Shares in Cineplex Pvt. Ltd :	500,000	—
50,000 equity shares Rs.10/- each fully paid up (Purchased during the year)		
NSC : (Pledged with Collector of Mumbai and Nasik)	7,100,000	2,000,000
II. Investments in subsidiaries (Unquoted) :		
Shares in Entertainment One (India) Limited :	500,000	500,000
5,000 equity shares of Rs.100/ each fully paid up		
Shares in Gemini Exhibitors Limited :	500,000	500,000
50,000 equity share of Rs.10/- each fully paid up		
Shares in Runwal Multiplex Private Limited	4,911,000	4,911,000
49,110 equity shares of Rs. 100/- each fully paid up		
III. Investments in associates (Unquoted) :		
Shares in Swanston Multiplex Cinemas Pvt. Ltd.		
389,922 equity shares of Rs.10/- each fully paid up (Purchased during the year)	70,000,000	—
	130,218,600	54,618,600
F SUNDRY DEBTORS (Unsecured-Considered good) :		
Over six months	254,596,492	196,321,839
Others	107,986,535	124,095,323
	362,583,027	320,417,162
G CASH AND BANK BALANCES		
Cash on hand	689,046	492,799
Balance with scheduled banks		
Current account	443,811	5,964,840
Fixed deposit	20,301,200	20,301,200
Dividend account	460,703	280,736
	21,894,760	27,039,575
H LOANS AND ADVANCES (Unsecured - Considered good) (Advances recoverable in cash or in kind or for value to be received)		
Loans and advances to subsidiaries	250,357,993	161,052,368
Share application money		
in Subsidiaries	38,717,515	58,638,769
in Joint ventures	52,421,885	20,155,000
Other advances	146,214,970	136,403,106
Deposits	14,150,707	6,195,056
T.D.S. and Advance tax	287,361,933	223,470,151
Advance to contractors	20,405,081	9,961,857
	809,630,084	615,876,307
I LIABILITIES		
Sundry creditors :		
Due to SSI units (vide note no. 3 in schedule 'Q')	2,514,507	3,002,283
Others	109,679,932	45,887,616
Sundry creditors for expenses	37,540,236	25,109,388
Advances against contracts	38,706,469	82,410,491
	188,441,144	156,409,778
J PROVISIONS		
Provision for taxation	271,800,000	204,000,000
Dividend payable	72,001,500	53,751,875
Dividend tax	10,098,210	7,024,698
	353,899,710	264,776,573

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SCHEDULE FORMING PART OF THE PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31ST MARCH, 2005

	31-Mar-2005 Rupees	31-Mar-2004 Rupees
K INVENTORY ADJUSTMENTS		
Opening stock	6,119,186	7,174,315
Less : Closing stock	9,354,293	6,119,186
(Increase) / decrease in stock	(3,235,107)	1,055,129
L PRODUCTION EXPENSES		
Chemical purchases	50,830,745	47,975,059
Processing charges	7,278,878	10,785,672
Electricity charges	7,110,128	5,601,524
Repairs and maintenance	6,799,491	5,344,955
Consumable stores	4,873,876	3,509,665
Freight, collie and cartage	1,090,519	1,839,081
Prior period expenses	—	508,800
Rent, rates and taxes	15,196,141	14,946,001
Water charges	1,703,210	854,793
	94,882,988	91,365,550
M EXPENSES (THEATRE OPERATIONS)		
Advertisement expenses	9,935,075	6,238,217
Bank charges and commission	209,300	230,600
Business promotion	2,042,065	1,912,550
Conveyance and travelling	1,855,859	1,407,711
Commission and brokerage	372,371	557,338
Distributors share	33,568,449	32,935,783
Deferred revenue expenditure written off	936,175	936,175
Donation	78,801	65,500
Electricity charges	12,471,567	10,418,406
Entertainment tax	2,025,310	—
Film cost	5,349,428	8,349,392
Insurance charges	1,471,736	1,549,894
Legal and professional fees	4,249,620	1,062,814
Miscellaneous expenses	87,293	106,427
Membership and subscription	43,497	148,165
Motor car expenses	630,458	403,381
Printing and stationery	1,395,321	1,107,041
Postage telegram and telephone	1,544,030	1,387,905
Purchase cafeteria and others	18,910,291	16,388,820
Prior period expenses	—	135,000
Repairs and maintenance	14,915,619	11,882,483
Rent rates and taxes	8,547,127	6,590,154
Salaries, wages and bonus	11,649,838	7,110,826
Sales tax	667,035	523,890
Security charges	1,360,586	1,470,503
Water charges	392,011	286,707
	134,708,862	113,205,682

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SCHEDULE FORMING PART OF THE PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31ST MARCH, 2005

	31-Mar-2005 Rupees	31-Mar-2004 Rupees
N EMPLOYEES REMUNERATION		
Salaries, wages and bonus	27,556,487	26,833,646
Staff welfare expenses	642,522	514,148
Directors remuneration	13,500,000	11,700,000
	41,699,009	39,047,794
	41,699,009	39,047,794
O ADMINISTRATIVE EXPENSES		
Advertising expenses	443,810	723,750
Audit and other fees	455,500	282,000
Bank charges	1,108,911	1,358,347
Business promotion expenses	516,471	915,460
Commission	431,501	354,002
Conveyance and travelling expenses	1,492,525	786,304
Deferred revenue expenditure (Digital)	169,106	169,106
Donation	67,101	189,851
Effluent treatment charges	261,665	254,976
Equipment hiring charges	502,833	687,252
Insurance charges	6,980,219	6,967,719
Legal and professional fees	1,618,522	3,899,924
Loss on sale of assets	735,612	—
Membership and subscription	118,900	128,143
Miscellaneous expenses	1,116,821	781,248
Motor car expenses	1,365,056	1,202,297
Postage, telegram and telephone	906,949	626,587
Printing and stationery	987,168	1,064,500
Refinery charges	474,332	318,800
Sales tax	1,473,893	1,144,325
Security charges	511,248	584,411
Share issue expenses	9,834,406	9,834,409
	31,572,549	32,273,411
	31,572,549	32,273,411

SCHEDULE – P :**SIGNIFICANT ACCOUNTING POLICIES:****1. Method of accounting:**

The financial statements have been prepared on the historical cost convention based on the accrual concept and in accordance with applicable Accounting Standards referred to in sub-section 3C of section 211 of the Companies Act, 1956 and generally accepted accounting principles and the provisions of the Companies Act, 1956. The accounting is on the basis of a going concern concept.

2. Fixed assets:

Use of estimates :- The preparation of financial statements requires estimates and assumptions to be made that affect the reported amount of assets and liabilities on the date of the financial statements and the reported amount of revenues and expenses during the reporting period. Difference between the actual results and estimates are recognised in the period in which results are known/materialized.

Fixed assets are stated at cost (Gross block) less accumulated depreciation. Capital work in progress includes advances. Interest on borrowings and financing cost during the period of construction is added to the cost of the assets.

3. Depreciation:

Depreciation has been calculated at the rates and in the manner as specified in Schedule XIV of the Companies Act, 1956 as indicated below:

Film processing unit – Written down value method

Digital projection system - Straight line method

Theaters – Straight line method

Film processing unit – Cost of leasehold building are amortised equally over remaining period of lease.

Leasehold lands are not depreciated.

Major application software are shown as intangible assets which are amortised over its useful life (not exceeding five years) as determined by management.

4. Impairment of assets:

An asset is treated as impaired when the carrying cost of assets exceeds its recoverable value. An impairment loss is charged to the profit and loss account in the year in which the asset is identified as impaired. The impairment loss recognized in prior accounting periods is reversed if there has been a change in the estimate of recoverable amount.

5. Inventories:

Inventories are valued at cost determined on FIFO basis. As the Company is billing for the work done, there is no work in progress at the end of the year. Stores and spares are charged to profit and loss account on its purchase.

Films for exhibition on hand are valued at cost to the extent of unexpired period of lease available for its exhibition and the same has been grouped with prepaid expenses.

6. Investments:

Long term investments are stated at cost less provision, if any, for diminution in the value other than temporary. Current investments are stated at cost.

7. Foreign currency transaction:

Transactions denominated in foreign currency are normally recorded at the exchange rate prevailing at the time of transactions. Current liabilities denominated in foreign currencies are recorded at the rate prevailing as on the date of the balance sheet. Exchange difference arising there from is taken to profit and loss account except those relating to the acquisition of fixed assets are adjusted in the cost of the assets.

8. Taxation:

Provision for income tax for the year comprises current income tax determined to be payable in respect of taxable income and deferred tax being the tax effect of timing differences representing the difference between taxable income and accounting income that originate in one period, and are capable of reversal in one or more subsequent period(s) and measured using relevant enacted tax rates.

9. Retirement benefits:

Contributions to defined contribution schemes such as provident fund and pension fund are charged to profit and loss account as incurred.

The payment and provision for present liability of future payment of gratuity has been made to an approved gratuity fund which fully covers the same under "Cash Accumulation Policy of the Life Insurance Corporation of India".

Necessary provision is made for value of unutilised leave benefits due to employees at end of the year as estimated by the management.

10. Revenue recognition:

Processing income is recognised on the basis of services rendered and is recorded net of trade discount and service tax.

Sale of traded goods is inclusive of sales tax and net of returns.

Theatre operation income is recognised on the basis of sale of tickets and income from cafeteria and other entertainment facilities and is net of refund, discount and complimentary.

The income from digital projection system has been accounted on the basis of its actual usage based on contractual terms.

11. Miscellaneous expenditure:

Share issue expenses incurred prior to 31st March, 2004, initial advertisement expenses and film transferring cost for digital projection are amortised over a period of five years. Such expenses incurred after that date are charged off to revenue.

12. Provisions, contingent liabilities and contingent assets:

Provisions involving substantial degree of estimation in measurement are recognised when there is a present obligation as a result of past events and it is probable that there will be an outflow of resources. Contingent liabilities are not recognised but are disclosed in the notes. Contingent assets are neither recognised nor disclosed in the financial statements.

SCHEDULE – Q :**NOTES TO ACCOUNTS:****1. Contingent Liabilities:**

- a) In respect of letter of credit and bank guarantees issued by the Company's bankers Rs. 123.70 lakhs (Previous year Rs. 87.40 lakhs).
- b) Estimated amount of contract remaining to be executed on capital account and not provided for net of advances Rs. 24.14 lakhs (Previous year Rs. 305.11 lakhs).
- c) Estimated amount of contract remaining to be executed in joint ventures Rs. 397.88 lakhs (Previous year Rs. 288.45 lakhs).
- d) Estimated amount of financial commitment for multiplexes business conducting agreement remaining to be financed Rs. 1,017.29 lakhs (Previous year Rs. 56.33 lakhs).
- e) On account of Income Tax matters in dispute:
In respect of appeals filed by the Income Tax Department against the decision of CIT (Appeals) for the Assessment year 1993-94, 1995-96, 1998-99, 1999-2000 and for Block Assessment Rs. 403.62 lakhs (Previous year – Rs. 435.26 lakhs).
In respect of Company's appeals pending before Income Tax Appellate Tribunal for Assessment year 1996-97 and 1997-98 Rs. 120.16 lakhs (Previous year – Rs. 139.22 lakhs).
- f) Disputed Central Excise demand pending with the Central Excise Appellate Tribunal in respect of processing division amounts to Rs. 479.28 lakhs (Previous year Rs. 367.01 lakhs).
- g) Estimated amount of finance commitment remaining to be paid to the subsidiary company on account of production of films Rs. NIL (Previous year – Rs. 393.02 lakhs) and on account of multiplex theatres Rs. NIL (Previous year – 397.65 lakhs).
- h) The Company shall be liable to pay entertainment tax in the event that the multiplex theaters do not continue operations for a period of ten years from the respective dates from which they commenced their operations. In view of the decision of the management that the multiplex theaters have to run at least for ten years, no liability is envisaged in this regard.

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2. Secured Loans:

From bank:

Long term loans are secured by equitable mortgage of immovable and movable properties of the Company situated at Wadala (Mumbai), hypothication of moveable properties at proposed multiplexes, digital projection system and sub-titling machine. Counter guaranteed by the Managing Director and one of the Whole time Director of the Company.

Hypothecation of motor cars acquired on Equitable Monthly Instalment (EMI) system.

Short term loans are secured by D.P. Note, hypothication of book-debts, stocks of raw material and chemicals.

3. a) There is no amount remaining unpaid to Small Scale Industrial Suppliers within the meaning of, "the interest on delayed payments" to Small Scale and Ancilliary Undertaking Act.
- b) Names of the Small Scale Industrial Undertakings to whom the Company owes any sum outstanding for more than 30 days are:

Cine Labs

Elico Limited

Meaga Commerce

Rajendra Chemicals Private Limited

Shree Shakti Industries

Shree Sainath Photochem

This information is determined to the extent such parties have been identified on the basis of information available with the Company.

4. **Additional information pursuant to the provisions of paragraphs 3, 4C and 4D of Part II of Schedule VI to the Companies Act, 1956:**

(Rs. in lakhs)

	Year ended 31st, March, 2005	Year ended 31st, March, 2004
Turnover-Processing	3,921.78	3,729.45
Turnover-Traded goods	2,336.36	1,990.31
Theatre operation income	1,950.99	1,814.49
Value of imports (CIF):		
Film cost	33.60	31.48
Components and spare-parts	47.08	19.23
Capital goods	91.08	498.45
Expenditure in foreign currency on account of:		
Technical know-how	24.46	36.67
Travelling	2.58	2.59
Others	6.06	24.78

Quantitative details of traded goods-Raw stock (Negative):

		31st March, 2005		31st March, 2004	
	Units	Quantity	Value (in lakhs)	Quantity	Value (in lakhs)
Opening stock	Rolls	529	42.17	540	42.37
Purchases	Rolls	20641	1,826.89	21604	1,757.37
Closing stock	Rolls	601	54.95	529	42.17

5. Directors' remuneration:

(Rs. in lakhs)

	Year ended 31st March, 2005	Year ended 31st March, 2004
Salary (Excluding provision for leave encashment)	135.00	117.00
Contribution to Provident Fund	10.80	9.36
Perquisites	0.79	3.07
	146.59	129.43

Calculation of net profit under section 198 of the Companies Act, 1956:

(Rs. in lakhs)

	Year ended 31st March, 2005	Year ended 31st March, 2004
Net profit as per profit and loss account	2,078.48	1,778.84
Add: Directors' remuneration	146.59	129.43
Depreciation	545.50	448.16
Provision for taxation - Current and deferred	1,150.11	1,002.00
Loss on sale of assets	7.36	—
	3,928.04	3,358.43
Less: Depreciation under section 350 of the Companies Act, 1956	848.87	448.16
Net profit	3,079.17	2,910.27

6. Auditors' remuneration *:

(Rs. in lakhs)

	Year ended 31st March, 2005	Year ended 31st March, 2004
Audit fees-Statutory	2.20	1.35
Audit fees-Tax	0.55	0.27
Other services	1.80	1.20
	4.55	2.82

* Including Service Tax wherever applicable.

7. Disclosure of Segment Reporting under Accounting Standard 17:

(Rs. in lakhs)

	Film processing division	Theatre division	Year ended 31st March, 2005	Year ended 31st March, 2004
Segment revenue	6,804.53	1,950.99	8,755.52	7,890.56
Segment result	3,097.11	289.74	3,386.85	2,915.54
Operating profit			3,386.85	2,915.54
Interest expenses			(158.26)	(134.71)
Income tax			(1,161.66)	(1,016.60)
Net profit			2,066.93	1,764.23
Other information				
Segment assets	10,094.62	6,758.91	16,853.53	14,349.11
Segment liabilities	4,526.38	262.97	4,789.35	3,602.36
Capital expenditure	544.49	602.34	1,146.83	928.53
Depreciation	225.95	319.55	545.50	448.16
Amortisation of expenses	—	—	—	8.46

Notes:

- I. The Company is organised into two main business segments viz., Film processing division comprising of 35 mm and 16 mm negative film processing, 35 mm and 16 mm positive film processing and other related services. Theatre division comprising of IMAX Dome theatre, four screen multiplex theatre operations and other entertainment facilities.
- II. Since the Company's operations are carried out in India, the requirement regarding disclosure for geographical segment is not applicable.

8. Disclosure for Operating Lease under Accounting Standard 19:

Company has entered into lease agreement for building for film processing laboratory for a period of 33 years w.e.f. 21st October, 1996. The specified disclosure in respect to this agreement is given below:

(Rs. in lakhs)

	31st March, 2005	31st March, 2004
Lease payments recognised in the profit and loss account for the year	2.10	2.10
Minimum lease payments not later than one year	2.10	2.10
Minimum lease payments later than one year but not later than five years	8.70	8.60
Minimum lease payments later than five years	48.20	50.40

Under the agreement company has paid interest free non-refundable deposit towards the cost of construction of building for film processing laboratory which has been shown as leasehold building in fixed assets schedule and is being amortised over the period of lease.

Agreement contains a provision for renewal.

Agreement contains a provision for lease payments in addition to above payments calculated @ of 3% of Company's annual turnover of film processing income. Liability up to 31st March, 2005 has been provided for ; Balance liability: additional payments to be made in the future cannot be ascertained.

9. Disclosure of Related Party under Accounting Standard 18:

Related Party Relationship:

Category I : Subsidiary company:

Entertainment One India Limited
Gemini Exhibitors Limited
Runwal Multiplex Private Limited

Category II : Major shareholders and key management personnel in the company:

Manmohan Shetty
Vasanji Mamanian

Category III : Other related parties where common control exists:

Adlabs Finance Limited
Adlabs Shringar Multiplex Cinemas Private Limited
Mamanian Films Private Limited
Adlabs

Category IV – Associates:

Swanston Multiplex Cinemas Private Limited

Category V – Other related parties:

(a) Joint Ventures:

Cineplex Private Limited
Divyashakti Marketing Private Limited

(b) Business conduct and management agreement for multiplexes:

Huma Adlabs
Metro Adlabs
Rap Adlabs

(c) Others:

Bergis Desai J. Sagar Associates
Business Match Services India Limited
Centrum Finance Limited
Mukta Arts Limited
Adlabs Bangalore
Adlabs Photoshop
Adwear Fashion
Neo Films
Premier Pressing Works
P. Bhushan & Co.
Rap Media Limited
Shringar Cinemas Private Limited
Shringar Films Private Limited
Whistling Woods International Private Limited

Related Party Transactions 2004-2005:

(Rs. in lakhs)

Transactions	Category- I	Category- II	Category- III	Category- IV	Category-V		
					(a)	(b)	(c)
Rendering of services	12.60 (12.98)	— —	— (11.75)	— —	— —	— —	319.28 (173.44)
Receiving of services	— —	— —	— —	— —	— —	— —	7.60 (72.74)
Managerial remuneration	— —	108.53 (190.60)	— —	— —	— —	— —	— —
Dividend	— —	338.75 (299.00)	— —	— —	— —	— —	— —
Premium on key managerial policy	— —	65.37 (65.37)	— —	— —	— —	— —	— —
Interest received	— —	— —	— (21.45)	— —	— —	— —	— —
Loan given	— —	— —	— (501.00)	— —	— —	— —	— —
Loan received back	— —	— —	— (501.00)	— —	— —	— —	— —
Finance given for film production	2056.37 (1606.98)	— —	— —	— —	— —	— —	— —
Finance for multiplex	1033.60 (540.84)	— —	— —	— —	— —	530.65 —	— —
Advances for business conducting agreement	— —	— —	— —	— —	— —	29.75 (29.75)	— —
Purchase of shares	— —	350.00 —	— —	700.00 —	— —	— —	— —
Outstanding balance as on 31, March 2005	2508.56 (1610.52)	-350.00 —	— (11.75)	— —	— —	29.75 (29.75)	63.04 (82.75)

Previous year figures are given in brackets.

10. Earning per share:

	Year ended 31st March, 2005	Year ended 31st March, 2004
Net profit after taxes (Rs. in lakhs)	2,066.93	1,764.23
Weighted average number of shares	21500750	21500750
Earning per share - Basic and diluted (Rupees)	9.61	8.21
Face value per share (Rupees)	5	5

11. The breakup of net deferred tax liability is as under:

(Rs. in lakhs)

	Year ended 31st March, 2005	Year ended 31st March, 2004
Deferred tax liability related to fixed assets	787.81	685.70
Deferred tax assets related to disallowance under the Income Tax Act, 1961	5.00	—
Provision for deferred tax (Net)	782.81	685.70

12. Current assets and current liabilities represent receivables and payables which are subject to confirmation. The Company does not have system of calling for confirmations.

13. The tax expense for the period comprises of:

	Year ended 31st March,2005	Year ended 31st March,2004
Income tax		
Current	1,052.50	840.00
Deferred	97.11	162.00
Wealth tax	0.50	—
	1,150.11	1,002.00

14. In terms of directives of Securities Exchange Board of India, shares issued by companies should rank pari passu in all respect, including dividend entitlement. Accordingly the Company has proposed the dividend on the entire paid up capital as on 24th August, 2005.

15. The figures of previous year have been regrouped and reclassified wherever necessary.

For and on behalf of Board of Directors

As per our report of even date

For H.O. Agarwal & Co., **Mr. Manmohan Shetty** **Mr. Vasanji Mamania** **Miss. Pooja M. Shetty**
Chartered Accountants Chairman & Managing Director Wholetime Director Wholetime Director

H.O.AGARWAL **Mr. Chandir Gidwani** **Mr. Pradeep Guha** **Ms. Kirti V. Desai**
Proprietor Director Director Company Secretary
Membership No. 14270

Mumbai, 24th August, 2005.

Balance Sheet Abstract and Company's General Business Profile

I. Registration details

Registration no.

4	5	4	4	6
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 State code

1	1
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 Balance sheet date

3	1
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0	3
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2	0	0	5
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 Date Month Year

II. Capital raised during the year (Amount in Rs. thousands)

Public issue	Rights issue																
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					N	I	L										
					N	I	L										
Bonus issue	Private placement																
<table border="1" style="display: inline-table; border-collapse: collapse;"><tr><td> </td><td> </td><td> </td><td> </td><td> </td><td>N</td><td>I</td><td>L</td></tr></table>						N	I	L	<table border="1" style="display: inline-table; border-collapse: collapse;"><tr><td> </td><td> </td><td> </td><td> </td><td> </td><td>N</td><td>I</td><td>L</td></tr></table>						N	I	L
					N	I	L										
					N	I	L										

III. Position of mobilisation and deployment of funds (Amount in Rs. thousands)

Total liabilities	Total assets																		
<table border="1" style="display: inline-table; border-collapse: collapse;"><tr><td> </td><td> </td><td>1</td><td>4</td><td>9</td><td>2</td><td>7</td><td>7</td><td>5</td></tr></table>			1	4	9	2	7	7	5	<table border="1" style="display: inline-table; border-collapse: collapse;"><tr><td> </td><td> </td><td>1</td><td>4</td><td>9</td><td>2</td><td>7</td><td>7</td><td>5</td></tr></table>			1	4	9	2	7	7	5
		1	4	9	2	7	7	5											
		1	4	9	2	7	7	5											
Sources of funds	Reserves and surplus																		
Paid up capital	<table border="1" style="display: inline-table; border-collapse: collapse;"><tr><td> </td><td> </td><td>1</td><td>0</td><td>6</td><td>5</td><td>5</td><td>2</td><td>8</td></tr></table>			1	0	6	5	5	2	8									
		1	0	6	5	5	2	8											
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		1	0	7	5	0	4												
Secured loans	<table border="1" style="display: inline-table; border-collapse: collapse;"><tr><td> </td><td> </td><td> </td><td> </td><td> </td><td> </td><td>N</td><td>I</td><td>L</td></tr></table>							N	I	L									
						N	I	L											
<table border="1" style="display: inline-table; border-collapse: collapse;"><tr><td> </td><td> </td><td>2</td><td>4</td><td>1</td><td>4</td><td>6</td><td>2</td></tr></table>			2	4	1	4	6	2	Investments										
		2	4	1	4	6	2												
Application of funds	<table border="1" style="display: inline-table; border-collapse: collapse;"><tr><td> </td><td> </td><td>1</td><td>3</td><td>0</td><td>2</td><td>1</td><td>9</td></tr></table>			1	3	0	2	1	9										
		1	3	0	2	1	9												
Net fixed assets	Misc. expenditure																		
<table border="1" style="display: inline-table; border-collapse: collapse;"><tr><td> </td><td> </td><td>7</td><td>0</td><td>0</td><td>8</td><td>4</td><td>1</td></tr></table>			7	0	0	8	4	1	<table border="1" style="display: inline-table; border-collapse: collapse;"><tr><td> </td><td> </td><td> </td><td> </td><td> </td><td> </td><td>5</td><td>9</td><td>4</td></tr></table>							5	9	4	
		7	0	0	8	4	1												
						5	9	4											
Net current assets																			
<table border="1" style="display: inline-table; border-collapse: collapse;"><tr><td> </td><td> </td><td>6</td><td>6</td><td>1</td><td>1</td><td>2</td><td>1</td></tr></table>			6	6	1	1	2	1											
		6	6	1	1	2	1												
Accumulated losses																			
<table border="1" style="display: inline-table; border-collapse: collapse;"><tr><td> </td><td> </td><td> </td><td> </td><td> </td><td> </td><td>N</td><td>I</td><td>L</td></tr></table>							N	I	L										
						N	I	L											

IV. Performance of company (Amount in Rs. thousands)

Turnover	Total expenditure																		
<table border="1" style="display: inline-table; border-collapse: collapse;"><tr><td> </td><td> </td><td>8</td><td>7</td><td>5</td><td>5</td><td>5</td><td>2</td></tr></table>			8	7	5	5	5	2	<table border="1" style="display: inline-table; border-collapse: collapse;"><tr><td> </td><td> </td><td>5</td><td>5</td><td>2</td><td>6</td><td>9</td><td>3</td></tr></table>			5	5	2	6	9	3		
		8	7	5	5	5	2												
		5	5	2	6	9	3												
Profit/Loss before tax	Profit/Loss after tax																		
<table border="1" style="display: inline-table; border-collapse: collapse;"><tr><td> </td><td> </td><td>+</td><td>3</td><td>2</td><td>2</td><td>8</td><td>5</td><td>9</td></tr></table>			+	3	2	2	8	5	9	<table border="1" style="display: inline-table; border-collapse: collapse;"><tr><td> </td><td> </td><td>+</td><td>2</td><td>0</td><td>6</td><td>6</td><td>9</td><td>3</td></tr></table>			+	2	0	6	6	9	3
		+	3	2	2	8	5	9											
		+	2	0	6	6	9	3											
(Please tick approximate box + for profit - for loss)																			
Earning per share in Rs.	Dividend rate %																		
<table border="1" style="display: inline-table; border-collapse: collapse;"><tr><td> </td><td> </td><td>+</td><td>9</td><td>.</td><td>6</td><td>1</td></tr></table>			+	9	.	6	1	<table border="1" style="display: inline-table; border-collapse: collapse;"><tr><td> </td><td> </td><td> </td><td> </td><td> </td><td> </td><td>4</td><td>0</td></tr></table>							4	0			
		+	9	.	6	1													
						4	0												

V. Generic name of three principal products/services of company (as per monetary terms)

Item Code No. (ITC Code)

A	I
---	---

 Product description

P	R	O	C	E	S	S	I	N	G	&	P	R	I	N	T	I	N	G	O	F	
C	I	N	E	M	A	T	O	G	R	A	P	H	I	C	F	I	L	M	S		

For and on behalf of Board of Directors

As per our report of even date
For H.O. Agarwal & Co.,
 Chartered Accountants

Mr. Manmohan Shetty
 Chairman & Managing Director

Mr. Vasanti Mamania
 Wholetime Director

Miss. Pooja M. Shetty
 Wholetime Director

H.O.AGARWAL
 Proprietor
 Membership No. 14270

Mr. Chandir Gidwani
 Director

Mr. Pradeep Guha
 Director

Ms. Kirti V. Desai
 Company Secretary

Mumbai, 24th August, 2005.

CASH FLOW STATEMENT FOR THE YEAR ENDED 31ST MARCH 2005

	31-Mar-2005 Rupees	31-Mar-2004 Rupees
A CASH FLOW FROM OPERATING ACTIVITIES		
Net profit before tax and extraordinary items	322,858,905	278,084,114
Adjustment for:		
Depreciation	54,550,038	44,815,692
Interest paid and payable	15,826,274	13,470,823
Loss on sale of assets	735,612	-
Deferred revenue expenditure	10,939,687	10,094,159
Operating profit before working capital changes	404,910,516	346,464,788
(Increase)/decrease in trade receivables	(42,165,865)	(35,724,891)
(Increase)/ decrease in Inventories	(3,235,107)	1,055,129
(Increase)/decrease in loans and advances	(129,861,997)	(50,700,711)
Increase/(decrease) in trade payable	32,031,366	(8,307,717)
Cash generated from operation	261,678,913	252,786,598
Tax paid	(102,546,624)	(94,179,392)
Loan instalments/interest paid/payable	(47,060,871)	(104,371,705)
Cash flow before extraordinary items	112,071,418	54,235,501
Net cash flow from operating activities (A)	112,071,418	54,235,501
B CASH FLOW FROM INVESTING ACTIVITIES		
Purchase of fixed assets	(60,368,905)	(81,523,377)
(Increase)/decrease in investment	(75,600,000)	(54,118,600)
Proceeds from sale of fixed assets	360,000	-
(Increase)/decrease in capital work in progress	(50,477,698)	8,732,919
Net cash used in investing activities (B)	(186,086,603)	(126,909,058)
C CASH FLOW FROM FINANCE ACTIVITIES		
Proceeds from long term borrowings	129,646,943	117,900,962
Dividend (including dividend tax) paid	(60,776,573)	(48,511,067)
Net cash used for financing activities (C)	68,870,370	69,389,895
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENT (A+B+C)	(5,144,815)	(3,283,662)
Cash and cash equivalents as at 01-Apr-04(opening balance)	27,039,575	30,323,237
Cash and cash equivalents as at 31-Mar-05(closing balance)	21,894,760	27,039,575

For and on behalf of Board of Directors

As per our report of even date

For H.O. Agarwal & Co.,
Chartered AccountantsMr. Manmohan Shetty
Chairman & Managing DirectorMr. Vasanji Mamanian
Wholetime DirectorMiss. Pooja M. Shetty
Wholetime DirectorH.O.AGARWAL
Proprietor
Membership No. 14270Mr. Chandir Gidwani
DirectorMr. Pradeep Guha
DirectorMs. Kirti V. Desai
Company Secretary

Mumbai, 24th August, 2005.

Statement pursuant to Section 212 of the Companies Act, 1956 relating to Company's interest in the Subsidiary Companies

1.	Name of the subsidiary company	Entertainment One (India) Limited	Gemini Exhibitors Limited	Runwal Multiplex Private Limited
2.	Financial year of the subsidiary company ended on	31st March, 2005	31st March, 2005	31st March, 2005
3.	Date from which they become subsidiary companies	29th October, 2002	19th May, 2003	1st November, 2003
4.	a) Number of shares held in subsidiary company on the above date	5,000 equity shares of Rs. 100/- each	5,000 equity shares of Rs. 100/- each	49,110 equity shares of Rs. 100/- each
	b) Extent of holding	100%	100%	50.06%
5.	The net aggregate of profit / (losses) of the subsidiary company as far as it concerns the members of the holding company's			
	i) Not dealt with in the holding company's accounts:			
	a) For the financial year of the subsidiary ended March 31,2004	(25,13,350)	(5,100)	1,68,44,929
	b) For the previous financial year since it became the holding company's subsidiary.	(773,280)	(5,400)	4,459,195
	ii) Dealt with in the holding company's accounts:			
	a) For the financial year of the subsidiary	NIL	NIL	NIL
	b) For the previous financial year since it became the holding company's subsidiary	NIL	NIL	NIL

For and on behalf of Board of Directors

Mr. Manmohan Shetty **Mr. Vasanji Mamania** **Miss. Pooja M. Shetty**
 Chairman & Managing Director Wholetime Director Wholetime Director

Mr. Chandir Gidwani **Mr. Pradeep Guha** **Ms. Kirti V. Desai**
 Director Director Company Secretary

Mumbai, 24th August, 2005.

AUDITORS' REPORT ON THE CONSOLIDATED FINANCIAL STATEMENTS

To the Board of Directors of Adlabs Films Limited on the consolidated financial statements of Adlabs Films Limited and its subsidiaries.

We have examined the attached Consolidated Balance Sheet of Adlabs Films Limited and its subsidiaries as at 31st March 2005, and the Consolidated Profit and Loss Account and also the Consolidated Cash Flow Statement for the year then ended.

1. These consolidated financial statements are the responsibility of the Adlabs Films Limited's management. Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with generally accepted auditing standards in India. These standards require that we plan and perform the audit to obtain reasonable assurance whether the financial statements are prepared, in all material respects, in accordance with an identified financial reporting framework and are free of material misstatements. An audit includes, examining on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statements. We believe that our audit provided a reasonable basis for our opinion.
2. (a) The financial statements of the Subsidiary Company, Gemini Exhibitors Limited, have been audited by us whose financial statements reflect total assets of Rs. 451.01 lakhs as at 31st March, 2005 and total loss of Rs. 0.06 lakhs for the year then ended.
(b) We did not audit the financial statements of the other subsidiaries, whose financial statements reflect total assets of Rs. 4,640.76 lakhs as at 31st March 2005 and total revenues of Rs. 1,232.95 lakhs for the year then ended. These financial statements have been audited by other auditors, whose reports have been furnished to us, and our opinion, insofar as it relates to the amounts included in respect of the subsidiaries, is based solely on the report of the other auditors.
3. We report that the consolidated financial statements have been prepared by the Company in accordance with the requirements of Accounting Standard (AS) 21, "Consolidated Financial Statements", and Accounting Standard (AS) 23 "Accounting for Investment in Associates", in consolidated financial statements issued by the Institute of Chartered Accountants of India and on the basis of the separate audited financial statements of Adlabs Films Limited and its subsidiaries included in the consolidated financial statements.

On the basis of the information and explanations given to us and on the consideration of the separate audit reports on individual audited statements of Adlabs Films Limited and its subsidiaries included in the consolidated financial statements read together with significant accounting policies and notes on accounts of Consolidated Financial Statements, we are of the opinion that:

- (a) the Consolidated Balance Sheet gives a true and fair view of the consolidated state of affairs of Adlabs Films Limited and its subsidiaries as at 31st March 2005;
- (b) the Consolidated Profit and Loss Account gives a true and fair view of the consolidated results of operations of Adlabs Films Limited and its subsidiaries for the year then ended; and
- (c) the Consolidated Cash Flow Statement gives a true and fair view of the consolidated cash flows of Adlabs Films Limited and its subsidiaries for the year then ended.

For H. O. AGARWAL & Co.
Chartered Accountants

H. O. AGARWAL
(Proprietor)

Membership No. 14270

Mumbai, 24th August, 2005.

CONSOLIDATED BALANCE SHEET AS AT 31st MARCH 2005

	SCHEDULE	31-Mar-2005 Rupees	31-Mar-2004 Rupees
SOURCES OF FUNDS			
Shareholder's funds			
Share capital	A	107,503,750	107,503,750
Reserves and surplus	B	1,083,688,455	947,144,503
		<u>1,191,192,205</u>	<u>1,054,648,253</u>
Minority interest		68,248,705	72,795,922
Loans funds			
Secured loans	C	276,717,281	143,693,752
Deferred tax liability		86,158,825	74,305,628
		<u>1,622,317,016</u>	<u>1,345,443,555</u>
APPLICATION OF FUNDS :			
Fixed assets			
Gross block	D	1,006,548,361	952,753,279
Less : Depreciation		224,985,952	169,394,554
Net block		<u>781,562,409</u>	<u>783,358,725</u>
Capital work in progress		61,807,593	11,329,895
Goodwill	E	949,992	949,992
Investments	F	166,481,814	48,942,600
Current assets, loans and advances			
Inventories		9,532,593	6,341,320
Sundry debtors	G	368,377,056	322,407,709
Cash and bank balances	H	28,657,447	107,506,425
Loans and advances	I	827,747,635	530,352,123
		<u>1,234,314,731</u>	<u>966,607,577</u>
Less : Current liabilities and provisions			
Liabilities	J	254,838,558	210,057,299
Provisions	K	368,681,314	267,349,571
		<u>610,794,859</u>	<u>489,200,707</u>
Net current assets		610,794,859	489,200,707
Miscellaneous expenditure			
Deferred revenue expenditure (To the extent not written off or adjusted)		720,349	11,661,636
		<u>1,622,317,016</u>	<u>1,345,443,555</u>
ACCOUNTING POLICIES			
NOTES ON ACCOUNTS			
	Q		
	R		

The schedules referred to above form an integral part of the balance sheet. Signatures to balance sheet and schedule A to K and Q & R.

For and on behalf of Board of Directors

As per our report of even date

For H.O. Agarwal & Co.,
Chartered Accountants

Mr. Manmohan Shetty
Chairman & Managing Director

Mr. Vasanji Maman
Wholetime Director

Miss. Pooja M. Shetty
Wholetime Director

H.O.AGARWAL
Proprietor
Membership No. 14270

Mr. Chandir Gidwani
Director

Mr. Pradeep Guha
Director

Ms. Kirti V. Desai
Company Secretary

Mumbai, 24th August, 2005.

ANNUAL REPORT 2004-2005

CONSOLIDATED PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31ST MARCH 2005

	SCHEDULE	31-Mar-2005 Rupees	31-Mar-2004 Rupees
INCOME			
Sales		392,177,604	372,945,418
Other sales(Traded goods)		233,636,473	199,031,102
Income - Theatre operations		316,101,774	221,210,744
Surplus from sale of film rights		12,685,818	1,634,417
Other income		35,354,049	36,284,053
Recovery of bad debts		2,643,048	—
		992,598,766	831,105,734
EXPENDITURE			
Inventory adjustment	L	(3,191,273)	1,035,158
Other purchases (Traded goods)		182,688,643	175,737,486
Production expenses	M	94,967,328	91,445,857
Expenses - Theatre operations	N	197,942,151	137,478,663
Employees remuneration and benefits	O	43,209,254	40,016,518
Administrative expenses	P	34,350,032	33,658,116
Interest		15,910,780	13,490,769
Depreciation		62,012,793	47,905,023
		627,889,708	540,767,590
PROFIT BEFORE TAX		364,709,058	290,338,144
Less : Provision for tax:			
Current		120,075,087	85,819,890
Deferred		12,318,988	18,885,436
		132,394,075	104,705,326
Less : Short provision of tax of previous years		1,154,842	1,460,616
PROFIT AFTER TAX		231,160,141	184,172,202
Share in associate (Net)		3,821,497	—
Less: Minority interest		16,803,768	4,448,298
PROFIT AFTER MINORITY INTEREST		218,177,870	179,723,904
Add : Balance brought forward from previous years		11,808,845	2,861,514
Deferred tax assets of earlier years		465,791	—
		230,452,506	182,585,418
APPROPRIATIONS			
General reserve		20,670,000	110,000,000
Proposed dividend		72,001,500	53,751,875
Dividend tax on proposed dividend		10,098,210	7,024,699
Balance carried to balance sheet		127,682,796	11,808,844
		230,452,506	182,585,418
Earnings per share of Rs.5/-fully paid (Basic and diluted)		10.15	8.36

ACCOUNTING POLICIES

Q

NOTES ON ACCOUNTS

R

The schedules referred to above form an integral part of the profit and loss account. Signatures to profit and loss account and schedule L to P and Q & R.

For and on behalf of Board of Directors

As per our report of even date

For H.O. Agarwal & Co.,
Chartered Accountants

Mr. Manmohan Shetty
Chairman & Managing Director

Mr. Vasanji Maman
Wholetime Director

Miss. Pooja M. Shetty
Wholetime Director

H.O.AGARWAL
Proprietor
Membership No. 14270

Mr. Chandir Gidwani
Director

Mr. Pradeep Guha
Director

Ms. Kirti V. Desai
Company Secretary

Mumbai, 24th August, 2005.

ADLABS

SCHEDULE FORMING PART OF THE CONSOLIDATED BALANCE SHEET AS AT 31 ST MARCH,2005

	31-Mar-2005 Rupees	31-Mar-2004 Rupees
A. SHARE CAPITAL		
Authorised		
24,000,000 equity shares of Rs.5/-each	120,000,000	120,000,000
(Previous year 24,000,000 equity shares of Rs.5/-each)		
Issued,subscribed and paid up capital		
21,500,750 equity share of Rs.5/- each fully paid up (Includes 17,000,000 equity share were allotted as bonus share on capitalisation of general reserves.)	107,503,750	107,503,750
	107,503,750	107,503,750
B. RESERVES AND SURPLUS		
General reserves		
As per last balance sheet	425,930,000	315,930,000
Add : Transferred from profit and loss account	20,670,000	110,000,000
	446,600,000	425,930,000
Share premium account	506,017,250	506,017,250
Surplus as per profit and loss account	127,682,796	11,808,844
Capital reserve	3,388,409	3,388,409
	1,083,688,455	947,144,503
C. SECURED LOANS		
From bank	276,717,281	143,693,752
(The nature of security vide note no.2 in Schedule Q)		
	276,717,281	143,693,752

D. FIXED ASSETS

	Gross block				Depreciation				Net block	
	As on 1-Apr-04	Additions	Deduction	Total 31-Mar-05	As on 1-Apr-04	Provided during the year	Depreciation on assets sold	Total 31-Mar-05	As on 31-Mar-05	As on 31-Mar-04
Tangible assets										
Leasehold land	22,001,760	571,650	—	22,573,410	—	—	—	—	22,573,410	22,001,760
Buildings:										
Leasehold	35,108,330	—	—	35,108,330	7,015,385	1,080,498	—	8,095,883	27,012,447	28,092,945
Freehold	336,940,335	3,425,306	—	340,365,641	23,043,727	11,352,652	—	34,396,378	305,969,262	313,896,608
Air conditioner plant	43,879,318	726,377	1,464,862	43,140,833	11,811,964	2,171,159	1,384,155	12,598,968	30,541,865	32,067,354
Electrical installation	57,179,696	1,523,317	116,712	58,586,301	15,210,430	4,046,782	109,490	19,147,722	39,438,579	41,969,266
Plant and machinery	127,688,803	43,035,686	3,365,341	167,359,148	38,140,739	16,340,215	2,594,937	51,886,017	115,473,131	89,548,064
Theatres and equipments	270,879,998	982,897	475,000	271,387,895	58,663,305	19,505,243	23,738	78,144,810	193,243,085	212,216,693
Furniture and fixtures	44,720,259	8,338,317	1,425,958	51,632,618	10,872,875	4,839,173	1,357,570	14,354,478	37,278,141	33,847,384
Vehicles	14,354,780	2,278,250	1,423,549	15,209,481	4,636,129	2,440,130	951,504	6,124,755	9,084,726	9,718,651
Sub total	952,753,279	60,881,800	8,271,422	1,005,363,657	169,394,554	61,775,852	6,421,394	224,749,011	780,614,646	783,358,725
Intangible assets										
Computer software	—	1,184,704	—	1,184,704	—	236,941	—	236,941	947,763	—
Sub total	—	1,184,704	—	1,184,704	—	236,941	—	236,941	947,763	—
Total	952,753,279	62,066,504	8,271,422	1,006,548,361	169,394,554	62,012,793	6,421,394	224,985,952	781,562,409	783,358,725
Previous year	719,092,268	237,018,275	3,357,264	952,753,279	121,489,531	47,905,023	—	169,394,554	783,358,725	597,602,737

	31-Mar-2005 Rupees	31-Mar-2004 Rupees
E. GOODWILL		
Carrying cost of goodwill (Derived in accordance with Accounting Standard 21)	949,992	949,992
	949,992	949,992

ANNUAL REPORT 2004-2005

SCHEDULE FORMING PART OF THE CONSOLIDATED BALANCE SHEET AS AT 31	31-Mar-2005	31-Mar-2004
ST MARCH, 2005	Rupees	Rupees
F. INVESTMENTS (AT COST)		
I Unquoted - Non trade: Long term		
Share in Prime Focus Limited:	46,657,600	46,657,600
964,000 equity shares of Rs 5/- each fully paid up		
Shares in Mukta Adlabs Digital Exhibition Private Ltd.:	50,000	50,000
500 equity shares of Rs.100/- each fully paid up		
Shares in Cineplex Private Limited:		
50,000 equity shares of Rs 10/- each fully paid up	500,000	—
(Purchased during the year)		
NSC (Pledged with Collector of Mumbai and Nasik)	7,100,000	2,000,000
Investment in Partnership Firm	44,601,467	235,000
II Investments in associates		
Swanston Multiplex Cinemas Pvt. Ltd. 70,000,000		
389,922 equity shares of Rs 10/- each		
fully paid up (Cost of acquisition		
includes goodwill of Rs.492.63 lakhs)		
Add: Share of profit of associates	3,821,497	
	73,821,497	
Less : Dividend received	6,248,750	—
	67,572,747	—
	166,481,814	48,942,600
G. SUNDRY DEBTORS (Unsecured-Considered good)		
Over six months	254,993,164	196,346,839
Others	113,383,892	126,060,870
	368,377,056	322,407,709
H. CASH AND BANK BALANCES		
Cash on hand	1,516,298	1,177,952
Balance with scheduled banks:		
Current accounts	6,366,119	23,258,796
Fixed deposit	20,314,327	82,788,941
Dividend account	460,703	280,736
	28,657,447	107,506,425
I. LOANS AND ADVANCES (Unsecured - Considered good)		
(Advances recoverable in cash or in kind or for value to be received)		
Share application money in joint venture	52,421,885	20,155,000
Other advances	435,207,853	266,288,369
Deposits	14,271,797	6,316,146
T.D.S.and Advance tax	303,996,009	227,630,751
Advance to contractors	21,850,091	9,961,857
	827,747,635	530,352,123
J. LIABILITIES		
Sundry creditors		
Due to SSI units	2,514,507	3,002,284
Others	111,104,656	52,207,253
Sundry creditors for expenses	40,112,901	25,229,388
Advances against contracts	63,328,221	100,935,491
Advances against films	37,778,273	28,682,883
	254,838,558	210,057,299
K. PROVISIONS		
Provision for taxation	286,581,604	206,572,998
Proposed dividend	72,001,500	53,751,875
Dividend tax on proposed dividend	10,098,210	7,024,698
	368,681,314	267,349,571

ADLABS

SCHEDULE FORMING PART OF THE CONSOLIDATED PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31 ST MARCH,2005

	31-Mar-2005 Rupees	31-Mar-2004 Rupees
L. INVENTORY ADJUSTMENTS		
Opening stock	6,341,320	7,376,478
Less : Closing stock	9,532,593	6,341,320
(Increase) / decrease in stock	(3,191,273)	1,035,158
M. PRODUCTION EXPENSES		
Chemical purchases	50,830,745	47,975,059
Processing charges	7,278,878	10,785,672
Electricity charges	7,110,128	5,601,524
Repairs and maintenance	6,875,777	5,412,030
Consumable stores	4,873,876	3,509,665
Freight, collie and cartage	1,090,519	1,844,313
Rent, rates and taxes	15,204,195	14,954,001
Prior period expenses	—	508,800
Water charges	1,703,210	854,793
	94,967,328	91,445,857
N. EXPENSES (THEATRE OPERATIONS)		
Advertisement expenses	12,718,214	7,873,322
Audit fees and other services	79,010	27,900
Bank charges and commission	470,357	271,234
Business promotion	2,209,037	1,975,956
Conveyance	2,370,451	1,556,609
Commission and brokerage	372,371	557,338
Distributors share	60,876,163	41,845,921
Deferred revenue expenditure written off	936,175	937,775
Donation	93,801	65,500
Electricity charges	17,856,682	12,512,636
Entertainment tax	2,025,310	—
Film cost	5,349,428	8,349,392
Insurance charges	1,958,800	1,672,392
Legal and professional fees	5,098,244	1,427,103
Miscellaneous expenses	115,024	110,063
Membership and subscription	43,497	148,165
Motor car expenses	630,458	403,381
Printing and stationery	1,803,260	1,255,801
Postage telegram and telephone	1,906,359	1,517,545
Purchase cafeteria and others	27,302,506	19,067,515
Prior period expenses	—	135,000
Preliminary expenses	1,600	—
Repairs and maintance	23,112,057	14,772,669
Rent rates and taxes	12,346,811	9,243,363
Salaries, wages and bonus	15,846,904	9,098,628
Sales tax	667,035	556,027
Security charges	1,360,586	1,810,721
Water charges	392,011	286,707
	197,942,151	137,478,663

SCHEDULE FORMING PART OF THE CONSOLIDATED PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31 ST MARCH, 2005

	31-Mar-2005 Rupees	31-Mar-2004 Rupees
O. EMPLOYEES REMUNERATION		
Salaries, wages and bonus	28,670,002	27,266,051
Staff welfare expenses	643,252	550,467
Directors remuneration	13,896,000	12,200,000
	<u>43,209,254</u>	<u>40,016,518</u>
P. ADMINISTRATIVE EXPENSES		
Advertising expenses	463,810	733,750
Audit and other fees	636,560	336,000
Animation Logo	—	334,122
Bank charges	1,571,955	1,407,156
Business promotion expenses	870,985	1,165,262
Commission	431,501	354,002
Conveyance and travelling expenses	2,645,305	943,404
Deferred revenue expenses (Digital)	169,106	169,106
Donation	67,101	189,851
Effluent treatment charges	261,665	254,976
Equipment hiring charges	502,833	687,252
Insurance charges	6,980,219	6,967,719
Legal and professional fees	1,847,989	4,193,257
Loss on sale of assets	735,612	—
Miscellaneous expenses	1,126,193	799,333
Motor car expenses	1,509,499	1,265,809
Postage,telegram and telephone	1,079,119	737,174
Printing and stationery	1,010,411	1,084,855
Membership and subscription	146,290	153,143
Refinery charges	474,332	318,800
Sales tax	1,473,893	1,144,325
Security charges	511,248	584,411
Share issue expenses	9,834,406	9,834,409
	<u>34,350,032</u>	<u>33,658,116</u>

SCHEDULE – Q:**SIGNIFICANT ACCOUNTING POLICIES:****I. PRINCIPLES OF CONSOLIDATION :**

The accounts are prepared to comply all material aspect with the generally accepted accounting principles in India and the Accounting Standards issued by the Institute of Chartered Accountants of India. The significant accounting policies are as follows:

1. Basis of accounting:

The accounts are prepared in accordance with the historical cost convention.

2. Principles on consolidation:

- a) The consolidated financial statements relate to Adlabs Films Limited and its subsidiary companies. The consolidated financial statements have been prepared on the following basis:

In respect of subsidiary companies the financial statements have been consolidated on a line by line basis by adding together the book values of like items of assets, liabilities, income and expenses, after fully eliminating intra-group balances and unrealized profits and losses on intra-group transaction as per Accounting Standard-AS 21 “Consolidated Financial Statements”.

The excess of cost to the company of its investment in the subsidiary company is recognised in the financial statements as goodwill.

The excess of Company's portion of equity of the subsidiary as at the date of its investment is treated as capital reserve.

- b) Minority interest in the net assets of a consolidated subsidiary consists of :

The amount of equity attributable to minorities at the date on which investment in subsidiary is made; and

The minorities share of movements in equity since the date the parent subsidiary relationship came into existence.

- c) Investments in associates are accounted in accordance with AS-23 on “Accounting for Investments in Associates in Consolidated Financial Statement”, issued by the Institute of Chartered Accountants of India under “Equity Method”.

- d) The Consolidated Financial Statements relate to Adlabs Films Limited, its subsidiaries and associate. The details are given below :

Name of the subsidiaries	Country of incorporation	Proportion of ownership interest
Entertainment One (India) Limited	India	100%
Gemini Exhibitors Limited	India	100%
Runwal Multiplex Private Limited*	India	50.06%

(*Out of 98,100 shares 49,110 shares of Rs. 10/- each are held by the Company)

Name of the associate company	Country of incorporation	Proportion of ownership interest
Swanston Multiplex Cinemas Pvt.Ltd.	India	49.99%

(Out of 780,000 shares 389,922 shares of Rs. 10/- each are held by the Company)

II. ACCOUNTING POLICIES:**1. Method of accounting**

The financial statements have been prepared on the historical cost convention based on the accrual concept and in accordance with the applicable Accounting Standards issued by the Institute of Chartered Accountants of India, generally accepted accounting principles and provisions of the Companies Act, 1956. The accounting is on the basis of a going concern concept.

2. Fixed Assets:

Use of Estimates: The preparation of financial statements requires estimates and assumptions to be made that affect the reported amount of assets and liabilities on the date of the financial statements and the reported amount of revenues and expenses during the reporting period. Difference between the actual results and estimates are recognised in the period in which the results are known/materialized.

Fixed Assets are stated at cost (Gross block) less accumulated depreciation. Capital work in progress includes advances. Interest on borrowings and financing cost during the period of construction is added to the cost of the assets.

3. Depreciation:

Depreciation has been calculated at the rates and in the manner as specified in schedule XIV of the Companies Act, 1956 as indicated below:

Film processing unit – written down value method

Digital projection system - straight line method

Finance / rights of films division - written down value method.

Multiplex theatres – Straight line method

Film processing unit – Cost of leasehold building is amortised equally over remaining period of lease.

Leasehold lands are not depreciated.

Major application software are shown as intangible assets which are amortised over its useful life (not exceeding five years) as determined by the management.

4. Impairment of assets:

An assets is treated as impaired when the carrying cost of assets exceeds its recoverable value. An impairment loss is charged to the profit and loss account in the year in which an asset is identified as impaired. The impairment loss recognised in prior accounting periods is reversed if there has been a change in the estimate of recoverable amount.

5. Inventories:

Inventories are valued at cost determined on FIFO basis. As the Company is billing for the work done, there is no work in progress at the end of the year. Stores and spares are charged to profit and loss account on its purchase.

Films for exhibition on hand are valued at cost to the extent of unexpired period of lease available for their exhibition and the same have been grouped with prepaid expenses.

6. Investments:

Long term investments are stated at cost less provision, if any, diminution in the value other than temporary. Current investments are stated at cost.

7. Foreign currency transaction:

Transactions denominated in foreign currency are normally recorded at the exchange rate prevailing at the time of transactions. Current liabilities denominated in foreign currencies are recorded at the rate prevailing as on the date of the balance sheet. Exchange difference arising there from is taken to profit and loss account except those relating to the acquisition of fixed assets, are adjusted in the cost of the assets.

8. Taxation:

Provision for income tax for the year comprises current income tax determined to be payable in respect of taxable income and deferred tax being the tax effect of timing differences representing the difference between taxable income and accounting income that originate in one period, and are capable of reversal in one or more subsequent period(s) and measured using relevant enacted tax rates.

In case of Entertainment One (India) Limited, the deferred tax asset is recognised and carried forward to the extent that there is reasonable certainty of sufficient future taxable income, and in the case of Gemini Exhibitors Limited the deferred tax assets is not recognised on a conservative principle.

9. Retirement benefits:

Contributions to defined contribution schemes such as provident fund and pension fund are charged to profit and loss account as incurred.

The payment and provision for present liability of future payment of gratuity has been made to an approved gratuity fund which fully covers the same under "Cash Accumulation Policy of The Life Insurance Corporation of India".

Necessary provision is made for the value of unutilized leave benefits due to employees at end of the year as estimated by the management.

In case of Entertainment One (India) Ltd. the company does not offer encashment benefits to its employees, the liability on account of gratuity is not provided as none of the employee has put in the required number of years of services in the company. The contribution to superannuation and provident fund is not made during the year, since number of employees is less than the minimum statutory requirement. The bonus to employees is accounted for on payment basis.

10. Revenue recognition:

Processing income is recognised on the basis of services rendered and is recorded net of trade discount and service tax.

Sale of traded goods is inclusive of sales tax and net of returns.

Theatre operation income is recognised on the basis of sale of tickets and income from cafeteria and other entertainment facilities and is net of refund, discount and complimentary.

The income from digital projection system has been accounted on the basis of its actual usage based on contractual terms.

Revenue for film financing is recognized on accrual basis from the date of commercial screening of the film. Revenue from a film is recognized only after recovery of full advance given to the producer of the film.

11. Miscellaneous Expenditure:

Share Issue expenses incurred prior to 31st March 2004, initial advertisement expenses, preliminary expenses and film transferring cost for digital projection are amortised over a period of five years. Such expenses incurred after that date are charged off to revenue.

12. Provisions, contingent liabilities and contingent assets:

Provisions involving substantial degree of estimation in measurement are recognised when there is a present obligation as a result of past events and it is probable that there will be an outflow of resources. Contingent liabilities are not recognised but are disclosed in the notes. Contingent assets are neither recognised nor disclosed on the financial statements.

SCHEDULE – R:**NOTES TO ACCOUNTS:****1. Contingent liabilities:**

- a) In respect of letter of credit and bank guarantees issued by the Company's bankers Rs. 123.70 lakhs (Previous year Rs. 87.40 lakhs).
- b) Estimated amount of contract remaining to be executed on capital account and not provided for net of advances Rs. 24.14 lakhs (Previous year Rs. 305.11 lakhs).
- c) Estimated amount of contract remaining to be executed in joint ventures Rs.397.88 lakhs (Previous year Rs. 288.45 lakhs).
- d) Estimated amount of financial commitment for Multiplexes business conducting agreement remaining to be finance Rs. 1,017.29 lakhs (Previous year Rs. 56.33 lakhs).
- e) Estimation amount towards unfinished contracts for films Rs 1,265.29 lakhs (Previous year Rs. 2,589.43 lakhs).
- f) Estimated amount of contract remaining to be executed on capital contribution in partnership firm Rs. 56 lakhs (Previous year Rs. 397.65 lakhs).
- g) On account of Income Tax matters in dispute:

In respect of appeals filed by the Income Tax Department against the decision of CIT (Appeals) for the assessment year 1993-94, 1995-96, 1998-99, 1999-2000 and for block assessment Rs. 403.62 lakhs (Previous year – Rs. 435.26 lakhs).

In respect of Company's appeals pending before Income Tax Appellate Tribunal for assessment year 1996-97 and 1997-98 Rs. 120.16 lakhs (Previous year – Rs. 139.22 lakhs).
- h) Disputed central excise demand pending with the Central Excise Appellate Tribunal in respect of processing division amounts to Rs 479.28 lakhs (Previous year Rs 367.01 lakhs).
- i) The Company shall be liable to pay entertainment tax in the event that the multiplex theaters do not continue operations for a period of ten years from the respective dates from which they commenced their operations. In view of the decision of the management that the multiplex theaters have to run at least for ten years, no liability is envisaged in this regard.

2. Secured loans:

From bank:

Long term loans are secured by equitable mortgage of immovable and movable properties of the Company situated at Wadala (Mumbai), hypothecation of moveable properties at proposed multiplexes, digital projection system and sub-titling machine. Counter guaranteed by the Managing Director and one of the Whole time Director of the Company.

Hypothecation of motor cars acquired on Equitable Monthly Installment (EMI) system.

Short term loans are secured by D.P. Note, hypothecation of book-debts, stocks of raw material and chemicals.

3. Disclosure of Segment Reporting under Accounting Standard 17: (Rs. in lakhs)

	Film processing division	Theatre division	Film finance and rights of films	Year ended 31-Mar-2005	Year ended 31-Mar-2004
Segment revenue	6,742.05	3,161.02	22.92	9,925.99	8,311.06
Segment result	3,072.84	627.83	(24.29)	3,676.38	2,993.80
Operating profit				3,676.38	2,993.80
Interest expenses				(159.11)	(134.91)
Income tax				(1,335.49)	(1,061.65)
Net profit				2181.78	1,797.24
Other information					
Segment assets	10,094.62	8,724.78	3,003.87	21,823.27	15,722.28
Segment liabilities	4,526.38	997.61	985.57	6,509.56	4,873.24
Capital expenditure	554.49	610.79	0.74	1,166.02	2,449.91
Depreciation	225.95	390.68	3.50	620.13	499.05
Amortisation of expenses		—		—	8.46

Notes:

- I. The company and its subsidiaries are organised into three main business segments viz., film processing division comprising of 35 mm and 16 mm negative film processing, 35 mm and 16 mm positive film processing and other related services. Theatre division comprising of IMAX Dome theatre, four screen multiplex theatre at Wadala, four screen multiplex theatre at Mulund, and other entertainment facilities and film financing and rights thereof.
- II. In case of Entertainment One (India) Ltd., the Company is entitled to get benefit from exploitation including re-issue for various films under contract. As no outstanding cost is attributable to such rights, they are reflected at Nil value in the balance sheet. These rights are capable of generating income in future years without incurring substantial cost.
- III. In case of Entertainment One (India) Ltd., the Company has got the assignment of all the rights of the film 'Dev' produced by Udbhav Dream Zone Pvt. Ltd. against the agreement entered with them. As per the assignment, the company was entitled to exploit the rights of the film. Therefore the company assigned the distribution rights and other rights to various parties for total consideration of Rs.88,451,000/-. The total expenditure incurred for realization of these amounts as well as other cost including the cost directly incurred by the producer amounted to Rs.80,793,210/-. The surplus generated of Rs.7,657,790/- was allocated to various parties as per the agreement. The entitlement of the company therefrom, amounting to Rs.1,914,447/- has been recognised and after allocating 90% thereof to "Adlabs Films Ltd." the net amount of Rs.191,445/- is accounted as "Surplus from sale of film rights". The turnover of the transactions belongs to the producer.
- IV. Since the Company's and its subsidiaries operations are carried out in India, the requirement regarding disclosure for geographical segment is not applicable.

4. Disclosure for Operating Lease under Accounting Standard 19:

Company has entered into lease agreement for building for film processing laboratory for a period of 33 years w.e.f. 21st October, 1996. The specified disclosure in respect to this agreement is given below:

(Rs. in lakhs)

	31st March, 2005	31st March, 2004
Lease payments recognised in the profit & loss account for the year	2.10	2.10
Minimum lease payments not later than one year	2.10	2.10
Minimum lease payments later than one year but not later than five years	8.70	8.60
Minimum lease payments later than five years	48.20	50.40

Under the agreement company has paid interest free non-refundable deposit towards the cost of construction of building for film processing laboratory which has been shown as leasehold building in fixed assets schedule and is being amortised over the period of lease.

Agreement contains a provision for renewal.

Agreement contains a provision for lease payments in addition to above payments calculated @ of 3% of Company's annual turnover of film processing income. Liability up to 31st March, 2005 has been provided for ; Balance liability;/additional payments to be made in the future cannot be ascertained.

5. Disclosure of Related Party under Accounting Standard 18:**Related party relationship:****Category I : Major shareholders and key management personnel in the Company:**

Manmohan Shetty
Vasanji Mamania

Category II : Other related parties where common control exists:

Adlabs Finance Limited
Adlabs Shringar Multiplex Cinemas Private Limited
Mamania Films Private Limited
M/s. Adlabs

Category III : Associates :

Swanston Multiplex Cinemas Private Limited

Category IV : Other related parties:

- (a) Joint ventures:
Cineplex Private Limited
Divyashakti Marketing Private Limited
- (b) Business conduct and management agreement for multiplexes:
M/s Huma Adlabs
M/s Metro Adlabs
M/s. Rap Adlabs
- (c) Others:
Bergis Desai J. Sagar Associates
Business Match Services India Limited
Centrum Finance Limited
Mukta Arts Limited
M/s. Adlabs Bangalore
M/s. Adlabs Photoshop
M/s. Adwear Fashion
M/s. Neo Films
M/s. Premier Pressing Works
M/s. P. Bhushan & Co.
Rap Media Limited
Shringar Cinemas Private Limited
Shringar Films Private Limited
Whistling Woods International Private Limited.

Related party transactions 2004-2005:

(Rs. in lakhs)

Transactions	Category-I	Category-II	Category-III	Category-IV		
				(a)	(b)	(c)
Rendering of services	—	—	—	—	—	319.28
	—	(11.75)	—	—	—	(173.44)
Receiving of services	—	—	—	—	—	12.56
	—	—	—	—	—	(91.66)
Managerial remuneration	108.53	—	—	—	—	—
	(190.60)	—	—	—	—	—
Dividend	338.75	—	—	—	—	—
	(299.00)	—	—	—	—	—
Premium on key managerial policy	65.37	—	—	—	—	—
	(65.37)	—	—	—	—	—
Interest received	—	—	—	—	—	—
	—	(21.45)	—	—	—	—
Loan given	—	—	—	—	—	—
	—	(501.00)	—	—	—	—
Loan received back	—	—	—	—	—	—
	—	(501.00)	—	—	—	—
Finance for multiplex	—	—	—	—	530.65	—
	—	—	—	—	—	—
Advances for business conducting agreement	—	—	—	—	29.75	—
	—	—	—	—	(29.75)	—
Purchase of shares	350.00	—	700.00	—	—	—
	—	—	—	—	—	—
Outstanding balance as on 31-Mar-2005	-350.00	—	—	—	29.75	64.60
	—	(11.75)	—	—	(29.75)	(82.75)

Previous year figures are given in brackets.

6. Calculation of earning per share (Face value Rs. 5/- per share)

	Year ended 31-Mar-2005	Year ended 31-Mar-2004
Net profit after taxes (Rs. in lakhs)	2,181.78	1,797.24
Weighted average number of shares	21500750	21500750
Earning per share (Rupees)	10.15	8.36
Face value per share (Rupees)	5	5

7. The breakup of net deferred tax liability is as under:

(Rs. in lakhs)

	Year ended 31-March-2005	Year ended 31-March-2004
a) Deferred tax liability related to fixed assets	880.38	743.41
b) Deferred tax assets related to disallowance under the Income Tax Act, 1961	5.35	0.35
c) Deferred tax assets related to brought forward losses	13.44	—
d) Provision for deferred tax (Net)	861.59	743.06

8. Current assets and current liabilities represent receivables and payables which are subject to confirmation. The Company does not have system of calling for confirmations.

9. The figures of previous year have been regrouped and reclassified wherever necessary.

For and on behalf of Board of Directors

For H.O. Agarwal & Co.,
Chartered Accountants

Mr. Manmohan Shetty
Chairman & Managing Director

Mr. VasANJI Mamania
Wholetime Director

Miss. Pooja M. Shetty
Wholetime Director

H.O. AGARWAL
Proprietor
Membership No. 14270

Mr. Chandir Gidwani
Director

Mr. Pradeep Guha
Director

Ms. Kirti V. Desai
Company Secretary

Mumbai, 24th August, 2005.

ANNUAL REPORT 2004-2005

CONSOLIDATED CASH FLOW STATEMENT FOR THE YEAR ENDED 31ST MARCH,2005		
	31-Mar-2005	31-Mar-2004
	Rupees	Rupees
A CASH FLOW FROM OPERATING ACTIVITIES		
Net profit before tax and extraordinary items	364,709,058	290,338,144
Adjustment for:		
Depreciation	62,012,793	47,905,023
Interest paid and payable	15,910,780	13,490,769
Loss on sale of assets	711,874	—
Deferred revenue expenditure	10,941,287	9,965,797
Operating profit before working capital changes	454,285,792	361,699,733
(Increase)/decrease in trade receivables	(45,969,347)	(37,715,438)
(Increase)/ decrease in Inventories	(3,191,273)	832,995
(increase)/decrease in Loans and advances	(203,717,885)	62,398,426
Increase/(decrease) in trade payable	44,781,259	38,149,841
Cash generated from operation	246,188,546	425,365,557
Tax paid	(117,404,950)	(98,339,992)
Deferred and current tax on consolidation	—	3,803,300
Loan instalments/interest paid/payable	(47,385,823)	(104,391,648)
Share of minority interest	—	3,380,123
Cash flow before extraordinary items	81,397,773	229,817,340
Net cash flow from operating activities (A)	81,397,773	229,817,340
B CASH FLOW FROM INVESTING ACTIVITIES		
Purchase of fixed assets	(61,288,350)	(233,661,012)
(Increase)/decrease in investment	(117,539,214)	(69,097,600)
Proceeds from sale of fixed assets	360,000	—
(Increase)/decrease in capital work in progress	(50,477,698)	8,732,919
Capital reserve on investment in subsidiary	—	3,388,409
Net cash used in investing activities (B)	(228,945,262)	(290,637,284)
C CASH FLOW FROM FINANCE ACTIVITIES		
Proceeds from long term borrowings	164,498,572	118,545,388
Proceeds from share capital and share application money in subsidiary	—	64,967,500
Refund of share application money in subsidiary	(41,272,238)	—
Dividend received from Associate company	6,248,750	—
Dividend (including dividend tax) paid	(60,776,573)	(48,511,067)
Net cash used for financing activities (C)	68,698,511	135,001,821
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENT (A+B+C)	(78,848,978)	74,181,877
Cash and cash equivalents as at 01-Apr-04(opening balance)	107,506,425	33,324,548
Cash and cash equivalents as at 31-Mar-05(closing balance)	28,657,447	107,506,425

For and on behalf of Board of Directors

As per our report of even date

For H.O. Agarwal & Co.,
Chartered Accountants

Mr. Manmohan Shetty
Chairman & Managing Director

Mr. Vasanji Mamanian
Wholetime Director

Miss. Pooja M. Shetty
Wholetime Director

H.O.AGARWAL
Proprietor
Membership No. 14270

Mr. Chandir Gidwani
Director

Mr. Pradeep Guha
Director

Ms. Kirti V. Desai
Company Secretary

Mumbai, 24th August, 2005.

ENTERTAINMENT ONE (INDIA) LTD.

DIRECTORS' REPORT

Dear Shareholders,

Your Board of Directors takes pleasure in presenting Annual Accounts for the year ended 31st March 2005.

FINANCIAL RESULTS:

	2004-05	2003-2004
Sales and Other Income	22,92,777	22,88,215
Profit / (Loss) before Depreciation & Tax	(21,63,797)	(1,65,468)
Depreciation	3,49,553	1,28,506
Profit / (Loss) Before Taxation	(25,13,350)	(2,93,974)
Deferred Tax Asset	8,45,992	NIL
Profit / (Loss) after Taxes	(16,67,358)	(2,93,974)
Balance brought forward from previous year	(17,23,272)	(14,29,298)
Deferred Tax Asset for earlier years	4,65,791	NIL
Profit / (Loss) carried to Balance Sheet	(29,24,839)	(17,23,272)

The company has incurred losses because only one of its under production films could be released during the year. The company is expected to show better results in the coming years due to number of releases planned for each year. Also the income expected from re-issue of film rights will boost the profitability of the company in the years to come.

OPERATIONS:

During the year 2004-05, in the month of June, the Company released the film "DEV" starring Amitabh Bachchan, Om Puri, Fardeen Khan, Kareena Kapoor and others, directed by Mr.Govind Nihalani and produced by Udbhav Dreamzone Pvt Ltd.

AWARD

"DEV" was critically acclaimed and won the following awards:

Filmfare Critics Award for 2004

Best Film – Govind Nihalani

Best Actress – Kareena Kapoor.

"Gangaajal" received the National Award for the Best Film on Other Social Issues for the year 2003-04.

PROJECTS AND FUTURE PLAN :

"WAQT - The Race Against Time" starring Amitabh Bachchan, Akshay Kumar, Priyanka Chopra and others, directed by Mr.Vipul Shah and produced by Blockbuster Movie Entertainers was released in April and was very well appreciated at the Box Office.

'Love Is In The Air' is now retitled 'Dil Jo Bhi Kahey' and the shooting of the film was successfully completed in Stockholm and in Mauritius. The film will be ready for release in September 2005.

The shooting of our film 'Apaharan' is completed and the post production work is expected by October 2005. The film will be released in November 2005.

We have acquired rights of a International film 'Marigold'. The film is being made in English and will be dubbed in Hindi. It is aimed at the mainstream Western audiences along with the Indian audiences around the world. The shooting of 'Marigold' was completed by May 2005. The film is expected to be ready for release in early 2006.

The film 'Guru' has been retitled 'Bluff Master'. The shooting of film is expected to be completed by September, 2005.

The film 'Darwaza Band Rakho' is in progress and is expected to be ready for release by December, 2005.

The company is also negotiating for international film projects, which is a new area of business.

The Company plans to launch its own Music Division Company with the music release of the film "Dil Jo Bhi Kahey" ...

The Company has recently started a 'TV Software Development' division.

The films, which are under production in which your company has interest, are as follows :

No	Name of the Film	Director	Cast
1	Dil Jo Bhi Kahey	Romesh Sharma	Amitabh Bachchan, Karan Sharma, Annabelle Wallis, Bhoomika Chawla
2	Apaharan	Prakash Jha	Ajay Devgan, Nana Patekar, Bipasha Basu
3	Marigold	Willard Carroll	Salman Khan, Ali Larter, Nandana Sen, Gulshan Grover
4	Bluff Master	Rohan Sippy	Abhishek Bachchan, Ritesh Deshmukh, Priyanka Chopra
5	Darwaza Band Rakho	J.D. Chakravorthy	Aftab Shivdasani, Isha Shervani, Manisha Koirala

DIVIDEND:

In view of absence of profits for the year ended 31st March 2004, the Directors have not recommended dividend on the equity shares of the Company.

DIRECTORS:

In association with the provisions of the companies Act 1956, and the articles of Associations, Mr. Vasniji Mamania shall retire by rotations and being eligible offers himself for reappointment.

Ms Pooja Shetty, who was appointed as additional director w.e.f 24th January 2005 holds office upto the conclusion of the forthcoming Annual General Meeting. The company has received notice under section 257 of the companies Act 1956 from a member proposing the appointment of Ms Pooja Shetty as a director of the company.

AUDITORS:

M/s R.M. Aigaonkar & Co. Chartered Accountants, Mumbai the auditors of the Company will retire at the conclusion of the ensuing Annual General Meeting and are eligible for reappointment. Shareholders are requested to appoint the Auditors to the Company for the current year.

REMUNERATION TO EMPLOYEES:

None of the employees of the company has received remuneration in excess of the limit prescribed u/s 217 (2A) of the Companies Act, 1956.

PUBLIC DEPOSITS:

The Company has not accepted any deposits by way of invitation to the public and has complied with the provisions of Section 58A of the Companies Act, 1956.

ANNUAL REPORT 2004-2005

CONSERVATION OF ENERGY, TECHNOLOGY AND FOREIGN EXCHANGE:

Information as per Section 217(1)(a) of the Companies Act, 1956, read together with Companies (Disclosure of particulars in the report of the Board of Directors) Rules, 1988 and forming part of the Director's Report for the year ended 31st March, 2004 is as under:

- (a) **Conservation of Energy:** During the year under review the company has not consumed electricity.
(b) **Technology Absorption:** The Company does not require any technology for its existing business.
(c) **Foreign exchange earnings and outgo:**

	2004-05 (Rs.)	2003-04 (Rs.)
Foreign Exchange Earnings	Nil	Nil
Foreign Exchange Outgo	8,68,000	4,865

DIRECTORS RESPONSIBILITY STATEMENT

Pursuant to Section 217 (2AA) of the Companies (Amendment) Act, 2000, the Directors confirm that:

- in the presentation of the annual accounts, the applicable accounting standard has been followed alongwith proper explanation relating to material departures;
- the directors had selected such accounting policies and applied them consistently and made judgments and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the company at the end of the financial year and of the profit or loss of the Company for that period;
- the directors had taken proper and sufficient care of the maintenance of adequate accounting records in accordance with the provisions of this Act for safeguarding assets of the company and for preventing and detecting fraud and other irregularities;
- the directors had prepared the annual accounts on going concern basis.

ACKNOWLEDGEMENT

The Directors would like to express their grateful appreciation for the assistance and cooperation and thank the Company's Business Associates and Banks.

The Directors also wish to place on record their appreciation of the employees at all the levels in the organization for their sustained effort and positive contribution.

For and on behalf of Board

Mr. Manmohan Shetty
Mr. Vasanji Mamania

Chairman
Director

Mumbai, 8th August, 2005

AUDITORS' REPORT

TO THE MEMBERS OF ENTERTAINMENT ONE (INDIA) LIMITED

We have audited the attached Balance Sheet of ENTERTAINMENT ONE (INDIA) LIMITED as at 31st March, 2005 and also 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. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in India. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

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

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

- We have obtained all the information and explanations, which to the best of our knowledge and belief were necessary for the purposes of our audit.
- In our opinion, proper books of account as required by law have been kept by the Company so far as appears from our examination of those books.
- The Balance Sheet, Profit and Loss Account and Cash Flow Statement dealt with by this report are in agreement with the books of account.
- In our opinion, the Balance Sheet, Profit and Loss Account and Cash Flow Statement dealt with by this report comply with the Accounting Standards referred to in sub-section (3C) of Section 211 of the Companies Act, 1956;
- On the basis of the information and explanations given to us and written representations received from the directors, as on 31st March, 2005, and taken on record by the Board of Directors, we report that none of the directors is disqualified as on 31st March, 2005 from being appointed as a director in terms of clause (g) of sub-section (1) of Section 274 of the Companies Act, 1956;
- In our opinion and to the best of our information and according to the explanations given to us, the said accounts give the information required by the Companies Act, 1956, in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India:
 - In the case of the Balance Sheet, of the state of affairs of the Company as at 31st March, 2005;
 - In the case of the Profit and Loss Account, of the loss for the year ended on that date and
 - In the case of the Cash Flow Statement of the Cash Flows for the year ended on that date.

For **R.M. AJGAONKAR & CO.**
Chartered Accountants

R.M. AJGAONKAR
Proprietor
Membership No. 31927

Mumbai, 8th August, 2005

ENTERTAINMENT ONE (INDIA) LTD.

ANNEXURE TO AUDITORS' REPORT

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

- 1) a) The Company has maintained proper records showing particulars including the quantitative details and situation of fixed assets.
b) We are informed that the fixed assets have been physically verified by the management during the year. The intervals of verification are reasonable having regards to the size of the Company, and nature of its business. No material discrepancies have been noticed on such verification.
c) The Company has not disposed off substantial part of fixed assets during the year and the going concern status of the Company is not affected.
- 2) The company did not hold any inventory of tangible goods during the year. Therefore clause no. 4(ii)(a), 4(ii)(b) and 4(ii)(c) of the order are not applicable to the company.
- 3) The Company has not taken or granted any loans from or to companies, firm or other parties covered in the register maintained under section 301 of the Companies Act, 1956. Accordingly clauses no. 4(iii)(a), 4(iii)(b), 4(iii)(c) and 4(iii)(d) of the order are not applicable to the company.
- 4) In our opinion and according to information and explanations given to us, there are adequate internal control procedures commensurate with the size of the company and the nature of its business with regard to the purchase of inventory, fixed assets and for transactions of film rights. We have not noticed any continuing failure to correct major weakness in the internal controls during the course of our audit.
- 5) a) The transactions, which were needed to be entered into the register in pursuance to section 301 of the Companies Act have been so entered.
b) In our opinion, and as per the information and explanations given to us, each of these transactions have been made at prices which were reasonable having regard to the prevailing market prices at the relevant time.
- 6) Company has not taken loans from parties, which can be classified as public deposits within the provisions of section 58A and 58AA of the Companies Act, 1956 and the rules framed there under, as it appears from the examination of the relevant records. We are informed by the Management that the National Company Law Tribunal has not passed any order against the company under sections 58A and 58AA of the Companies Act.
- 7) As the paid up capital and reserves of the Company do not exceed Rs. 50 Lacs at the commencement of the financial year or the average turnover does not exceed Rs. 5 crore for a period of three consecutive financial years immediately preceding the financial year, the company is not required to have an internal audit system.
- 8) On the basis of information and explanation given to us, the Central Government has not prescribed maintenance of cost accounting records under section 209 (1)(d) of the Companies Act, 1956 for the products dealt with by the Company.
- 9) a) The Company is generally regular in depositing undisputed applicable statutory dues including provident fund, investor education and protection fund, employees state insurance, income tax, sales tax, wealth tax, custom duty, excise duty and other statutory dues with the appropriate authorities and there are no undisputed arrears of statutory dues as at the last day of the financial year outstanding for more than six months from the date they became payable, *except professional tax of Rs. 2500/-*.
b) According to the information and explanations given to us, there are no disputed arrears of the statutory dues outstanding as at the last day of the financial year on account of Sales Tax, Income Tax, Custom Duty, Wealth Tax, Excise Duty or Cess.
- 10) The accumulated losses of the company at the end of the financial year exceed 50% of its net worth and it has incurred cash losses in the current financial year and the immediately preceding financial year.
- 11) According to the information and explanations given to us and based on the documents and the books and record examined by us, the Company has not defaulted in repayment of dues to the financial institutions or banks. The company has not issued any debentures.
- 12) According to the information and explanations given to us and based on records produced before us, the Company has not granted loans and advances on the basis of security by way of pledge of shares, debentures and other securities. Accordingly, clause 4(xii) of the order is not applicable to the company.
- 13) The Company is not a chit fund, nidhi, mutual benefit fund or a society. Accordingly, clause 4(xiii) of the order is not applicable to the company.
- 14) In our opinion and according to the information and explanations given to us, the company is not dealing or trading in shares, securities and other investments. Accordingly, clause 4(xiv) of the order is not applicable to the company.
- 15) According to the information and explanations given to us, the Company has not given any guarantee for loans taken by others from a banks or financial institutions. Accordingly, clause 4(xv) of the order is not applicable to the company.
- 16) The company has not obtained any term loans. Accordingly, clause 4(xvi) of the order is not applicable to the company. However the company has taken cash credit facility from the bank and the funds obtained there from are applied for the purpose for which such credit facility is taken.
- 17) In our opinion, the funds raised on short term basis have not been used for long term investment and vice versa.
- 18) The Company has not made preferential issue of shares to the parties or companies covered in the register maintained under section 301 of the Companies Act, 1956. Accordingly clause 4(xviii) of the order is not applicable to the company.
- 19) The Company has not issued any debentures. Accordingly clause 4(xix) of the order is not applicable to the company.
- 20) The Company has not made any public issues during the year. Accordingly, clause 4(xx) of the order is not applicable to the company.
- 21) Based on our verification and as per the information and explanation given to us, no fraud on or by the Company has been noticed or reported during the year.

For R.M. AJGAONKAR & CO.
Chartered Accountants

R.M.AJGAONKAR
Proprietor
Membership No. 31927

Mumbai, 8th August, 2005

ANNUAL REPORT 2004-2005

BALANCE SHEET AS AT 31ST MARCH, 2005

	SCHEDULE	31-Mar-2005 Rupees	31-Mar-2004 Rupees
SOURCES OF FUNDS			
Shareholders' funds			
Share capital	A	500,000	500,000
Loan funds			
Secured loans	B	35,255,612	644,429
		<u>35,755,612</u>	<u>1,144,429</u>
APPLICATION OF FUNDS:			
Fixed assets			
Gross block	C	1,628,878	1,554,478
Less: Depreciation		478,059	128,506
Net block		<u>1,150,819</u>	<u>1,425,972</u>
Current assets, loans and advances			
Sundry debtors	D	6,302,873	1,586,495
Cash and bank balances	E	3,270,371	76,408,803
Loans and advances	F	289,733,100	129,855,637
		<u>299,306,344</u>	<u>207,850,935</u>
Less : Current liabilities and provisions			
Current liabilities	G	268,938,173	209,735,750
Provisions		—	120,000
Net current assets		<u>30,368,171</u>	<u>(2,004,815)</u>
Deferred tax asset		<u>1,311,783</u>	<u>—</u>
Profit and loss account		<u>2,924,839</u>	<u>1,723,272</u>
		<u>35,755,612</u>	<u>1,144,429</u>
NOTES FORMING PART OF ACCOUNTS	L		

The schedules referred to above form an integral part of the balance sheet. Signature to balance sheet and schedule A to G and L

PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31ST MARCH, 2005

	SCHEDULE	31-Mar-2005 Rupees	31-Mar-2004 Rupees
INCOME			
Surplus from sale of film rights		1,735,100	1,634,417
Other income	H	557,677	653,798
		<u>2,292,777</u>	<u>2,288,215</u>
EXPENDITURE			
Employees cost	I	1,509,515	932,406
Administrative and other expenses	J	2,862,553	1,501,331
Interest	K	84,506	19,946
Depreciation		349,553	128,506
		<u>4,806,127</u>	<u>2,582,189</u>
PROFIT/(LOSS) BEFORE TAXATION		<u>(2,513,350)</u>	<u>(293,974)</u>
Provision for tax		—	—
Current		—	—
Deferred tax assets		845,992	—
PROFIT /(LOSS) AFTER TAX		<u>(1,667,358)</u>	<u>(293,974)</u>
Add: Balance brought forward from previous years		<u>(1,723,272)</u>	<u>(1,429,298)</u>
Deferred Tax Assets for earlier years		465,791	—
Balance carried to balance sheet		<u>(2,924,839)</u>	<u>(1,723,272)</u>
NOTES FORMING PART OF ACCOUNTS	L		

The schedules referred to above form an integral part of the profit and loss account. Signature to profit and loss account and schedule H to K and L

As per our report of even date attached

For R.M.AJGAONKAR & Co.,
Chartered Accountants

R.M.AJGAONKAR
Proprietor
Membership No.31927
Mumbai, 8th August, 2005

For and on behalf of Board of Directors

MANMOHAN SHETTY
VASANJI MAMANIA

Directors

ENTERTAINMENT ONE (INDIA) LTD.

SCHEDULE FORMING PART OF THE BALANCE SHEET AS AT 31ST MARCH, 2005

	31-Mar-2005 Rupees		31-Mar-2004 Rupees					
A. SHARE CAPITAL								
Authorised								
25,000 equity shares of Rs 100/- each	2,500,000		2,500,000					
(Previous year 25,000 equity shares of Rs.100/- each)								
Issued, subscribed and paid up capital								
5,000 equity shares of Rs 100 each fully paid up	500,000		500,000					
(Previous year 5,000 equity shares of Rs 100/- each fully paid up)	500,000		500,000					
B. SECURED LOANS								
Standard chartered bank	403,983		644,429					
(Secured against hypothecation of car)								
Cash credit facility with UTI Bank Ltd	34,851,629		—					
(Against hypothecation of IPR of Marigold and other future projects)								
	35,255,612		644,429					
C. FIXED ASSETS								
	Gross block			Depreciation			Net block	
	As on 1st April 2004	Additions	Total 31st March 2005	As on 1st April 2004	Provided for the year	Total 31st March 2005	As on 31st March 2005	As on 31st March 2004
Furniture and fixture	31,387	—	31,387	218	5,626	5,844	25,543	31,169
Office equipment	407,050	—	407,050	5,429	55,712	61,141	345,909	401,621
Computers	191,060	74,400	265,460	28,381	73,787	102,168	163,292	162,679
Motor car	924,981	—	924,981	94,478	214,428	308,906	616,075	830,503
	1,554,478	74,400	1,628,878	128,506	349,553	478,059	1,150,819	1,425,972
Previous year	—	1,554,478	1,554,478	—	128,506	128,506	1,425,972	—
D. SUNDRY DEBTORS (Unsecured-Considered good)								
Outstanding for more than six months				1,226,088				25,000
Others				5,076,785				1,561,495
				6,302,873				1,586,495
E. CASH AND BANK BALANCES								
Cash on hand				577,080				522,743
Balance with scheduled banks in current accounts				2,680,164				13,398,319
Fixed deposit				13,127				62,487,741
				3,270,371				76,408,803
F. LOANS AND ADVANCES (Unsecured-Considered good)								
To producers for the rights of the films				288,500,333				128,989,174
Advance against expenses				187,500				4,000
Prepaid expenses				24,563				23,390
Advance to employees				1,000				1,000
T.D.S. Receivable				1,019,704				838,073
				289,733,100				129,855,637
G. CURRENT LIABILITIES								
Advances against films				243,290,367				187,601,768
Sundry creditors for expenses				896,277				2,170,181
Advance against distribution contracts				24,625,000				18,525,000
Other creditors				126,529				1,438,801
				268,938,173				209,735,750
PROVISIONS								
For expenses				—				120,000
				—				120,000
				268,938,173				209,855,750

**SCHEDULE FORMING PART OF THE PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED
31ST MARCH, 2005**

	31-Mar-2005 Rupees	31-Mar-2004 Rupees
H. OTHER INCOME		
Interest on F.D.R.	557,677	638,193
Miscellaneous income	—	15,605
	<u>557,677</u>	<u>653,798</u>
I. EMPLOYEES COST		
Salary	1,113,515	432,406
Directors remuneration	396,000	500,000
	<u>1,509,515</u>	<u>932,406</u>
J. ADMINISTRATIVE AND OTHER EXPENSES		
Advertisement expenditure	20,000	10,000
Animation logo	—	334,122
Auditors remuneration	181,060	174,000
Bank charges	463,043	48,809
Books and periodicals	3,148	4,865
Business promotion	342,614	249,802
Car insurance	30,371	12,249
Conveyance	60,266	116,741
Freight and forwarding charges	—	5,232
Filing fees	5,554	5,500
Food expense	11,900	—
Legal and professional fees	229,467	173,333
Miscellaneous expenses	9,373	18,085
Petrol expenses	114,072	51,263
Printing and stationary	23,243	15,490
Professional tax	2,500	2,500
Repair and maintenance	49,686	64,575
Staff welfare	730	36,319
Stamps, postage and telegram	7,238	7,276
Subscription	24,242	25,000
Travelling expenses	1,092,514	40,359
Telephone expenses	164,932	103,311
Web site charges	26,600	2,500
	<u>2,862,553</u>	<u>1,501,331</u>
K. INTEREST		
Bank interest	57,832	4,215
interest on car loan	26,674	15,731
	<u>84,506</u>	<u>19,946</u>

SCHEDULE - L
NOTES FORMING PART OF THE ACCOUNTS 2004-2005
1. Significant accounting policies:
a) Basis of accounting:

The company maintains its accounts on accrual basis following the historical cost convention in accordance with the generally accepted accounting principles [GAAP], and in compliance with Accounting Standards referred to in section 211(3C) and other requirement of the Companies Act, 1956.

b) Fixed assets:

Fixed assets are stated at cost, inclusive of incidental expenses.

c) Depreciation :

Depreciation on fixed assets has been provided on written down value method at the rates and in the manner as specified in Schedule XIV of the Companies Act, 1956.

d) Inventories:

Inventories are valued at cost or market value whichever is lower. Where there is no ascertainable market value in case of inventories like underproduction film rights, the same are valued at cost. [During the year the company had no such inventory].

e) Foreign currency transactions:

Transactions denominated in foreign currency are accounted at the exchange rate prevailing at the date of transaction. Travelling expenses in foreign currency are accounted at the rate prevailing at the time of purchase of foreign currency.

f) Advances for films:

Amount advanced to producers of films are stated at cost.

ENTERTAINMENT ONE (INDIA) LTD.

g) Employees' retirement and other benefits :

The company does not offer leave encashment benefits to its employees.

The liability on account of gratuity is not provided as none of the employee of the company has put in the required number of years of services in the company.

The contribution to superannuation and provident fund is not made during the year, since number of employees is less than the minimum statutory requirement.

The bonus to employees is accounted for on payment basis.

h) Revenue recognition:

Revenue is recognized on accrual basis from the date of commercial screening of the film. Revenue from a film is recognized only after recovery of full advance given to the producer of the film.

i) Deferred taxation :

Deferred tax is recognized on timing differences between the accounting income and the taxable income for the year and quantified using the tax rates and laws enacted or subsequently enacted as on the balance sheet date.

Deferred tax asset is recognized and carried forward to the extent that there is a reasonable certainty of sufficient future taxable income.

j) Exploited film rights:

The film rights, which are exploited, are recognized at Nil value in the books.

2. Contingent liabilities not provided for :

Contingent liabilities towards unfinished contracts for films Rs. 126,529,464/-

3. Managerial remuneration under section 198 of the Companies Act, 1956

(In Rupees)

	31st March, 2005	31st March, 2004
Remuneration	396,000	500,000
Perquisites	15,400	11,000
	411,400	511,000

4. Payment to auditors:

(In Rupees)

	31st March, 2005	31st March, 2004
Audit fees	30,000	25,000
Tax representation	30,000	25,000
Tax advisory	120,000	120,000
Reimbursement	1,060	4,000
	181,060	174,000

5. Expenditure in foreign currency:

(In Rupees)

	31st March, 2005	31st March, 2004
Expenditure	868,000	4,865

6. Calculation of deferred tax assets and liabilities

(In Rupees)

	Deferred tax liability/(asset) as at 31-Mar-2004	Current year charge	Deferred tax liability/(asset) as at 31-Mar-2005
Deferred tax liability			
On account of depreciation	(32,296)	599	(31,697)
Deferred tax asset			
On brought forward losses	498,087	845,393	1,343,480
Net deferred tax asset	465,791	845,992	1,311,783

Net of deferred tax asset and liability including that of earlier years is recognized in the current year due to reasonable certainty of profit during the future.

7. The company is entitled to get benefit from exploitation including re-issue for various films under contract. As no outstanding cost is attributable to such rights, they are reflected at Nil value in the balance sheet. These rights are capable of generating income in future years without incurring substantial cost.

8. The Company has got the assignment of all the rights of the film 'Dev' produced by Udbhav Dream Zone Pvt. Ltd. against the agreement entered with them. As per the assignment, the company was entitled to exploit the rights of the film. Therefore the company assigned the distribution rights and other rights to various parties for total consideration of Rs.88,451,000/-. The total expenditure incurred for realization of these amounts as well as other cost including the cost directly incurred by the producer amounted to Rs.80,793,210/-. The surplus generated of Rs.7,657,790/- was allocated

SCHEDULE - L

NOTES FORMING PART OF THE ACCOUNTS 2004-2005 (Contd.)

to various parties as per the agreement. The entitlement of the company therefrom, amounting to Rs.1,914,447/- has been recognised and after allocating 90% thereof to "Adlabs Films Ltd." the net amount of Rs.191,445/- is accounted as "Surplus from sale of film rights". The turnover of the transactions belongs to the producer.

9. The Company operates in a single business segment of exploitation of rights of feature films.
10. The travelling expenses includes Rs.1,080,897/-spent on directors' travelling.

11. Related party disclosure:

(i) List of related parties:

	Name of the party	Relationship
1	Adlabs Films Ltd.	Holding company
2	Manmohan Shetty	Director
3	Vasanji Mamania	Director
4	Praveen Nischol	Director (Part of the year)
5	Pooja Shetty	Director

(ii) Transactions with related parties:

(In Rupees)

	As at 31st March, 2005	As at 31st March, 2004
Investment by holding company	500,000	500,000
Net amount received from holding company against rights of films	205,512,094	158,988,885
Remuneration paid to a director	396,000	500,000
Processing charges paid	—	1,989,482
Purchase of computer software from Adlabs Films Ltd	—	30,000
Realisation from the exploitation of film rights paid	15,615,890	14,709,751
Deficit from exploitation of film rights claimed	4,665,173	15,818,496

12. Details of earning per share

	2004-05	2003-04
Net profit /(loss) after tax (Rupees)	(1,667,358)	(293,974)
Weighted average number of share	5,000	5,000
Nominal value of ordinary share (Rupees)	100	100
Earning per share (Rupees)	(333.47)	(58.79)

13. Current assets and liabilities stating receivables and payables are subject to confirmation.

14. Previous year's figures have been regrouped or rearranged , wherever necessary.

As per our report of even date attached

For **R.M. AJGAONKAR & Co.**,
Chartered Accountants

R.M. AJGAONKAR
Proprietor
Membership No.31927

For and on behalf of Board of Directors

Mr. Manmohan Shetty
Mr. Vasanji Mamania } Directors

Mumbai, 8th August, 2005

ENTERTAINMENT ONE (INDIA) LTD.

CASH FLOW STATEMENT FOR THE YEAR ENDED ON 31ST MARCH, 2005

	31-Mar-2005 Rupees	31-Mar-2004 Rupees
A. CASH FLOW FROM OPERATING ACTIVITIES :		
Net profit / (loss) before tax	(2,513,350)	(293,974)
Adjustment for:		
Depreciation	349,553	128,506
Interest paid	84,506	19,946
Operating profit / (loss) before working capital changes	<u>(2,079,291)</u>	<u>(145,522)</u>
Adjustment for :		
(Increase)/decrease in current assets		
Trade receivables	(4,716,378)	(1,586,495)
Loans and advances	(159,877,463)	4,277,217
Increase/(decrease) in current liabilities		
Trade payables and advances	59,202,423	71,672,287
Provisions	(120,000)	120,000
Cash generated from operations (A)	<u><u>(107,590,709)</u></u>	<u><u>74,337,487</u></u>
B. CASH FLOW FROM INVESTING ACTIVITIES :		
Fixed assets purchased	(74,400)	(1,554,478)
Net cash flow from investing activities (B)	<u><u>(74,400)</u></u>	<u><u>(1,554,478)</u></u>
C. CASH FLOW FROM FINANCING ACTIVITIES :		
Proceeds from borrowings	34,851,629	740,000
Repayment of borrowings	(240,446)	(98,539)
Interest paid	(84,506)	(16,978)
Net cash from financing activities (C)	<u><u>34,526,677</u></u>	<u><u>624,483</u></u>
Net increase in cash and cash equivalents (A+B+C)	(73,138,432)	73,407,492
Cash and cash equivalents at the beginning of the year	76,408,803	3,001,311
Cash and cash equivalents at the end of the year	<u><u>3,270,371</u></u>	<u><u>76,408,803</u></u>

As per our report of even date attached

For **R.M.AJGAONKAR & Co.**,
Chartered Accountants

R.M.AJGAONKAR
Proprietor
Membership No.31927

Mumbai, 8th August 2005

For and on behalf of Board of Directors

MANMOHAN SHETTY }
VASANJI MAMANIA } Directors

Balance Sheet Abstract and Company's General Business Profile

I. Registration details

Registration no. State code
 Balance sheet date
 Date Month Year

II. Capital raised during the year (Amount in Rs. thousands)

Public issue
 Bonus issue
 Rights issue
 Private placement

III. Position of mobilisation and deployment of funds (Amount in Rs. thousands)

Total liabilities
Sources of funds
 Paid up capital
 Secured loans
Application of funds
 Net fixed assets
 Net current assets
 Accumulated losses
 Total assets
 Reserves and surplus
 Unsecured loan
 Investments
 Misc. expenditure

IV. Performance of company (Amount in Rs. thousands)

Turnover
 Profit/Loss before tax
 (Please tick approximate box + for profit - for loss)
 Earning per share in Rs.
 Total expenditure
 Profit/Loss after tax
 Dividend rate %

V. Generic name of three principal products/services of company (as per monetary terms)

Item Code No. (ITC Code)
 Product description

As per our report of even date attached

For R.M. AJGAONKAR & Co.,
Chartered Accountants

R.M. AJGAONKAR
Proprietor
Membership No.31927

For and on behalf of Board of Directors

Mr. Manmohan Shetty
Mr. VasANJI Mamania } Directors

Mumbai, 8th August, 2005

GEMINI EXHIBITORS LIMITED

DIRECTOR'S REPORT

Dear Shareholders,

Your Board of Directors takes pleasure in presenting Annual Accounts for the year ended 31st March 2005.

FINANCIAL RESULTS:

	2004-2005	2003-2004
Sales and Other Income	NIL	NIL
Profit / (Loss) before Depreciation & Tax	(5,510)	(5,400)
Depreciation	NIL	NIL
Profit Before Taxation	(5,510)	(5,400)
Provision for Current Tax & Deferred Tax	NIL	NIL
Profit / (Loss) after Taxes	(5,510)	(5,400)
Balance brought forward from previous	(5,400)	NIL
Profit / (Loss) carried to Balance Sheet	(10,910)	(5,400)

OPERATIONS:

Gemini Exhibitors Limited, a wholly owned subsidiary of Adlabs Films Limited was incorporated in May 2003 for the purpose of running a Multiplex Theater at Pune. There was no operation of the company for the year under review. We are pleased to inform you that the multiplex theatre opened for public on 1st April 2005 at Pune. The response was good.

DIVIDEND:

The Directors have not recommended any dividend on the equity shares of the Company for the year ended 31st March 2005.

DIRECTORS:

In accordance with the provisions of the Companies Act, 1956 and the Articles of Association, Mr. Vasanji Mamanian shall retire by rotation and being eligible offers himself for reappointment.

Ms. Pooja Shetty, who was appointed as additional Director w.e.f 10th August 2004, holds office upto the conclusion of the forthcoming Annual General Meeting. The Company has received notice under section 257 of the Companies Act, 1956 from a member proposing the appointment of Ms. Pooja Shetty as a Director of the Company.

AUDITORS:

The present Auditors of the Company, M/s. H.O. Agarwal & Co., Chartered Accountants retire at the ensuing Annual General Meeting and are eligible for reappointment.

REMUNERATION TO EMPLOYEES:

None of the employees of the Company has received remuneration in excess of the limit prescribed u/s 217 (2A) of the Companies Act, 1956 read with the Companies (particulars of employees) Rules 1975.

PUBLIC DEPOSITS:

The Company has not accepted any deposits by way of invitation to the public and has complied with the provisions of Section 58A of the Companies Act, 1956.

CONSERVATION OF ENERGY, TECHNOLOGY ABSORPTION:

No particulars are furnished in this report in relation to the conservation of energy and technology absorption as required under Section 217(1)(e) of the Companies Act, 1956 as there were no operations during the year under review.

FOREIGN EXCHANGE EARNING AND OUTGO:

There was no Foreign Exchange Earning and Outgo during the year.

DIRECTORS RESPONSIBILITY STATEMENT:

Pursuant to Section 217 (2AA) of the Companies (Amendment) Act, 2000, the Directors confirm that:

- in the presentation of the annual accounts, the applicable accounting standard has been followed alongwith proper explanation relating to material departures;
- the directors had selected such accounting policies and applied them consistently and made judgments and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the company at the end of the financial year and of the profit or loss of the Company for that period;
- the directors had taken proper and sufficient care of the maintenance of adequate accounting records in accordance with the provisions of this Act for safeguarding assets of the company and for preventing and detecting fraud and other irregularities;
- the directors had prepared the annual accounts on going concern basis.

ACKNOWLEDGEMENT:

The Directors would like to express their grateful appreciation for the assistance and cooperation received from Company's Business Associates and Bankers. The Directors also wish to place on record their appreciation for employees at all the levels in the organization for their sustained effort and positive contribution.

For and on behalf of the Board of Directors

Mr. Vasanji Mamanian
Ms. Pooja Shetty
Mr. Suresh Bharadwaj } Directors

Mumbai, 15th July, 2005

AUDITORS' REPORT

We have audited the attached Balance Sheet of GEMINI EXHIBITORS LIMITED as at 31st March, 2005, the Profit & Loss Account and also the Cash Flow Statement for the year ended on that date annexed thereto. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in India. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

- (1) As required by the Companies (Auditors' Report) Order, 2003 [as amended by the Companies (Auditors' Report) (Amendment) Order 2004] issued by the Central Government of India in terms of sub-section (4A) of section 227 of the Companies Act, 1956, we enclose in the annexure, a statement on the matters specified in paragraphs 4 and 5 of the said order.
- (2) Further to our comments in the Annexure referred to above, we report that :
 - (a) We have obtained all the information and the explanations, which to the best of our knowledge and belief were necessary for the purpose of our audit;
 - (b) In our opinion, proper books of account as required by law have been kept by the Company so far as it appears from our examination of those books;
 - (c) The Balance Sheet, Profit and Loss account and Cash Flow Statement dealt with by this report are in agreement with the books of account;
 - (d) In our opinion, the Balance Sheet, Profit and Loss Account and Cash Flow Statement dealt with by this report comply with the Accounting Standards referred to in sub-section (3C) of Section 211 of the Companies Act, 1956;
 - (e) On the basis of written representations received from the directors as on 31st March, 2005 and taken on record by the Board of Directors, we report that none of the Directors is disqualified as on 31st March, 2005 from being appointed as a Director in terms of clause (g) of sub-section (1) of Section 274 of the Companies Act, 1956;
 - (f) In our opinion and to the best of our information and according to the explanations given to us, the said accounts together with the notes annexed thereto, give the information required by the Companies Act, 1956, in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India:
 - i) in the case of the Balance Sheet, of the state of affairs of the Company as at 31st March, 2005;
 - ii) in the case of the Profit & Loss Account, of the **LOSS** for the year ended on that date; and
 - iii) in the case of Cash Flow Statement, of the cash flows for the year ended on that date.

For H. O. AGARWAL & CO.
Chartered Accountants

H. O. AGARWAL
(Proprietor)
Membership No. 14270

Mumbai, 15th July, 2005.

ANNEXURE TO THE AUDITORS' REPORT

(Referred to in paragraph (1) of our report of even date on the accounts for the year ended 31st March, 2005 of Gemini Exhibitors Limited)

- i) In our opinion and according to the information and explanations given to us, the nature of the Company's business / activity during the year is such that clauses (i), (ii), (v), (vi), (ix), (xi), (xii), (xiii), (xiv), (xvi), (xviii), (xix), (xx) of paragraph 4 of the Companies (Auditors' Report) Order, 2003 are either nil or not applicable to the Company.
- ii) As explained to us and according to the information furnished to us, the Company has neither granted nor taken any loans, secured or unsecured from Companies, firms or other parties listed in the register maintained under section 301 of the Companies Act, 1956 and as such clause (iii) (a) to (iii) (g) of the Order are not applicable.
- iii) In our opinion and according to the information and explanation given to us there are adequate internal control system commensurate with size of the Company and nature of its business with regard to purchases of inventory, fixed assets and with regard to the sale of goods and services. We have not observed any major weaknesses in internal control systems during the course of our audit.
- iv) As the paid up capital and reserves of the Company does not exceed Rs. 50 Lakhs at the commencement of the financial concerned or an average annual turnover does not exceed Rs. 5 Crore for a period of three consecutive financial years immediately preceding the financial concerned, the Company is not required to have an internal audit system.
- v) To the best of our knowledge and according to the information given to us, the Central Government has not prescribed the maintenance of cost records under section 209 (1) (d) of the Companies Act, 1956 for the products of the Company.
- vi) The Company was incorporated on 19th May 2003 and accordingly paragraph 4 (x) of the order is not applicable to the company.
- vii) According to the information and explanations given to us and as shown by the records examined by us, the Company has not given any guarantee for loans taken by others from banks or financial institution.
- viii) Based on examination of documents and records made available and on the basis of information and explanations given to us, the Company has not used funds raised on short term basis for long term investments.
- ix) Based upon the audit procedures performed and on the basis of information and explanations given by the management, we report that no fraud on or by the Company has been noticed or reported during the course of our audit.

For H. O. AGARWAL & CO.
Chartered Accountants

H. O. AGARWAL
(Proprietor)
Membership No. 14270

Mumbai, 15th July, 2005.

GEMINI EXHIBITORS LIMITED

BALANCE SHEET AS AT 31st MARCH 2005

	SCHEDULE	31-Mar-2005 Rupees	31-Mar-2004 Rupees
SOURCES OF FUNDS			
Shareholder's funds			
Share capital	A	500,000	500,000
Loan funds			
Unsecured loans	B	44,721,309	354,842
		<u>45,221,309</u>	<u>854,842</u>
APPLICATION OF FUNDS :			
Investments	C	44,601,467	235,000
Current assets, loans and advances			
Cash and bank balances	D	500,000	500,000
Less : Current liabilities and provisions			
Sundry creditors	E	13,030	7,520
Net current assets		<u>486,970</u>	<u>492,480</u>
Miscellaneous expenditure (To the extent not written off or adjusted)		121,962	121,962
Profit and loss account		<u>10,910</u>	<u>5,400</u>
		<u>45,221,309</u>	<u>854,842</u>
ACCOUNTING POLICIES & NOTES ON ACCOUNTS	F		

The schedule referred to above form an intergral part of the balance sheet. Signature to balance sheet and schedule A to F.

PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31ST MARCH 2005

	31-Mar-2005 Rupees	31-Mar-2004 Rupees
INCOME		
Income - Theatre operations	—	—
EXPENDITURE		
Audit fees	5,510	5,400
	<u>5,510</u>	<u>5,400</u>
PROFIT BEFORE TAX	(5,510)	(5,400)
Less : Provision for tax	—	—
PROFIT AFTER TAX	<u>(5,510)</u>	<u>(5,400)</u>
Add:Balance brought forward from previous years	(5,400)	—
Balance carried to balance sheet	<u>(10,910)</u>	<u>(5,400)</u>

As per our report of even date
For H. O. AGARWAL & CO.,
Chartered Accountants

H.O. AGARWAL
PROPRIETOR
Membership No. 14270
Mumbai, 15th July, 2005.

For and on behalf of the Board of Directors

Mr. Vasanji Mamania
Ms. Pooja Shetty
Mr. Suresh Bharadwaj } Directors

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SCHEDULE FORMING PART OF THE BALANCE SHEET AS AT 31 ST MARCH, 2005

	31-Mar-2005 Rupees	31-Mar-2004 Rupees
A SHARE CAPITAL		
Authorised		
5,00,000 equity share of Rs.10/- each fully paid up	5,000,000	5,000,000
 Issued, subscribed and paid up capital		
50,000 equity share of Rs.10/- each fully paid up	500,000	500,000
	500,000	500,000
 B UNSECURED LOANS		
From Adlabs Films Ltd.	44,721,309	354,842
	44,721,309	354,842
 C INVESTMENT (AT COST)		
Investment in partnership firm	44,601,467	235,000
	44,601,467	235,000
 D CASH AND BANK BALANCES		
Cash with scheduled banks	500,000	500,000
	500,000	500,000
 E LIABILITIES		
Sundry creditors for expenses	13,030	7,520
	13,030	7,520

SCHEDULE-F

NOTES FORMING PART OF THE ACCOUNTS FOR THE YEAR ENDED 31ST MARCH 2005.

1. The Company is a partner in a firm M/S.Gold Adlabs which is engaged in running and operating a multiplex theatre at Marigold Complex, Kalyani Nagar, Pune. The multiplex theatre is commissioned on 1st April 2005 at Pune. The Company has not carried out any other activity during the year under audit.

2. **Significant accounting policies**

Method of accounting:

The financial statements have been prepared on the historical cost convention based on the accrual concept and in accordance with applicable Accounting Standards referred to in Sub-section 3C of Section 211 of the Companies Act, 1956 and generally accepted accounting principles. The accounting is on the basis of a going concern concept.

Revenue recognition:

Revenue will be recognized on accrual basis.

Investments:

Investments represent current investment in a partnership firm and the same is stated at cost.

3. **Contingent liability**

Estimated amount of contract remaining to be executed in capital contribution in partnership firm Rs 56 lakhs (Previous year Rs. 397.65 lakhs)

4. **Payment to auditors:**

	31 st March 2005	31 st March 2004
Audit fees	5,510	5,400
	5,510	5,400

5. The Company operates in a single business segment of multiplex theatre.

6. **Related party disclosures:**

List of related parties:

Name of Party	Relationship
Adlabs Films Limited	Holding company
Vasanji Mamania	Director
Pooja Shetty	Director

GEMINI EXHIBITORS LIMITED

Transaction with Related Parties:

	(In Rupees)	
	As at 31-Mar-2005	As at 31-Mar-2004
Adlabs Films Limited	500,000	500,000
Amount received from holding company for investment	44,721,309	354,842

7. Earning per share:

	As at 31-Mar-2005	As at 31-Mar-2004
Net profit/(loss) after tax (Rupees)	(5,510)	(5,400)
Weighted average number of shares	50000	50000
Face value per share (Rupees)	10	10
Earning per share (Rupees)	(0.11)	(0.11)

8. Earning and expenditure in foreign currency: Nil

9. The deferred tax asset, net of liability, is not recognized on a conservative principle.

10. The other additional information as required by Part II of schedule VI of the Companies Act is either nil or not applicable.

11. The Company is a 100% subsidiary of Adlabs Films Ltd.

12. Previous year's figures have been regrouped and rearranged wherever necessary to confirm with the current year's presentation.

For and on behalf of the Board of Directors

For **H. O. AGARWAL & CO.**,
Chartered Accountants

H.O. AGARWAL
PROPRIETOR
Membership No. 14270
Mumbai, 15th July, 2005

Mr. Vasanji Mamania
Ms. Pooja Shetty
Mr. Suresh Bharadwaj } Directors

CASH FLOW STATEMENT FOR THE YEAR ENDED 31ST MARCH,2005

	31-Mar-2005 Rupees	31-Mar-2004 Rupees
A. CASH FLOW FROM OPERATING ACTIVITIES		
Net profit before tax and extraordinary items	(5,510)	(5,400)
Adjustment for:		
Deferred revenue expenditure	—	(121,962)
Operating profit before working capital changes	(5,510)	(127,362)
Increase/(decrease) in trade payable	5,510	7,520
Cash generated from operation	—	(119,842)
Cash flow before extraordinary items	—	(119,842)
Net cash flow from operating activities (A)	—	(119,842)
B. CASH FLOW FROM INVESTING ACTIVITIES		
(Increase)/decrease in investment	(44,366,467)	(235,000)
Net cash used in investing activities (B)	(44,366,467)	(235,000)
C. CASH FLOW FROM FINANCE ACTIVITIES		
Proceeds from long term borrowings / issue of shares	44,366,467	854,842
Net cash used for financing activities (C)	44,366,467	854,842
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENT (A+B+C)	—	500,000
Cash and cash equivalents as at 1st April 2004.	500,000	—
Cash and cash equivalents as at 31st March 2005	500,000	500,000

As per our report of even date

For **H. O. AGARWAL & CO.**,
Chartered Accountants

H.O. AGARWAL
PROPRIETOR
Membership No. 14270
Mumbai, 15th July, 2004

For and on behalf of the Board of Directors

Mr. Vasanji Mamania
Ms. Pooja Shetty
Mr. Suresh Bharadwaj } Directors

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BALANCE SHEET ABSTRACT AND A COMPANY'S GENERAL BUSINESS PROFILE

I. Registration details

Registration No. State code

Balance sheet date

Date Month Year

II. Capital raised during the year (Amount in Rs. thousands)

Public Issue Rights Issue

Bonus issue Private Placement

III. Position of mobilisation and deployment of funds (Amount in Rs. thousands)

Total Liabilities Total Assets

Sources of Funds

Paid up capital Reserves & surplus

Secured loans Unsecured loans

Application of Funds

Net fixed assets Investments

Net current assets Misc.expenditure

Accumulated Losses

IV. Performance of Company (Amount in Rs. Thousands)

Turnover Total Expenditure

Profit/Loss Before Tax Profit/Loss after Tax

(Please tick Approximate box + for profit - for loss)

Earning per share in Rs. Dividend %

V. Generic names of three principal products/services of Company (as per monetary terms)

Item Code No. (ITC Code)

Product description

As per our report of even date
For H. O. AGARWAL & CO.,
 Chartered Accountants
H.O. AGARWAL
 PROPRIETOR
 Membership No. 14270
 Mumbai, 15th July, 2004

For and on behalf of the Board of Directors
Mr. Vasanji Mamania
Ms. Pooja Shetty
Mr. Suresh Bharadwaj } Directors

RUNWAL MULTIPLEX PRIVATE LIMITED

DIRECTOR'S REPORT

Dear Shareholders,

Your directors have pleasure in presenting the Annual Audited Accounts of the Company together with the Audited Statement of Accounts for the year ended 31st March, 2005.

	(Amt in Rs.)	(Amt in Rs.)
FINANCIAL RESULTS :	2004-05	2003-04
Sales and other Income	1,21,002,578	74,001,449
Profit /(Loss) before Depreciation & Tax	57,730,965	28,157,665
Depreciation	7,113,201	5,002,729
Profit before Taxation	50,617,764	23,154,936
Provision for Current Tax & Deferred Tax	18,229,067	8,308,626
Profit /(Loss) after Taxes	32,388,697	14,846,310
Balance brought forward from previous year	14,816,610	(29,700)
Profit/(Loss) carried to Balance Sheet	47,205,307	14,816,610

OPERATIONS :

Runwal Multiplex Pvt. Ltd is a subsidiary of Adlabs Films Ltd. with its main business centered around running & operating a Multiplex Theatre at R-Mall, Mulund (West), Mumbai.

DIVIDEND:

The Directors have not recommended any dividend on the equity shares of the company for the year ended 31st March 2005.

AUDITORS:

The present Auditors of the Company, M/s M. B. Agarwal & Co.; Chartered Accountants retire at the ensuing Annual General Meeting and are eligible for reappointment.

PARTICULARS OF EMPLOYEES :

The Company has no employees of the category mentioned under section 217 (2-A) of the Companies Act, 1956.

PUBLIC DEPOSITS:

The Company has not accepted any deposit from the public as per the provision of the Section 58-A of the Companies Act, 1956.

CONSERVATION OF ENERGY & TECHNOLOGY ABSORPTION:

The company's main business centered around running & operating a Multiplex Theatre and has no direct manufacturing activity during the year under review.

No particulars are therefore furnished in this report in relation to the conservation of energy and technology absorption as required under Section 217(1)(e) of the Companies Act, 1956.

FOREIGN EXCHANGE EARNING AND OUTGO:

The details of Foreign Exchange Earnings and Outgo are mentioned in Note No 4 of Schedule R to the accounts forming part of the Balance Sheet.

DIRECTORS RESPONSIBILITY STATEMENT :

Pursuant to Section 217(2AA) of Companies Amendment Act,2000, the Directors confirm that :

- 1) In the preparation of the annual accounts, the applicable accounting standards were followed along with proper explanation relating to material departures.
- 2) The Accounting policies were selected and applied consistently and judgments and estimates were made which were reasonable and prudent so as to give a true and fair view of the state of affairs of the company at the end of the financial year.

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- 3) Proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of this Act for safeguarding the assets of the company and for preventing and detecting fraud and other irregularities were taken.
- 4) The Annual Accounts were prepared on a going concern basis.

ACKNOWLEDGEMENT

The Directors would like to express their grateful appreciation for the assistance and cooperation and thank the Company's Business Associates and Bank.

The Directors also wish to place on record their appreciation of the employees at all the levels in the organization for their sustained effort and positive contribution.

For and on behalf of Board of Directors

Mr. Vasanji Mamania
Mr. Subhash Runwal
Ms. Pooja Shetty
Mr. Suresh Bharadwaj
Mr. Sandeep Runwal
Mr. Subodh Runwal

} Director

Mumbai 30th June'2005

RUNWAL MULTIPLEX PRIVATE LIMITED

AUDITORS' REPORT

The members of

M/s Runwal Multiplex Private Limited

1. We have audited the attached Balance Sheet of **M/s Runwal Multiplex Private Limited**, as at 31st March 2005, the Profit and Loss Account for the year ended on that date annexed thereto. These financial statements are the responsibility of the company's management. Our responsibility is to express an opinion on these financial statements based on our audit.
2. We conducted our audit in accordance with the auditing standards generally accepted in India. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, in a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.
3. As required by the Companies (Auditor's Report) Order, 2003 issued by the Central Government of India in terms of sub-section (4A) of Section 227 of the Companies Act, 1956, we enclose in the Annexure a statement on the matters specified in paragraphs 4 and 5 of the said Order.
4. Further to our comments in the Annexure referred to above, we report that:
 - i) We have obtained all the information and explanations, which to the best of our knowledge and belief were necessary for the purposes of our audit;
 - ii) In our opinion, the company has kept proper books of account as required by law so far, as appears from our examination of those books.
 - iii) The Balance Sheet and Profit and Loss Account and dealt with by this report are in agreement with the books of account.
 - iv) In our opinion, the Balance Sheet and Profit and Loss Account and dealt with by this report comply with the Accounting Standards referred to (in) sub-section (3C) of section 211 of the Companies Act, 1956;
 - v) On the basis of written representations received from the directors, as on 31st March 2005 and taken on record by the Board of Directors, we report that none of the directors is disqualified as on 31st March 2005 from being appointed as a director in terms of clause (g) of sub-section (1) of section 274 of the Companies Act, 1956;
 - vi) In our opinion and to the best of our information and according to the explanations given to us, the said accounts give the information required by the Companies Act, 1956, in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India.
 - a) In the case of the Balance Sheet, of the state of affairs of the company as at 31st March 2005
 - b) In the case of the profit and loss account, of profit/loss for the year ended on that date; and
 - c) In the case of Cash Flow Statement, of the cash flows for the year ended on that date.

For M. B. Agrawal & Co.
Chartered Accountants

Harshal Agrawal
Partner
M. No. 109438

Mumbai, 30th June, 2005

ANNEXURE TO THE AUDITOR'S REPORT

Clauses (vi), (viii), (xi), (xii), (xiii), (xiv), (xv), (xvi), (xix) and (xx) of the Companies (Auditors' Report) Order, 2003 are either nil or not applicable to the company.

- i) (a) The company has maintained proper records showing full particulars including quantitative details and situation of fixed assets. However the fixed assets register is under preparation.
- (b) All the assets have been physically verified by the management during the year and there is a regular programme of verification which, in our opinion is reasonable having regard to the size of the company and the nature of its assets. No material discrepancies were noticed on such verification.
- (c) During the year, the company has not disposed off a major part of the plant and machinery.
- ii) (a) The inventory has been physically verified during the year by the management. In our opinion, the frequency of verification is reasonable.
- (b) The procedures of physical verification of inventories followed by the management are reasonable and adequate in relation to the size of the company and the nature of its business.
- (c) The company is maintaining proper records of inventory. The discrepancies noticed on verification between the physical stocks and the book records were not material.
- iii) The company has not taken any loans or granted any loans during the previous year to the parties covered in the register maintained under section 301 of the Companies Act, 1956 therefore the clauses (iii) (a), (b), (c), (d), (e), (f) and (g) of the Order are not applicable.
- iv) In our opinion and according to the information and explanations given to us, there are adequate internal control system commensurate with the size of the company and the nature of its business with regard to purchases of inventory, fixed assets and with regard to the sale of tickets. During the course of our audit, we have not observed any continuing failure to correct major weaknesses in internal controls.
- v) (a) According to the information and explanations given to us, we are of the opinion that the transactions that need to be entered into the register maintained under section 301 of the Companies Act, 1956 have been so entered.
- (b) In our opinion and according to the information and explanations given to us, the transactions made in pursuance of contracts or arrangements entered in the register maintained under section 301 of the Companies Act, 1956 and exceeding the value of rupees five lakhs in respect of any party during the year have been made at prices which are reasonable having regard to prevailing market prices at the relevant time.
- vi) In our opinion, the company has an internal audit system commensurate with the size and nature of its business.
- vii) (a) The company is regular in depositing with appropriate authorities undisputed statutory dues including provident fund, employees' state insurance, income tax, sales tax, wealth tax, service tax, custom duty, excise duty, cess and other material statutory dues applicable to it.
- (b) According to the information and explanations given to us, no undisputed amounts payable in respect of income tax, sales tax, wealth tax, service tax, custom duty, excise duty and cess were in arrears, as at 31st March 2005 for a period of more than six months from the date they became payable.
- (c) According to the information and explanations given to us, there are no dues of income tax, sales tax, wealth tax, service tax, custom duty, excise duty and cess, which have not been deposited on account of any dispute.
- viii) The Company does not have accumulated losses as at 31st March, 2005. The Company has not incurred cash losses during the financial year covered by our audit or in the immediately preceding financial year.
- ix) According to the information and explanations given to us and on an overall examination of the balance sheet of the company, we report that the no funds raised on short term basis have been used for long term investment.
- x) The Company has not made any preferential allotment of shares to the parties and companies covered in the register maintained under section 301 of the Act.
- xi) According to the information and explanations given to us, no fraud on or by the company has been noticed or reported during the course of our audit.

For M. B. Agrawal & Co.
Chartered Accountants

Harshal Agrawal
Partner
M. No. 109438

Mumbai, 30th June, 2005

RUNWAL MULTIPLEX PRIVATE LIMITED

BALANCE SHEET AS AT 31ST MARCH, 2005

	SCHEDULE	31-Mar-2005 Rupees	31-Mar-2004 Rupees
SOURCES OF FUNDS			
Shareholder's funds			
Share capital	A	9,810,000	9,810,000
Share application money	B	77,435,030	118,707,268
Reserves and surplus	C	47,205,307	14,816,610
		<u>134,450,337</u>	<u>143,333,878</u>
Deferred tax liability		9,189,608	5,735,628
		<u>143,639,945</u>	<u>149,069,506</u>
 APPLICATION OF FUNDS			
Fixed assets			
Gross block	D	153,470,105	152,625,060
Less : Depreciation		12,092,192	5,002,729
Net block		<u>141,377,913</u>	<u>147,622,331</u>
Current assets, loans and advances			
Inventories		178,300	222,134
Sundry debtors	E	1,610,572	404,052
Cash and bank balances	F	2,992,316	3,558,047
Loans and advances	G	17,459,959	4,311,316
		<u>22,241,147</u>	<u>8,495,549</u>
Less : Current liabilities and provisions			
Liabilities	H	5,202,311	4,481,776
Provisions	I	14,781,604	2,572,998
		<u>19,983,915</u>	<u>7,054,774</u>
Net current assets		2,257,232	1,440,775
Miscellaneous expenditure			
Preliminary expenses (To the extent not written off or adjusted)	J	4,800	6,400
		<u>4,800</u>	<u>6,400</u>
		<u>143,639,945</u>	<u>149,069,506</u>
 ACCOUNTING POLICIES			
NOTES ON ACCOUNTS			
	P		
	Q		

The schedule referred to above form an integral part of the balance sheet. Signature to balance sheet and schedule A to J and P & Q.

For M. B. AGARWAL & CO.,
Chartered Accountants

HARSHAL AGARWAL
PARTNER
Membership No. 109438

Mumbai, 30th June'2005

For and on behalf of Board of Directors

Mr. Vasanji Mamania
Mr. Subhash Runwal
Ms. Pooja Shetty
Mr. Suresh Bharadwaj
Mr. Sandeep Runwal
Mr. Subodh Runwal

Director

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PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31ST MARCH 2005

	SCHEDULE	31-Mar-2005 Rupees	31-Mar-2004 Rupees
INCOME			
Box office collection		95,927,675	59,725,645
Café collection		20,190,773	12,154,284
Other income	K	4,860,392	2,121,520
Profit on asset discarded		23,738	—
		121,002,578	74,001,449
EXPENDITURE			
Inventory adjustment	L	43,834	(222,134)
Café purchases		8,287,301	5,044,054
Distributor's share		27,307,714	17,074,701
Employees remuneration and benefits	M	2,937,066	2,145,042
Administrative expenses	N	24,620,598	21,746,521
Audit fees and other services	O	73,500	54,000
Preliminary expenses		1,600	1,600
Depreciation		7,113,201	5,002,729
		70,384,814	50,846,513
PROFIT BEFORE TAX		50,617,764	23,154,936
Less : Provision for tax			
Current		14,775,087	2,572,998
Deferred		3,453,980	5,735,628
PROFIT AFTER TAX		32,388,697	14,846,310
Add : Balance brought forward from previous year		14,816,610	(29,700)
Balance carried to balance sheet		47,205,307	14,816,610
ACCOUNTING POLICIES	P		
NOTES ON ACCOUNTS	Q		

The schedule referred to above form an integral part of the profit and loss account. Signature to profit and loss account and schedule K to O and P & Q.

For M. B. AGARWAL & CO.,
Chartered Accountants

HARSHAL AGARWAL
PARTNER
Membership No. 109438

Mumbai, 30th June'2005

For and on behalf of Board of Directors

Mr. Vasanji Mamania
Mr. Subhash Runwal
Ms. Pooja Shetty
Mr. Suresh Bharadwaj
Mr. Sandeep Runwal
Mr. Subodh Runwal

Director

RUNWAL MULTIPLEX PRIVATE LIMITED

SCHEDULE FORMING PART OF BALANCE SHEET AS AT 31ST MARCH, 2005

	31-Mar-2005 Rupees	31-Mar-2004 Rupees
A. SHARE CAPITAL		
Authorised		
100,000 equity shares of Rs. 100/- each (Previous year 100,000 equity shares of Rs. 100/- each)	10,000,000	10,000,000
Issued, subscribed and paid up capital		
98,100 equity shares of Rs. 100/- each fully paid up (of the above, 48,990 equity shares of Rs. 100/- each have been allotted to Runwal Developers Pvt. Ltd for consideration other than cash. Further 49,110 shares are held by Adlabs Films Ltd)	9,810,000	9,810,000
	9,810,000	9,810,000
B. SHARE APPLICATION MONEY		
Adlabs Films Ltd	38,717,515	58,638,768
Runwal Developers Private Ltd	38,717,515	60,068,500
	77,435,030	118,707,268
C. RESERVES AND SURPLUS		
Profit and Loss account	32,388,697	14,846,310
Add : Balance brought forward from previous year	14,816,610	(29,700)
	47,205,307	14,816,610

D. FIXED ASSETS

	Gross block				Depreciation				Net block	
	As on 1-Apr-04	Additions	Deductions	Total 31-Mar-05	As on 1-Apr-04	Provided during the year	Depreciation on assets sold	Total 31-Mar-05	As on 31-Mar-05	As on 31-Mar-04
Building	105,635,420	53,233	—	105,688,653	2,489,754	3,528,337	—	6,018,091	99,670,562	103,145,666
Plant and machinery										
Projection system	14,405,559	798,316	475,000	14,728,875	715,034	1,029,579	(23,738)	1,720,875	13,008,000	13,690,525
Air conditioners	7,979,387	—	—	7,979,387	265,848	379,020	—	644,868	7,334,519	7,713,539
Computers and printers	2,227,535	422,790	—	2,650,325	253,734	370,971	—	624,705	2,025,620	1,973,801
Elevators	1,328,336	—	—	1,328,336	44,477	63,096	—	107,573	1,220,763	1,283,859
Electrical fittings	7,063,744	32,616	—	7,096,360	352,041	500,382	—	852,423	6,243,937	6,711,703
Office equipment	1,803,968	—	—	1,803,968	65,685	85,380	—	151,065	1,652,903	1,738,283
Furniture and fixtures										
Admin	4,200,754	8,640	—	4,209,394	289,497	398,279	—	687,776	3,521,618	3,911,257
Cafeteria	1,946,484	4,450	—	1,950,934	125,208	184,939	—	310,147	1,640,787	1,821,276
Auditorium	6,033,873	—	—	6,033,873	401,451	573,218	—	974,669	5,059,204	5,632,422
	152,625,060	1,320,045	475,000	153,470,105	5,002,729	7,113,201	(23,738)	12,092,192	141,377,913	147,622,331
Previous year	—	152,625,060	—	152,625,060	—	5,002,729	—	5,002,729	147,622,331	

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SCHEDULE FORMING PART OF BALANCE SHEET AS AT 31ST MARCH, 2005

	31-Mar-2005 Rupees	31-Mar-2004 Rupees
E. SUNDRY DEBTORS		
Over six months	30,000	—
Others	1,580,572	404,052
	1,610,572	404,052
F. CASH AND BANK BALANCES		
Cash on hand	250,172	162,410
Cash with scheduled banks	2,742,144	3,395,637
	2,992,316	3,558,047
G. LOANS AND ADVANCES		
Loans and advances	16,400	10,285
Deposits	121,090	121,090
Prepaid expenses	450,587	189,895
TDS and advance Tax	15,614,372	3,322,527
Advance to distributors	624,496	407,960
Refund receivable from distributors	633,014	259,559
	17,459,959	4,311,316
H. LIABILITIES		
Payable to distributors	804,882	161,153
Café creditors	432,188	341,912
Creditors for expenses	2,095,362	962,786
Creditors for capital goods	61,124	1,154,277
Retention money	—	656,448
Advance booking of tickets	30,010	8,880
TDS payable	55,263	42,664
Provision for distributor's share	1,217,497	548,852
Provision for expenses	364,652	592,304
Security deposit	50,000	—
Advance for promotion	91,333	12,500
	5,202,311	4,481,776
I. PROVISIONS		
Provision for taxation	14,781,604	2,572,998
	14,781,604	2,572,998
J. PRELIMINARY EXPENSES		
Opening balance as on 1st April 2004	6,400	8,000
Less : One fifth charged to profit and loss account	1,600	1,600
	4,800	6,400

RUNWAL MULTIPLEX PRIVATE LIMITED

SCHEDULE FORMING PART OF PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31ST MARCH, 2005

	31-Mar-2005 Rupees	31-Mar-2004 Rupees
K. OTHER INCOME		
Promotional income	2,890,492	1,075,468
Professional/Supervision charges	665,000	422,950
Screening charges	600,000	281,971
Video game collections	226,110	199,250
Call centre delivery charges	287,320	127,330
Painting sale	16,328	—
Candy treat rent	70,000	—
PCO collection	19,436	4,731
Miscellaneous income	85,706	9,820
	<u>4,860,392</u>	<u>2,121,520</u>
L. INVENTORY ADJUSTMENTS		
Opening stock	222,134	—
Less : Closing stock	178,300	222,134
(Increase) / decrease in stock	<u>43,834</u>	<u>(222,134)</u>
M. EMPLOYEES REMUNERATION AND BENEFITS		
Salary and wages	2,372,218	1,774,852
PF and ESIC - Employers contribution	265,788	206,896
Bonus	132,396	97,821
Staff Welfare	166,664	65,473
	<u>2,937,066</u>	<u>2,145,042</u>
N. ADMINISTRATION EXPENSES		
Advertisement, marketing and promotion	2,783,139	2,664,291
Bank charges and commission	261,056	60,672
Business promotion expenses	166,972	123,182
Computer/internet/website charges	93,027	109,126
Contract charges	4,430,785	2,511,075
Conveyance, travelling and motor car expenses	514,592	301,145
Donation	15,000	5,000
Electricity charges	5,385,115	3,727,417
Insurance charges	487,064	206,275
Legal and professional Fees	848,624	592,297
Management fees	1,260,000	859,416
Miscellaneous expenses	27,731	9,550
Postage, telegram and telephone	362,329	216,904
Printing and stationary	407,939	394,449
Rent, rates and taxes	3,799,684	7,297,015
Repairs and maintenance	3,672,626	2,576,009
Video game expenses	104,915	92,698
	<u>24,620,598</u>	<u>21,746,521</u>
O. AUDIT FEES AND OTHER SERVICES		
Statutory audit fees	55,100	40,500
Tax audit fees	18,400	13,500
	<u>73,500</u>	<u>54,000</u>

SCHEDULE – P :

SIGNIFICANT ACCOUNTING POLICIES :

1. Method of accounting :

The financial statements have been prepared on the historical cost convention based on the accrual concept and in accordance with applicable Accounting Standards referred to in the sub-section 3C of section 211 of the Companies Act, 1956 and normally accepted accounting principles. The accounting is on the basis of a going concern concept.

2. Fixed assets :

Fixed assets are stated at cost (Gross block) less accumulated depreciation.

3. Depreciation :

Depreciation has been calculated at the rates and in the manner as specified in Schedule XIV of the Companies Act, 1956. The company follows straight line method for providing depreciation.

4. Inventories :

Inventories consists of café items and ticket rolls. They are valued at cost determined on FIFO basis. Stores and spares are charged to profit and loss account on purchase.

5. Foreign currency transaction :

Transactions denominated in foreign currency are normally recorded at the exchange rate prevailing at the time of transactions. The exchange difference has been capitalized as fixed assets.

6. Taxation :

Provision for income tax for the year comprises current income tax determined to be payable in respect of taxable income and deferred tax being the tax effect of timing differences representing the difference between taxable income and accounting income that originate in one period, and are capable of reversal in one or more subsequent period(s).

7. Retirement benefits :

Contributions to defined contribution schemes such as provident fund and pension fund are charged to profit and loss account as incurred.

8. Revenue recognition :

Café sales are recorded when the effective sales taken place and is net of discount and complementaries.

Box office sales are recorded on the basis of shows screened and is net of refund , discount and complementaries.

Miscellaneous income are recorded on the basis of accrual of the same.

SCHEDULE – Q :

NOTES TO THE ACCOUNTS :

1. Contingent liabilities :

Towards unfinished contracts to be executed on capital account Rs. Nil (P. Y. Rs. Nil/-)

Others – Nil (P. Y. - Nil)

2. Name of the Small Scale Industrial Undertaking to whom the Company owes any sum outstanding for more than 30 days are as under.

- The Company does not have information of creditors termed as Small Scale Industrial Undertaking.

3. Additional information pursuant to the provisions of paragraphs 3, 4C and 4D of part II of Schedule VI to the Companies Act, 1956:

Expenditure in foreign currency on account of capital goods Rs. 453,515/- (Previous year – Rs. 1,385,094/-)

4. Payment to auditors (In Rupees)

	31 st March 2005	31 st March 2004
Audit fees	50,000	37,500
Tax audit	18,400	12,500
Service tax reimbursement	5,100	4,000
	73,500	54,000

RUNWAL MULTIPLEX PRIVATE LIMITED

5. Related party disclosure :

Category I : Major shareholdings :

Adlabs Films Ltd. (Holding Company)
Runwal Developers Private.Ltd.

Category II : Key management personnels :

Mr. Vasanji Mamania
Mr. Subhash Runwal
Mr. Suresh Bharadwaj
Ms. Pooja Shetty
Mr. Sandeep Runwal
Mr. Subodh Runwal

Related party transaction 2004-05 : (In Rupees)

	Category – I
Receiving services	3,720,000 (2,790,687)
Theatre tickets sale	42,670 (61,970)
Outstanding balance as on 31-Mar-2005	4,97,676 (141,648)

Previous year figures are given in brackets.

6. The Company operates in a single business segment of theatre operation.

7. Calculation of earning per share (Face value Rs. 100/- per share) :

	31 st March, 2005	31 st March, 2004
Net profit after taxes (Rupees)	32,388,697	14,846,310
No. of shares	98100	98,100
Basic/diluted earning per share (Rupees)	330	151

8. In accordance with the Accounting Standard 22 "Accounting for Taxes on Income" issued by the Institute of Chartered Accountants of India. The deferred tax liability (Net) of Rs. 3,453,980/- attributable to the following items, has been charged to the profit and loss account (Previous year – 5,735,628/-) (In Rupees)

	31 st March, 2005	31 st March,2004
On account of depreciation	3,453,980	5,770,721
On account of bonus	—	(35,093)
Net deferred tax liability	3,453,980	5,735,628

9. The figures of previous year have been regrouped and reclassified wherever necessary.

For and on behalf of Board of Directors

For M. B. AGARWAL & Co.,
Chartered Accountants

HARSHAL AGARWAL
Partner.
M. No. 109438

Mumbai, 30th June, 2005

Mr. Vasanji Mamania
Mr. Subhash Runwal
Ms. Pooja Shetty
Mr. Suresh Bharadwaj
Mr. Sandeep Runwal
Mr. Subodh Runwal

Director

CASH FLOW STATEMENT FOR THE YEAR ENDED 31ST MARCH, 2005.

	31-Mar-2005 Rupees	31-Mar-2004 Rupees
A CASH FLOW FROM OPERATING ACTIVITIES		
Net profit before tax and extraordinary items	50,617,764	23,154,936
Adjustment for:		
Profit on assets discarded	(23,738)	—
Depreciation	7,113,201	5,002,729
Preliminary expenditure written off	1,600	1,600
Operating profit before working capital changes	<u>57,708,827</u>	<u>28,159,265</u>
(Increase)/ decrease in trade receivables	(1,206,520)	(404,052)
(Increase)/ decrease in inventories	43,834	(222,134)
(Increase)/ decrease in loans and advances	(856,798)	2,944,071
(Increase)/ decrease in trade payables	720,535	4,381,039
Cash generated from operation	<u>56,409,878</u>	<u>34,858,189</u>
Tax paid	(14,858,326)	(3,322,527)
Loan instalments/interest paid/payable	—	(4,459,199)
Cash flow before extraordinary items	<u>41,551,552</u>	<u>27,076,463</u>
Net cash flow from operating activities (A)	<u>41,551,552</u>	<u>27,076,463</u>
B CASH FLOW FROM INVESTING ACTIVITIES		
Purchase of fixed assets (Net)	(845,045)	(152,625,060)
(Increase)/ decrease in investment	—	10,000
(Increase)/ decrease in capital work in progress	—	297,964
Net cash flow from investing activities (B)	<u>(845,045)</u>	<u>(152,317,096)</u>
C CASH FLOW FROM FINANCE ACTIVITIES		
Proceeds from issue of shares/ share application money	—	128,417,268
Refund of share application money	(41,272,238)	—
Net cash used for financing activities (C)	<u>(41,272,238)</u>	<u>128,417,268</u>
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENT (A+B+C)	<u>(565,731)</u>	<u>3,176,635</u>
Cash and cash equivalents as at 1st April, 2004	<u>3,558,047</u>	<u>381,412</u>
Cash and cash equivalents as at 31st March, 2005	<u>2,992,316</u>	<u>3,558,047</u>

For M. B. AGARWAL & Co.,
Chartered Accountants

HARSHAL AGARWAL
Partner.
M. No. 109438

Mumbai, 30th June, 2005

For and on behalf of Board of Directors

Mr. Vasanji Mamania
Mr. Subhash Runwal
Ms. Pooja Shetty
Mr. Suresh Bharadwaj
Mr. Sandeep Runwal
Mr. Subodh Runwal

Director

RUNWAL MULTIPLEX PRIVATE LIMITED

BALANCE SHEET ABSTRACT AND COMPANY'S GENERAL BUSINESS PROFILE

I. Registration details

Registration No. State code

Balance sheet date

Date Month Year

II. Capital raised during the year (Amount in Rs. thousands)

Public issue Rights issue

Bonus issue Private placement

III. Position of mobilisation and deployment of funds (Amount in Rs. thousands)

Total liabilities Total assets

Sources of funds

Paid up capital Reserves & surplus

Secured loans Unsecured loans

Application of funds

Net fixed assets Investments

Net current assets Misc.expenditure

Accumulated losses

IV. Performance of company (Amount in Rs. thousands)

Turnover Total expenditure

Profit/Loss before tax Profit/Loss after Tax

(Please tick approximate box + for profit - for loss)

Earning per share in Rs. Dividend %

V. Generic names of three principal products/Services of Company (as per monetary terms)

Item Code No. (ITC Code)

Product description

As per our report attached

For M. B. AGARWAL & Co.,
Chartered Accountants

HARSHAL AGARWAL
Partner.
M. No. 109438

Mumbai, 30th June, 2005

For and on behalf of Board of Directors

Mr. Vasanji Mamania
Mr. Subhash Runwal
Ms. Pooja Shetty
Mr. Suresh Bharadwaj
Mr. Sandeep Runwal
Mr. Subodh Runwal

Director

ADLABS

ADLABS FILMS LIMITED

Registered Office: Film City Complex, Goregaon (East), Mumbai 400 065

DP ID No.	L.F No.
Client ID No.	No. of Shares held

ATTENDANCE SLIP

I/We hereby record my/our presence at the Annual General Meeting of the Company held at the Registered Office of the Company, Filmcity Complex, Goregaon (East), Mumbai 400 065 on Thursday, the 29th September, 2005 at 2.30 p.m.

Name of the Attending Member

Name of the Attending Proxy

Signature of the Attending Member

Signature of the Attending Proxy

- Notes: 1. Shareholder/Proxyholder wishing to attend the meeting is requested to sign and hand over the Attendance Slip at the Entrance of the venue of meeting.
2. Shareholder/Proxyholder is requested to advise the change in address if any to the Company's Registrar & Share Transfer Agents, Intime Spectrum Registry Limited, C-13, Pannalal Silk Mills Compound, L.B.S Marg, Bhandup, Mumbai 400 078.

ADLABS

ADLABS FILMS LIMITED

Registered Office: Film City Complex, Goregaon (East), Mumbai 400 065

DP ID No.	L.F No.
Client ID No.	No. of Shares held

FORM OF PROXY

I/We _____ of _____ in the district of _____ being a member/members of ADLABS FILMS LIMITED hereby appoint _____ of _____ in the district of _____ as my/our proxy to vote for me/us and on my/our behalf at the 18th Annual General Meeting of the Company to be held on Thursday, the 29th September, 2005 at 2.30 p.m. or at any adjournment thereof.

Signed this _____ day of _____ 2005.

Signature _____

Revenue
Stamp

Note: The proxy form duly completed should be deposited at the Registered Office of the Company not less than 48 hours before the time fixed for holding the meeting.