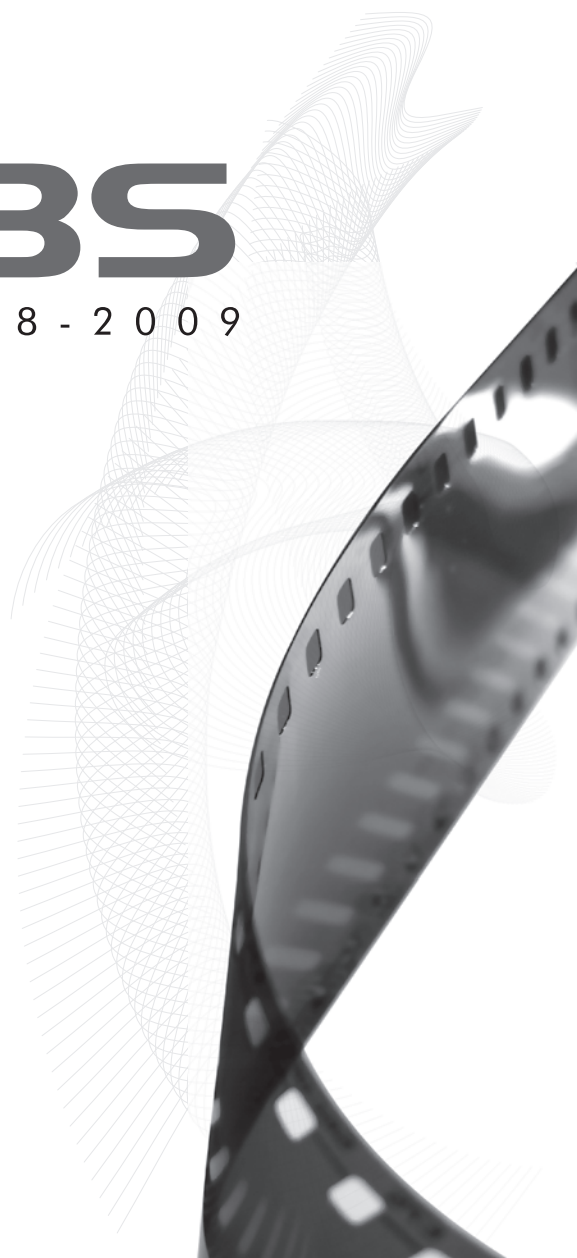


# ADLABS

ANNUAL REPORT 2008 - 2009



# BIG Cinemas

- Is India's largest cinema chain
- Has over 457 screens spread across India, US, Malaysia and Netherlands
- Caters to over 40 million consumers
- Was awarded 'International Exhibitor of the Year 2008' by CineAsia 2008 at Macau



Lounge at IMAX BIG Cinemas



BIG Cinemas, Chicago



Odeon BIG Cinemas



BIG Cinemas, TGIP Mall, Noida



Metro BIG Cinemas



Ebony Lounge at BIG Cinemas



6D BIG Cinemas at Agra

## ADLABS FILM AND MEDIA SERVICES

- Adlabs is a dominant player in Film and Media Services like Motion Picture Processing and Digital Post Production, Film Restoration, Digital Mastering, Studios and Equipment Rentals with state-of-the-art facilities located in US and India



Corporate Office



Adlabs Digital Cinema Facility



Adlabs Camera Rentals



Projects undertaken by Lowry Digital



Adlabs DI Lab



Adlabs Processing Lab

# BIG SYNERGY



India's Got Talent



Aap Ki Kachehri



Dus Ka Dum



Karishma and Kareena on Dus Ka Dum



Kya Aap Paanchvi Pass Se Tez Hain?



Angrezi Mein Kehte Hai

- Is widely regarded as a leader in non-fiction programming and has enjoyed success in producing large format shows for Indian viewers
- Has produced some spectacular shows like Dus Ka Dum, Jhalak Dikhhla Jaa, Kya Aap Paanchvi Pass Se Tez Hain and Aap Ki Kachehri

## CORPORATE INFORMATION

### **BOARD OF DIRECTORS**

Shri Gautam Doshi, Director  
 Shri Amit Khanna, Director  
 Shri Sujal Shah, Director  
 Shri Anil Sekhri, Director  
 Shri Darius Kakalia, Director  
 Shri Praseon Joshi, Additional Director

### **CHIEF EXECUTIVE OFFICER**

Shri Anil Arjun

### **CHIEF FINANCIAL OFFICER**

Shri Venkat Devarajan

### **COMPANY SECRETARY AND MANAGER**

Ms. Kirti Desai

### **AUDITORS**

B S R & Co., Chartered Accountants

### **INTERNAL AUDITORS**

Mahajan & Aibara Associates

### **BANKERS**

HDFC Bank Ltd.  
 Bank of Baroda

### **REGISTERED OFFICE**

#### **Adlabs Films Limited**

Film City Complex,  
 Goregaon (East),  
 Mumbai - 400 065.  
 Phone: (022) 2842 33 33/44 88  
 Fax: (022) 28422211/28431685  
 Website: www.adlabsfilms.com

### **REGISTRAR & TRANSFER AGENTS**

#### **Link Intime India Pvt. Ltd.**

C-13, Pannalal Silk Mills Compound,  
 L.B.S Marg, Bhandup (W), Mumbai 400 078.  
 Phone: (022) 25963838 / 25946890  
 Fax: (022) 2594 6969.

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# ADLABS FILMS LIMITED

## NOTICE

### NOTICE

Notice is hereby given that the Twenty Second Annual General Meeting of the Members of Adlabs Films Limited will be held on Wednesday, September 30, 2009 at 3.00 p.m. at Rangsharda Natyamandir, K.C. Marg, Bandra Reclamation, Bandra (West), Mumbai 400 050 to transact the following business:

### ORDINARY BUSINESS

1. To consider and adopt the Audited Balance Sheet as at March 31, 2009, the Profit and Loss Account for the financial year ended on that date and the Reports of the Board of Directors and Auditors thereon.

2. To appoint a Director in place of Shri Amit Khanna who retires by rotation and being eligible offers himself for re-appointment.

3. To appoint Auditors and to fix their remuneration and in this regard to consider and if thought fit, to pass with or without modification(s), the following resolution as an **Ordinary Resolution**:

**“RESOLVED THAT** M/s. Chaturvedi & Shah, Chartered Accountants, and M/s. B S R & Co., Chartered Accountants, be and are hereby appointed as the Statutory Auditors of the Company, to hold office from the conclusion of this Annual General Meeting until the conclusion of the next Annual General Meeting of the Company, on such remuneration as may be fixed by the Board of Directors.”

### SPECIAL BUSINESS

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

**“RESOLVED THAT** pursuant to the provisions of Sections 16, 94 and all other applicable provisions, if any, of the Companies Act, 1956 (including any statutory modification or re-enactment thereof for the time being in force), the existing Authorised Share Capital of the Company of Rs. 46,02,90,000 (Rupees Forty Six Crore Two Lakh Ninety Thousand) divided into 9,20,58,000 Equity Shares of Rs. 5 (Rupees Five Only) each, be and is hereby increased to Rs. 50,00,00,000 (Rupees Fifty Crore) comprising 10,00,00,000 Equity Shares of Rs. 5 each; with the power to the Board to decide on the extent of variation in such rights and to classify and re-classify from time to time such shares into any class of shares.

**RESOLVED FURTHER THAT** the Memorandum of Association of the Company be and is hereby altered by substituting the existing Clause V thereof by the following Clause V:

‘V. The Authorised Share Capital of the Company is Rs. 50,00,00,000 (Rupees Fifty Crore) comprising 10,00,00,000 Equity Shares of Rs. 5 each; with power to increase or reduce the capital of the Company and/or the nominal value of the shares and to divide the shares in the capital for the time being into several classes and to attach thereto respectively such

preferential, deferred, qualified or special rights, privileges or conditions with or without voting rights as may be determined by or in accordance with the Articles of Association of the Company or as may be decided by the Board of Directors or by the Company in General Meeting, as applicable, in conformity with the provisions of the Act and to vary, modify, amalgamate or abrogate any such rights, privileges or conditions and to consolidate or sub-divide the shares and issue shares of higher or lower denominations in such manner as may for the time being be provided by the Articles of Association of the Company.’

**RESOLVED FURTHER THAT** for the purpose of giving effect to this resolution, the Board of Directors of the Company be and is hereby authorised to take all such steps and actions and give such directions and delegate such authorities, as it may in its absolute discretion, deem appropriate.”

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

**“RESOLVED THAT** pursuant to the provisions of Section 31 and all other applicable provisions, if any, of the Companies Act, 1956 (including any statutory modification or re-enactment thereof for the time being in force), the Articles of Association of the Company be and are hereby altered by substituting the existing Article 3 thereof by the following new Article 3:

‘3. The Authorized Share Capital of the Company is Rs. 50,00,00,000 (Rupees Fifty Crore) comprising 10,00,00,000 Equity Shares of Rs. 5 each; with the power to the Board to decide on the extent of variation in such rights and to classify and re-classify from time to time such shares into any class of shares.’

**RESOLVED FURTHER THAT** for the purpose of giving effect to this resolution, the Board of Directors of the Company be and is hereby authorised to take all such steps and actions and give such directions and delegate such authorities, as it may in its absolute discretion, deem appropriate.”

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

**“RESOLVED THAT** pursuant to Section 81(IA) and all other applicable provisions of the Companies Act, 1956 (including any statutory modification or re-enactment thereof, for the time being in force) and enabling provisions of the Memorandum and Articles of Association of the Company, the Listing Agreements entered into with the Stock Exchanges and subject to the provisions of Chapter XIII-A of the SEBI (Disclosure and Investor Protection) Guidelines, 2000 (“SEBI DIP Guidelines”), the provisions of the Foreign Exchange Management Act, 1999 and the Foreign Exchange Management (Transfer or Issue of Security by a Person Resident Outside

## NOTICE (contd.....)

India) Regulations, 2000, applicable rules, regulations, guidelines or laws and/or any approval, consent, permission or sanction of the Central Government, Reserve Bank of India and any other appropriate authorities, institutions or bodies (hereinafter collectively referred to as the "appropriate authorities"), and subject to such conditions as may be prescribed by any one of them while granting any such approval, consent, permission, and / or sanction (hereinafter referred to as the "requisite approvals"), which may be agreed to by the Board of Directors of the Company (hereinafter called the "Board" which term shall be deemed to include any committee which the Board may have constituted or hereinafter constitute to exercise its powers including the power conferred by this resolution), the Board be and is hereby authorised to issue, offer and allot equity shares/ fully convertible debentures/ partly convertible debentures / non convertible debentures with warrants/any other securities (other than warrants), which are convertible into or exchangeable with equity shares on such date as may be determined by the Board but not later than 60 months from the date of allotment (collectively referred to as "QIP Securities"), to the Qualified Institutional Buyers (QIBs) as per the SEBI DIP Guidelines, on the basis of placement document(s), at such time or times in one or more tranche or tranches, at par or at such price or prices, and on such terms and conditions and in such manner as the Board may, in its absolute discretion determine, in consultation with the Lead Managers, Advisors or other intermediaries, provided however that the issue of securities as above shall not result in increase of the issued and subscribed equity share capital of the Company by more than 25% of the then issued and subscribed equity shares of the Company.

**RESOLVED FURTHER THAT** the relevant date for the determination of applicable price for the issue of the QIP Securities shall be the date on which the Board of the Company decide to open the proposed issue, or the date on which the holder of the securities which are convertible into or exchangeable with equity shares at a later date becomes entitled to apply for the said shares, as the case may be ("Relevant Date").

**RESOLVED FURTHER THAT** the Board be and is hereby authorised to issue and allot such number of equity shares as may be required to be issued and allotted upon conversion of any Securities referred to in above or as may be necessary in accordance with the terms of the offering, all such shares being *pari passu* with the then existing shares of the Company in all respects, as may be provided under the terms of the issue and in the offering document.

**RESOLVED FURTHER THAT** such of these Securities to be issued as are not subscribed may be disposed of by the Board to such persons in such manner and on such terms as the Board in its absolute discretion thinks fit in accordance with the provisions of law.

**RESOLVED FURTHER THAT** the issue to the holders of the Securities with equity shares underlying such securities shall be *inter alia*, subject to suitable adjustment in the number of shares, the price and the time period etc., in the event of any change in the equity capital structure of the Company consequent upon any merger, amalgamation, takeover or any other re-organisation or restructuring in the Company.

**RESOLVED FURTHER THAT** for the purpose of giving effect to any issue or allotment of Securities or instruments, the Board be and is hereby authorised on behalf of the Company to do all such acts, deeds, matters and things as it may at its absolute discretion deem necessary or desirable for such purpose, including without limitation the entering into of underwriting, marketing and institution / trustees / agents and similar agreements / and to remunerate the Managers, underwriters and all other agencies / intermediaries by way of commission, brokerage, fees and the like as may be involved or connected in such offerings of Securities, with power on behalf of the Company to settle any questions, difficulties or doubts that may arise in regard to any such issue or allotment as it may in its absolute discretion deem fit.

**RESOLVED FURTHER THAT** for the purpose aforesaid, the Board be and is hereby authorised to settle all questions, difficulties or doubts that may arise in regard to the issue, offer or allotment of Securities and utilisation of the issue proceeds including but without limitation to the creation of such mortgage / charge in respect of the aforesaid Securities either on *pari passu* basis or otherwise or in the borrowing of loans as it may in its absolute discretion deem fit without being required to seek any further consent or approval of the Members or otherwise to the end and intent that the Members shall be deemed to have given their approval thereto expressly by the authority of this resolution.

**RESOLVED FURTHER THAT** the Board be and is hereby authorised to delegate all or any of the powers herein conferred to any Committee of Directors or the Chairman or any other Officer(s) / Authorised Representative(s) of the Company to give effect to the aforesaid resolution."

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

**"RESOLVED THAT** Shri Prasoan Joshi, who was appointed as an Additional Director with effect from September 3, 2009 on the Board of the Company in terms of Section 260 of the Companies Act, 1956 and Article 132 of Articles of Association of the Company, and who holds office upto the date of the ensuing Annual General Meeting, and in respect of whom a Notice has been received in writing, under Section 257 of the said Act, proposing his candidature for the office of the Director, be and is hereby appointed as a Director of the Company, liable to retire by rotation".

# ADLABS FILMS LIMITED

## NOTICE (contd.....)

8. To consider and, if thought fit, to pass, with or without modification, the following resolution as a **Special Resolution**:

**“RESOLVED THAT** pursuant to the provisions of Section 21 and all other applicable provisions, if any, of the Companies Act, 1956 (including any statutory modifications or reenactment thereof, for the time being in force) and subject to the approval of the Central Government and such other approvals, consents, sanctions and permissions of appropriate authorities, department and bodies as may be necessary, consent of the Company be and is hereby accorded for change of name of the Company from “Adlabs Films Limited” to “Reliance MediaWorks Limited”

**RESOLVED FURTHER THAT** for the purpose of giving effect to this resolution, authority of the Company be and is hereby given to the Board of Directors to do all such acts, deeds and things, deal with such matters, take necessary steps and consider such delegations in the matter as the Board it may in its absolute discretion deem necessary and to settle any question that may arise in this regard, without being required to seek any further consent or approval of the Members or otherwise to the end and intent that the Members shall be deemed to have given their approval thereto expressly by the authority of this resolution.

**RESOLVED FURTHER THAT** upon the fresh Certificate of Incorporation consequent upon the change of name of the Company being issued by the Registrar of Companies, Maharashtra, Mumbai the name “Reliance MediaWorks Limited” be inserted in place of the present name of the Company wherever appearing in the Memorandum and Articles of Association of the Company, letter heads etc and any one of the Directors and Ms. Kirti Desai, Company Secretary and Manager of the Company be and are hereby severally authorized to do all such acts, deeds, matters and things as may be necessary to give effect to this resolution.”

**By Order of the Board of Directors**

**Kirti Desai**  
**Company Secretary & Manager**

### Registered Office

Filmcity Complex  
Goregaon (East),  
Mumbai 400 065

September 3, 2009

### Notes:

1. **A member entitled to attend and vote at the Annual General Meeting (the Meeting) is entitled to appoint a proxy to attend and vote on a poll instead of himself and the proxy need not be a member of the company. The instrument appointing proxy should, however, be deposited at the Registered Office of the Company**

**not later than 48 hours before the commencement of the Meeting.**

2. Corporate Members are requested to send a duly certified copy of the Board Resolution authorising their representatives to attend and vote at the Meeting.
3. Members/proxies should fill-in the attendance slip for attending the Meeting.
4. In case of joint holders attending the meeting, only such joint holder who is higher in the order of names will be entitled to vote.
5. Members who hold shares in electronic form are requested to write their Client ID and DP ID numbers and those who hold shares in physical form are requested to write their folio number in the Attendance Slip for attending the Meeting to facilitate identification of membership at the Meeting. Members are requested to bring their Attendance Slip alongwith their copy of the annual report to the Meeting.
6. An Explanatory Statement pursuant to Section 173(2) of the Companies Act, 1956, relating to the special business to be transacted at the Meeting is annexed hereto.
7. All documents referred in the accompanying Notice are open for inspection at the Registered Office of the Company on all working days except Saturday between 11.00 a.m. and 1.00 p.m. upto the date of Annual General Meeting.
8. The Register of Members and the Share Transfer Books of the Company will remain closed from Thursday, September 24, 2009 to Wednesday, September 30, 2009 (both days inclusive).
9. Appointment and Re-appointment of Directors: At the ensuing Annual General Meeting, Shri Amit Khanna, Director of the Company retires by rotation and being eligible, offers himself for reappointment. Shri Prasoon Joshi, Additional Director holds office upto the date of the Annual General Meeting and is proposed to be appointed as a Director under Section 257 of the Companies Act, 1956. The information or details pertaining to Shri Amit Khanna and Shri Prasoon Joshi to be provided in terms of Clause 49 of the Listing Agreement is furnished in the Report of Corporate Governance forming part of the Report.
10. Members are advised to refer to the section titled “Investor Information” provided in this Annual Report.

**Explanatory Statement pursuant to Section 173(2) of the Companies Act, 1956 setting out all the material facts relating to special business:-**

### Item Nos. 4 and 5

The Company, in order to meet its growth objectives and to strengthen its financial position, is required to generate long term resources by issuing securities. It is therefore deemed appropriate to increase the Authorised Share Capital of the Company from Rs. 46,02,90,000 to Rs. 50,00,00,000 and for that purpose, the Memorandum of Association and the Articles of Association of the



## NOTICE (contd.....)

Company are proposed to be suitably altered as set out at item Nos. 4 and 5 of the accompanying Notice.

The Authorised Share Capital of the Company increased from Rs. 30,00,00,000 to Rs.46,02,90,000 in the financial year ended March 31, 2009 pursuant to the provisions of the Scheme of Amalgamation between Rave Entertainment Pvt. Ltd., Adlabs Multiplex Ltd., Adlabs Multiplexes and Theatres Ltd., Mahimna Entertainment Pvt. Ltd. and Adlabs Films Limited and their respective shareholders and creditors on May 29, 2009. The Scheme provided that the Authorised Share Capital of the Transferee Company viz. Adlabs Films Limited shall increase by Rs. 16,02,90,000 to Rs.46,02,90,000/- (Rupees Forty Six Crores Two Lacs Ninety Thousand Only) divided into 9,20,58,000 equity shares of Rs.5/- each.

The provisions of the Companies Act, 1956 require the Company to seek the approval of the Members for increase in the Authorised Share Capital and for the alteration of capital clause of the Memorandum of Association and the Articles of Association of the Company.

Your Directors therefore recommend the resolutions set out at item Nos. 4 and 5 of the accompanying Notice for your approval.

A copy of Memorandum and Articles of Association of the Company shall remain open for inspection by Members at the Registered Office of the Company on all working days except Saturdays between 11.00 a.m. to 1.00 p.m. till the date of this Annual General Meeting.

None of the Directors of the Company is, in any way, concerned or interested in the said resolutions, except to the extent of their shareholding.

### Item No. 6

Keeping in view the business requirements, and the ability to compete with the peer groups in domestic and international markets, your Company needs to strengthen its financial position by augmenting long term resources.

The proposed Special Resolution seeks the enabling authorization of the Members to the Board of Directors, without the need of any further approval from the Members, to undertake the Qualified Institutional Placement ("QIP") with the Qualified Institutional Buyers ("QIB"), in accordance with the provisions of Chapter XIII-A of the SEBI (Disclosure and Investor Protection) Guidelines, 2000 ("SEBI DIP Guidelines").

Pursuant to the above, the Board may, in one or more tranches, issue and allot equity shares / fully convertible debentures / partly convertible debentures / non convertible debentures with warrants / any other securities (other than warrants), which are convertible into or exchangeable with equity shares on such date as may be determined by the Board but not later than 60 months from the date of allotment (collectively referred to as "QIP Securities"). The said QIP by the Board shall be subject to the provisions of the SEBI DIP Guidelines (as amended from time to time) including the pricing, which will not be less than the average of the weekly high and low of the closing prices of the related shares quoted on the stock

exchanges during the two weeks preceding the Relevant Date. The Relevant Date for the determination of applicable price for the issue of the QIP Securities shall be the date of the meeting in which the Board of the Company decides to open the proposed issue or in case of securities which are convertible into or exchangeable with equity shares at a later date, the date on which the holder of such securities becomes entitled to apply for the said shares, as the case may be. For reasons aforesaid, an enabling resolution is therefore proposed to be passed to give adequate flexibility and discretion to the Board to finalise the terms of the issue. The securities issued pursuant to the offering would be listed on the Indian stock exchanges.

The proposed issue of QIP Securities as above may be made in one or more tranches such that the QIP Securities to be issued shall not result in increasing the then issued and subscribed equity shares of the Company by more than 25 per cent of the then issued and subscribed equity shares of the Company.

The Securities issued under QIP issue pursuant to offer may, if necessary, be secured by way of mortgage / hypothecation on the Company's assets as may be finalized by the Board in consultation with the Security Holders / Trustees in favour of Security Holders / Trustees for the holders of the said securities.

Section 81(1A) of the Companies Act, 1956 and Listing Agreement entered with the Stock Exchanges, provide, inter alia, that where it is proposed to increase the subscribed share capital of the Company by allotment of further shares, such further shares shall be offered to the persons, who on the date of the offer are holders of the equity shares of the Company, in proportion to the capital paid-up on those shares as of that date unless the Members decide otherwise. The Special Resolution seeks the consent and authorisation of the Members to the Board of Directors to make the proposed issue of Securities, in consultation with the Lead Managers, Legal Advisors and other intermediaries and in the event it is decided to issue Securities convertible into equity shares, to issue to the holders of such convertible Securities in such manner and such number of equity shares on conversion as may be required to be issued in accordance with the terms of the issue, keeping in view the then prevailing market conditions and in accordance with the applicable provisions of rules, regulations or guidelines.

Your Directors therefore recommend the said resolution for your approval.

None of the Directors of the Company is, in any way, concerned or interested in the said resolution, except to the extent of their shareholding.

### Item No. 7

Shri Prasoon Joshi was appointed as Additional director of the Company with effect from September 3, 2009 in accordance with the provisions of section 260 of the Companies Act, 1956 and Article 132 of Articles of Association of the Company.

Pursuant to Section 260 of the Companies Act 1956, Shri Prasoon Joshi holds office upto the date of the ensuing Annual General

# ADLABS FILMS LIMITED

## NOTICE (contd.....)

Meeting. The Company has received Notice under Section 257 of the Companies Act, 1956 proposing his candidature for the office of the Director.

Keeping in view the experience and qualification of Shri Prasoon Joshi, your Directors considered it to be in the interest of the Company, if he is appointed as Director of the Company, liable to retire by rotation as per the provisions of the Companies Act, 1956.

Your Directors therefore recommend the said resolution for your approval.

None of the Directors of the Company is, in any way, concerned or interested in the said resolution, except to the extent of their shareholding.

### Item No. 8

The Company was incorporated in 1987 as a Private Limited Company viz. "Adlabs Films Private Limited". In the year 2000, the Company was converted into a public limited company and was listed on Bombay Stock Exchange Limited and National Stock Exchange of India Limited.

In the year 2005 Reliance Anil Dhirubhai Ambani Group acquired the controlling stake in equity share capital of the Company and became the Promoters of the Company. Consequent to the above and the Company's transformation into a fully integrated media and entertainment service provider over the last few years with its services spanning the entire media and entertainment value chain including motion picture processing, film post production, digital cinema, studios/shooting floors, film and television equipment rental, visual effects and restoration, image enhancement, exhibition in

India and overseas, production of television content and other value added services, it is deemed appropriate to change the name of the Company to Reliance MediaWorks Limited.

The Board of Directors believe that the new name would enable the Company to more accurately reflect its businesses.

Pursuant to an application by the Company, the proposed new name has been made available by the Registrar of Companies, Maharashtra, Mumbai vide their letter dated September 3, 2009. In terms of Section 21 of the Companies Act, 1956, name of the Company can be changed with the approval of the Central Government and the Shareholders by way of a Special Resolution.

Your Directors therefore recommend the said resolution for your approval.

None of the Directors of the Company is, in any way, concerned or interested in the said resolution, except to the extent of their shareholding.

**By Order of the Board of Directors**

**Kirti Desai**

**Company Secretary & Manager**

### Registered Office

Filmcity Complex  
Goregaon (East),  
Mumbai 400 065

September 3, 2009

## DIRECTORS' REPORT

### To the Members,

Your Directors have pleasure in presenting the Twenty Second Annual Report and the Audited Accounts of the Company for the financial year ended March 31, 2009.

### Financial Results

(Rs. in millions)

Particulars	Financial year ended March 31, 2009 (12 months)	Financial year ended March 31, 2008 (9 months)
<b>Gross income</b>		
Film Processing and Traded Goods	1,075.68	634.17
Theatre Operations	2,248.06	1,051.46
Film Distribution	367.32	782.30
Film production & Related services	1,161.62	235.61
Other Income	655.60	538.53
<b>Total</b>	<b>5,508.28</b>	<b>3,242.07</b>
Expenditure	4,030.16	1,669.64
Profit Before Depreciation, Interest & Tax	1,478.12	1,572.43
Interest	627.48	134.36
Depreciation	1,146.23	1,034.16
<b>(Loss) / Profit Before Tax</b>	<b>(295.59)</b>	<b>403.91</b>
Tax expenses	1.67	(43.41)
Short / (Excess) provision for tax in respect of earlier years	-	(11.73)
<b>Profit After Tax</b>	<b>(297.26)</b>	<b>459.05</b>
Balance brought forward from previous year	53.61	879.48
<b>Total</b>	<b>(243.65)</b>	<b>1,338.53</b>
<b>Appropriations</b>		
General Reserve	-	1,150.00
Proposed Dividend	-	115.32
Dividend Tax	-	19.60
Balance carried forward	(243.65)	53.61
<b>Total</b>	<b>(243.65)</b>	<b>1,338.53</b>

### Results of Operations

The financial results covered and forming part of this report include 12 month period from April 1, 2008 to March 31, 2009. As such the accounts for the period ended March 31, 2009 shall not be strictly comparable with that of the previous year i.e March 31, 2008 (9 months). The Total Income from operations of the Company for the year ended March 31, 2009 was higher at Rs. 5,508.28 millions recording an increase of 27% over the previous year on an annualized basis. The income from film processing for the year was at Rs. 1,075.68 millions, recording an increase of 27% over the previous year on an annualized basis.

Income from Exhibition rose by 60% to Rs. 2,248.06 millions on an annualized basis. During the year, the contribution of the exhibition division towards the overall revenue has significantly increased from 32% to 41% of the total revenue.

Further during the year, the contribution of the film production and distribution division towards the overall revenue was Rs. 1,528.94 million, as against Rs. 1,017.91 million during the nine month period ended March 31, 2008.

The overall net loss of the company was Rs.297.26 millions primarily on account of expenses related to scaling up, expansion and stabilization of various businesses and interest financing charges.

### Dividend

Your Directors have not recommended any dividend for the financial year ended March 31, 2009.

### Management Discussion and Analysis

The Management Discussion and Analysis Report for the year under review, as stipulated under Clause 49 of the Listing Agreement with the Stock Exchanges in India, is presented in a separate section which forms part of the Report.

### Review of Operations

The Company has entered into various contracts in the areas of entertainment and media sector. While benefits from such contracts will arise in future years, their progress is periodically reviewed.

In the recent past the Company has established a strong and dominant presence for its multiplex business in India and internationally and has also entered new segments of the film production value chain including digital post-production services, digital cinema mastering, film restoration, film camera equipment and production support services. Company's television venture, BIG Synergy is among the top players in the television programming industry.

Backed by the Group strength, the Company has seen strong growth in terms of canvas and scale of operations.

### Amalgamation and Arrangement

#### (a) Reorganisation of Subsidiaries

In terms of the Scheme of Arrangement amongst the Company and its wholly owned subsidiaries viz. Rave Entertainment Pvt. Ltd., Adlabs Multiplex Limited, Adlabs Multiplexes and Theatres Limited, Mahimna Entertainment Private Limited and their respective shareholders and creditors, as sanctioned by the Hon'ble High Court of Judicature at Bombay vide order dated May 8, 2009, all the aforesaid subsidiaries were merged with the Company with effect from May 29, 2009.

#### (b) Scheme of Arrangement for transfer of Radio Business

In terms of the Scheme of Arrangement amongst the Company and its wholly owned subsidiary Reliance Media World Limited (formerly Reliance Unicom Limited) and their respective shareholders and creditors, as sanctioned by the Hon'ble High Court of Judicature at Bombay vide order dated April 4, 2009, the radio business of the Company was demerged and vested into Reliance Media World Limited (RMW) with effect from June 30, 2009.

Pursuant to the effectuation of this Scheme, RMW has issued its equity shares of Rs. 5/- each for every one equity share of Rs. 5/- each held in the Company to all the shareholders of the Company whose names were registered on the Company's Register of Members as Beneficial Owners at the closing of business as on the "Record Date" fixed by the Board of Directors.

### Subsidiaries

During the year under review, Adlabs Multiplexes and Theatres Limited, Adlabs Multiplex Limited, Reliance Media World Limited

# ADLABS FILMS LIMITED

## DIRECTORS' REPORT (contd.....)

(formerly Reliance Unicom Limited) and Rave Entertainment Private Limited ceased to be the subsidiaries of your Company. Further Rave Entertainment and Food Nepal Private Limited, Reliance Big Entertainment Inc., Big Pictures USA Inc., Adlabs Digital Media USA LLC, Reliance Big Entertainment Malaysia SDN BHD and Reliance Lotus Five Star Cinemas SDN BHD became subsidiaries of your Company during the year.

In terms of the approval granted by the Central Government under Section 212(8) of the Companies Act, 1956, copies of the Balance Sheet, Profit and Loss Account, and Reports of the Board of Directors and Auditors of the subsidiaries have not been attached with the Balance Sheet of the Company. However, these documents will be made available upon request by any member of the Company. As directed by the Central Government, the financial data of the subsidiaries have been furnished under 'Financial Information of Subsidiary Companies', which forms part of the Annual Report. The annual accounts of the Company including that of subsidiaries will be kept for inspection by any member. Further, pursuant to Accounting Standard (AS-21) prescribed under Companies (Accounting Standards) Rules, 2006, and the listing agreement, the audited consolidated financial statements presented by the Company include financial information of subsidiaries.

### **Directors**

In terms of Article 141 of the Articles of Association of the Company Shri Amit Khanna retires by rotation and being eligible offers themselves for reappointment at the ensuing Annual General Meeting.

Shri Prasoon Joshi is appointed as Additional Director of the Company on September 3, 2009 to hold office upto the conclusion of the ensuing Annual General Meeting. The Company has received notice under Section 257 of the Companies Act, 1956, proposing the appointment of Shri Prasoon Joshi as Director of the Company.

Shri Pradeep Shah has resigned from the Directorship of your Company with effect from September 3, 2009 and the Board places on record its sincere appreciation of the active involvement and support of Shri Pradeep Shah during his tenure.

A brief resume of the Directors being proposed to be appointed/reappointed at the ensuing Annual General Meeting, their nature of expertise in specific functional areas and names of Companies in which they hold directorships and/or Memberships/Chairmanship of Committees of the Board as stipulated under Clause 49 of the Listing Agreement with the Stock Exchanges are given in the section of Corporate Governance forming part of this Annual Report.

### **Directors' Responsibility Statement**

Pursuant to the requirements under Section 217(2AA) of the Companies Act, 1956, with respect to the Director's Responsibility Statement, it is hereby confirmed that:

- a) in the preparation of the annual accounts for the financial year ended March 31, 2009, the applicable accounting standards have been followed along with proper explanation relating to material departures ;
- b) the Directors have 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 as at March 31, 2009 and of the loss of the Company for the year under review;

- c) the Directors 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; and
- d) the Directors have prepared the accounts for the financial year ended March 31, 2009 on a "going concern" basis.

### **Group**

Pursuant to an intimation from the Promoters, the names of the Promoters and entities comprising 'group' as defined under the Monopolies and Restrictive Trade Practices ("MRTP") Act, 1969 are disclosed in the Annual Report for the purpose of the SEBI (Substantial Acquisition of Shares and Takeovers) Regulations, 1997.

### **Consolidated Financial Statements**

The Audited Consolidated Financial Statements based on the Financial Statements received from subsidiaries and associates as approved by their respective Board of Directors have been prepared in accordance with Accounting Standard-21 (AS-21) on "Consolidated Financial Statements" read with Accounting Standard-23 on "Accounting for Investments in Associates" (AS-23) and Accounting Standard-27 (AS-27) on "Financial Reporting for Interest in Joint Ventures".

### **Auditors**

M/s. B S R & Co., Chartered Accountants, as Statutory Auditors of the Company, hold office until the conclusion of the ensuing Annual General Meeting and are eligible for appointment.

The Board pursuant to the recommendation of the Audit Committee has proposed, appointment of M/s Chaturvedi & Shah, Chartered Accountants, as Statutory Auditors alongwith M/s B S R & Co., Chartered Accountants, subject to the approval of the members in the ensuing Annual General Meeting.

The Company has received letters from M/s B S R & Co., Chartered Accountants and M/s. Chaturvedi & Shah, Chartered Accountants to the effect that their appointment, if made, would be within the prescribed limits under Section 224(1B) of the Companies Act, 1956 and that they are not disqualified for such appointment within the meaning of the Section 226 of the Companies Act, 1956.

### **Auditors' Report**

The Notes to the Accounts referred to in the Auditors Report and Annexure there to are self-explanatory and therefore do not call for any further comments.

### **Approval Under Section 211(4) of the Companies Act, 1956**

The Company has received approval from the Central Government in terms of Section 211(4) of the Companies Act, 1956 for exemption from disclosing the quantitative details of goods pertaining to the Exhibition Division in its Financial Statements for the financial year ended March 31, 2009 which is required to be statutorily disclosed

## DIRECTORS' REPORT (contd.....)

in terms of Para- 3(i)(a) and (3)(ii)(d) of Part II of Schedule VI to the Companies Act, 1956.

### **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 the annexure to this report.

### **Particulars of Employees**

In terms of the provisions of Section 217(2A) of the Companies Act, 1956 read with the Companies (Particulars of Employees) Rules 1975, the name and other particulars of employees are set out in the annexure to the Directors' Report. However, having regard to the provisions of the Section 219(1)(b)(iv) of the Companies Act, 1956, the Annual Report excluding the aforesaid information is being sent to all the members of the Company. Any member interested in obtaining such particulars may write to the Company Secretary at the Registered Office of the Company.

### **Corporate Governance**

The Company has adopted "Reliance Anil Dhirubhai Ambani Group – Corporate Governance Policies and Code of Conduct" which has set out the systems, process and policies conforming to

international standards. The report on Corporate Governance as stipulated under clause 49 of the listing agreement with the Stock Exchanges, forms part of the Annual Report. A Certificate from the Practising Company Secretary conforming compliance with conditions of Corporate Governance as stipulated under the aforesaid clause 49, is annexed to this Report.

### **Acknowledgements**

Your Directors would like to express their sincere appreciation of the co-operation and assistance received from shareholders, bankers, regulatory bodies and other business constituents during the year under review. Your Directors also wish to place on record their deep sense of appreciation for the commitment displayed by all executives, officers and staff, resulting in the successful performance of the Company during the year.

**For and on behalf of the Board of Directors**

**Amit Khanna**  
Director

**Gautam Doshi**  
Director

Date: September 3, 2009  
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 and trading activities and had no direct manufacturing activities during the period 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 12 and 10 & 11 of Schedule 22 of the Accounts forming part of the Balance Sheet.

**For and on behalf of the Board of Directors**

**Amit Khanna**  
Director

**Gautam Doshi**  
Director

Date: September 3, 2009  
Place: Mumbai

# ADLABS FILMS LIMITED

## MANAGEMENT DISCUSSION AND ANALYSIS

### Forward looking statements

The financial statements have been prepared in compliance with the requirements of the Companies Act, 1956 and Generally Accepted Accounting Principles (GAAP) in India. However, readers are cautioned that this discussion may contain “forward-looking statements” by Adlabs Films Limited (“Adlabs”) that are not historical in nature. These forward looking statements, which may include statements relating to future results of operations, financial condition, business prospects, plans and objectives are based on the current belief, assumptions, expectations, estimates and projections of the directors and management of Adlabs about the business, industry and markets in which Adlabs operates. These statements are not guarantees of future performance and are subject to known and unknown risks, uncertainties, and other factors, some of which are beyond Adlabs’ control and difficult to predict, that could cause actual results, performance or achievements to differ materially from those in the forward looking statements.

Such statements are not, and should not be construed, as a representation as to future performance or achievements of Adlabs. In particular, such statements should not be regarded as a projection of future performance of Adlabs. It should be noted that the actual performance or achievements of Adlabs may vary significantly from such statements.

The following discussions on our financial condition and result of operations should be read together with our audited consolidated financial statements and the notes to these statements included in the annual report.

Unless otherwise specified or the context otherwise requires, all references herein to “we”, “us”, “our”, “the Company” or “Adlabs” are to Adlabs Films Limited and its subsidiaries and associates.

### Macro Economic Overview

In the fiscal year 2008-09, India’s economy expanded by a stronger-than-expected 6.7 percent. The growth rate in March 09 was lower from 9.0 percent posted a year earlier but better than analysts’ forecasts, considering the turbulence in the global economy.

It was inevitable that the fortunes of the Indian economy will be impacted by the growth prospects of the world economy as export demand continues to fall, and external financing becomes progressively constrained. However, there are some inherent strengths within the Indian economy, which have spawned the idea of its ‘decoupling’ from the global economy. The presence of a large domestic population, along with the increase in its per capita income on the back of sustained economic growth over the past few years is expected to provide enough of a demand stimulus to ensure continued economic growth for India. Further, a strong saving and investment rate will contribute towards shortening the length and severity of the current slowdown, and also towards a faster revival, when the economic turnaround sets in.

### Media and Entertainment Sector Overview

India’s Media and Entertainment Industry		
Year	Size (\$ billion)	Per cent growth
2005	7.72	–
2006	8.90	15.28 %
2007	10.40	16.85 %
2008	11.68	12.31 %
2009	12.56	7.53 %
2010	13.94	10.99 %
2011	15.82	13.49 %
2012	18.22	15.17 %
2013	21.04	15.48 %

CAGR for 2009-13:12.5 per cent

In the year 2008-09, the Indian media and entertainment (M&E) industry continued to rise as one of the fastest growing industries in the country.

The current challenging global economic environment has led to moderate but steady growth and the projections for the coming years are still strong. According to the KPMG and FICCI report while the industry grew 15 per cent annually in the last five years to \$11.68 billion (Rs 584 billion) in 2008, the growth projection for 2009-13 is expected to continue at 12.5 per cent CAGR and over the next five years, the industry is projected to cross the mark of \$21 billion (Rs.1052 billion) from \$11.68 billion in 2008. The table explains how the growth rate is expected to grow stronger over the next 5 years.

There are a number of reasons to be optimistic about India’s media and entertainment industry, including the factors that contribute to the high growth of the Indian economy.

The improving infrastructure, increase in film production, favourable demographics, popularity of the mall concept ensuring steady footfalls to theatres/multiplexes located within and the conducive regulatory and investment environment makes India a favoured destination for the global media and entertainment industry.

Despite the high growth achieved during the recent years, almost all the segments of the Indian media and entertainment industry have a low penetration compared to the international average. For example, the cable and satellite penetration in the country is just about 50 per cent, leaving half the market untapped. The advertising spend-to-GDP ratio is also very low compared with the developed countries. On the other hand, the growing middle class, young population and increasing discretionary spending are the factors that not only help the overall economy to grow at a healthy pace but also create a conducive environment for the media and entertainment industry.

### About Adlabs Films Limited

Adlabs Films Ltd is India’s fastest growing film and entertainment services company and a member of the Reliance Anil Dhirubhai Ambani Group.

## MANAGEMENT DISCUSSION AND ANALYSIS (contd.....)

Adlabs has a dominant and comprehensive presence in Film Services: Motion Picture Processing and DI, Film Restoration, Digital Mastering, Studios and Equipment rentals.

Adlabs Films also operates India's largest cinema chain with about 428 screens spread across India, US and Malaysia. It has a significant presence in the film distribution space with a nationwide presence.

Adlabs' television venture, BIG Synergy is among the top players in the television programming industry.

### **BIG Cinemas**

The nation's multiplex industry is all set for an unprecedented boom buoyed by positive regulatory changes and booming consumerism. Multiplexes have been instrumental in contributing 40% of the total theatrical sales for the industry and the Indian film industry realizes about 85% of its revenues from box office collections as compared with the US film industry where box office sales account for only 27% of revenues. (Source: Indian Brand Equity Foundation Entertainment & Media Report, Davos 2007).

Most of the theatres in India are single-screen theatres and not of the highest quality, which has resulted in lower occupancy rates and lower ticket prices. This has provided a strategic opportunity to Adlabs' BIG Cinemas for taking over such theatres on lease/ contract basis for up-gradation or conversion to multiplexes. Such up-gradation and conversion to multiplexes is resulting in higher occupancy rates, and thus higher box office collections.

In 2008-09, Adlabs' Big Cinemas became India's largest cinema chain with over 428 screens spread across India, US and Malaysia that caters to over 40 million consumers. During the year BIG Cinemas expanded its presence across 115 locations as against 54 from the previous period.

- During the year, Adlabs Films entered into an agreement for acquisition of majority and controlling interest in Malaysia-based Lotus Five Star Cinemas to operate a 51 screen cinema chain in Malaysia.
- In May 2008, Adlabs also launched India's first 6D cinema experience at Agra. Providing a multi-sensory cinematic experience to cinema goers have ever encountered, the 6D Cinema aims to become a distinctive global tourist entertainment attraction.
- In October 2008, Adlabs Cinemas underwent the largest consumer brand change in the entertainment domain to become BIG Cinemas, an initiative in line with the Reliance ADA Group's philosophy for a single monolithic consumer entertainment brand "BIG".
- Through fiscal 2008-09, BIG Cinemas has entered new markets like Coimbatore, Hyderabad, Nagpur, Pondicherry, Aurangabad, Sholapur, Chattisgarh among others.
- In December 2008, Adlabs' BIG Cinemas was awarded 'International Exhibitor of the Year 2008' by CineAsia 2008 at Macau.

In FY 2008-09 Adlabs' Cinema Division's consolidated revenues grew by 103% to Rs. 335 Crore (US\$ 74 Million).

### **BIG Synergy**

According to the FICCI-PwC Indian Entertainment Industry Report 2008, television has dominated the entertainment and media industry with close to 42% share and continues to have the potential to do so even in the future. Out of 200 million homes, television today reaches over 100 million homes, including over 60 million cable households. This is expected to increase to 135 million TV households and 85 million cable & satellite households by 2010. Today, there are over 300 channels, which are beamed into the Indian skies and most of such channels are available to all C&S connected homes. However, this has not discouraged investors who believes that there is room for more, keeping in consideration the potential to reach a larger number of eyeballs than any other medium can capture.

A report by PwC estimates that the Indian television industry's revenue will grow at a CAGR of 22% to \$13.11 billion in 2011 from \$4.82 billion in 2006. The buoyancy of the Indian economy coupled with new distribution platforms like DTH among others is likely to propel the growth of this industry. Adlabs' BIG Synergy is an established leader in the business and is well positioned to benefit from the expansion of the industry.

In 2008-09, BIG Synergy further enhanced its position as a leader in non-fiction programming and has adapted new international format shows for Indian audiences. Fiction, Regional content, Talent Hunt and Lifestyle programming will be the additional drivers for BIG Synergy in the immediate future along with new big ticket non fiction channel drivers.

- In 2008-09, BIG Synergy produced some of the biggest and best known shows on Indian television like Dus Ka Dum, Jhalak Dikhhla Jaa – Dancing with the Stars, Kya Aap Paanchvi Paas Se Tez Hain, and Aap Ki Kacheri.
- BIG Synergy associated with Oscar Winning movie Slumdog Millionaire to recreate the set for its unforgettable game show KBC for the film.
- BIG Synergy has over 15 shows lined up across 8 channels scheduled for FY 09-10.

In FY 2008-09 BIG Synergy recorded growth of 38% to turnover of Rs. 40 Crore (US\$ 9 Million).

### **Film and Media Services**

In September 2008, Adlabs has become the first motion picture services facility in India and all of Asia to be awarded certification by the UK's- industry body FACT (Federation Against Copyright Theft). The certification is a major recognition of the efforts by Adlabs to protect and safeguard the films that it handles from piracy.

The certification applies to Adlabs' film processing and print lab, Digital Lab, Digital Cinema Mastering facility as well as Adlabs' preview theatre, all housed within its Film City premises in Mumbai. The accreditation comes at a time when Adlabs has significantly grown its portfolio of film-related services, expanding from its long tradition of motion picture lab processing and replication to include post-production and grading with its 4K DI-lab and the Digital Cinema Mastering facility.

# ADLABS FILMS LIMITED

## MANAGEMENT DISCUSSION AND ANALYSIS (contd.....)

**Motion Picture Processing & Printing:** The Processing Laboratory is part of Adlabs' legacy, and has continued to maintain a 70% box office share of the Bollywood industry.

**DI Lab:** Adlabs has established itself as a market leader in providing DI services within 9 months of commencing operations. In 2008, Adlabs' DI Lab has established itself in the market as a dominant player with films like Sarkar Raj and Singh is Kinng, and have over 25 films in the pipeline.

**Digital Cinema:** Adlabs Digital Cinema has operated more than 15,000 commercial screenings in full DCI-compliant 2K d-cinema and more than 3,000 have been transmitted via fiber optic cables. International work includes trailers for Warner Brothers "Chandni Chowk to China" & Sony's James Bond release "Quantum of Solace". Adlabs Digital Cinema was the first in the world to commercially distribute digital cinema films over the optic fiber cable (OFC), using Reliance Communications Limited FLAG network, from India to US for "Ghajini" in a time frame of 4.5 hours.

**Cameras and Equipment:** Adlabs TV broadcast camera rentals has established itself as the premium service provider in India. Adlabs provides cameras and other related equipment on a rental basis to television channels and production houses for recording/televising entertainment events, reality shows and game shows for either live or deferred telecast on television channels. Shows include Dus Ka Dum, MTV Lycra Awards, ET Corporate Awards, Filmfare Awards, Mumbai Marathon and Jhalak Dikhla Ja.

**Studios (Shooting floors/Soundstages):** Adlabs is constructing a state of the art 200,000 sq ft. film studio comprising 7 sound stages at Film City in Mumbai which will support film, TV and advertising productions. The Studio will be commissioned in phases by end of the year.

**Lowry Digital-Image enhancement & Restoration:** In 2008-09, Lowry Digital undertook path breaking image processing projects for top Hollywood filmmakers, TV producers, video archive owners and top studios like Disney, 20th Century Fox, Paramount and MGM. The company also restored the Oscar-winning motion picture The Robe utilizing the propriety Lowry Process to create pristine new picture elements that maintain the visual intentions of the original masterpiece. Lowry Digital has also completed work on the movie The Curious Case of Benjamin Button, which has received 13 Oscar nominations and 11 BAFTA nominations.

In FY 2008-09, Film and Media Services revenues grew by 51% to Rs. 135 Crore (US\$ 29 Million)

### Risks and Mitigation Measures

Each of Adlabs division faces specific risks, hence these have been classified by the various divisions as below:

#### Exhibition Division:

1. Adlabs is in the process of expanding its network in India and Overseas and also refurbishing existing properties. A new cinema property faces several risks such as delays in the scheduled implementation of the proposed projects for various reasons including construction delays, delays in receipt of government approvals or delays in delivery of equipment by suppliers. Adlabs has a dedicated projects team that focuses

on timely completion of signed properties and is in a strong position to control the execution and completion to a large extent.

2. Adlabs' ability to attract audiences to its cinemas depends on the films' quality and popularity. If the film industry fails to produce content which has widespread appeal, the audience footfalls would decline. Moreover, anti-piracy laws are not adequately enforced in India which may reduce the number of cinema patrons in the future. Both these factors may have an adverse effect on the company's revenues and results of operations.

However, with the advent of more and more professional entities into film production, the industry is becoming better organized and is set to roll out quality content on a sustained basis. Also a more evolved distribution strategy has ensured that the correct movies reach audiences in time.

#### Film and Media Services:

1. Advancements in the digital cinema business may affect the demand for movie prints thus impacting the film processing business. Adlabs has already identified the potential of the digital revolution and taken substantial steps to counter the threat through its entry into the digital cinema business. All the same the traditional print business still has a long way to go and no immediate threat is foreseen.
2. On account of emergence of other business divisions, the share of film processing revenues in overall revenues of the company has decreased. Consequently the company's top-line is de-risked from the impact of the digital revolution.
3. The equipment rentals, Digital Cinemas and DI Lab businesses are relatively new and Studio business is still in the investment phase. We believe that the underlying potential of these businesses as well as Adlabs' long term relationships and quality consciousness would help increase the company's 'share of wallet' and ultimately ascertain shareholder value.

#### Opportunities

- The density of screen per person in urban India is low and there is a potential for further growth. The average number of screens in India is relatively low as compared with the other countries such as the USA and UK. India has around 12,900 theatres, a vast majority of which are single-screen theatres and the average screen density is 12 screens (per million population). In contrast, the USA and UK with a much lower population and which produce fewer films than India have a screen density of 117 and 30, respectively.
- With a proliferation of television channels and new platforms of delivery like DTH and IPTV available today, there is a significant demand for quality programming in a variety of genres, formats and languages, putting content providers in the television space in an extremely favourable position.
- Overseas markets for Indian films have opened up owing to the ever-increasing presence of Indians and South East Asians across the world. With overseas box office collections contributing a significant amount to a film's revenues, the



## MANAGEMENT DISCUSSION AND ANALYSIS (contd.....)

international market has a vast potential for producers, distributors and exhibitors that is far from being fully exploited.

- The Indian Digital Post Production market which includes services like colour grading, digital intermediate, VFX, etc is to the tune of approximately Rs 1000 crores. The domestic market is expanding at 30-35% with production budgets of films and commercials as also the spending on special and digital effects increasing exponentially. There also exists a substantial opportunity for catering to international outsourcing of work for foreign studio and media clients.
- Overall, due to changing demographics and economic conditions in India, coupled with consumers willing to spend more on a variety of leisure and entertainment services, the filmed entertainment business is set to grow in the years to come.

### Threats

- Currently entertainment tax exemption is available for a limited period. Multiplex profitability depends partly on entertainment tax exemptions that are available for certain duration. There may be some pressure on the margins of all players once the exemption period ends.
- The Indian box office is fairly seasonal in nature, with bigger releases and higher box office sales occurring during festivals and holiday periods. Moreover, occupancies may be affected by any major sports events, such as Indian Premier League cricket tournament, etc.
- With the shelf life of films having reduced considerably in the last few years, the success or failure of a film now depends largely on its performance in the opening weeks with piracy having an adverse impact on legitimate revenues of the producer, distributor and exhibitor.

### Business Outlook

**Overall:** The Indian entertainment industry comprises a wide gamut of segments such as print, films, television and radio which have expanded beyond the traditional domain to transform to digitization. The adoption of digital intermediate (DI) technology wherein films get converted to digital formats thus offering control in images, colour and structure to distribution of entertainment and media content over digital platforms is likely to rise significantly in the next few years. Digital cinema, online/mobile ticketing and television portals, emergence of mobile and electronic version of print media, animation, gaming and VFX (visual effects), Out of Home (OOH) media are some of the emerging trends.

It needs to be emphasized that in the last one year not only the nature of the industry but the size has also grown phenomenally. As per the latest FICCI-KPMG report, the Indian Media and Entertainment Industry stood at Rs. 584 billion in 2008 which is a growth of 12.4% over the previous year. Further it is also projected that over the next five years, the industry shall grow at a CAGR of 12.5% to reach a size of Rs. 1052 billion.

Emergence of various revenue streams in the industry expanding over television and internet rights, home video rights, film re-make rights, on screen advertisements and brand placements/merchandising are contributing significantly thus extending beyond the traditional box office and derisking the business of film

production, distribution and exhibition. The increasing use of e-Commerce and internet offers the film and entertainment industry the opportunity to market and showcase its end product to an ever widening audience.

In the last couple of years international film companies and studios have shown keen interest in the Indian film industry. The ever growing market size for the films, increasing consumerism, corporatisation of the industry has lured big names such as Sony Pictures, Walt Disney, Warner Bros., Fox to enter the Indian market.

### Adlabs Business Mix

#### BIG Cinemas

Adlabs' Big Cinemas is India's largest cinema chain with over 428 screens spread across India, US and Malaysia caters to over 40 million consumers.

Adlabs' BIG Cinemas has established leadership in film exhibition in India with 207 screens and accounts for 10 to 15% of box office contributions of large movies. The company has also launched India's first 6D theatre at Agra and was among the first to show 3D versions of international movies.

Adlabs' BIG Cinemas has successfully created a pan US footprint of 165 screens and the circuit accounts for 20-35% of Hindi box office collections and over 70% of Tamil and Telegu box office collections from the US. In Malaysia, the company now has a strong presence of 66 screens that plays Hollywood features besides Chinese and Tamil films to cater to the 1.5 million Tamil population. The company is also working towards establishing presence in Netherlands and has associated with Pathe Theatres to begin screening Indian movies.

Adlabs' BIG Cinemas has been awarded the "Retailer of the Year" honor at the Reid & Taylor Awards for Retail Excellence for 2 consecutive years and has also been awarded 'International Exhibitor of the Year 2008' by CineAsia 2008 at Macau.

#### BIG Synergy

Adlabs acquired majority interest in Synergy Communications in 2006. Today, BIG Synergy is widely regarded as a leader in non-fiction programming, and has enjoyed singular success in adapting international formats for Indian viewers. Over the years, BIG Synergy has attained both critical and commercial success with original shows such as Quiz Time, India Quiz, Eureka, A Question of Answers, Mum Tum aur Hum, as well as international formats such as Mastermind, University Challenge, Kamzor Kadi Kaun, India's Child Genius, Bluffmaster, Heartbeat and successive series of the landmark Kaun Banega Crorepati. In recent times, BIG Synergy has produced some spectacular shows like Dus Ka Dum, Jhalak Dikhhla Jaa, Kya Aap Paanchvi Paas Se Tez Hain, and Aap Ki Kacheri.

#### Film and Media Services

In September 2008, Adlabs has become the first motion picture services facility in India and all of Asia to be awarded certification by the UK's- industry body FACT (Federation Against Copyright Theft). The certification is a major recognition of the efforts by Adlabs to protect and safeguard the films that it handles from piracy.

The certification applies to Adlabs' film processing and print lab, Digital Lab, Digital Cinema Mastering facility as well as Adlabs' preview theatre, all housed within its Film City premises in Mumbai.

# ADLABS FILMS LIMITED

## MANAGEMENT DISCUSSION AND ANALYSIS (contd.....)

The accreditation comes at a time when Adlabs has significantly grown its portfolio of film-related services, expanding from its long tradition of motion picture lab processing and replication to include post-production and grading with its 4K DI-lab and the Digital Cinema Mastering facility.

### **Motion Picture Processing**

Adlabs processes and prints over 75% of the Hindi film industry requirements. The company's processing lab has won numerous national and popular awards over the years and has been certified by Kodak Image Care 4 years in a row. Recently, the processing operations have also been expanded to Chennai and Kolkata.

### **Digital Intermediate Services**

Adlabs' Digital Intermediate Lab is the only true 4K facility in Asia with real time grading capabilities. The integrated offerings to clients include Telecine, Digital Optics, Promo packaging, Complete DI and deliverables (Conversion, Scanning, HD Recording & Sub titling).

### **Digital Cinema Services**

Adlabs Digital Cinema is India's leading provider of DCI-grade digital cinema services, including mastering, installation and service and hard drive and optic fiber connectivity and distribution. Adlabs has introduced optical fiber distribution of digital cinema films from India to the United States in a world's first.

Adlabs Digital Cinema is also spearheading the anti-piracy initiatives and is the first film service operation in Asia to be accredited by UK's FACT (Federation Against Copyright Theft) certification. Adlabs Digital Cinema has operated more than 15,000 commercial screenings in full DCI-compliant 2K d-cinema and has transmitted over 3,000 via fiber optic cables.

### **Cameras and Equipment Rentals Services**

Adlabs TV broadcast camera rental business pioneered tapeless solution in India and has established itself as the premium service provider in India. After achieving success in the Broadcast Equipment Rental business, Adlabs is also foraying into Film Camera Rental business where the company will provide solutions and expertise of a technically qualified team along with the equipments.

Adlabs has provided camera and equipments for shows like Dus Ka Dum, MTV Lycra Awards, ET Corporate Awards, Jhalak Dikhla Ja, Hutch Mumbai Marathon, Airtel Delhi Marathon, Filmfare Awards, Femina Miss India, Brand Equity Awards, and MTV Fast and Gorgeous.

### **Studio and Shooting Floors**

Adlabs is constructing a state of art 200,000 sq ft. film studio comprising 7 sound stages at Film City in Mumbai which will support film, TV and advertising productions.

The Studio which will be at par with Hollywood studios and aims to be a one stop solution for all production needs for domestic and international clients. The studio will provide all support facilities like make-up rooms, costume rooms, carpentry/moulding rooms etc within its premises.

### **BPO**

Adlabs Films' BPO is an emerging global player for comprehensive

digital restoration and content processing services.

The BPO aims to provide a comprehensive one point solution for the transition from Analog to Digital and Physical Media to Digital Data. The BPO addresses the needs of content owners like international studios, broadcast and television networks, library owners and mobile companies across the world.

### **Lowry Digital**

Lowry Digital, an Adlabs subsidiary based in Burbank, Los Angeles is universally regarded one of the best digital restoration facilities. The company utilizes proprietary image processing science to deliver superior picture elements and has developed an unique technology – The Lowry Process™ which is used to create unsurpassed image quality at every stage of the workflow for all outputs, including film, broadcast television, commercials, digital cinema, Blu-ray, or web-based video. Lowry Digital's services include film restoration, emergency image repair, digital blow-ups and digital intermediate enhancements.

Lowry Digital's clients are predominantly industry giants like Walt Disney, Paramount Pictures, MGM and 20th Century Fox and entertainment leaders like George Lucas, Steven Spielberg and James Cameron.

### **Internal Control System and their adequacy**

The Company has adequate internal control procedures commensurate with its size and nature of business. The business control procedures ensure efficient use and protection of Company's resources and compliance with policies, procedures and statutory requirements. Further Internal auditors are appointed to carry audit assignments and to periodically review the transactions across the divisions and evaluate effectiveness of internal control systems.

### **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**

The Company regards human resources as a valuable asset. The company encourages a performance driven culture and enables the employees with focused training at regular intervals. Further, the training needs of the staff at all Divisions are periodically assessed and training programmes are conducted using internal resources and/or engaging external facilitators and trainers. The total number of employees as at the year end was 1399.

### **For and on behalf of the Board of Directors**

**Amit Khanna**  
Director

**Gautam Doshi**  
Director

Date: September 3, 2009

Place: Mumbai

## CORPORATE GOVERNANCE REPORT

Adlabs Films Limited has maintained the highest standards of corporate governance principles and best practices by adopting the “Reliance Anil Dhirubhai Ambani Group – Corporate Governance Policies and Code of Conduct” as is the norm for all constituent companies in the group. These Policies and Code prescribe a set of systems, processes and principles which conform to the best international standards and are reviewed periodically to ensure their continuing relevance, effectiveness and responsiveness to the needs of investors both local and global and all other stakeholders.

**Adlabs’s philosophy on Corporate Governance** envisages the attainment of the highest levels of transparency, accountability and equity, in all facets of its operations and in all interactions with its stakeholders, including shareholders, employees, the government, lenders and the society. The Company believes that all its operations and actions must serve the underlying goal of enhancing long-term shareholder value. In our commitment to practice sound governance principles, we are guided by the following core principles:

- **Transparency**  
To maintain the highest standards of transparency in all aspects of our interactions and dealings.
- **Disclosures**  
To undertake timely dissemination of all price sensitive information and matters of interest to our stakeholders.
- **Empowerment and Accountability**  
To demonstrate the highest levels of personal accountability and to ensure that employees consistently pursue excellence in everything they do.
- **Compliances**  
To comply with all the laws and regulations applicable to the company.
- **Ethical conduct**  
To conduct the affairs of the company in an ethical manner.
- **Stakeholders’ interests**  
To promote the interests of all stakeholders including customers, shareholders, employees, lenders, vendors and the community.

### Governance practices beyond regulatory requirements

Our governance practices go beyond the mere letter of statutory and regulatory requirements. With this in mind, we have formulated and introduced a number of policy documents as briefly described below.

#### A) Values and commitments

We have set out and adopted a policy document on the ‘values and commitments’ of Adlabs Films Limited. We believe that any business conduct can be ethical only when it rests on the nine core values of honesty, integrity, respect, fairness, purposefulness, trust, responsibility, citizenship and caring.

#### B) Code of ethics

Our ‘code of ethics’ demands that our employees conduct the business with integrity by excluding any consideration of personal profit or advantage.

#### C) Business policies

We have clear internal norms in place on a wide range of issues from fair market practices and insider information to financial and accounting integrity, from external communication and personal conduct to work ethics. We also have, a policy on prevention of sexual harassment in addition to guidelines on health, safety, environment and quality.

#### D) Separation of the Board’s supervisory role from executive management

In line with best global practice, we have adopted the policy of separating the Board’s supervisory role from that of executive management.

#### E) Prohibition of insider trading policy

This document contains the policy on prohibiting trading in the equity shares of the Company, based on insider or privileged information.

#### F) Prevention of sexual harassment

Our policy aims at promoting a productive work environment and protecting the individual from sexual harassment.

#### G) Risk management

Our risk mitigation procedures ensure that the management is able to control risk through a properly defined framework.

#### H) Boardroom practices

##### i. Board charter

The board of directors has adopted a comprehensive charter, which sets out clear and transparent guidelines on matters relating to the composition of the board, the scope and function of various board committees, etc.

##### ii. Tenure of independent directors

The tenure of independent directors on the board of the company shall not exceed nine years, subject to their re-appointment on retirement by rotation as per statutory provisions.

##### iii. Meeting of independent directors with operating team

The independent directors of the company meet in executive sessions with the various operating teams as and when they deem necessary. These discussions may include topics such as operating policies and procedures; risk management strategies; measures to improve efficiencies; performance and compensation; strategic issues for board consideration; flow of information to directors; management progression and succession and others as the independent directors may determine. During these executive sessions, the independent directors have access to all such advisors and members of the management as they may determine and deem fit.

#### I) Governance practices being followed to promote the interests of our stakeholders

We have in the recent past introduced several trend setting governance practices to improve stakeholders’ satisfaction. Some of the major ones among them are:

# ADLABS FILMS LIMITED

## CORPORATE GOVERNANCE REPORT (contd.....)

### i. Customers

We have taken various initiatives towards customer care by providing comprehensive online support across businesses.

### ii. Employees

We regularly conduct an employee assessment survey and the results of this survey are communicated to all employees and appropriate action is initiated to enhance employee satisfaction based on their feedback. As a means of providing accelerated career growth to high performing talent, we have programs of assessment centers, wherein employees who have a proven track record are assessed for higher role. Also we identify high potential talent on a periodic basis and provide necessary learning interventions to help them take on larger responsibilities and roles.

### iii. Lenders

The Company has been prompt in honouring all debt obligations to its lenders.

### iv. Society

The Company, in keeping with its corporate social responsibility (CSR) policy, focuses on healthcare, education, and other social initiatives for the wider community.

### Compliance with the code and rules of Singapore Exchange Securities Trading Limited

FCCBs issued by the company are listed on the Singapore Exchange Securities Trading Limited. The company's corporate governance practices substantially conform to the code and rules of Singapore Exchange Securities Trading Limited as are applicable.

### Compliance with clause 49 of the listing agreement

Adlabs Films Limited is fully compliant with the mandatory requirements of clause 49 of the listing agreement formulated by Securities and Exchange Board of India (SEBI).

We present our report on compliance of governance conditions specified in clause 49.

### I. Board of directors

#### 1. Board composition - Board strength and representation

As at March 31, 2009, the board consisted of six members. The composition of and the category of directors on the board of the company were as under:

Category	Particulars of Directors
Non Executive – Non Independent Directors	Shri Gautam Doshi Shri Amit Khanna
Independent Directors	Shri Sujal Shah Shri Anil Sekhri Shri Pradeep Shah Shri Darius Kakalia

With effect from September 3, 2009, Shri Prasoon Joshi is appointed on the Company's Board and Shri Pradeep Shah resigned due to his pre-occupation.

The Company has appointed Ms. Kirti Desai, Company Secretary as the Manager of the Company in respect of the provisions of the Companies Act, 1956 for a period of three years with effect from January 30, 2008.

### 2. Conduct of board proceedings

The day to day business is conducted by the officers and the managers of Adlabs Films Limited under the direction of the board. The board holds minimum four meetings every year to review and discuss the performance of the company, its future plans, strategies and other pertinent issues relating to the company.

The board performs the following specific functions in addition to the oversight of the business and the management:

- review, monitor and approve major financial and business strategies and corporate actions.
- assess critical risks facing the company and review options for their mitigation
- provide counsel on the selection, evaluation, development and compensation of senior management.
- ensure that processes are in place for maintaining the integrity of
  - a. the company
  - b. the financial statements
  - c. compliance with law
  - d. relationships with all the key stakeholders
- delegation of appropriate authority to the senior executives of the company for effective management of operations.

### 3. Board meetings

The board held four meetings during the financial year 2008-09 on May 29, 2008, July 31, 2008, October 25, 2008 and January 30, 2009.

The maximum time gap between any two meetings was 97 days and the minimum time gap between any two meetings was 63 days. The board periodically reviews compliance reports of all laws applicable to the Company and takes steps to rectify non-compliances, if any.

Standards issued by ICSI: The Company is in compliance with the secretarial standards governing board meetings as also general meetings as set out in Secretarial Standards I and II issued by the Institute of Company Secretaries of India (ICSI). The board of directors of the company has taken necessary steps in order to ensure compliance with these standards. Besides, the board has constituted several committees to deal with various specialized issues.

### 4. Attendance of directors

Attendance of directors at the board meetings held during 2008-2009 and the last Annual General Meeting (AGM).

## CORPORATE GOVERNANCE REPORT (contd.....)

Name of the Director	Meetings held during the tenure of Directors	Meetings attended	Attendance at the last AGM
Shri Gautam Doshi	4	4	Present
Shri Amit Khanna	4	3	Present
Shri Sujal Shah	4	4	Present
Shri Darius Kakalia	4	3	Absent
Shri Pradeep Shah	4	4	Present
Shri Anil Sekhri	4	4	Present

### Notes

- Shri Pradeep Shah resigned with effect from September 3, 2009
- None of the directors is related to any other director.
- None of the directors has any business relationship with the company.
- None of the directors received any loans and advances from the company during the year.

### 5. Other directorships

None of the directors holds directorships in more than 15 public limited companies.

**The details of directorships (excluding private limited, foreign company and companies under section 25 of the Companies Act, 1956), Chairmanships and the Committee memberships held by the directors as on March 31, 2009.**

Name of the Director	Number of Directorship including AFL)	Committee(s)' membership <sup>2</sup> (including AFL)	
		Member	Chairman
Shri Gautam Doshi	10	10	4
Shri Amit Khanna	2	1	—
Shri Sujal Shah	4	3	3
Shri Darius Kakalia	3	2	—
Shri Pradeep Shah*	1	2	—
Shri Anil Sekhri	1	1	—

\* Resigned with effect from September 3, 2009.

- The information provided above pertains to the following committees in accordance with the provisions of clause 49 of the listing agreement:
  - Audit committee
  - Shareholders/investors' grievances committee
- Membership of committees includes chairmanship, if any.

### 6. Membership of board committees

No director holds membership of more than 10 committees of boards nor is any director a chairman of more than 5 committees of boards.

### 7. Details of Directors

The abbreviated resumes of the Directors being appointed/re-appointed at the ensuing AGM are furnished hereunder:

**Shri Amit Khanna**, has a bachelor's degree in Arts and has varied experience as a film producer, director, lyricist, script

writer. He also has experience in the field of television programming, theatre, radio, television, journalism and news media. He was the President of the All India Film Producers Council, Film and Television Producers Guild of India Limited, for three terms and the Vice President of the Association of Motion Picture and TV Program producers for 17 years. He has been on the governing councils of the Film Institutes in both Pune and Kolkata. He was the first Indian to serve on the International Emmy's Jury. He has also been on the jury of film festivals. Besides serving on various International, Government and Trade organizations and Institutions, he has won several awards including three national film awards.

**Shri Prasoon Joshi**, an MSc (Physics) and MBA graduate is a well known writer, poet, songwriter, advertising and communication professional. His achievement are reflected by over 400 national and international awards and honors including the prestigious International Award Cannes Lions (twice), Writer of the Year for 5 consecutive years, Creative Person of the Year 2005/2006, Ideater of the Year - Business Today 2004. Shri Joshi was invited to chair the Jury at the prestigious Cannes Festival of Advertising in 2008-09. He was seeded as the No.1 Creative Director in Asia Pacific in 2007-2008. The World Economic Forum designated him as the Young Global Leader. His other awards include Film Fare Awards (2006 and 2008), Screen 2005 and 2008, GIFA, IFFA, Zee Ceine, Shailendra Samman 2009 for Literary and Social relevant song writing, BAFTA nomination, Oscar shortlist for the song Rang de Basanti and NDTV Indian of the Year Special Award for Entertainment - 2008. He also published books of poetry and prose. Currently, Shri Joshi is the Executive Chairman McCann Worldgroup, India.

### II. Audit Committee

The Audit Committee comprised of six non-executive Directors viz, Shri Gautam Doshi, Shri Amit Khanna, Shri Sujal Shah, Shri Pradeep Shah, Shri Anil Sekhri and Shri Darius Kakalia. Shri Sujal Shah, an Independent Non-executive Director is the Chairman of the Committee. He is an eminent Chartered Accountant and has accounting and related financial management expertise.

The Committee held four meetings during the year. The audit committee also advises the management on the areas where internal audit can be improved. The minutes of the meetings of the audit committee are placed before the board. The terms of reference of the audit committee are in accordance with all the items listed in clause 49 (II) (D) and (E) of the listing agreement and section 292A of the Companies Act, 1956, as follows:

- Overseeing of the company's financial reporting process and the disclosure of its financial information to ensure that the financial information is correct, sufficient and credible.
- Recommending the appointment, reappointment and replacement/removal of statutory auditors and fixation of audit fee.

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## CORPORATE GOVERNANCE REPORT (contd.....)

3. Approving payment for any other services by statutory auditors.
4. Reviewing with management the annual financial statements before submission to the board, focusing primarily on;
  - a) Matters required to be included in the directors' responsibility statement included in the report of the board of directors.
  - b) Any changes in accounting policies and practices.
  - c) Major accounting entries based on exercise of judgment by management.
  - d) Qualifications in draft statutory audit report.
  - e) Significant adjustments arising out of audit.
  - f) Compliance with listing and other legal requirements concerning financial statements.
  - g) Any related party transactions.
5. Reviewing with the management the quarterly financial statements before submission to the board for approval.
6. Reviewing with the management, external and internal auditors, the adequacy of internal control systems.
7. Reviewing the adequacy of internal audit function, including the structure of the internal audit department, staffing and seniority of the official heading the department, reporting structure coverage and frequency of internal audit.
8. Discussion with internal auditors any significant findings and follow up thereon.
9. Reviewing the findings of any internal investigations by the internal auditors into matters where there is suspected fraud or irregularity or a failure of internal control systems of a material nature and reporting the matter to the board.
10. Discussion with statutory auditors before the audit commences about nature and scope of audit as well as post-audit discussion to ascertain any area of concern.
11. To look into the reasons for substantial defaults in the payment to the depositors, debenture holders, shareholders (in case of non-payment of declared dividends) and creditors.
12. To review the functioning of the Whistle Blower mechanism, in case the same is existing.
13. Carrying out any other function as is mentioned in the terms of reference of the audit committee.
14. Review the following information:
  - a) Management discussion and analysis of financial condition and results of operations;
  - b) Internal audit reports relating to internal control weaknesses;
  - c) Management letters / letters of internal control weaknesses issued by statutory / internal auditors;

- d) Statement of significant related party transactions; and
- e) The appointment, removal and terms of remuneration of the Chief internal auditor shall be subject to review by the Audit Committee.

The Audit Committee has the following powers

- i. to investigate any activity within its terms of reference or in relation to the compliance with the provisions of the Companies Act, 1956 or referred to it by the Board;
- ii. to seek any information from any employee;
- iii. to obtain outside legal and professional advice;
- iv. to secure attendance of outsiders with relevant expertise, if it considers necessary.

### Attendance at the meetings of the audit committee held during 2008-2009

Members	Meeting held during the tenure of Director	Meetings attended
Shri Sujal Shah	4	4
Shri Pradeep Shah**	4	4
Shri Gautam Doshi	4	4
Shri Anil Sekhri	4	4
Shri Amit Khanna*	Not Applicable	Not Applicable
Shri Darius Kakalia*	Not Applicable	Not Applicable

\*Shri Darius Kakalia and Shri Amit Khanna were appointed as members of Audit Committee in the meeting of the Board of Directors held on January 30, 2009. Shri Amit Khanna was member of the Committee till September 3, 2009.

\*\*Shri Pradeep Shah ceased to be Director with effect from September 3, 2009.

The Audit Committee held its meetings on May 29, 2008, July 31, 2008, October 25, 2008 and January 30, 2009. Minimum and Maximum gap between any two consecutive meetings was 63 and 97 days respectively.

The Chairman of the Audit Committee was present at the last AGM. The meeting considered all the points in terms of its reference at periodic intervals. The Company Secretary, Ms. Kirti Desai acts as the Secretary to the Committee.

### III. Remuneration Committee

The Remuneration Committee of the Board comprises of Shri Darius Kakalia Non-executive Independent Director as Chairman of the Committee and Shri Gautam Doshi, Shri Anil Sekhri, Shri Amit Khanna, Shri Pradeep Shah (ceased to be Director with effect from September 3, 2009) and Shri Sujal Shah, Non-executive Directors as its members. The Company Secretary of the Company is the Secretary of the Committee.

The terms of reference of the Remuneration Committee, inter alia, consist of reviewing the overall compensation policy and structure, service agreements and other

## CORPORATE GOVERNANCE REPORT (contd.....)

employment conditions for the members of the board.

The details of payments made to directors during the year ended March 31, 2009 was as follows:

Sr. No.	Name of the Director	Position	Sitting Fees (in Rs.)	Salary and Perquisites (in Rs.)	Commission (in Rs.)	Total (in Rs.)
1	Shri Gautam Doshi	Director	60,000	—	—	60,000
2	Shri Amit Khanna	Director	30,000	—	—	30,000
3	Shri Sujal Shah	Director	60,000	—	—	60,000
4	Shri Darius Kakalla	Director	30,000	—	—	30,000
5	Shri Pradeep Shah	Director	60,000	—	—	60,000
6	Shri Anil Sekhri	Director	60,000	—	—	60,000
	<b>Total</b>	—	<b>3,00,000</b>	—	—	<b>3,00,000</b>

### Notes

- The company has not entered into any other pecuniary relationship or transactions with the non-executive directors.
- The company has so far not issued any stock options to its directors.
- Within the limits approved by the Members, the Company has paid sitting fees of Rs.10,000 per board meeting and Rs.5,000 per Audit Committee meeting to Non- Executive Directors for attending the meetings.

### Equity shares held by directors

None of the Directors of the Company hold any equity shares of the Company.

### Details of remuneration paid to Manager for the year

The Board appointed Ms. Kirti Desai as Manager under Companies Act, 1956, w.e.f. January 30, 2008 for a period of 3 years. The aggregate value of salary, allowances and perquisite paid to Ms. Kirti Desai, Manager for the year ended March 31, 2009 was Rs.7.80 lakh including company's contribution to provident fund.

### IV. Shareholders' / investors' grievances committee

The shareholders/investors' grievances committee of the Board currently comprised Shri Gautam Doshi and Shri Pradeep Shah. Shri Pradeep Shah ceased to be Director with effect from September 3, 2009. Shri Prasoon Joshi and Shri Amit Khanna were inducted as members of the Shareholders' / Investors' grievances committee with effect from September 3, 2009. The company has appointed M/s. Linkintime India Private Limited to act as Registrar and Share Transfer Agent of the Company. The committee also monitors redressal of investors' grievances. Particulars of investors' grievances received and redressed are furnished in the investor information section of this report. The composition of the committee and the number of meetings held during the year are furnished hereunder.

### Attendance of members at the meeting of the shareholder investors' grievance committee held during the year 2008-2009

Name of the Member	Meeting held during the tenure of Director	Meetings attended
Shri Gautam Doshi	4	4
Shri Pradeep Shah	4	4

Ms. Kirti Desai, Company Secretary, is the compliance officer.

The shareholders'/investors' grievances committee held its meetings on May 29, 2008, July 31, 2008, October 25, 2008 and January 30, 2009.

The total number of complaints received and replied to the satisfaction of shareholders during the year under review were 33. There were no complaints pending as on March 31, 2009. The details of period taken on transfer of shares and nature of complaints are furnished in the investor information section of this annual report.

### V. General Body Meetings: The Company held its last three Annual General Meetings as under

Year	Location	Date	Time	Whether Special Resolution Passed or not
2005-2006	Rangsharda Natyamandir, K.C. Marg, Bandra Reclamation, Bandra (West), Mumbai - 400 050.	July 29, 2006	11.00 a.m.	1. Alteration of Articles of Association 2. Making adjustment to securities premium account pursuant to the Scheme of Arrangement
2006-2007	Rangsharda Natyamandir, K.C. Marg, Bandra Reclamation, Bandra (West), Mumbai - 400 050.	October 25, 2007	3.00 p.m.	No
2007-2008	Rangsharda Natyamandir, K.C. Marg, Bandra Reclamation, Bandra (West), Mumbai - 400 050.	August 7, 2008	3.00 p.m.	No

The resolutions set out in the respective Notices were passed by the Shareholders with the requisite majority. During the year under review one Extra Ordinary General Meeting was held on January 22, 2009 for obtaining approval of Members of the Company by way of special resolution for reduction of Share Premium Account of the Company pursuant to the Scheme of Arrangement between Adlabs Films Limited, Reliance Unicom Limited and their respective shareholders and creditors.

### VI. Postal Ballot

At the ensuing Annual General Meeting there is no resolution which is proposed to be passed by postal ballot.

### VII. Means of communication

Information like quarterly financial results and media

# ADLABS FILMS LIMITED

## CORPORATE GOVERNANCE REPORT (contd.....)

releases on significant developments in the company as also presentations that have been made from time to time to the media, institutional investors and analysts are hosted on the company's web site and has also been submitted to the stock exchanges on which the company's equity shares are listed, to enable them to put them on their own web sites. The quarterly financial results are published in Free Press - English language, Navshakti - Marathi language.

### VIII. EDIFAR / Corporate Filing

As per the requirements of clauses 51 and 52 of the listing agreement with the stock exchanges, all the data relating to quarterly financial results, shareholding pattern, quarterly report on Corporate Governance etc. are being displayed on [www.corpfiling.co.in](http://www.corpfiling.co.in) in addition to the filing of the same with the Stock Exchanges within the timeframe prescribed in this regard. However, the Company has also filed the above data through electronic data information filing and retrieval (EDIFAR), website of SEBI ([www.sebiedifar.nic.in](http://www.sebiedifar.nic.in)).

### IX. Compliance with other mandatory requirements

#### 1. Management discussion and analysis

A management discussion and analysis report forms part of the annual report and includes discussions on various matters specified under clause 49(IV)(F) of the listing agreement.

#### 2. Subsidiaries

The minutes of the meetings of the board of directors of all subsidiary companies are placed before the board of directors of the company and the attention of the directors is drawn to all significant transactions and arrangements entered into by the subsidiary companies.

#### 3. Disclosures

##### a. Disclosures on materially significant related party transactions that may have a potential conflict of interest with the interests of Company at large

During the year 2008-09, no transactions of material nature had been entered into by the Company with the Promoters or Directors or Management, their subsidiaries or their relatives that may have a potential conflict with interest of the Company. We have disclosed the related party transactions with the subsidiary companies in Note No.15 of Schedule 22.

##### b. Details of non-compliance by the Company, penalties, and strictures imposed on the Company by Stock Exchange or SEBI or any statutory authority, or any matter related to Capital Markets, during the last three year.

The Company has complied with the requirements of the Stock Exchange or SEBI on matters related to Capital Markets, as applicable from time to time. During the last three years there were no penalties or strictures imposed on the Company by SEBI, Stock Exchange or any statutory authority for any matter related to capital market.

However, SEBI issued Show Cause Notice to the Company on February 21, 2008 for contravention of the

provisions of Regulation 12(1) read with Clause 3.2-3 and 3.2-4 of the Code of Conduct specified under Part A of Schedule I of the SEBI (Prohibition of Insider Trading) Regulations, 1992. It was alleged therein that trading of 10,00,000 equity shares of the Company on April 24, 2006 by Mr. Manmohan Shetty, ex-Chairman and Managing Director was done during the closure of Trading Window and was therefore violation of Code of Conduct under the said regulations. In the matter, Company has obtained a Consent Order on March 9, 2009 and the matter stands closed.

#### c. Disclosure of accounting treatment

In the preparation of financial statements, the Company has followed the Accounting Standards as prescribed under Companies (Accounting Standard) Rules, 2006, as applicable.

#### d. Disclosures on risk management

The Company has laid down procedures to inform the members of the board about the risk assessment and minimization procedures. The company has framed the risk assessment and minimization procedure which is periodically reviewed by the Audit Committee and the Board.

#### e. Code of conduct

The Company has adopted the code of conduct and ethics for directors and senior management. The code has been circulated to all the members of the board and senior management and the same has been put on the company's website [www.adlabsfilms.com](http://www.adlabsfilms.com).

The board members and senior management have affirmed their compliance with the code and a declaration signed by the Manager of the Company appointed in terms of the Companies Act, 1956 (i.e. the CEO within the meaning of clause 49-V of the listing agreement) is given below:

"It is hereby declared that the company has obtained from all members of the board and senior management affirmation that they have complied with the code of conduct for directors and senior management of the company for the year 2008-09".

**Kirti Desai**  
Manager

#### f. CEO/CFO certification

A certificate from the CEO and CFO was placed before the board.

#### g. Review of directors' responsibility statement

The board in its report has confirmed that the annual accounts for the year ended March 31, 2009 have been prepared as per applicable Accounting Standards and policies and that sufficient care has been taken for maintaining adequate accounting records.

### X. Compliance with non-mandatory requirement

#### 1. Tenure of independent director on the board

The tenure of independent directors on the board of the company shall not exceed, in the aggregate, a period of nine years.



## CORPORATE GOVERNANCE REPORT (contd.....)

### 2. Remuneration Committee

The board has set up a remuneration committee details whereof are furnished at Sr. No. III of this report.

### 3. Shareholders' rights

The quarterly financial results are published in newspapers and hosted on the website of the company.

### 4. Audit qualifications

Strategic decisions were taken during the year resulting in unqualified financial statements of the company.

## XI. General shareholder information

The mandatory as also various additional information of interest to investors is voluntarily furnished in a separate section on investor information elsewhere in this annual report.

### Auditors' certificate on corporate governance report

The Practising Company Secretary's certificate on compliance of clause 49 of the listing agreement relating to corporate governance report is published elsewhere in this annual report.

### Review of governance practices

We have in this report attempted to present the governance practices and principles being followed at Adlabs Films Limited, as evolved over the years, and as best suited to the needs of our business and stakeholders.

Our disclosures and governance practices are continually revisited, reviewed and revised to respond to the dynamic needs of our business and ensure that our standards are at par with the globally recognized practices of governance, so as to meet the expectations of all our stakeholders.

### Investor Information

#### Annual General Meeting

The twenty second Annual General Meeting will be held on Wednesday, the September 30, 2009 at 3.00 p.m. at Rangsharda Natyamandir, K.C. Marg, Bandra Reclamation, Bandra (West), Mumbai 400 050.

#### Financial year of the company

The financial year of the company is from April 1 to March 31 each year.

#### Web-site

The website of the company [www.adlabsfilms.com](http://www.adlabsfilms.com) contains a sub-menu on Investor Relations. It carries comprehensive information of interest to our investors including on the results of the company, any price sensitive information disclosed to the regulatory authorities from time to time, business activities of the company and the services rendered / facilities extended by the company to our investors.

#### Compliance Officer

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

#### Registrar and Share Transfer Agent (RTA)

##### Link Intime India Private Limited

C-13, Pannalal Silk Mills Compound,  
L.B.S Marg, Bhandup (W), Mumbai-400 078.

Tel : (22) 25963838 / 25946890

Fax: (22) 259469629

Website :[www.linkintime.co.in](http://www.linkintime.co.in)

E-mail: [isrl@linkintime.co.in](mailto:isrl@linkintime.co.in)

Shareholders/ investors are requested to forward share transfer documents, dematerialization requests and other related correspondence directly to Link Intime India Private Limited at the above address for speedy response.

### Book closure dates for the purpose of AGM

The Register of Members and Share Transfer Books of the Company will remain closed from Thursday, September 24, 2009 to Wednesday September 30, 2009 (both days inclusive) for the purpose of AGM.

### Unclaimed Dividends

#### Transfer to the Investor Education & Protection Fund:

Pursuant to the provisions of Section 205A(5) and Section 205C of the Companies Act, 1956, the amount of dividend which has remained unclaimed / unpaid for a period of seven years from date of its transfer to Unpaid Dividend Account for the financial year 2000-2001 have been transferred to Investor Education and Protection Fund and no claims shall lie against the Company or the Fund in respect of the unclaimed amounts so transferred.

The Company is required to transfer balance lying unpaid in the Unpaid Dividend Account to the Investors Education and Protection Fund (IEPF) established by the Central Government on October 27, 2009. No claims shall lie against the IEPF or the Company in respect of such amounts after this date.

Members who have so far not encashed their dividend warrants or have not received the dividend warrants are requested to lodge their claim, if not already lodged with Link Intime India Private Limited, the Registrar and Transfer Agent for revalidating the warrants or obtaining duplicate warrants/ or payment in lieu of such warrants in the form of demand draft for payment of the unclaimed dividend amount.

The table presented below gives the dates of dividend declaration since 2001-02 and the corresponding dates when unclaimed dividends are due to be transferred to the Central Government:

Financial Year	Date of Declaration	Due Date of Transfer
2001-02	23 <sup>rd</sup> September, 2002	27 <sup>th</sup> October, 2009
2002-03	23 <sup>rd</sup> September, 2003	27 <sup>th</sup> October, 2010
2003-04	28 <sup>th</sup> September, 2004	3 <sup>rd</sup> November, 2011
2004-05	29 <sup>th</sup> September, 2005	2 <sup>nd</sup> November, 2012
2005-06	29 <sup>th</sup> July, 2006	1 <sup>st</sup> September, 2013
2006-07	25 <sup>th</sup> October, 2007	29 <sup>th</sup> November, 2014
2007-08	7 <sup>th</sup> August, 2008	12 <sup>th</sup> September, 2015

All Shareholders whose dividend has remained unclaimed and unpaid for the year 2001-02 have been intimated individually to claim their Dividend.

### Share transfer system

Shareholders / investors are requested to send share transfer related documents directly to our RTA whose address is given at the beginning of this section. A committee of executives of the company is authorised to approve transfer of shares. If the transfer documents are in order, the transfer of shares is registered within 7 days of receipt of transfer documents by our RTA.

# ADLABS FILMS LIMITED

## CORPORATE GOVERNANCE REPORT (contd.....)

### **Group coming within the definition of group as defined in the Monopolies and Restrictive Trade Practices Act, 1969 (54 of 1969).**

The following persons constitute the Group coming within the definition of group as defined in the Monopolies and Restrictive Trade Practices Act, 1969 (54 of 1969), which exercises, or is established to be in a position to exercise, control, directly or indirectly, over the company.

Shri Anil Dhirubhai Ambani

Smt. Tina A. Ambani

Smt. Kokila D. Ambani

Master Jai Anmol Ambani

Master Jai Anshul Ambani

Reliance Innoventures Private Limited

AAA Enterprises Private Limited

AAA Communication Private Limited

AAA Project Ventures Private Limited

AAA Power Systems (Global) Private Limited

Telecom Infrastructure Finance Private Limited

Reliance ADA Group Trustees Private Limited

Reliance General Insurance Company Limited

Sonata Investments Limited

Reliance Limited

Reliance India Private Limited

AAA Pivotal Enterprises Private Limited

AAA Infrastructure Consulting and Engineers Private Limited

K.D. Ambani Trust

AAA Entertainment Private Limited

AAA Industries Private Limited

Reliance Enterprises and Ventures Private Limited

AAA Global Ventures Private Limited

Ambani Industries Private Limited

Solaris Information Technology Private Limited

AAA & Sons Enterprises Private Limited

AAA International Capital Private Limited

Ambani International Private Limited

AAA Business Machines Private Limited

Reliance Big Private Limited

ADA Enterprises and Ventures Private Limited

ADAE Global Private Limited

Ikosel Investments Limited

Reliance Anil Dhirubhai Ambani Group (UK) Private Limited

Reliance Anil Dhirubhai Ambani Investments (UK) Limited

Serbus Asia PL

Millsfield Enterprises Limited

Tareson Company Limited

Reliance Communications Limited

Reliance Infrastructure Limited

Reliance Capital Limited

Reliance Natural Resources Limited

Reliance Power Limited

Rosa Power Supply Company Limited

Sasan Power Limited

Maharashtra Energy Generation Limited

Vidarbha Industries Power Limited

MP Power Generation Private Limited

Siyom Hydro Power Private Limited

Tato Hydro Power Private Limited

Urthing Sobla Hydro Power Private Limited

Kalai Power Private Limited

Coastal Andhra Power Limited

Maharashtra Energy Generation Infrastructure Limited

Coastal Andhra Power Infrastructure Limited

Sasan Power Infrastructure Limited

Sasan Power Infraventures Private Limited

Reliance Coal Resources Private Limited

Reliance Power Transmission Limited

Reliance Energy Generation Limited

Reliance Goa and Samlkot Power Limited

Reliance Energy Limited

Reliance Infraventures Limited

Reliance Property Developers Limited

Reliance Net Limited

AAA Infrastructure Finance Management Private Limited

AAA Corporation Private Limited

AAA Facilities Solution Private Limited

AAA Cap Advisory Services Private Limited

AAA Finance Management Private Limited

AAA Project Finance Management Private Limited

ADA Enterprises & Ventures Private Limited

AAA Resources Private Limited

AAA Advisory Services Private Limited

AAA Home Entertainment Services Private Limited

AAA Infra Advising Services Private Limited

AAA Advertisement Private Limited

AAA Infrastructure Investments Private Limited

AAA Enterprises and Ventures Private Limited

AAA Telecom Holdings Private Limited

Shreenathji Krupa Project Management Private Limited

Shreeji Krupa Endeavour Management Private Limited

Big Flicks Private Limited Big Animation (India) Private Limited

Jump Games Private Limited

Zapak Digital Entertainment Limited

Reliance Big Broadcasting Private Limited

Reliance Big News Private Limited

AAA Digital Imaging Private Limited

AAA Infrastructure Solutions Private Limited

ND's Art World Private Limited

Reliance Entertainment Ventures Private Limited

Gaylord Investments and Trading Private Limited

Fidelity Shares and Securities Private Limited

Guruvas Textiles Private Limited

Hansdhvani Trading Company Private Limited

KDA Enterprises Private Limited

BSES Kerala Power Limited

Reliance Land Private Limited

Reliance Futura Limited

Reliance Prima Limited

Quadro Mercantile Private Limited

Trans-Pacific Advisory Services Private Limited

Whitehills Corporate Services Private Limited

Sevenstar Corporate Services Private Limited

The above disclosure has been made, inter alia, for the purpose of Regulation 3(1)(e) of the Securities and Exchange Board of India (Substantial Acquisition of Shares and Takeovers) Regulations, 1997.

# ADLABS FILMS LIMITED

## CORPORATE GOVERNANCE REPORT (contd.....)

### Shareholding pattern

Category	As on 31-03-2009		As on 31-03-2008	
	No. of shares	%	No. of shares	%
<b>A. Holdings of the Promoter Group</b>				
Reliance Capital Limited	2955000	6.41	1255000	2.72
Reliance Land Private Limited	20600000	44.66	20600000	44.66
AAA Entertainment Private Limited	4800000	10.40	4800000	10.40
<b>Sub- total</b>	<b>28355000</b>	<b>61.47</b>	<b>26655000</b>	<b>57.78</b>
<b>B. Non- promoters holdings</b>				
1. Institutional Investor				
a. Mutual Funds	406550	0.88	2915297	6.32
b. Financial Institutions/ Banks	221010	0.48	51460	0.11
f. Foreign Institutional Investors	3066246	6.65	2673268	5.80
<b>Sub- total</b>	<b>3693806</b>	<b>8.01</b>	<b>5640025</b>	<b>12.23</b>
2. Others				
a. Bodies Corporate	3344864	7.25	4246909	9.21
b. Indian Public / Others	9991347	21.66	7278763	15.78
c. Clearing Member	499090	1.08	363146	0.79
e. Market Marker	—	—	67680	0.15
f. Non Resident Indians / Overseas Corporate Bodies	241163	0.53	1874647	4.06
g. HUF	900	—	900	—
<b>Sub- total</b>	<b>14077364</b>	<b>30.52</b>	<b>13831145</b>	<b>29.99</b>
<b>Grand Total</b>	<b>46126170</b>	<b>100.00</b>	<b>46126170</b>	<b>100</b>

### Top 10 shareholders as on March 31, 2009

Sr. No.	Name of the shareholder	No. of shares	%
1	Reliance Land Private Limited	20600000	44.66
2	AAA Entertainment Private Limited	4800000	10.40
3	Reliance Capital Limited	2955000	6.41
4	Manmohan Shetty	2169234	4.70
5	Quantum (M) Limited	1590973	3.45
6	Deutsche Securities Mauritius Limited	551584	1.20
7	Lehman Brothers Investment Management Co.	263925	0.57
8	Religare Securities Ltd.	227087	0.49
9	Thalia Infratech Private Limited	204000	0.44
10	Acacia Partners, LP	198500	0.43

### Distribution of shareholding as on March 31, 2009

No. of Shares	Number of Shareholders as on 31.03.2009		Total Shares as on 31.03.2009		Number of Shareholders as on 31.03.2008		Total Shares as on 31.03.2008	
	Numbers	%	Numbers	%	Numbers	%	Numbers	%
1-500	116791	99.17	6598189	14.30	78357	97.74	3270531	7.09
501-5000	858	0.73	2382123	5.17	1535	1.91	2152606	4.67
5001-10000	56	0.05	814000	1.76	128	0.16	944033	2.05
10001 and Above	64	0.05	36331858	78.77	150	0.19	39759000	86.19
<b>TOTAL</b>	<b>117769</b>	<b>100</b>	<b>46126170</b>	<b>100</b>	<b>80170</b>	<b>100</b>	<b>46126170</b>	<b>100</b>

# ADLABS FILMS LIMITED

## CORPORATE GOVERNANCE REPORT (contd.....)

### Dematerialisation of Shares

The International Securities Identification Number (ISIN) allotted to the company is INE540B01015. The equity shares of the company are compulsorily traded in dematerialised form as mandated by Securities and Exchange Board of India (SEBI).

### Status of Dematerialisation of shares

Electronic holdings			Physical holdings			Total		
No. of beneficial owners	No. of Shares	%	No. of beneficial owners	No. of Shares	%	No. of beneficial owners	No. of Shares	%
117381	46090575	99.92	388	35595	0.08	117769	46126170	100

### Investors' grievances attended – April 1, 2008 to March 31, 2009

#### Analysis of grievances (Direct from Investors)

	2008-2009		2007-2008	
	Numbers	%	Numbers	%
Non-receipt of dividends	22	66.67	8	44.44
Non-receipt of share certificates	3	9.09	—	—
Others	8	24.24	10	55.56
<b>Total</b>	<b>33</b>	<b>100</b>	<b>18</b>	<b>100</b>

### Notes

- Investors queries / grievances are normally attended within a period of 3 days from the date of receipt thereof, except in cases involving external agencies or compliance with longer procedural requirements specified by the authorities concerned.
- The shareholder base was 1,17,769 as of March 31, 2009 and 80,170 as of March 31, 2008.
- All the queries and grievances received during the year have been redressed.

### Stock Exchange listings

The company is actively traded scrip on the bourses.

#### A. Stock Exchanges on which the shares of the company are listed

- |   |  |
|---|--|
| <ol style="list-style-type: none"> <li>Bombay Stock Exchange Ltd.<br/>Phiroze Jeejeebhoy Towers, Dalal Street,<br/>Mumbai 400 001<br/>Telephone: +91 22 2272 1233 / 34<br/>Fax: +91 22 2272 1919<br/>E-mail : corp.relations@bseindia.com<br/>Website : <a href="http://www.bseindia.com">www.bseindia.com</a></li> </ol> | <ol style="list-style-type: none"> <li>National Stock Exchange of India Ltd.<br/>Exchange Plaza, Plot no. C/1,<br/>G Block, Bandra-Kurla Complex,<br/>Bandra (East), Mumbai 400 051.<br/>Telephone: +91 22 2659 8235 / 36<br/>Fax: +91 22 2659 8237 / 38<br/>E-mail : cmlist@nse.co.in<br/>Website : <a href="http://www.nseindia.com">www.nseindia.com</a></li> </ol> |
|---|--|

#### B. Stock Exchange on which the FCCBs of the Company are listed

Singapore Exchange Securities Trading Limited,  
2 Shenton Way, #19-00, SGX Centre 1, Singapore 068804

#### C. Stock codes/symbols for equity shares

Name of the Exchange	Physical	Electronic
Bombay Stock Exchange Ltd.	525323	INE540B01015
National Stock Exchange of India Ltd.	ADLABSFILM	INE540B01015

### Outstanding FCCBs of the company, conversion date and likely impact on equity

On January 25, 2006, Company had issued and allotted €84,000,000 Zero Coupon Foreign Currency Convertible Bonds (FCCBs) due 2011 which unless previously converted, repurchased or cancelled were redeemable at 121.679 per cent of its principal amount on maturity. During the year ended March 31, 2008, 63,350 FCCBs were converted into 63,25,420 equity shares of Face value Rs.5/- each. The Conversion price of each Bond was Rs.543.42 per share with a fixed rate of exchange on conversion of Rs.54.26= €1.00.

The Company did not receive any conversion requests during the year ended March 31, 2009. As on March 31, 2009, 20,650 Zero percent Foreign Currency Convertible Bonds (FCCBs) are outstanding. Consequent upon the Scheme of Arrangement for the demerger of radio business (refer the Directors' Report for details on the Scheme) being effectuated the initial conversion price stated hereinabove will be adjusted.

## CORPORATE GOVERNANCE REPORT (contd.....)

### Equity history

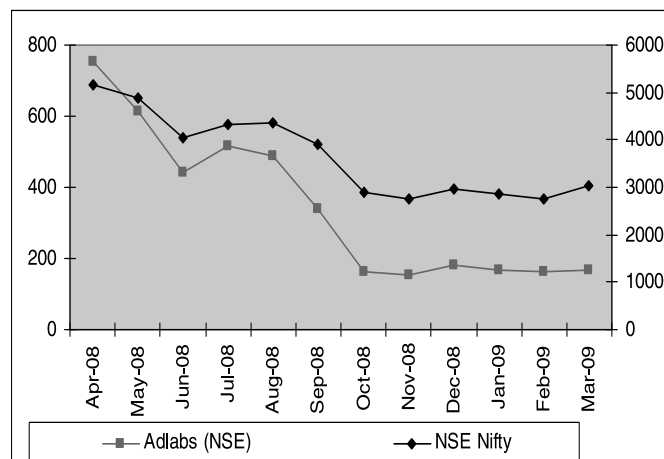
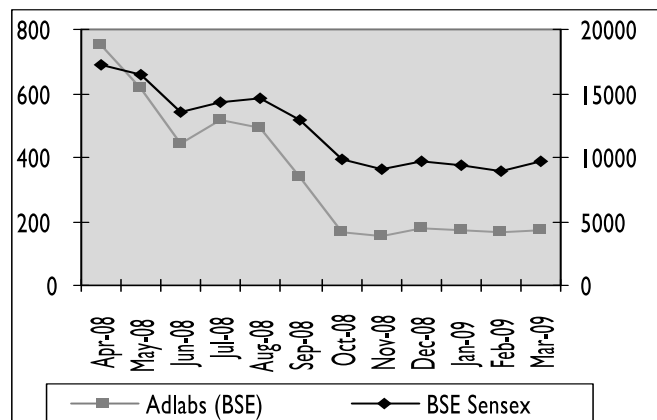
Details of issue of equity shares in the last two decades

Sr. No.	Date	Particulars of issue/ Forfeiture	Issue Price per equity share	No. of Shares	Cumulative Total
1	January 30, 1987	Subscribers to Memorandum and Article of Association	Rs. 10	200	200
2	February 8, 1990	Further allotment	Rs. 100	4,800	5,000
3	November 1, 1999	Subdivision of Shares	NIL	NIL	50,000
4	November 1, 1999	Issue of Bonus Share	Rs. 10	8,500,000	8,550,000
5	December 2, 1999	Further allotment	Rs. 10	300	8,550,300
6	January 8, 2000	Subdivision of shares	NIL	NIL	17,100,600
7	December 29, 2000	Public Issue of share	Rs. 120	4,400,150	21,500,750
8	May 24, 2005	Preferential Allotment	Rs. 150	3,500,000	25,000,750
9	August 8, 2005	Preferential Allotment	Rs. 175.20	11,000,000	36,000,750
10	March 31, 2006	Conversion of warrants issued on 8-8-2005	Rs. 175.20	3,800,000	39,800,750
11	November 11, 2007	Conversion of FCCBs	Rs. 543.42	492,754	40,293,504
12	November 22, 2007	Conversion of FCCBs	Rs. 543.42	748,866	41,042,370
13	November 30, 2007	Conversion of FCCBs	Rs. 543.42	399,396	41,441,766
14	December 11, 2007	Conversion of FCCBs	Rs. 543.42	948,565	42,390,331
15	December 19, 2007	Conversion of FCCBs	Rs. 543.42	703,933	43,094,264
16	January 2, 2008	Conversion of FCCBs	Rs. 543.42	1,622,544	44,716,808
17	January 22, 2008	Conversion of FCCBs	Rs. 543.42	1,164,734	45,881,542
18	February 5, 2008	Conversion of FCCBs	Rs. 543.42	119,818	46,001,360
19	February 25, 2008	Conversion of FCCBs	Rs. 543.42	74,886	46,076,246
20	March 17, 2008	Conversion of FCCBs	Rs. 543.42	49,924	46,126,170

### Stock Price and Volume

Monthly high and low quotations as also the volume of shares traded on the Bombay Stock Exchange Limited and National Stock Exchange of India Limited.

Month	BSE			NSE		
	High (Rs.)	Low (Rs.)	Volume (No. of Shares)	High (Rs.)	Low (Rs.)	Volume (No. of Shares)
April 2008	781.00	591.50	1,40,15,025	780.00	591.05	3,51,48,044
May	789.50	606.00	92,91,399	789.70	570.65	2,45,49,250
June	629.90	433.00	69,80,956	629.00	433.70	1,80,37,990
July	549.50	342.70	1,68,92,463	549.90	340.00	4,18,60,518
August	576.10	465.00	1,01,53,993	576.00	465.10	2,49,08,606
September	532.90	308.50	90,46,744	549.45	308.00	2,31,53,868
October	354.00	130.15	68,39,765	354.00	130.00	1,79,40,512
November	211.00	140.00	59,67,343	213.00	142.70	1,54,26,570
December	197.30	141.00	77,94,475	198.00	140.05	1,85,15,988
January 2009	230.00	152.00	94,68,294	230.00	152.60	2,24,48,631
February	181.40	152.00	41,98,162	180.8	152.15	1,07,29,231
March	182.90	136.00	43,73,844	184.00	136.10	1,17,24,135



### Share Price Performance in comparison to broad based indices - NSE Nifty and BSE Sensex

#### Communication to members

The quarterly financial results of the company are announced within a month of the end of the respective quarter. The company's media releases and details of significant developments are also made available on the website. These are published in the widely circulating national and local newspapers viz. "The Economic Times", "Maharashtra Times", "Free Press Journal" and "Navshakti" in addition to hosting them on the company's website: [www.adlabsfilms.com](http://www.adlabsfilms.com)

#### Policy on insider trading

The company has formulated a code of conduct for prevention of insider trading in accordance with the guidelines specified under the Securities and Exchange Board of India (Prohibition of Insider Trading) Regulations, 1992, as amended from time to time. The board has appointed Ms. Kirti Desai, Company Secretary & Manager as the Compliance Officer under the code responsible for complying with the procedures, monitoring adherence to the rules for the preservation of price sensitive information, pre-clearance of trade, monitoring of trades and implementation of the code of conduct under the overall supervision of the board. The Company's code, inter alia, prohibits purchase and/or sale of shares of the company by an insider or by any other company, while in possession of unpublished price sensitive information in relation to the company during certain prohibited periods. The code is available on the company's website.

# ADLABS FILMS LIMITED

## CORPORATE GOVERNANCE REPORT (contd.....)

### Secretarial audit for reconciliation of capital

The Securities and Exchange Board of India has directed vide circular no.D&CC/FITTC/CIR-16/2002 dated December 31, 2002 that all issuer companies shall submit a certificate of capital integrity, reconciling the total shares held in both the depositories, viz. NSDL and CDSL and in physical form with the total issued / paid up capital. The said certificate, duly certified by a qualified practicing company secretary is submitted to the stock exchanges where the securities of the company are listed within 30 days of the end of each quarter and the certificate is also placed before the board of directors of the company.

### Key Financial Reporting Dates for the Financial Year 2009-10

Unaudited results for the first : On or before July 31, 2009  
quarter ended June 30, 2009

Unaudited results for the : On or before October 31, 2009  
second quarter / half year  
ended September 30, 2009

Unaudited results for the : On or before January 31, 2010  
third quarter ended  
December 31, 2009

Audited results for the : On or before June 30, 2010  
financial year 2009-10

**Any queries relating to the financial statements of the company may be addressed to :**

### Shri Venkat Devarajan

Chief Financial Officer  
Adlabs Films Limited  
Filmcity Complex,  
Goregaon (East),  
Mumbai- 400 065.  
Tel.: 2842 3333 / 4488;  
Fax : 2842 2211

**Investors' correspondence may be addressed to the Compliance Officer of the Company**

### Ms. Kirti Desai

Company Secretary and Manager  
Adlabs Films Limited  
Filmcity Complex,  
Goregaon (East),  
Mumbai- 400 065.  
Tel.: 2842 3333 / 4488;  
Fax : 2842 2211  
Email :kirti.desai@adlabsfilms.com

### Plant Locations

#### Adlabs Films Limited

Film City Complex, Goregaon (East),  
Mumbai 400 065.

Plot No. 12,Block AQ, Sector V,  
Salt lake, Kolkatta 700 09

No. 9-A,Kumaran Colony, Main Road,  
Vadapalani, Chennai

Bhakti Park, Near Anik Bus Depot,  
Wadala Link Road,Wadala, Mumbai 400 037.

The Company presently has 428 screens spread across India, US, Malaysia which are :

- either owned/ operated by companies which are joint venture or subsidiaries of Adlabs Films Limited or
- acquired on lease in agreement with various property owners cum developers at different locations.

## CERTIFICATE ON CORPORATE GOVERNANCE

To,  
The Members of  
**Adlabs Films Limited**

I have examined the compliance of conditions of Corporate Governance by Adlabs Films Limited ("the Company"), for its financial year ended 31st March, 2009, as stipulated in Clause 49 of the Listing Agreements of the Company with Stock Exchanges.

The compliance of conditions of Corporate Governance is the responsibility of the Management. My examination was limited to the review of the procedures and implementations thereof, adopted by the Company for ensuring compliance of the conditions of Corporate Governance. It is neither an audit nor an expression of opinion on the financial statements of the Company.

In my opinion and to the best of my information and according to the explanations given to me, I certify that, the Company has complied with the conditions of Corporate Governance as stipulated in the above mentioned Listing Agreements.

I 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.

Mumbai  
Date: September 3, 2009

Sd/-  
**B. Durga Prasad Rai**  
Practising Company Secretary  
Membership No: .ACS 10060  
COP No. 4390

## AUDITORS' REPORT

To the Members of  
Adlabs Films Limited

1. We have audited the attached Balance Sheet of Adlabs Films Limited ('the Company') as at 31 March 2009 and the related Profit and Loss Account and Cash Flow Statement for the year ended on that date, annexed thereto. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.
2. We conducted our audit in accordance with auditing standards generally accepted in India. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.
3. Without qualifying our report, we draw attention to Note 19 of Schedule 22 to the financial statements regarding accounting of the Foreign Currency Convertible Bonds ('FCCB'). During the previous financial period ended 31 March 2008, the Company reclassified the liability towards FCCB as non-monetary liability inter-alia on the basis of the trend of earnings, movement of the Company's share prices and conversion option exercised by the FCCB holders. The Company continues to classify the liability towards FCCB as non-monetary liability as in its view the current fall in the market price of the Company's share price and non-conversion by bond holders during the year is a temporary aberration, consequently, the foreign exchange fluctuation (net loss) for the year aggregating Rs 113.01 million (nine months ended 31 March 2008: Rs 405.99 million) has not been recognized and the said liability has not been restated at the period-end exchange rate.  

An alternate view exists that the liability towards FCCB is a monetary liability and should be restated at the period-end exchange rate in accordance with Accounting Standard 11 - 'The Effects of Changes in Foreign Exchange Rates' prescribed in the Companies (Accounting Standards) Rules, 2006 issued by the Central government in consultation with the National Advisory Committee on Accounting Standards. There is no specific guidance of The Institute of Chartered Accountants of India on accounting for foreign currency bonds convertible into equity shares at the option of the holder. Had the said liability been considered as a monetary liability, the loss before tax for the current year would be higher by Rs 113.01 million (nine months ended 31 March 2008: profit would be lower by Rs 405.99 million) and the reserves and surplus would be lower by Rs 299.04 million (2008: Rs 186.04 million).
4. Without qualifying our opinion, we draw attention to Note 2 of Schedule 22 to the financial statements. As more fully explained in the said Note, during the year, the Hon'ble High Court of Judicature at Mumbai vide its order dated 8 May 2009 sanctioned the Scheme of Amalgamation of the Company with its wholly owned subsidiaries Adlabs Multiplex and Theatres Limited, Adlabs Multiplex Limited, Rave Entertainment Private Limited and Mahimna Entertainment Private Limited, under sections 391 to 394 of the Act. Pursuant to the said Scheme the Company has made an adjustment for diminution in value of its assets (production and distribution rights, fixed assets, investments, debtors and loans and advances) aggregating Rs 1,566.97 million by debiting the same to capital reserve instead of the profit and loss account. Had the Company debited the profit and loss account the loss before tax for the year would be higher by the said amount.
5. As required by the Companies (Auditor's Report) Order, 2003 ('the Order') issued by the Central Government of India in terms of sub-section (4A) of Section 227 of the Act, 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:
  - a) We have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit;
  - b) In our opinion, proper books of account as required by law have been kept by the Company so far as appears from our examination of those books;
  - c) The Balance Sheet, Profit and Loss Account and Cash Flow Statement dealt with by this report are in agreement with the books of account;
  - d) In our opinion, the Balance Sheet, Profit and Loss Account and Cash Flow Statement dealt with by this report comply with the Accounting Standards referred to in sub-section (3C) of Section 211 of the Companies Act, 1956 ('the Act');
  - e) On the basis of written representations received from the directors of the Company as at 31 March 2009 and taken on record by the Board of Directors, we report that none of the directors is disqualified as on 31 March 2009 from being appointed as a director in terms of clause (g) of sub-section (1) of Section 274 of the Act; and
  - f) In our opinion, and to the best of our information and according to the explanations given to us, read with paragraph 3 and 4 above, the said accounts give the information required by the Act in the manner so required, and give a true and fair view in conformity with the accounting principles generally accepted in India:
    - i) in the case of the Balance Sheet, of the state of affairs of the Company as at 31 March 2009;
    - ii) in the case of the Profit and Loss Account, of the loss of the Company for the year ended on that date; and
    - iii) in the case of the Cash Flow Statement, of the cash flows of the Company for the year ended on that date.

For **BSR & Co.**  
Chartered Accountants

**Bhavesh Dhupelia**  
Partner  
Membership No: 042070

Mumbai  
30 June 2009

# ADLABS FILMS LIMITED

## ANNEXURE TO THE AUDITORS' REPORT – 31 MARCH 2009

(Referred to in our report of even date)

- (i) (a) The Company has maintained proper records showing full particulars including quantitative details and situation of fixed assets.
- (b) The Company has a regular programme of physical verification of its fixed assets by which all fixed assets are verified in a phased manner over a year or two years. In our opinion, this periodicity of physical verification is reasonable having regard to the size of the Company and the nature of its assets. Pursuant to the programme, certain fixed assets were physically verified during the year and no material discrepancies were noted on such verification.
- (c) As more fully explained in note 1 of Schedule 22 to the financial statements, pursuant to the Scheme of Arrangement, the Company has transferred the fixed assets of the Radio business to its wholly owned subsidiary Reliance Unicom Limited. In our opinion, the aforementioned transfer and other disposals during the year, does not affect the going concern assumption.
- (ii) (a) The inventory has been physically verified by the management during the year. In our opinion, the frequency of such verification is reasonable.
- (b) The procedures for the 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 neither granted nor taken any loans, secured or unsecured, to or from companies, firms or other parties covered in the register maintained under Section 301 of the Act.
- (iv) In our opinion and according to the information and explanations given to us, and having regard to the explanation that purchases of certain items of fixed assets are for the Company's specialised requirements and similarly certain services rendered/ rights and goods sold are of a specialised nature and rendered/ sold to specific buyers and suitable alternative sources are not available to obtain comparable quotations, there is an adequate internal control system commensurate with the size of the Company and the nature of its business with regard to purchase of inventory and fixed assets and with regard to the sale of goods and services.
- (v) In our opinion, and according to the information and explanations given to us, there are no contracts and arrangements the particulars of which need to be entered into the register maintained under Section 301 of the Act.
- (vi) The Company has not accepted any deposits from the public.
- (vii) In our opinion, the Company has an internal audit system commensurate with its size and the nature of its business.
- (viii) The Central Government has not prescribed the maintenance of cost records under Section 209(1)(d) of the Act for any of the products manufactured/services rendered by the Company.
- (ix) (a) According to the information and explanations given to us and on the basis of our examination of the records of the Company, amounts deducted/accrued in the books of account in respect of undisputed statutory dues including Provident Fund, Employees' State Insurance, Income tax, Sales-tax / VAT, Customs duty, Entertainment tax, Investor Education & Protection Fund, Cess and other material statutory dues have been generally regularly deposited during the year by the Company with the appropriate authorities. In respect of service tax, management is in the process of reconciling the amounts accrued as per the books of account on a monthly basis as compared to the payment records maintained. Based on the payment records examined by us, the Company has been generally regular in depositing the said amounts with the appropriate authorities. As informed to us, the Company did not have any dues on account of Wealth tax. There were no dues on account of cess under Section 441A of the Act since the date from which the aforesaid section comes into force has not yet been notified by the Central Government. According to the information and explanations given to us and except for the outcome of the reconciliation referred to above, no undisputed amounts payable in respect of Provident fund, Employees' State Insurance, Income tax, Sales-tax/ VAT, Service tax, Customs duty, Entertainment tax, Investor Education & Protection Fund and other material statutory dues were in arrears as at 31 March 2009 for a period of more than six months from the date they became payable except for Rs 39.13 million being entertainment tax pertaining to multiplexes / single screens where the Company has made an application for availing exemption under the relevant Act retrospectively from the date of commencement of operations of the said multiplex. Also, as more fully explained in note 3 of Schedule 22 to the financial statements, no amount has been accrued in respect of Maharashtra Value Added Tax.



# ADLABS FILMS LIMITED

## ANNEXURE TO THE AUDITORS' REPORT – 31 MARCH 2009 (CONTD..)

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

Name of the statute	Nature of the dues	Amount (Rs million)	Year to which the amount relates	Forum where dispute is pending
Central Excise Act,	Duty and penalty	20.32	2007-2008	Central Excise and Service tax Appellate Tribunal (CESTAT)
		11.92	2006-2007	
		12.75	2004-2006	
		12.33	2004-2005	
		1.2	2003 – 2004	
		12.15	2002-2003	
		8.2	2003	
		14.26	2003-2004	
		8.22	2004-2005	
		29.53	1998-99 to 2001-02	
Entertainment tax	Entertainment tax	10.74	2006-2007	High Court of Judicature of Ahmedabad
		9.64	2007-2008	

- (x) The accumulated losses of the Company are less than 50% of its net worth and it has not incurred cash losses in the financial year and in the immediately preceding financial year.
- (xi) In our opinion and according to the information and explanations given to us, the Company has not defaulted in repayment of dues to its bankers or bondholders. The Company did not have any outstanding dues to any financial institution during the year.
- (xii) The Company has not granted any loans and advances on the basis of security by way of pledge of shares, debentures and other securities.
- (xiii) In our opinion and according to the information and explanations given to us, the Company is not a chit fund or a nidhi / mutual benefit fund / society.
- (xiv) According to the information and explanations given to us, the Company is not dealing or trading in shares, securities, debentures and other investments.
- (xv) In our opinion and according to the information and explanations given to us, the terms and conditions on which the Company has given guarantees for loans / credit facilities taken by others from banks / others are not prejudicial to the interest of the Company.
- (xvi) In our opinion and according to the information and explanations given to us, the term loans taken by the Company have been applied for the purpose for which they were raised.
- (xvii) According to the information and explanations given to us and on an overall examination of the balance sheet of the company, we are of the opinion that the funds raised on shortterm basis have not been used for long-term investment.
- (xviii) The Company has not made any preferential allotment of shares during the year to companies/firms/parties covered in the register maintained under Section 301 of the Act.
- (xix) According to the information and explanations given to us, the Company has not issued any secured debentures during the year.
- (xx) According to the information and explanations given to us, the Company has not raised any money by public issues during the year.
- (xxi) According to the information and explanations given to us, no fraud on or by the Company has been noticed or reported during the course of our audit.

For **BSR & Co.**  
Chartered Accountants

**Bhavesh Dhupelia**  
Partner  
Membership No: 042070

Mumbai  
30 June 2009

# ADLABS FILMS LIMITED

## BALANCE SHEET AS AT 31 MARCH 2009

(Currency : Indian Rupees in Millions)

	<u>Schedule</u>	<u>31 March 2009</u>	<u>31 March 2008</u>
<b>SOURCES OF FUNDS</b>			
<b>Shareholders' funds</b>			
Share capital	2	230.63	230.63
Reserves and surplus	3	<u>5,317.65</u>	<u>6,550.21</u>
		<b>5,548.28</b>	<b>6,780.84</b>
<b>Loan funds</b>			
Secured loans	4	5,003.72	4,029.40
Unsecured loans	5	<u>7,143.58</u>	<u>5,197.45</u>
		<b>12,147.30</b>	<b>9,226.85</b>
<b>Deferred tax liabilities (net)</b>	6	-	-
		<u><b>17,695.58</b></u>	<u><b>16,007.69</b></u>
<b>APPLICATION OF FUNDS</b>			
<b>Fixed assets</b>			
Gross block	7	10,528.98	7,949.93
Less : accumulated depreciation / amortisation / impairment		<u>3,849.28</u>	<u>2,710.90</u>
Net block		<b>6,679.70</b>	<b>5,239.03</b>
Capital work-in-progress (including capital advances)		<u>1,864.02</u>	<u>3,094.45</u>
		<b>8,543.72</b>	<b>8,333.48</b>
<b>Investments</b>	8	233.46	2,441.99
<b>Current assets, loans and advances</b>			
Inventories	9	51.83	19.18
Sundry debtors	10	2,439.43	1,476.74
Cash and bank balances	11	406.82	715.36
Loans and advances	12	7,284.23	5,076.58
Interest accrued on investment		13.86	81.73
		<u>10,196.17</u>	<u>7,369.59</u>
<b>Less: Current liabilities and provisions / impairment</b>			
Current liabilities	13	1,056.24	1,653.47
Provisions	14	<u>345.67</u>	<u>483.90</u>
		<b>1,401.91</b>	<b>2,137.37</b>
<b>Net current assets</b>		<b>8,794.26</b>	<b>5,232.22</b>
Profit and Loss Account		124.14	-
		<u><b>17,695.58</b></u>	<u><b>16,007.69</b></u>
<b>Significant accounting policies</b>	1		
<b>Notes to the accounts</b>	22		

The schedules referred to above form an integral part of this Balance Sheet.

As per our report of even date attached.

For **B S R & Co.**  
Chartered Accountants

**Bhavesh Dhupelia**  
Partner  
Membership No: 042070

Mumbai  
30 June 2009

For and on behalf of the Board

**Amit Khanna**  
Director

Mumbai  
30 June 2009

**Gautam Doshi**  
Director

**Kirti Desai**  
Company Secretary & Manager

# ADLABS FILMS LIMITED

## PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31 MARCH 2009

(Currency : Indian Rupees in Millions)

	<u>Schedule</u>	<u>For year ended 31 March 2009</u>	<u>For Nine months ended 31 March 2008</u>
<b>INCOME</b>			
Theatrical exhibition	15	2,248.06	1,051.46
Film facilities	16	1,075.68	634.17
Film distribution		367.32	782.30
Film/content production and related services		1,161.62	235.61
Other income	17	655.60	538.53
		<u>5,508.28</u>	<u>3,242.07</u>
<b>EXPENDITURE</b>			
Direct operational expenses	18	1,575.29	758.53
Personnel costs	19	564.58	227.28
Other operating and general administrative expenses	20	1,890.29	683.83
Interest and finance charges (net)	21	627.48	134.36
Depreciation / amortisation	7	1,146.23	1,034.16
		<u>5,803.87</u>	<u>2,838.16</u>
<b>(Loss) / profit before tax</b>		<b>(295.59)</b>	403.91
<b>Less: Provision for taxes</b>			
- Current tax		-	37.50
- MAT Credit		-	(150.20)
- Deferred tax (credit)/charge		(13.48)	62.14
- Fringe benefit tax		15.15	7.15
- Short / (Excess) provision for earlier years		(150.20)	(11.73)
- Reversal of Minimum Alternate Tax ('MAT') Credit		150.20	-
<b>(Loss) / profit after tax</b>		<b>(297.26)</b>	459.05
Accumulated balance brought forward		53.61	879.48
		<b>(243.65)</b>	1,338.53
<b>Appropriations</b>			
Transfer to general reserve		-	1,150.00
Proposed dividend		-	115.32
Dividend tax		-	19.60
Balance carried to Balance Sheet		(243.65)	53.61
Basic earnings per share Rs.		(6.44)	10.90
Diluted earnings per share Rs.		(6.44)	9.53

(Refer note 20 of Schedule 22)

**Significant accounting policies**

1

**Notes to the accounts**

22

The schedules referred to above form an integral part of this Profit and Loss Account.

As per our report of even date attached.

For **B S R & Co.**

Chartered Accountants

**Bhavesh Dhupelia**

Partner

Membership No: 042070

Mumbai

30 June 2009

For and on behalf of the Board

**Amit Khanna**

Director

Mumbai

30 June 2009

**Gautam Doshi**

Director

**Kirti Desai**

Company Secretary & Manager

# ADLABS FILMS LIMITED

## CASH FLOW STATEMENT FOR THE YEAR ENDED 31 MARCH 2009

(Currency : Indian Rupees in Millions)

	For the year ended 31 March 2009	For Nine months ended 31 March 2008
<b>A. Cash flow from operating activities</b>		
Net (loss)/profit before tax	(295.59)	403.91
Adjustment for:		
Depreciation / amortisation	1,146.23	1,034.16
Loss on sale of fixed assets	0.44	5.65
Dividend income	(20.54)	(14.88)
Interest expense and finance charges (net)	627.48	134.36
Interest income	(71.67)	(83.15)
Bad debts / advances written off	26.30	38.51
Loss / (Profit) on derivative contract	486.49	(97.74)
Profit on sale of investments / mutual funds (net)	(196.92)	(266.94)
Gain on restatement of FCCB	-	(43.81)
Unrealised foreign exchange loss	(80.72)	(1.81)
<b>Operating profit before working capital changes and before net result of Radio business</b>	<b>1,621.50</b>	<b>1,108.26</b>
Adjustment for cash loss pertaining to transaction related to Radio business till date, pursuant to the Modified Scheme of Amalgamation	-	(837.70)
<b>Operating profit before working capital changes</b>	<b>1,621.50</b>	<b>270.56</b>
Adjustment for:		
(Increase) in sundry debtors	(1,731.76)	(758.21)
(Increase) in loans and advances	(901.56)	(916.26)
(Increase) in inventories	(32.54)	(3.03)
(Decrease) / Increase in trade and other payable	(444.40)	906.17
<b>Cash used in operating activities</b>	<b>(1,488.76)</b>	<b>(500.77)</b>
Taxes paid (net of refunds)	(154.25)	(134.68)
<b>Net cash used in operating activities (A)</b>	<b>(1,643.01)</b>	<b>(635.45)</b>
<b>B. Cash flow from investing activities</b>		
Purchase of fixed assets	(2,136.36)	(4,619.44)
Proceeds from sale of fixed assets	108.76	1.21
Purchase of investments - long term - in shares of subsidiary companies / joint venture / associates	(20.18)	(272.08)
Purchase of investments-Long term-other	(0.45)	(0.04)
Proceeds on sale of Long term investments	312.73	
Profit on Sale of Mutual funds	26.92	0.91
Dividend income	20.54	14.88
Interest income	139.54	23.84
Cash used in investing activities	(1,548.50)	(4,850.72)
Taxes paid (net of refunds)	(7.81)	(19.44)
<b>Net cash used in investing activities (B)</b>	<b>(1,556.31)</b>	<b>(4,870.16)</b>

# ADLABS FILMS LIMITED

## CASH FLOW STATEMENT FOR THE YEAR ENDED MARCH 2009

(Currency : Indian Rupees in Millions)

	For the year ended 31 March 2009	For Nine months ended 31 March 2008
<b>C. Cash flow from financing activities</b>		
(Loss) / Profit of option contract	(486.49)	97.74
Proceeds from Short term borrowings (net)	3,125.08	2,884.53
Proceeds from long term borrowings	-	4,000.00
Dividend (including dividend tax) paid	(134.92)	(116.41)
Recoverable from RUL	(258.49)	-
Interest and finance charges paid (net)	(624.48)	(480.99)
<b>Net cash flow from financing activities (C)</b>	<b>1,620.70</b>	<b>6,384.87</b>
<b>Net (decrease) / increase in cash and cash equivalent (A+B+C)</b>	<b>(1,578.62)</b>	<b>879.26</b>
Cash and cash equivalents as at beginning of the year / period	2,064.58	1,055.32
Cash and cash equivalents acquired on merger (Refer note 2 of Schedule 22)	3.77	130.00
Cash and cash equivalents transferred on de-merger (Refer note 1 of Schedule 22)	(84.37)	-
Cash and cash equivalents as at end of the year / period (Refer note 1 below)	405.36	2,064.58
	<u>(1,578.62)</u>	<u>879.26</u>

### Notes:

#### 1) Cash and cash equivalents at year / period end comprises:

Cash on hand	5.58	7.76
Balances with scheduled banks		
- Deposit accounts	286.88	515.63
- Current accounts	112.90	191.16
- Margin money deposits		
Liquid investment in mutual funds	-	1,350.03
	<u>405.36</u>	<u>2,064.58</u>

Note : Of the above fixed deposits of Rs. 230.20 (2008: Rs. 230.32) are under lien by the bank.

As per our report of even date attached.

For **B S R & Co.**  
Chartered Accountants

**Bhavesh Dhupelia**  
Partner  
Membership No: 042070

Mumbai  
30 June 2009

For and on behalf of the Board

**Amit Khanna**  
Director

Mumbai  
30 June 2009

**Gautam Doshi**  
Director

**Kirti Desai**  
Company Secretary & Manager

# ADLABS FILMS LIMITED

## SCHEDULES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2009

(Currency : Indian Rupees in Millions)

### Background

Adlabs Films Limited ('Adlabs' or 'the Company') was incorporated in 1987 as a private limited company and is currently a publicly listed company. The Company is listed on Bombay Stock Exchange Limited and National Stock Exchange of India Limited. Adlabs is primarily engaged in film processing, exhibition, distribution, production and related services.

The Board of Directors (Board) of the Company at their meeting held on 25 October 2008 approved the scheme of de-merger of the Radio Division of the Company to its wholly owned subsidiary Reliance Unicom Limited ('RUL'). The shareholders of the Company accorded their approval to the Scheme at their meeting held on 22 January 2009. The Scheme was approved by the Hon'ble High Court of Judicature at Bombay vide its order dated 4 April 2009 and filed with the Registrar of Companies on 30 June 2009 after the approval of the Ministry of Information and Broadcasting ('MIB'). Further, the Board of the Company approved the merger of its wholly owned subsidiaries Mahimna Entertainment Private Limited ('MEPL'), Rave Entertainment Private Limited ('REPL'), Adlabs Multiplex Limited ('AML') and Adlabs Multiplex and Theatres Limited ('AMTL'). The scheme was approved by the Hon'ble High Court of Judicature at Bombay vide its order dated 8 May 2009 and was filed with the Registrar of Companies on 29 May 2009. The above schemes have been given effect to in the books of the Company for the year ended 31 March 2009.

### SCHEDULE – I

#### Summary of significant accounting policies

##### 1. Basis of preparation

These financial statements are prepared and presented under the historical cost convention on the accrual basis of accounting except for revaluation of certain fixed assets and in accordance with the Accounting Standards ('AS') notified in the Companies (Accounting Standards) Rules, 2006 and the relevant provisions of the Companies Act, 1956 ('the Act'), to the extent applicable. The financial statements are presented in Indian Rupees in million except per share data and where mentioned otherwise.

##### 2. Use of estimates

The preparation of financial statements in conformity with generally accepted accounting principles ('GAAP') in India requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosures of contingent liabilities on the date of the financial statements. Management believes that the estimate made in the preparation of financial statements are prudent and reasonable. Actual results could differ from those estimates. Any revision to accounting estimates are recognised prospectively in current and future periods.

##### 3. Fixed assets and depreciation/ amortisation

###### a. Tangible assets

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

Depreciation on fixed assets is provided on the straight line method, at the rates prescribed in Schedule XIV to the Act, which, in management's opinion, reflects the estimated useful lives of those fixed assets, except in case of following assets of Exhibition division wherein depreciation is provided at following rates:

Particulars of Fixed Assets	Rate of Depreciation
Plant and Machinery (including air conditioner plant)	10%
Furniture and fixture	10%
Computers	20%
Motor car	10%
Office equipment	10%
Electrical installation	10%

Leasehold improvements are depreciated over the lower of the useful life of the asset and the lease term, on a straight line basis. Individual assets costing up to Rs 0.005 are depreciated fully in the year of acquisition.

(Also refer note 18 of Schedule 22)

## SCHEDULES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2009

(Currency : Indian Rupees in Millions)

### **b. Intangible assets**

Intangible assets, all of which have been acquired / created and are controlled through custody or legal rights, are capitalised at cost, where they can be reliably measured. Where capitalised, intangible assets are regarded as having a limited useful economic life and the cost is amortised over the lower of useful life and 10 years.

Application software purchased, which is not an integral part of the related hardware, is shown as intangible assets and amortised on a straight line basis over its useful life, not exceeding five/ ten years, as determined by management.

Film rights comprise negative rights and distribution rights in films and are for a contractually specified mode of exploitation, period and territory and are stated at cost less accumulated amortisation. Cost of film rights comprises original purchase price/ minimum guarantee. Cost is ascertained on specific identification basis where possible. In case multiple films/rights are acquired for a consolidated amount, cost is allocated to each film/right based on management's best estimates.

The individual film forecast method is used to amortise the cost of film rights acquired. Under this method, costs are amortised in the proportion that gross revenues realised bear to management's estimate of the total gross revenues expected to be received. If estimates of the total revenues and other events or changes in circumstances indicate that the realisable value of a right is less than its unamortised cost, a loss is recognised for the excess of unamortised cost over the film right's realisable value.

In respect of unreleased films, payments towards film rights are classified under capital advances as the amounts are refundable in the event of nonrelease of the film.

### **4. Impairment**

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

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

### **5. Investments**

Long-term investments are carried at cost. A provision for diminution is made to recognise a decline, other than temporary, in the value of long-term investments and is determined separately for each individual investment.

Current investments are carried at lower of cost and fair value.

### **6. Inventories**

Inventories (comprising of food and beverage items, chemicals, negative film rolls, xenon lamps and stores and spares related to exhibition division and film facilities etc.) are stated at the lower of cost and net realizable value. Cost is determined on the first-in first out (FIFO) basis.

Consumables and stores and spares other than those mentioned above are charged to the profit and loss account upon purchase.

### **7. Employee benefits**

Short-term employee benefits are recognised as an expense at the undiscounted amount in the profit and loss account of the year in which the related service is rendered.

The Company's state governed provident fund scheme, employee state insurance scheme and labour welfare fund are defined contribution plans. The contribution paid/payable under the schemes is recognised during the period in which the employee renders the related service.

The employees gratuity fund scheme is a defined benefit plan. The obligation for long term employee benefits is recognised as long term employee benefit. The present value of the obligation under such defined benefit plan and other long term employee benefits is determined using actuarial valuation carried out by an independent actuary at the balance sheet date using Projected Unit Credit Method. Actuarial gains and losses are recognised immediately in the Profit & Loss Account.

### **8. Revenue recognition**

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Company and the revenue can be reliably measured. The amount recognised as sales is exclusive of value added tax and service tax and net of trade discounts. Amount of entertainment tax is shown as a reduction from revenue.

#### **Film facilities**

Revenue from processing / printing of cinematographic films is recognised upon completion of the related processing/ printing.

# ADLABS FILMS LIMITED

## SCHEDULES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2009

(Currency : Indian Rupees in Millions)

Revenue from processing of digital content is recognised using the proportionate completion method. Use of the proportionate completion method requires the Company to estimate the efforts expended to date as a proportion of the total efforts to be expended. Efforts expended have been used to measure progress towards completion, as there is a direct relationship between efforts expended and contracted output.

Sale of traded goods is recognised when the risks and rewards of ownership are passed on to the customer, which generally coincides with the dispatch of goods.

Income from equipment/ facility rental is recognised over the period of the relevant agreement/ arrangement.

### **Theatrical exhibition and related income**

#### *Sale of tickets*

Revenue from theatrical exhibition is recognised on the date of the exhibition of the films and comprises proceeds from sale of tickets, gross of taxes. As the Company is the primary obligor with respect to exhibition activities, the share of distributors in these proceeds is separately disclosed as exhibition costs.

Amount of entertainment tax is shown as a reduction from revenue

#### *Sale of food and beverages*

Revenue from sale of food and beverages is recognised upon sale and delivery at the counter.

#### *Advertisement/ sponsorship revenue*

Revenue from advertisements, sponsorship and events is recognised on the date of the exhibition of the advertisement/ event or over the period of the contract, as applicable.

### **Film/content production and related income**

Revenue from sale of content/ motion pictures is accounted for on the date of agreement to assign / sell the rights in the concerned motion picture or on the date of release of the content/ movie, whichever is later.

### **Income from film distribution activity**

In case of distribution rights of motion pictures/ content, revenue is recognised on the date of release / exhibition.

Revenue from other rights such as satellite rights, overseas rights, music rights, video rights, etc. is recognised on the date when the rights are made available to the assignee for exploitation.

Revenue from sale of VCDs/ DVDs, etc is recognised when the risks and rewards of ownership are passed on to the customer, which generally coincides with the dispatch of the products.

### **Interest income**

Interest income, including from film/ content production financing, is recognised on a time proportion basis.

### **Dividend income**

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

### **Marketing Rights / Rights to Profit**

Amounts received in lieu of future marketing rights sale, right to profit from business of the Company are recognised as income in the year of entering into the contract.

## **9. Foreign currency transactions**

Transactions denominated in foreign currency are recorded at the exchange rate prevailing on the date of the transactions. Exchange differences arising on foreign exchange transactions settled during the year are recognised in the profit and loss account of the period. Monetary assets and liabilities denominated in foreign currencies as at the balance sheet date are translated at the closing exchange rates on that date; the resultant exchange differences are recognised in the profit and loss account except in case of exchange differences arising on translation of monetary items which form part of Company's net investment in a non-integral foreign operation which is accumulated in a 'Foreign Currency translation reserve' until its disposal.

Non-monetary items which are carried at historical cost denominated in a foreign currency are reported using the exchange rate at the date of the transaction.

Forward contracts are entered into to hedge the foreign currency risk of the underlying transaction. The premium or discount on all such contracts arising at the inception of each contract is amortised as income or expense over the life of the contract. Exchange difference on forward contracts are recognised as income or expense in the profit and loss account of the year. Any profit or loss arising on the cancellation and renewal of forward contract is recognised as income or expense for the year.



## SCHEDULES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2009

(Currency : Indian Rupees in Millions)

### 10. Taxation

Income-tax expense comprises current tax expense and fringe benefit tax computed in accordance with the relevant provisions of the Income tax Act, 1961 and deferred tax charge or credit.

Current tax provision is made based on the tax liability computed after considering tax allowances and exemptions, in accordance with the Income tax Act, 1961. Deferred tax charge or credit and the corresponding deferred tax liability or asset is recognised for timing differences between the profits / losses offered for income taxes and profits/ losses as per the financial statements. Deferred tax assets and liabilities are measured using the tax rates and tax laws that have been enacted or substantively enacted at the balance sheet date.

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

Provision for fringe benefits tax is made on the basis of applicable rates on the taxable value of eligible expenses of the Company as prescribed under the Income Tax Act, 1961.

### 11. Share issue / FCCB issue expenses and premium on redemption

Share / FCCB issue expenses incurred and premium payable on FCCB are adjusted in the year of issue against the Securities Premium Account.

### 12. Provisions and contingencies

Provisions comprise liabilities of uncertain timing or amount. Provisions are recognised when the Company recognises it has a present obligation as a result of past events, it is more likely than not that an outflow of resources will be required to settle the obligation and the amount can be reasonably estimated.

A disclosure for a contingent liability is made when there is a possible obligation or a present obligation that may, but probably will not require an outflow of resources. When there is a possible obligation or a present obligation in respect of which the likelihood of outflow of resources is remote, no provision or disclosure is made.

Loss contingencies arising from claims, litigation, assessment, fines, penalties, etc. are recorded when it is probable that a liability has been incurred and the amount can be reasonably estimated.

### 13. Leases

The Company has various operating leases, principally for multiplex properties, single screen properties and office space, with various renewal options. Substantially all operating leases are non-cancellable or cancellable only by the payment of penalties. Rental expense in agreements with scheduled rent increases is recorded on a straight-line basis over the lease term.

### 14. Borrowing costs

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

# ADLABS FILMS LIMITED

## SCHEDULES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2009

(Currency : Indian Rupees in Millions)

	<u>31 March 2009</u>	<u>31 March 2008</u>
<b>2 Share capital</b>		
<b>Authorised</b>		
92,058,000 (2008: 60,000,000) equity shares of Rs.5/-each	<u>460.29</u>	<u>300.00</u>
Issued, subscribed and paid-up capital		
46,126,170 (2008: 46,126,170) equity shares of Rs.5/- each, fully paid-up	<b>230.63</b>	230.63
Of the above:		
- 17,000,000 (2008: 17,000,000) equity shares of Rs.5/-each fully paid-up were allotted as bonus share by capitalisation of general reserves		
The authorised share capital of the Company has been increased as per the provisions of scheme of amalgamation by Rs. 160.29 divided into 32,058,000 shares of Rs. 5 each.		
(Refer Note 2 of Schedule 22)		
(Also refer Note 19 of Schedule 22)	<u><b>230.63</b></u>	<u>230.63</u>
<b>3 Reserves and surplus</b>		
<b>Securities premium account</b>		
At the commencement of the year / period	<b>6,377.09</b>	2,453.75
Less : Provision for premium on redemption of Zero Coupon Foreign Currency convertible Bonds ('FCCB')	<b>(24.49)</b>	(69.15)
(Refer Note 19 of Schedule 22)		
Add: Premium on conversion of FCCB	-	3,416.17
Add: Reversal of provision for premium on conversion of FCCB's converted during the year / period	-	785.82
(Refer Note 19 of Schedule 22)		
Less: Adjustment pursuant to modified scheme	-	(209.50)
Less: Adjustment on demerger of Radio Division	<b>(1,670.80)</b>	-
(Refer note 1 of Schedule 22)		
(Also refer note 27 of Schedule 22)	<u><b>4,681.80</b></u>	<u>6,377.09</u>
<b>Amounts pending transfer of Securities Premium Account and / or General Reserve account as per the Scheme of Amalgamation and Arrangement</b>		
<u>Pending transfer to Securities Premium Account</u>		
Balance at the commencement of the year / period	-	(1,006.04)
Reversal due to the modification of the scheme	-	796.54
Transfer to Securities Premium Account	-	<u>209.50</u>
	-	-
<u>Pending transfer to General Reserve</u>		
At the commencement of the year / period	-	27.26
On merger of E-ONE transfer to General Reserve	-	<u>(27.26)</u>
(Refer note 27 of Schedule 22)	-	-
<b>Capital Reserve</b>		
Amounts transferred as per provisions of the Scheme	<u><b>582.62</b></u>	-
(Refer note 2 of Schedule 22)	<b>582.62</b>	-
<b>General reserve</b>		
At the commencement of the year / period	<b>119.51</b>	558.40
Add: Transfer from profit and loss account	-	1,150.00
Add: Transfer on account of Katch 22 Merger	-	20.18
Less: Reduction in value of companies assets	-	200.00
Less: Net results from the transactions relating to Radio business	-	1,436.33
Add: Adjustment pursuant to modified scheme	-	27.26
(Also refer note 27 of Schedule 22)	<u><b>119.51</b></u>	<u>119.51</u>
Less: Debit balance of Profit and Loss account, deducted per Contra	<u><b>(119.51)</b></u>	-
	-	<u>119.51</u>

# ADLABS FILMS LIMITED

## SCHEDULES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2009

(Currency : Indian Rupees in Millions)

	<u>31 March 2009</u>	<u>31 March 2008</u>
<b>Foreign Currency Translation Reserve</b>		
At the commencement of the year / period	-	-
Add: Foreign currency translation gain on non-integral operations (net)	<u>53.23</u>	-
	<u>53.23</u>	-
<b>Balance in Profit and Loss account</b>	<b>(243.65)</b>	53.61
Less: Debit balance of Profit and Loss account, deducted per Contra	<u>119.51</u>	-
	<u>(124.14)</u>	53.61
	<u><u>5,317.65</u></u>	<u><u>6,550.21</u></u>
<b>4 Secured loans</b>		
From banks		
- Term Loan	<b>5,000.00</b>	3,750.00
- Cash credit facility	<b>3.72</b>	29.36
- Car Loan	-	0.04
From Others		
- Term Loan	-	250.00
Repayable within 1 year Rs. 1,003.72 (2008: Rs. 29.40) (Refer note 5 of Schedule 22)	<u><b>5,003.72</b></u>	<u>4,029.40</u>
<b>5 Unsecured loans</b>		
Short term loans and advances		
Commercial paper	<b>4,902.45</b>	3,868.87
Inter corporate deposit	<b>24.50</b>	204.63
From Banks	<b>1,000.00</b>	
Buyers Credit	<b>92.68</b>	
Other loans and advances		
Zero coupon Foreign Currency Convertible Bonds ('FCCB') (Refer note 19 of Schedule 22)	<b>1,123.95</b>	1,123.95
Repayable within 1 year Rs. 6,019.63 (2008: 4,073.50)	<u><b>7,143.58</b></u>	<u>5,197.45</u>
<b>6 (A) Deferred tax asset</b>		
Arising on account of timing difference in:		
Provision for leave encashment and gratuity	<b>12.64</b>	20.73
Deduction u/s 35D	<b>9.10</b>	14.71
Others	<b>49.23</b>	3.90
Unabsorbed depreciation allowance and carried forward business loss *	<b>109.39</b>	189.43
	<u><b>180.36</b></u>	<u>228.77</u>
<b>(B) Deferred tax liability</b>		
Arising on account of timing difference in:		
Depreciation/ amortisation	<b>180.36</b>	228.77
	<u><b>180.36</b></u>	<u>228.77</u>
Net deferred tax liability	<u><u>-</u></u>	<u><u>-</u></u>

# ADLABS FILMS LIMITED

## SCHEDULES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2009

(Currency : Indian Rupees in Millions)

### 7 Fixed Assets

Particulars	Gross block					Accumulated depreciation / amortisation / impairment					Net block		
	As at 1-Apr-08	Adjustments (Refer note 1)	Additions during the period	Deductions during the period	As at 31-Mar-09	As at 1-Apr-08	Adjustments (Refer note 1)	Charge for the year / period	Depreciation on assets sold / discarded	Impairment (Refer note 26 of Schedule 22)	As at 31-Mar-09	As at 31-Mar-09	As at 31-Mar-08
<b>Intangible assets</b>													
Distribution rights	1,438.97	-	285.29	99.68	<b>1,624.58</b>	1,223.51	149.55	240.27	-	-	<b>1,613.33</b>	<b>11.25</b>	215.46
Negative rights	665.86	-	579.38	-	<b>1,245.24</b>	529.03	104.77	611.44	-	-	<b>1,245.24</b>	-	136.83
Computer software	60.61	(57.27)	11.39	-	<b>14.73</b>	8.48	(6.83)	2.43	-	-	<b>4.08</b>	<b>10.65</b>	52.13
Radio Licenses	1,597.76	(1,597.76)	-	-	-	185.09	(185.09)	-	-	-	-	-	1,412.67
Copy Rights	4.15	(4.15)	-	-	-	0.63	(0.63)	-	-	-	-	-	3.52
<b>Tangible assets</b>													
Leasehold land	22.57	821.63	-	-	<b>844.20</b>	-	-	-	-	-	-	<b>844.20</b>	22.57
Buildings:													
Leasehold	802.83	1,467.47	590.32	1.63	<b>2,858.99</b>	85.74	(15.42)	80.04	0.03	24.16	<b>174.49</b>	<b>2,684.50</b>	717.09
Freehold	235.20	(0.16)	0.04	-	<b>235.08</b>	52.85	(0.05)	8.01	-	-	<b>60.81</b>	<b>174.27</b>	182.35
Air conditioner plant	137.58	24.69	133.92	-	<b>296.19</b>	27.79	2.22	21.86	-	4.41	<b>56.28</b>	<b>239.91</b>	109.79
Electrical installation	236.34	50.50	291.31	1.26	<b>576.89</b>	39.51	3.01	45.10	-	9.01	<b>96.63</b>	<b>480.26</b>	196.83
Plant and machinery	2,522.85	(1,153.76)	1,185.40	2.91	<b>2,551.58</b>	515.09	(124.90)	124.40	0.01	17.48	<b>532.06</b>	<b>2,019.52</b>	2,007.76
Furniture and fixtures	172.47	25.13	68.46	3.81	<b>262.25</b>	36.32	0.19	25.25	0.05	0.11	<b>61.82</b>	<b>200.43</b>	136.15
Vehicles	52.74	(34.25)	0.76	-	<b>19.25</b>	6.86	(1.94)	(0.38)	-	-	<b>4.54</b>	<b>14.71</b>	45.88
<b>Total</b>	<b>7,949.93</b>	<b>(457.93)</b>	<b>3,146.27</b>	<b>109.29</b>	<b>10,528.98</b>	<b>2,710.90</b>	<b>(75.12)</b>	<b>1,158.42</b>	<b>0.09</b>	<b>55.17</b>	<b>3,849.28</b>	<b>6,679.70</b>	<b>5,239.03</b>
<b>Previous period</b>	<b>3,022.30</b>	<b>2,225.19</b>	<b>2,715.60</b>	<b>13.16</b>	<b>7,949.93</b>	<b>1,236.26</b>	<b>122.50</b>	<b>1,358.44</b>	<b>6.30</b>	<b>-</b>	<b>2,710.90</b>	<b>5,239.03</b>	<b>-</b>
<b>Capital work-in-progress</b>												<b>1,864.02</b>	<b>3,094.45</b>

#### Notes:

- 1) Adjustment to Gross Block & Accumulated depreciation / amortization includes (also Refer note 26 of Schedule 22):
  - a) Transfer of fixed assets of Radio Division Gross Block amounting to Rs. 3,272.82 (computer software Rs. 53.54, Radio licenses Rs. 1,597.76, Copy Rights Rs. 4.15, leasehold building Rs. 297.57, plant & machinery Rs. 1,265.39, furniture & fixtures Rs. 20.17 and vehicles Rs. 34.24) and accumulated depreciation / amortisation of total amounting Rs. 384.54 (computer software Rs. 5.75, Radio licenses Rs. 185.09, copy rights Rs. 0.63, leasehold building Rs. 33.30, plant & machinery Rs. 150.74, furniture & fixtures Rs. 7.09 and vehicles Rs. 1.94) pursuant to scheme of de-merger of Radio Division of the Company to Reliance Unicom Limited (Refer note 1 of Schedule 22)
  - b) Transfer of fixed assets of Subsidiary Companies at fair value, Gross Block amounting to Rs. 1,099.53 (leasehold building Rs. 802.83, Air conditioner plant Rs. 24.7, Electrical installation Rs. 51.86, plant & machinery Rs. 147.82, furniture & fixtures Rs. 72.32, total amounting to Rs. 1,099.53) and accumulated depreciation / amortisation amounting to Rs. 39.29 (leasehold building Rs. 17.33, Air conditioner plant Rs. 2.22, Electrical equipment Rs. 3.04, Plant & machinery Rs. 9.75 and furniture & fixtures Rs. 6.95) as per scheme of amalgamation of these subsidiaries with the Company. (Refer note 2 of schedule 22)
  - c) Revaluation of lease hold land having deemed ownership, building and leasehold building pertaining to the Film Services and Exhibition Business (Revalued amount of leasehold land Rs. 821.63, and leasehold building Rs. 967.37) based on the valuation report obtained from a government approved external valuer, discarded plant & machinery amounting to Rs. 73.64 and accumulated depreciation / amortisation of film rights and other fixed assets of amounting to Rs. 270.13 (Distribution Right Rs. 149.55, Negative Right Rs. 104.77, Leasehold building Rs. 0.01, plant & machinery Rs. 15.70 and furniture & fixture Rs. 0.10). Pursuant to the scheme the difference between the carrying cost of these assets and the revalued amount has been credit to 'Capital Reserve Account' after netting off the impairment loss. (Refer note 2 of Schedule 22)
- 2) Leasehold land in excess of 99 years is not depreciated as this is treated as deemed ownership.
- 3) Plant and Machinery includes Rs. Nil (2008: Rs. 190.41) being assets jointly owned by the Company and BECIL.
- 4) Additions to fixed assets / CWIP include the following expenses capitalised

	<b>2009</b>	2008
Depreciation	<b>12.19</b>	1.19
Interest	<b>155.99</b>	2.94
Professional fees	<b>149.29</b>	30.73
Personnel cost	<b>47.47</b>	96.96
Other operating expenses	<b>176.60</b>	173.91
Trial period income, netted from Fixed assets capitalised	<b>(4.30)</b>	-
	<b>537.24</b>	305.73

# ADLABS FILMS LIMITED

## SCHEDULES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2009

(Currency : Indian Rupees in Millions)

	<u>31 March 2009</u>	<u>31 March 2008</u>
<b>8 Investments</b>		
<b>A. Long term (trade, unquoted and at cost)</b>		
Government securities		
National savings certificates (Pledged with State government authorities)	10.27	9.82
<b>B. Long term (non-trade, unquoted and at cost)</b>		
Investment in shares of		
(a) Subsidiary companies		
(i) Adlabs Distributors and Exhibitors Limited 50,000 (2008: 50,000) equity shares Rs.10/- each, fully paid-up	0.50	0.50
(ii) Adlabs Films (UK) Limited 10,000 (2008: 10,000) ordinary shares of £. 1 /- each, fully paid-up	0.85	0.85
(iii) Adlabs Films USA, Inc 200 (2008: 200) common stock with no par value	0.92	0.92
(iv) Adlabs Films Netherlands B.V. 180 (2008: 180) ordinary shares of EURO 100 each, fully paid up	1.04	1.04
(v) Adlabs (Mauritius) Limited 1000 (2008: 1000) ordinary shares issued and outstanding with no par value. (MUR 1000)	*	*
(vi) Adlabs Multiplex and Theatres Limited (Formerly known as Mukta Adlabs Digital Exhibition Private Limited) Nil (2008: 5,000) equity shares of Rs 100/- each, fully paid-up (Refer note 2 of Schedule 22)	-	0.50
(vii) Rave Entertainment Private Limited Nil (2008: 3,000,000) equity shares of Rs. 10 /- each fully paid up (Refer note 2 of Schedule 22)	-	51.53
(viii) Reliance Unicom Limited Nil (2008: 2,110,000) equity shares of Rs.5/- each, fully paid-up (Refer note 1 of Schedule 22)	-	101.00
(ix) Adlabs Multiplex Limited (formerly known as Runwal Multiplex Private Limited) Nil (2008: 98,100) equity shares of Rs. 100/- each, fully paid up (Refer note 2 of Schedule 22)	-	175.35
(x) Synergy Adlabs Media Limited 5,100 (2008: 5,100) equity shares of Rs 100/- each, fully paid-up	64.16	64.16

# ADLABS FILMS LIMITED

## SCHEDULES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2009

(Currency : Indian Rupees in Millions)

	<u>31 March 2009</u>	<u>31 March 2008</u>
(xi) Rave Entertainment and Food Nepal Private Limited 96,000 (2008 : Nil) equity shares of Nepali Rupees 100/- each fully paid-up	<b>6.00</b>	
(xii) Sri Ramakrishna Theatres Limited 403,574 (2008: Nil) shares of Rs. 10 each, fully paid up (Taken over pursuant to amalgamation of Adlabs Multiplex and Theatres Limited) (Refer note 2 of Schedule 22)	<b>44.21</b> -	
(b) Joint Ventures		
(i) Cineplex Private Limited 250,000 (2008:2,50,000) equity shares of Rs. 10/- each, fully paid-up	<b>2.50</b>	2.50
(ii) Divya Shakti Marketing Private limited 100,000 (2008:100,000) equity shares of Rs 10/- each, fully paid-up	<b>32.90</b>	32.90
(iii) Swanston Multiplex Cinemas Private Limited 390,000 (2008:390,000) equity shares of Rs 10/- each, fully paid-up	<b>70.01</b>	70.01
(c) Others		
(i) Tree of Knowledge DOT Com Private Limited. 150,000 (2008: 150,000) 0.5% cumulative redeemable preference shares of Rs 1,000/- each, Rs 800/- partly paid	<b>120.00</b>	120.00
(ii) Sultan Production Private Limited 9800 (2008: 9800) equity shares of Rs. 10 each, fully paid up	<b>0.10</b>	0.10
(d) Investment in partnership firm		
(i) HPE / Adlabs LP (Investment in limited partnership)	<b>460.78</b>	460.78
Less: Recovery of principal pursuant to Contract	<b>236.68</b>	-
	<b>577.56</b>	460.78
Less: Provision for diminution in value of long term investments (Refer note 2 of Schedule 22)	<b>(344.10)</b>	-
<b>Total long term investment</b>	<b>233.46</b>	1,091.96

\* - Indicates balance less than Rs. 0.005

# ADLABS FILMS LIMITED

## SCHEDULES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2009

(Currency : Indian Rupees in Millions)

	<u>31 March 2009</u>	<u>31 March 2008</u>
<b>8 Investments (Continued)</b>		
<b>Current investments (non-trade, unquoted and at lower of cost and fair value)</b>		
<b>C. Investment in mutual funds</b>	-	1,350.03
Nil (2008: 134,914,326) units of Reliance Liquid Fund - Cash Plan - Weekly Dividend Option [Net asset value: Nil (2008: Rs. 1350.03)]		
<b>Total current investments</b>	-	1,350.03
(Refer note 24 of Schedule 22 for details of purchase and sale of investments during the current year)		
	<u>233.46</u>	<u>2,441.99</u>
<b>9 Inventories</b>		
Stores and spares	28.33	4.48
Chemical stock	3.35	1.72
Food and beverages	14.69	5.33
Negative film rolls	5.46	5.88
Content not aired	-	1.77
	<u>51.83</u>	<u>19.18</u>
<b>10 Sundry debtors</b>		
(Unsecured)		
Debts outstanding for a period exceeding six months		
- Considered Good	1,534.14	175.62
- Considered doubtful	-	20.66
	<u>1,534.14</u>	<u>196.28</u>
Other Debts		
- Considered Good	498.61	988.39
- Considered doubtful	-	9.38
	<u>498.61</u>	<u>997.77</u>
Less: Provision for doubtful debts	-	30.04
Other Receivable for sale of investment / Rights to investment	406.68	312.73
(Refer note 2 of Schedule 22 for Debtors written off pursuant to Scheme)	<u>2,439.43</u>	<u>1,476.74</u>
<b>11 Cash and bank balances</b>		
Cash on hand	5.58	7.75
Balances with scheduled banks		
- in current accounts	112.90	191.16
- in fixed deposit account	286.88	515.63
- Dividend account	1.46	0.82
(Of the above fixed deposits of Rs. 230.20 (2008: Rs. 230.32) are under lien by the bank)	<u>406.82</u>	<u>715.36</u>

# ADLABS FILMS LIMITED

## SCHEDULES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2009

(Currency : Indian Rupees in Millions)

	<u>31 March 2009</u>	<u>31 March 2008</u>
<b>12</b>		
<b>Loans and advances</b>		
- Unsecured and considered good		
Amounts due from Reliance Unicom Limited pursuant to demerger of Radio Division (Refer note 1 of Schedule 22)	<b>2,609.50</b>	-
Loans and advances to subsidiaries	<b>1,772.98</b>	762.28
Loans and advances to joint ventures	<b>56.57</b>	70.62
Loans and advances to Others	<b>84.87</b>	1,395.22
Advances recoverable in cash or in kind or for value to be received (Refer note 23 of Schedule 22)	<b>739.30</b>	1,064.83
Deposits	<b>1,611.65</b>	1,455.94
Advance tax, tax deducted at source, advance fringe benefit tax (Net of provision for tax Rs. 447.03 (2008: Rs. 417.46))	<b>409.36</b>	177.49
MAT Credit	-	150.20
	<b>7,284.23</b>	5,076.58
- Unsecured and considered doubtful		
Advances recoverable in cash or in kind or for value to be received	-	6.58
Less: Provision for doubtful advances	-	6.58
	-	-
(Refer note 2 of Schedule 22 for Loans and advances written off pursuant to Scheme)	<b>7,284.23</b>	5,076.58
(Refer note 17 of Schedule 22)		
Loans and advances include		
A		
Receivable from Companies under same management u/s 370(1B) of the Companies Act, 1956		
(iv) Reliance Unicom Limited	<b>2,609.50</b>	234.90
(Maximum amount outstanding during the period Rs. 2,609.50 (2008: Rs. 604.00))		
(Refer note 1 of Schedule 22)		
B		
Receivable from Joint Ventures		
(i) Divya Shakti Marketing Private Limited	<b>22.36</b>	22.24
(Maximum amount outstanding during the period Rs. 22.36 (2008: Rs. 22.24))		
(ii) Cineplex Private Limited	<b>34.21</b>	48.38
(Maximum amount outstanding during the period Rs. 48.38 (2008: Rs. 50.88))		
<b>13</b>		
<b>Current liabilities</b>		
Sundry creditors for goods and services (Refer note 6 of Schedule 22)	<b>830.53</b>	924.25
Other current liabilities	<b>142.89</b>	234.76
Advance payments received	<b>78.36</b>	493.64
Interest accrued but not due	<b>3.00</b>	-
Unclaimed dividend	<b>1.46</b>	0.82
An amount of Rs. Nil (2008: Rs. 0.02) is due and outstanding for credit to Investor Education and Protection Fund.		
	<b>1,056.24</b>	1,653.47
<b>14</b>		
<b>Provisions</b>		
Proposed dividend	-	115.32
Tax on proposed dividend	-	19.60
Gratuity	-	14.01
Leave encashment	<b>37.18</b>	50.98
Premium on redemption of FCCB	<b>308.49</b>	283.99
	<b>345.67</b>	483.90



# ADLABS FILMS LIMITED

## SCHEDULES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2009

(Currency : Indian Rupees in Millions)

	For the year ended 31 March 2009	For Nine months ended 31 March 2008
<b>15 Theatrical exhibition</b>		
Sale of tickets	1,814.70	837.82
Less: Entertainment tax	192.58	102.35
	<u>1,622.12</u>	<u>735.47</u>
Advertisements/sponsorship revenue	124.50	128.10
Facilities provided at multiplex	52.56	30.33
Food and beverages	416.04	157.56
Other income from theatrical operations	32.84	-
	<u>2,248.06</u>	<u>1,051.46</u>
<b>16 Film facilities</b>		
Processing/printing of films	699.96	366.62
Equipment rental income	61.24	26.53
Trading income	307.74	241.02
Others	6.74	-
	<u>1,075.68</u>	<u>634.17</u>
<b>17 Other income</b>		
Dividend income from:		
- Joint venture companies	7.50	5.50
- long term investments	-	0.72
- Current investments	13.04	8.66
Interest income from:		
- Banks [tax deducted at source: Rs. 7.81 (2008: Rs. 19.44)]	34.46	47.07
- Loans, advances and other deposits	37.21	36.08
Profit on sale of investments / rights there in (Long Term)	170.00	266.03
Profit on sale of current investments	26.92	0.91
Foreign exchange gain (net)	111.16	-
Consultation fees	213.05	-
Proceeds from keyman insurance policy	26.64	-
Profit on derivative contract (net)	-	97.74
Miscellaneous income	15.62	75.82
	<u>655.60</u>	<u>538.53</u>
<b>18 Direct operational expenses</b>		
Distributors share	599.23	253.00
Print, publicity expenses and Producers overflow	135.59	31.70
Show Tax , INR Charges etc	7.90	9.06
Cost of food and beverage sold		
Opening Stock	5.33	4.22
Purchases	139.26	52.93
Less: Closing Stock	14.69	5.33
Consumption	<u>129.90</u>	<u>51.82</u>

# ADLABS FILMS LIMITED

## SCHEDULES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2009

(Currency : Indian Rupees in Millions)

	For the year ended 31 March 2009	For Nine months ended 31 March 2008
<b>18 Direct operational expenses (contd.....)</b>		
Chemical consumed		
Opening Stock	1.72	2.40
Purchases	37.11	15.63
Less: Closing Stock	3.35	1.72
Consumption	35.48	16.31
Consumables	27.45	5.40
Processing charges	69.15	43.24
Electricity, power and water charges	250.03	92.36
Cost of raw films sold		
Opening Stock	5.88	6.16
Purchases	300.45	215.50
Less: Closing Stock	5.46	5.88
Consumption	300.87	215.78
Other direct expenses	19.69	5.64
Film production expenses	-	34.22
	<b>1,575.29</b>	<b>758.53</b>
<b>19 Personnel costs</b>		
Salaries, wages and bonus	495.48	198.33
Contribution to provident and other funds	19.13	7.60
Gratuity	7.70	(0.03)
Leave encashment	22.95	0.54
Staff welfare expenses	19.32	20.84
	<b>564.58</b>	<b>227.28</b>
<b>20 Other operating and general administrative expenses</b>		
Advertisement	129.93	76.97
Bank charges	31.84	8.60
Business promotion	10.23	7.64
Rent	644.06	259.35
Rates and taxes	65.96	19.54
Commission and brokerage	3.46	2.83
Travelling and conveyance	69.46	23.98
Donation	-	0.04
Labour charges	106.95	42.92
Insurance	15.96	9.64
Legal and professional fees	56.38	41.06
Directors sitting fees	0.28	0.35
Loss on sale of assets (net)	0.44	5.65

# ADLABS FILMS LIMITED

## SCHEDULES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2009

(Currency : Indian Rupees in Millions)

	For the year ended 31 March 2009	For Nine months ended 31 March 2008
<b>20 Other operating and general administrative expenses (contd.....)</b>		
Printing and communication	70.74	44.41
Bad debts written off / Provision for doubtful debts and advances	26.30	38.51
Repairs and maintenance		
- Building	1.46	1.40
- Machinery	20.49	11.07
- Others	37.11	17.62
Foreign exchange loss (net)	-	4.83
Loss on derivative contracts (net)	486.49	-
Miscellaneous expenses (Refer note 8 of Schedule 22)	112.75	67.42
	<b>1,890.29</b>	<b>683.83</b>
<b>21 Interest and finance charges (net)</b>		
On fixed loan	430.00	13.59
On other loans	588.57	122.25
Less: Interest allocated to Reliance Unicom Limited pursuant to demerger (Refer note 1 of Schedule 22)	(258.49)	-
Less: Interest capitalised	(155.99)	(2.94)
	<b>604.09</b>	<b>132.90</b>
Finance charges	23.39	1.46
	<b>627.48</b>	<b>134.36</b>

# ADLABS FILMS LIMITED

## SCHEDULES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2009

(Currency : Indian Rupees in Millions)

### Schedule 22 - Notes to the accounts

#### 1. Demerger of the Radio Division of the Company to Reliance Unicom Limited

The Board of the Company in their meeting held on 25 October 2008 approved a Scheme of Arrangement ('the Radio Scheme') between Reliance Unicom Limited ('RUL'), a wholly owned subsidiary and the Company for the de-merger of the Radio business (constituting the Radio Segment) of the Company into RUL.

The shareholders of the Company accorded their approval in a court convened meeting of members of the Company held on 22 January 2009. The Scheme was approved by the Hon'ble High Court of Judicature at Bombay vide its order dated 4 April 2009 and filed with the Registrar of Companies ('ROC') on 30 June 2009, as required under Section 391(3) of the Act after obtaining approval from the Ministry of Information and Broadcasting ('MIB') for vesting of radio licenses held by the Company in the name of RUL.

As per the Scheme, the Radio business of the Company stands transferred to RUL with effect from 1 April 2008, the Appointed Date and has been given effect to on 30 June 2009, being the Effective Date and the accounting treatment prescribed by the Scheme has been given effect to in the financial statements for the year ended 31 March 2009.

All the assets of and liabilities, directly allocable and as mutually determined by the Board of Directors of RUL and the Company, of the Radio business as at 1 April 2008 have been transferred at their respective book values. Further, general borrowings of the Company as on 1 April 2008 have been allocated between the Company and RUL on the basis of ratio of total assets of the Company immediately before giving effect of the Scheme. In consideration of the demerger, RUL will allot equity shares of Rs 5 each in the ratio of 1:1 and upon issue of shares as above the Company's investment in shares of RUL will stand cancelled.

As per the provisions of the scheme, excess balances of assets transferred over liabilities and the cost of Investments in RUL cancelled has been debited to Securities Premium Account as follows:

	<b>Amount</b>
Assets of Radio Division as of 1 April 2008 transferred as per the provisions of the scheme	<b>4,492.95</b>
Liabilities of Radio Division as of 1 April 2008 transferred as per the provisions of the scheme	<b>(683.15)</b>
General borrowings of the Company as of 1 April 2008 allocated between RUL (Radio Division) and the Company as per the provisions of the Scheme	<b>(2,240.00)</b>
Excess of net assets transferred to RUL (Radio Division)	<b>1,569.80</b>
Cancellation of investment in RUL	<b>101.00</b>
Total amount debited to Securities premium account as per the Provisions of the scheme	<b>1,670.80</b>

The radio business has been held / carried on in trust for the period 1 April 2008 till the Effective Date by the Company. Accordingly, the Company has charged interest, at an agreed rate on the amount receivable as at the appointed date and subsequent funding till the effective date. The total receivable Rs. 2,609.50 (includes interest Rs. 258.49) has been disclosed as a recoverable from RUL.

However, for the purpose of these financial statements, pending allotment of shares by RUL, the investment has been cancelled to give effect to the substance of the Scheme as approved by the Hon'ble High Court of Judicature at Bombay and RUL ceases to be a subsidiary for the purpose of these financial statements.

#### 2. Scheme for merger of wholly owned subsidiaries with the Company

The Board of the Company in their meeting held on 30 January 2009 approved the Scheme of Amalgamation ('Amalgamation Scheme') of the Company ('Transferee') with its wholly owned subsidiaries AMTL, AML, MEPL and REPL (collectively referred to as the Transferor Companies). The Scheme was approved by the Hon'ble High Court of Judicature at Bombay vide its order dated 8 May 2009 and filed with the Registrar of Companies ('ROC') on 29 May 2009, as required under Section 391(3) of the Act.

AMTL, AML, MEPL and REPL are engaged in the exhibition business and has been included in the exhibition segment. MEPL has been included in the unallocated corporate segment.

As per the Scheme, AMTL, AML, MEPL and REPL amalgamate with the Company with effect from 1 April 2008, the Appointed Date and has been given effect to on 29 May 2009, being the Effective Date and the accounting treatment prescribed by the Scheme has been given effect to in the financial statements for the year ended 31 March 2009.

In accordance with the requirements of the Amalgamation Scheme, the credit aggregating Rs. 582.62 to Capital reserve has been arrived at as follows:

- All assets and liabilities of the transferor companies as at 1 April 2008 which have been identified by the Board of Directors have been recorded at their respective fair values (as determined based on valuation reports from government approved valuer

# ADLABS FILMS LIMITED

## SCHEDULES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2009

(Currency : Indian Rupees in Millions)

/ management estimates) as on 31 March 2009. Investments in the equity shares of the transferor companies as appearing in the books of the Transferee Company as at 31 March 2009 have been cancelled. The excess of net assets of the transferor companies taken over at fair value (as determined on 31 March 2009) over the cost of investment in these companies, aggregating Rs 360.58 has been credited to capital reserve.

- The Company has recorded a increase in the value of its assets based on revaluation of certain assets of the Company pertaining to the Exhibition and Film Services business. The total increase in value of assets of the Company is Rs. 1,789.01, based on revaluation reports obtained from government approved external valuers. The Company has also reduced the value of its assets by Rs. 1,566.97 (Fixed assets and intangible rights Rs. 398.95, Debtors Rs. 205.07, Loans and advances including capital advances Rs. 618.85 and Investments Rs. 344.10). The net increase in the value of assets of the Company Rs. 222.04 has been credited to Capital reserve Pursuant to the provisions of the Scheme.
- The authorised share capital of the transferor Companies was considered as authorised share capital of the transferee Company. Hence, the authorised share capital of the Company has been increased by Rs. 160.29 divided into 32,058,000 shares of Rs. 5 each.

The above mentioned accounting treatment is in accordance with the Scheme, had the Company followed accounting treatment prescribed by AS – 14 “Accounting for Amalgamations” / Indian GAAP:

- The excess of investments over net assets acquired for the Company amounting to Rs. 193.91 would have been transferred to Goodwill and would have been amortised over 5 years
- The appreciation in the value of the Company’s assets aggregating Rs 1,789.01 would have been credited to the Revaluation Reserve instead of being credited to the capital reserve.
- The diminution in the value of the Company’s assets aggregating Rs 1,566.97 would have been debited to the profit and loss account instead of capital reserve Accordingly, had the schemes as referred above been accounted for as per the requirements of AS – 14 “Accounting for Amalgamations” / Indian GAAP, the loss for the year would be higher by Rs. 1,605.76, capital reserve would have been lower Rs 28.12, revaluation reserve would have been higher by Rs 1,789.01 and balance of Goodwill would have been Rs. 155.13.

### 3. Contingent Liabilities

On Account of	31 March 2009	31 March 2008
<b>Dispute with excise department</b>		
Disputed Central Excise demand pending with the Central Excise Appellate Tribunal in respect of the film processing division	130.88	111.09
<b>Entertainment tax</b>		
In respect of a multiplex, the Company has made an application for availing exemption under the relevant Act retrospectively from the date of commencement of operations of the said multiplex and the application is pending approval	39.13	28.03
In respect of certain multiplexes, the Company is in dispute with the entertainment tax authorities regarding eligibility for availing exemption under the relevant Act.	29.34	21.94
In respect of demand orders received for payment of entertainment tax collected and not paid to the authorities, the Company has made an appeal against said demand orders as it believes that the same is not payable, being exemption from payment available to it.	6.29	5.69
The Company shall be liable to pay the entertainment tax in the event that the multiplexes do not continue operations for a period of 10 years from the respective dates from which they commenced their operations	574.75	440.44
<b>Disputed property tax</b>	7.40	7.40
Guarantees given by the Company to a bank(s) in respect of credit facilities given / sanctioned to its overseas Subsidiaries	1,125.84	-
Guarantee given to a Service provider of an overseas Subsidiary for indemnity of losses in respect of expenses, suits, litigation, etc	3.37	-
Guarantees given to Ministry of Information and Broadcasting for Radio licenses (since transferred to Reliance Unicom Limited pursuant to scheme of demerger (Refer note 1 of Schedule 22))	230.20	-

# ADLABS FILMS LIMITED

## SCHEDULES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2009

(Currency : Indian Rupees in Millions)

### Value Added Tax:

The Maharashtra Value Added Tax Act, 2002 lists the Scheduled entry, inter alia, "Copy right" w.e.f. 1.4.2005. Pursuant to this enactment/scheduled entry, the entertainment industry has made a written representation to the Finance Minister, Maharashtra for deletion of the scheduled entry from the Act. Similar representation was made by the industry in some other states, as a result of which the Act was modified to delete this scheduled entry. The Company is awaiting a positive response from the Ministry of Finance in respect of the assurance given. Accordingly, no provision (amount not currently ascertainable) has been made in the books of accounts.

### Note:

The amounts are excluding penalty and interest, if any, that could be levied at the time of final conclusion.

### 4. Commitments

	31 March 2009	31 March 2008
Estimated amount of contracts remaining to be executed on capital account and not provided for (net of advances)	566.18	1,340.97
Amount uncalled on 150,000 partly paid preference shares of Tree of Knowledge DOT Com Private Limited	30.00	30.00

### 5. Secured loans

Cash credit is secured by pari passu first charge on the Inventories and Book Debts of the Company.

Term loan from the banks are secured by pari passu first charge on fixed assets, Inventories, Book Debts and Loans and Advances of the Company.

### 6. Sundry creditors

Under the Micro, Small and Medium Enterprise Development Act, 2006 which came into force from 2 October 2006, certain disclosures are required to be made relating to micro and small enterprises. The Company has taken necessary steps to seek relevant information from its suppliers about the coverage under the Act. According to the information available with the management, no amounts are outstanding pertaining to covered creditors for a period of more than 45 days.

### 7. Remuneration to Directors / Manager

Remuneration to the managing director, whole-time director and manager as appointed under Section 269 of Companies Act, 1956:

	Year ended 31 March 2009	Nine months ended 31 March 2008
Salary	0.74	3.13
Contribution to provident fund	0.04	0.22
Perquisites	-	8.89
<b>Total</b>	<b>0.78</b>	<b>12.24</b>

Note : The Managing Director has vacated his office with effect from 30 November 2007.

The above does not include gratuity and leave encashment benefits as the provision for these are determined for the Company as a whole and therefore separate amounts for the directors / manager are not available.

No commission is paid to directors and hence disclosure under Section 198 of the Act is not made.

# ADLABS FILMS LIMITED

## SCHEDULES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2009

(Currency : Indian Rupees in Millions)

### 8. Other miscellaneous expenses includes remuneration to auditors as below:

	Year ended 31 March 2009	Nine months ended 31 March 2008
Audit fees	4.57	5.56
Other attestation fees	0.34	2.37
Reimbursement of out of pocket expense	0.34	0.34
	<u>5.25</u>	<u>8.27</u>

Note: The above amounts are excluding service tax.

### 9. Quantitative details

#### Quantitative details of turnover

Particulars	Units	For year ended 31 March 2009		For the period ended 31 March 2008	
		Quantity	Value	Quantity	Value
Processing and printing	Feet ('000)	440,432	699.96	262,659	366.62
Traded goods	Cans ('000)	26.92	307.74	24.62	241.02
<b>Food and Beverage sales</b>					
Packaged food items #	Pieces ('000)	*	*	1,341.93	32.27
Bottled beverages #	Pieces ('000)			377.06	8.64
Non packaged food items					78.02
Others					38.63

# - Net of complimentary and wastages

\* - The Company has obtained exemption from providing quantitative details pertaining to the Exhibition business from the Central Government vide its approval dated 16 April 2009.

#### Quantitative details of traded goods-raw stock (negative) and food and beverages:

Particulars	Units	For year ended 31 March 2009		For the period ended 31 March 2008	
		Quantity	Value	Quantity	Value
<b>Negative Film Rolls</b>					
Opening Stock	Cans('000')	1.23	5.88	0.85	6.16
Purchases #	Cans('000')	26.88	300.45	25.00	215.50
Closing Stock	Cans('000')	0.54	5.46	1.23	5.88
<b>Food and Beverage items</b>					
<i>Opening Stock</i>					
Packaged food items				20.20	0.06
Bottled beverages				191.70	1.02
Non packaged food items					3.14
<i>Purchases</i>					
Packaged food items				1,911.69	14.79
Bottled beverages				452.03	4.74
Non packaged food items					33.40
<i>Closing Stock</i>					
Packaged food items				72.36	0.27
Bottled beverages				103.13	0.49
Non packaged food items					4.57

\* - The Company has obtained exemption from providing quantitative details pertaining to the Exhibition business from the Central Government vide its approval dated 16 April 2009.

# ADLABS FILMS LIMITED

## SCHEDULES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2009

(Currency : Indian Rupees in Millions)

### 10. Value of imports on CIF basis (on accrual basis)

Particulars	Year ended 31 March 2009	Nine months ended 31 March 2008
Components and spare parts	15.39	3.19
Capital goods	171.56	782.58

### 11. Expenditure in foreign currency (on accrual basis)

Particulars	Year ended 31 March 2009	Nine months ended 31 March 2008
Travelling	6.85	4.53
Professional fees	41.56	16.73
Others	27.49	20.82

### 12. Earnings in foreign exchange (on accrual basis)

Particulars	Year ended 31 March 2009	Nine months ended 31 March 2008
Film distribution income	210.00	114.33
Interest	-	4.37
Processing income	20.17	2.26
Others	-	0.73

### 13. Lease disclosure under AS 19

The Company is obligated under non-cancellable leases primarily for multiplex and single screen projects which are renewable thereafter as per the terms of the respective agreements. Rental expenses under non-cancellable operating lease accrue from the commencement of commercial operations.

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

Particulars	Minimum lease payments	
	31 March 2009	31 March 2008
Amounts due within one year from the balance sheet date	672.43	460.78
Amounts due in the period between one year and five years	2,798.87	1,897.88
Amounts due after five years	7,137.44	5,346.38
	<u>10,608.74</u>	<u>7,705.04</u>

Amount payable within lock-in-period is Rs. 3,939.80 (2008: Rs. 3,830.94)

Amount debited to Profit and Loss Account for lease rental

Particulars	Year ended 31 March 2009	Nine months ended 31 March 2008
Lease rental	644.06	259.35

### 14. Disclosure of Segment Reporting under AS 17

As per Accounting Standard (AS) 17 on "Segment Reporting", segment information has been provided in the Notes to Consolidated Financial Statement.



## SCHEDULES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2009

(Currency : Indian Rupees in Millions)

### 15. Disclosure of Related Party under AS 18

#### Parties where control exists

##### Holding Company

- Reliance Land Private Limited (Upto 30 November 2007)

##### Subsidiary Companies

- Adlabs Films (UK) Limited
- Adlabs Films USA Inc.
- Adlabs Films Netherlands B.V. (with effect from 8 February 2008)
- Adlabs (Mauritius) Limited (with effect from 29 March 2008)
- Adlabs Multiplex and Theatres Limited (formerly known as Mukta Adlabs Digital Exhibitors Limited) (Refer note 2 above)
- Adlabs Distributors and Exhibitors Limited
- Synergy Adlabs Media Limited
- Adlabs Multiplex Limited (formerly known as Runwal Multiplex Private Limited) (with effect from 20 December 2007) (Refer note 2 above)
- Rave Entertainment Private Limited (Refer note 2 above)
- Reliance Unicom Limited (up to 31 March 2008) (Refer note 1 above)
- Sri Ramakrishna Theatre Private Limited
- Rave Entertainment and Food Nepal Private Limited (with effect from 24 August 2008)

##### Step down Subsidiary Companies

- Adlabs Entertainment LLC
- Adlabs Entertainment (DE) LLC
- Adlabs Forum LLC
- Adlabs Laurel LLC
- Adlabs Falls Church LLC
- Adlabs Heritage LLC
- Adlabs Norwalk LLC
- Adlabs Galaxy LLC
- Adlabs Sahil LLC
- Adlabs Sar LLC
- Phoenix Adlabs Theatre Management LLC
- Adlabs Union LLC
- Adlabs Phoenix LLC
- Adlabs Exhibitions LLC
- Adlabs IMC LLC
- Reliance Big Entertainment Inc. (with effect from 1 September 2008)
- Adlabs Digital Media USA LLC (with effect from 27 March 2009)
- Big Pictures USA Inc. (with effect from 30 March 2009)
- Reliance Big Entertainment Malaysia Sdn Bhd (with effect from 18 April 2008)
- Reliance Lotus Five Star Cinemas Sdn Bhd (with effect from 1 November 2008)

##### Other related parties with whom transactions have taken place during the period

##### (a) Significant Shareholders, Key Management Personnel and their relatives

- Manmohan Shetty (till 30 November 2007)

# ADLABS FILMS LIMITED

## SCHEDULES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2009

(Currency : Indian Rupees in Millions)

- Pooja Shetty (till 30 November 2007)
- Kirti Desai - Manager appointed under section 269 of the Companies Act, 1956.
- Reliance Land Private Limited

**(b) Enterprises over which company has significant influence / Associates**

- HPE / Adlabs LP.
- Sultan Production Private Limited

**(c) Joint Ventures**

- Divyashakti Marketing Private Limited
- Cineplex Private Limited
- Swanston Multiplex Cinemas Private Limited
- Adlabs Multiplex Limited (formerly known as Runwal Multiplex Private Limited) (up to 19 December 2007)

Transactions	Holding Company		Subsidiary Companies		Significant shareholders, key management personnel and their relatives		Enterprises over which Company has significant influences/ associates		Enterprises over which Management personnel have significant influence		Joint ventures	
	CY	PP	CY	PP	CY	PP	CY	PP	CY	PP	CY	PP
<b>Rendering of Services</b>												
Adlabs Films USA Inc.			74.03	8.92								
Adlabs Films (UK) Limited			42.58	3.64								
Adlabs Multiplex Private Limited				0.38								0.65
Cineplex Private Limited				-							1.69	1.26
Synergy Adlabs Media Limited			7.60	7.05								
Adlabs Distributors and Exhibitors Limited			0.60									
	-	-	124.81	19.99	-	-	-	-	-	-	1.69	1.91
<b>Interest Income</b>												
Reliance Unicom Limited*				13.03								
HPE / Adlabs LP							4.37					
Divya Shakti Marketing Private Limited											1.33	
Cineplex Private Limited											2.90	
	-	-	-	13.03	-	-	-	4.37	-	-	4.23	-
<b>Interest Expenses</b>												
Adlabs Distributors and Exhibitors Limited			0.90									
	-	-	0.90	-	-	-	-	-	-	-	-	-
<b>Receiving of Services</b>												
Adlabs Distributors and Exhibitors Limited			0.06									
Adlabs Multiplex Private Limited				1.09								2.35
Divya Shakti Marketing Private Limited				-							1.46	1.80
Cineplex Private Limited				-							1.76	1.70
Others				0.47								
	-	-	0.06	1.56	-	-	-	-	-	-	3.22	5.85
<b>Reimbursement of Expenses</b>												
Adlabs Films USA Inc.			(6.61)									

# ADLABS FILMS LIMITED

## SCHEDULES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2009

(Currency : Indian Rupees in Millions)

Transactions	Holding Company		Subsidiary Companies		Significant shareholders, key management personnel and their relatives		Enterprises over which Company has significant influences/ associates		Enterprises over which Management personnel have significant influence		Joint ventures	
	CY	PP	CY	PP	CY	PP	CY	PP	CY	PP	CY	PP
Adlabs Films (UK) Limited			(7.02)	24.20								
Sultan Production Private Limited							10.77	-				
Synergy Adlabs Media Limited			8.67	8.18								
Divyashakti Marketing Private Limited											0.13	
Cineplex Private Limited											0.15	
	-	-	(4.96)	32.38	-	-	-	-	-	-	0.28	-
<b>Managerial Remuneration</b>												
Kirti Desai					0.78	0.14						
Manmohan Shetty						11.61						
Pooja Shetty						0.49						
	-	-	-	-	0.78	12.24	-	-	-	-	-	-
<b>Dividend paid / (received)</b>		54.64				5.73						
Swanston Multiplex Private Limited											(7.50)	(5.50)
	-	54.64	-	-	-	5.73	-	-	-	-	(7.50)	(5.50)
<b>Loan given</b>												
Reliance Unicom Limited*				609.81								
Synergy Adlabs Media Limited				15.50								
Adlabs Films USA Inc.			938.17	86.58								
Adlabs Films UK Limited			31.84	-								
Adlabs Films Netherlands B.V.				44.42								
Adlabs (Mauritius) Limited			1,152.75	-								
Adlabs Multiplex and Theatres Private Limited				43.65								
Rave Entertainment Private Limited				324.64								
Adlabs Multiplex Private Limited				2.48								
Sultan Production Private Limited							54.83	71.92				
	-	-	2,122.76	1,127.08	-	-	54.83	71.92	-	-	-	-
<b>Loans received back</b>												
Reliance Unicom Limited*				385.00								
Adlabs Films USA, Inc.			575.76									
Adlabs Films Netherlands B.V.				40.67								
Synergy Adlabs Media Limited				15.50								
Adlabs Distributors and Exhibitors Private Limited				31.09								
Adlabs Multiplex Private Limited				4.22								
Cineplex Private Limited											12.81	3.00
	-	-	616.43	435.81	-	-	-	-	-	-	12.81	3.00
<b>Loans taken</b>												
Adlabs Distributors and Exhibitors Private Limited			24.50									
	-	-	24.50	-	-	-	-	-	-	-	-	-
<b>Purchase of shares</b>												
Adlabs Films Netherlands B.V.				1.04								

# ADLABS FILMS LIMITED

## SCHEDULES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2009

(Currency : Indian Rupees in Millions)

Transactions	Holding Company		Subsidiary Companies		Significant shareholders, key management personnel and their relatives		Enterprises over which Company has significant influences/ associates		Enterprises over which Management personnel have significant influence		Joint ventures	
	CY	PP	CY	PP	CY	PP	CY	PP	CY	PP	CY	PP
Reliance Unicom Limited*				100.50								
Adlabs Multiplex Private Limited				170.45								
Rave Entertainment Private Limited				51.53								
Adlabs Films Mauritius Limited				0.01								
	-	-	-	<b>323.53</b>	-	-	-	-	-	-	-	-
<b>Guarantees given</b>												
Adlabs Films USA Inc.	1,125.84	-										
Adlabs Films Netherlands B.V.	3.37	-										
<b>Outstanding balances as at year end</b>												
Adlabs Films USA Inc.			557.23	86.58								
Adlabs Films (UK) Limited			40.61	23.81								
Adlabs (Mauritius) Limited			1,200.89									
Adlabs Distributors and Exhibitors Private Limited			(23.51)	4.79								
Rave Entertainment Private Limited			324.64									
Adlabs Films Netherlands B.V.			3.99	44.42								
Reliance Unicom Limited*				234.90								
Synergy Adlabs Media Limited			28.86	20.73								
Adlabs Multiplex and Theatres Private Limited				43.65								
Adlabs Multiplex Private Limited				7.28								
Cineplex Private Limited											34.22	48.92
Divya Shakti Marketing Private Limited											22.36	22.24
Sultan Production Private Limited							126.75	71.92				
	-	-	<b>1,808.06</b>	<b>790.80</b>	-	-	<b>126.75</b>	<b>71.92</b>	-	-	<b>56.57</b>	<b>71.16</b>

\*Pursuant to the scheme of de-merger of the Radio Division of the Company to its wholly owned subsidiary Reliance Unicom Limited ('RUL'), it seized to a subsidiary of the company.

CY - Year ending 31 March 2009

PP - Nine month period ending 31 March 2008

### 16. Mark to market (MTM) losses on derivative contracts

The Company has assigned the derivative contracts pertaining to Options for FCCB and Interest rate swap for long term loans to a Company ('Assignee'), who has advised the Company regarding entering into these contracts. The Assignee had advised the Company with regards to entering into these derivative contracts and has indemnified the Company with regards to any mark to market losses that the Company will have to incur on termination of these contracts. Consequently, the total mark to market loss of Rs. 1,403.70 have not been recognised by the Company in its Profit and Loss Account.

For the same reason, the Company has also not recognised a liability for these MTM losses and amounts receivable from the Assignee Company.

# ADLABS FILMS LIMITED

## SCHEDULES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2009

(Currency : Indian Rupees in Millions)

### 17. Loans and advances in the nature of loans given to Subsidiaries and Associates etc.

#### A) Loans and advances in the nature of Loans:

Name of the Company	Particulars	As at 31 March 2009	As at 31 March 2008	Maximum Balance during the year
Rave Entertainment Private Limited (Refer note 2 above)	Subsidiary	NA	324.64	NA
Adlabs Films UK Limited	Subsidiary	29.66	-	38.10
Reliance Unicom Limited (Refer note 1 above)	Subsidiary	NA	234.90	NA
Adlabs Multiplex and Theatres Limited (formerly known as Mukta Adlabs Digital Exhibition Private Limited) (Refer note 2 above)	Subsidiary	NA	43.65	NA
Adlabs (Mauritius) Limited	Subsidiary	1,235.32	-	1,235.32
Adlabs Films Netherlands B.V.	Subsidiary	4.08	44.42	44.42
Adlabs Films USA Inc.	Subsidiary	502.21	86.58	704.14
Adlabs Distributors and Exhibitors Limited	Subsidiary	NA	4.79	46.63
Adlabs Multiplex Limited (formerly known as Runwal Multiplex Private Limited) (Refer note 2 above)	Subsidiary	NA	3.20	NA
Divya Shakti Marketing Private Limited	Joint Venture	22.36	22.24	22.36
Cineplex Private Limited	Joint Venture	34.21	48.38	48.38

(a) Loans and advances shown above, to subsidiaries fall under the category of Loans and advances in nature of loans where there is no repayment schedule and are re-payable on demand.

(b) Loans to employees as per Company's policy are not considered.

### 18. Changes in the method of depreciation

Hitherto it was the policy of the Company to charge depreciation as per the Written Down value method for assets pertaining to the Film Services, the Production and Distribution business and other unallocated assets as per rates specified in Schedule XIV of the Companies Act, 1956. Starting 1 April 2008, the Company has changed its policy to charge depreciation as per the Straight Line method as per rates specified in Schedule XIV of the Companies Act, 1956. This change in policy has resulted in reduction in depreciation charge for the current period by Rs.194.35 (including Rs. 83.43 in respect of prior periods) as compared to the amount of depreciation that would have been charged had there been no change in the method of providing for depreciation.

### 19. Foreign Currency Convertible Bonds

On 25 January 2006 the Company ('Issuer') issued Zero Coupon Foreign Currency Convertible Bonds ('Bonds' or 'FCCB') aggregating Euro 84 million. The Bonds are convertible at any time on or after 7 March 2006 and up to the close of the business on 19 January 2011 by the holders of the Bonds ('the Bondholders') into newly issued equity shares of the Company with full voting rights with par value of Rs 5 each ('Shares') at an initial conversion price (as defined in Terms and Conditions of the Bonds) of Rs 543.42 per share with a fixed rate of exchange on conversion of Rs 54.26=EUR 1.00. Of the above bondholders holding bonds of value Euro 63.35 million opted for conversion in the previous period ended 31 March 2008. The balance bondholders holding bonds value aggregating to Euro 20.65 million have not opted for conversion and outstanding as on the balance sheet date. During the year, pursuant to the Scheme of Demerger (Refer Note 1 of Schedule 22) the conversion price is subject to adjustment, after agreement with bondholders and the Company. Pending finalisation of agreement, the revised conversion price is not yet decided. Consequently the equity shares issuable on conversion of FCCB have been computed based on initial conversion price. The Bonds are listed on the Singapore Exchange Securities Trading Limited ('SGX ST').

The Bonds may be redeemed, in whole but not in part, at the option of the issuer at any time on or after 25 January 2009 and on or prior to 26 January 2011 subject to satisfaction of certain conditions. Unless previously redeemed, converted or purchased and cancelled, the bonds will mature on 26 January 2011 at 121.679 per cent of the principal amount.

# ADLABS FILMS LIMITED

## SCHEDULES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2009

(Currency : Indian Rupees in Millions)

The balance in premium account as at 31 March 2009 is as follows:

	Year ended 31 March 2009	Nine months ended 31 March 2008
Opening balance	283.99	1,000.66
Add: Reversal of provision for premium on conversion of FCCB	-	(785.82)
Adj: Foreign exchange fluctuation	24.50	69.15
Closing balance	308.49	283.99

During the previous financial period ended 31 March 2008, the Company re-classified the liability towards Foreign Currency Convertible Bonds ('FCCB') as non-monetary liability inter-alia on the basis of the trend of earnings, movement of the Company's share prices and conversion option exercised by the FCCB holders. The Company continues to classify the liability towards FCCB as a non-monetary liability as in its view the current fall in the market price of the Company's share price and non-conversion by bond holders is a temporary aberration. Consequently, the foreign exchange fluctuation loss for the year ended 31 March 2009 aggregating to Rs 113.01 (2008: Rs. 175.27) has not been recognised by the management. Cumulative loss not recognised due to classification of FCCB as a non-monetary liability is Rs. 299.04 in respect of outstanding FCCB's. Unrecognised losses on FCCB's which were converted into equity shares in earlier periods is Rs. 219.95.

### 20. Earnings per Share ('EPS') (also Refer note 19 of Schedule 22)

	Year ended 31 March 2009	Nine months ended 31 March 2008
Net (loss) / profit after tax	(297.26)	459.05
Weighted average number of equity shares outstanding during the year / nine months for Basic EPS	46,126,170	42,103,935
Add : Equity shares issuable on conversion of FCCB (also Refer note 19 of Schedule 22)	2,061,884	6,084,140
Weighted average number of equity shares outstanding during the period for Dilutive EPS	48,188,054	48,188,054
Basic EPS	(6.44)	10.90
Dilutive EPS *	(6.44)	9.53
Nominal value per share in Rs	5.00	5.00

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

### 21. Foreign currency exposures (other than investments) not covered by forward contracts

	Year ended 31 March 2009			Nine months ended 31 March 2008		
	Currency	Foreign Currency Amount (in mns.)	Amount Indian Rupees	Currency	Foreign Currency Amount (in mns.)	Amount Indian Rupees
Sundry Debtors	USD	1.82	94.83	USD	0.46	18.44
	GBP	0.17	12.44	GBP	0.31	24.63
	EURO	0.02	1.06	EURO	0.01	0.65
Sundry Creditors	USD	0.38	20.04	USD	4.08	163.61
	GBP	0.01	0.40	GBP	0.16	12.99
	EURO	0.01	0.35	EURO	0.82	52.02
Loans and advances	USD	33.30	1,737.53	USD	2.16	86.58

# ADLABS FILMS LIMITED

## SCHEDULES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2009

(Currency : Indian Rupees in Millions)

	Year ended 31 March 2009			Nine months ended 31 March 2008		
	Currency	Foreign Currency Amount (in mns.)	Amount Indian Rupees	Currency	Foreign Currency Amount (in mns.)	Amount Indian Rupees
Buyers Credit	GBP	0.44	32.74	EURO	0.7	44.42
	EURO	0.06	4.08			
	USD	0.53	27.66			
	GBP	0.12	8.53			
	EURO	0.82	56.49			
Foreign Currency Convertible bonds ('FCCB')	EURO	20.65	1,123.95	EURO	20.65	1,123.95
Provision for premium on redemption of FCCB	EURO	4.48	308.49	EURO	4.48	289.99

### 22. Interest in joint ventures

The Company's interests in jointly controlled entities (incorporated Joint Ventures) are:

Name of the Company	Country of Incorporation	% of ownership interest as at 31 March 2009	% of ownership interest as at 31 March 2008
Swanston Multiplex Cinemas Private Limited	India	50%	50%
Cineplex Private Limited	India	50%	50%
Divya Shakti Marketing Private Limited	India	50%	50%

### Details of Joint Venture

Particulars	31 March 2009	31 March 2008
<b>I Assets</b>		
1. Fixed assets (including Capital work-in-progress)	96.42	106.38
2. Investments	-	5.64
3. Current assets, loans and advances		
a) Inventories	1.12	0.85
b) Sundry debtors	5.37	8.84
c) Cash and bank balances	8.20	6.93
d) Interest Accrued but not due	0.06	0.05
e) Loans and advances	11.50	7.35
<b>II Liabilities</b>		
1. Shareholders' fund - reserves and surplus	47.86	40.49
2. Secured loans	-	-
3. Unsecured loans	50.68	63.46
4. Deferred tax (net)	5.57	5.41
5. Current liabilities and provisions		
a) Liabilities	16.06	17.96
b) Provisions	2.63	1.33
<b>III Income</b>		
1. Sales (net of excise duty)	118.67	102.41
2. Other Income	9.20	10.28
<b>IV Expenses</b>		
1. Operating expenses	95.68	91.13
2. Depreciation	10.97	10.21
3. Interest	-	0.06
Profit before Taxation	21.22	11.29

# ADLABS FILMS LIMITED

## SCHEDULES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2009

(Currency : Indian Rupees in Millions)

Particulars	31 March 2009	31 March 2008
Prior period Adjustments	-	(0.03)
Provision for Taxation (including deferred taxation)	5.15	3.00
Profit after Taxation before minority interests	16.07	8.32
<b>V. Other matters</b>		
1. Contingent Liabilities	101.61	101.61
2. Capital Commitments	Nil	Nil
<b>Movement of the aggregate reserves of the joint ventures:</b>		
Reserves as at beginning of the year / period	40.49	42.31
Add: Share of profits for the year / period	16.07	(1.82)
Less: Dividend declared during the year / period	(8.70)	-
Reserves as at the end of the year / period	47.86	40.49

### 23. Employee Benefits

#### Defined Contribution Plan

Contribution to Defined Contribution Plan, recognised as expense for the period are as under :

	Year ended 31 March 2009	Nine months ended 31 March 2008
Employers contribution to Provident fund and other funds	19.13	7.60

#### Defined Benefit Plan

The employees' gratuity fund scheme managed by a Trust is a defined benefit plan. The present value of obligation is determined based on actuarial valuation using the Projected Unit Credit Method, which recognizes each period of service as giving rise to additional unit of employee benefit entitlement and measures each unit separately to build up the final obligation.

The obligation for leave encashment is recognised in the same manner as gratuity.

#### I. Reconciliation of opening and closing balances of Defined Benefit obligation

	Year ended 31 March 2009			Nine months ended 31 March 2008		
	AFL	Radio	Total	AFL	Radio	Total
	(Funded)	(Funded)		(Funded)	(Funded)	
<b>Gratuity</b>						
Defined Benefit obligation at beginning of the period	7.49	10.42	17.91	7.21	3.40	10.61
Transferred as per provisions of Scheme (Refer note I above)	-	(10.42)	(10.42)	-	-	-
On Amalgamation	0.08	-	0.08	-	-	-
Current Service Cost	4.00	-	4.00	2.28	3.42	5.70
Interest Cost	1.00	-	1.00	0.62	0.20	0.82
Actuarial (gain) / loss	2.50	-	2.50	(2.47)	3.40	0.93
Benefits paid	-	-	-	0.15	-	(0.15)
Settlement cost	(0.06)	-	(0.06)	-	-	-
Defined Benefit obligation at period end	15.01	-	15.01	7.49	10.42	17.91

#### II. Reconciliation of opening and closing balances of fair value of plan assets

	Year ended 31 March 2009			Nine months ended 31 March 2008		
	AFL	Radio	Total	AFL	Radio	Total
	(Funded)	(Funded)		(Funded)	(Funded)	
<b>Gratuity</b>						
Fair value of plan assets at beginning of the period	3.90	-	3.90	3.59	-	3.59
On Amalgamation	-	-	-	-	-	-
Actuarial gain / (loss)	(0.37)	-	(0.37)	0.28	-	0.28
Expected return on plan assets	0.42	-	0.42	0.18	-	0.18
Employer Contribution	20.00	-	20.00	-	-	-
Benefits paid	(0.06)	-	(0.06)	(0.15)	-	(0.15)
Settlement cost	-	-	-	-	-	-



# ADLABS FILMS LIMITED

## SCHEDULES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2009

(Currency : Indian Rupees in Millions)

Fair value of plan assets at period end	23.89	-	23.89	3.90	-	3.90
Actual return on plan assets	0.05	-	0.05	-	-	-

### III. Reconciliation of fair value of assets and obligations

	Year ended 31 March 2009			Nine months ended 31 March 2008		
	AFL (Funded)	Radio (Funded)	Total	AFL (Funded)	Radio (Funded)	Total
<b>Gratuity (funded)</b>						
Fair value of plan assets at the end of the year / period	23.89	-	23.89	3.90	-	3.90
Present value of obligation at the end of the year/period	15.01	-	15.01	7.49	10.42	17.91
Amount recognised in Balance Sheet as (net asset) / net liability #, *	(8.88)	-	(8.88)	10.42	10.42	15.02

# - Recognised as an asset under Advances recoverable in cash or in kind or for value to be received in Schedule 12)

\* - since paid

### IV. Expense recognised during the period (Under the head "Personnel Cost – Refer Schedule '19')

	Year ended 31 March 2009			Nine months ended 31 March 2008		
	AFL (Funded)	Radio (Funded)	Total	AFL (Funded)	Radio* (Funded)	Total
<b>Gratuity</b>						
Current Service Cost	4.00	-	4.00	2.28	3.42	5.70
Interest Cost	1.00	-	1.00	0.62	0.20	0.82
Expected return on plan assets	(0.42)	-	(0.42)	(0.28)	-	(0.28)
Actuarial (gain) / loss	2.87	-	2.87	(2.65)	3.40	0.75
Limitation of asset recognition as per AS - 15	0.25	-	0.25			
Net Cost	7.70	-	7.70	(0.03)	7.02	6.99

\* - Charged to Reserves

### V. Investment details

% invested as at year / period end

Nature of Investments	31 March 2009	31 March 2008
Insurance policies	100%	100%

### VI. Actuarial assumptions

	Gratuity Funded	Leave Encashment (Unfunded)
Mortality Table (LIC)	1994-96 (Ultimate)	1994-96 (Ultimate)
Discount rate (per annum)	7.85%	8.00%
Expected rate of return on plan assets (per annum)	7.50%	8.00%

# ADLABS FILMS LIMITED

## SCHEDULES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2009

(Currency : Indian Rupees in Millions)

Rate of escalation in salary (per annum)	<b>10% for the first three years and 7% thereafter</b>	6.50%
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The estimates for rate of escalation in salary considered in actuarial valuation, take into account inflation, seniority, promotion and other relevant factors including supply and demand in the employment market. The above information is certified by the actuary. The expected rate of return on plan assets is determined considering several applicable factors mainly, the composition of plan assets held, assessed risks, historical results of return on plan assets and the Company's policy for plan asset management.

### 24. Investments purchased and sold / extinguished during the year and not existing as on Balance sheet date

Particulars	No of units	Purchase Amount
Reliance Liquidity Fund - Weekly Dividend Option	202,922,017	2,031.17
Reliance Liquid Plus Fund - Institutional Option - Daily Dividend Plan	1,231,359	1,232.76
Reliance Liquidity Fund - Growth Option	354,425,085	4,551.72
Reliance Monthly Interval Fund - Series I - Institutional Option - Dividend Plan	4,996,153	50.00
Reliance Liquid Plus Fund - Institutional Option - Growth Plan	1,529,261	1,770.66
Equity shares of Rave Entertainment Private Limited	2,000,000	338.59
Preference Shares of Mahimna Entertainment Private Limited	190,000	190.00
Equity shares of Mahimna Entertainment Private Limited	10,000	0.10
Preference Shares of Entertainment Retail Services Private Limited	190,000	190.00

### 25. Translation of foreign subsidiaries

The Company in the current year has classified its operations in the United States of America, as non-integral to the business of the Company in India considering the size of the operations, autonomy of management of the subsidiary and the local sources of funding of the operations. The effect of the above change on the loss of the US operations for the period ending 31 March 2009 is not significant.

### 26. Impairment Disclosure

During the current year, the Company has impaired certain fixed assets pertaining to the:- Exhibition Division on the basis of determination of value in use of each property, which the Company considers as the relevant Cash Generating Unit ('CGU') for the purpose of impairment testing. The Company has considered a discount rate of 11.68%. The amount of impairment loss of Rs. 55.17 has been debited to the Capital Reserve pursuant to Scheme of Amalgamation. (Refer note 2 of Schedule 22)

### 27. Scheme and arrangement made in previous period ended 31 March 2008

A. Modified Composite scheme of amalgamation and arrangement The Board of the Company at their meeting held 23 April 2006, approved the composite scheme of amalgamation and arrangement (the Scheme) between the Company, Entertainment One India Limited (E-ONE), Mukta Adlabs Digital Exhibition Private Limited (MADEL) and Reliance Unicom Limited (RUL). The shareholders of the Company accorded their approval to the Scheme at the Annual General Meeting on 29 July 2006. The Scheme was approved by the Hon'ble High Court of Judicature at Bombay vide its order dated 15 September 2006. The Scheme inter-alia provided for the following:

- 1 the amalgamation of E-ONE with the Company effective 1 April 2005;
- 2 the merger of the digital business of MADEL with the Company effective 1 April 2005; and
- 3 the demerger of the radio business of the Company to RUL effective 31 March 2006.

The Company had made an application to the Ministry of Information and Broadcasting pursuant to the Scheme for transfer of Radio licenses held by the Company to RUL. Pending, receipt of approval from the Ministry, the Company gave an in-principal effect of the scheme in the accounts for the 15 months period ended 30 June 2007 and recorded the following amounts in a special account "Amounts pending transfer to Securities Premium account and/or General reserve account as per the Scheme of amalgamation and arrangement":

- 1 The excess of net assets taken (at fair value) over the cost of investment in EONE amounting to Rs 27.26 was credited to 'Amounts pending transfer to the Securities premium account and/or General reserve account as per the Scheme of amalgamation and arrangement'
- 2 The excess of liabilities over the assets taken over (at book value) amounting to Rs 4.47 was debited to Amounts pending transfer to the Securities premium account and/or General reserve account as per the Scheme of amalgamation and arrangement'.
- 3 An amount of Rs. 796.54 was debited to 'Amounts pending transfer to the Securities premium account and/or General reserve account as per the Scheme of amalgamation and arrangement' for excess net assets transferred to RUL.
- 4 Pursuant to provisions of the scheme, the Company recorded a reduction in the value of the Company's assets of Rs.

## SCHEDULES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2009

(Currency : Indian Rupees in Millions)

205.03 and has debited the amount to 'Amounts pending transfer to the Securities premium account and/or General reserve account as per the Scheme of amalgamation and arrangement'

Subsequently, during the period ended 31 March 2008 the Board of the Company modified the aforesaid Scheme vide circular mode pursuant to Section 289 of the Companies Act, 1956 on 13 February 2008. The modified composite scheme of amalgamation and arrangement (the Modified Scheme) between the Company, E-ONE and MADEL was approved by the Hon'ble High Court of Judicature at Bombay vide its order dated 7 March 2008 and was filed with the ROC as required under Section 391(3) of the Companies Act, 1956 ('the Act') on 31 March 2008. The modified scheme was substantively similar to the original scheme with respect to merger of E-ONE and MADEL and provided for adjustment of results of the Radio Division from 1 April 2006 upto the effective date of the modified scheme (31 March 2008) to be adjusted against the general reserves of the Company. Pursuant to the modified scheme, the Company made the following adjustments to its reserves

- 1 Rs. 4.47 pertaining to merger of the digital business of MADEL was transferred to Securities premium account
- 2 Rs. 205.03 pertaining to reduction in the value of Company's assets was transferred to Securities premium account
- 3 Rs. 796.54 which was earlier debited to 'Amounts pending transfer to the Securities premium account and/or General reserve account as per the Scheme of amalgamation and arrangement' was reversed pursuant to the provisions of the modified scheme and results of the Radio Division for the period 1 April 2006 to 31 March 2008 of Rs. 1,436.33 (net of tax benefit of Rs. 190.76) were debited to the General reserve.
- 4 Rs. 27.26 pertaining to merger of E-ONE was transferred to general reserve.

### B. Acquisition of Rave Entertainment Private Limited ('REPL')

On 31 May 2007, the Company entered into a Share Purchase Agreement ('SPA') with the shareholders of Rave Entertainment Private Limited ('REPL'), a company engaged inter-alia in the business of owning and operating multiplexes, for acquisition of 100% stake in that company. One of the conditions precedent to the SPA was the approval by the Hon'ble High Court of Judicature at Allahabad of the Scheme of demerger filed by REPL for demerger of Kanpur properties. Pending approval of the scheme of demerger by the said Court, the shares of REPL were held in Escrow. On 12 December 2007, the Hon'ble High Court of Judicature at Allahabad approved the said scheme of demerger. Consequently, REPL is now a wholly owned subsidiary of the Company and the amounts placed in Escrow and those disclosed under loans and advances have been adjusted as per the terms of the SPA.

### C. Acquisition of Katch 22 Entertainment Private Limited ('Katch 22')

On 23 April 2007, the Company acquired 100% stake in Katch 22, a company engaged in the production and distribution of films. Subsequently, pursuant to the board of directors' approval vide resolution dated 26 April 2007, the Company had filed the Scheme of amalgamation of Katch 22 ('the Katch 22 Scheme') with the Hon'ble High Court of Judicature at Bombay for the merger of Katch 22 with the Company effective 1 April 2006. The Katch 22 Scheme was approved by the Hon'ble High Court of Judicature at Bombay vide its order dated 14 September 2007 and filed with the ROC on 9 October 2007. The Katch 22 Scheme inter-alia provides for the amalgamation of Katch 22 Entertainment Private Limited with the Company effective 1 April 2006.

- 1 The excess of net assets taken over at fair value (as determined on the effective date i.e. 9 October 2007) over the cost of investment in Katch 22 amounting to Rs. 20.18 has been credited to General Reserve Account.
- 2 The Company has also recorded the reduction of Rs 200 in the value of its assets (debtors, unamortised rights and loans and advances) by debit to 'General Reserve account' as per the provisions of the Katch 22 Scheme.

### 28. Prior year comparatives

The figures for the previous period are strictly not comparable to those of the current year, which comprises 12 months and the effect of the scheme of de-merger of the Radio Division and amalgamation of subsidiaries (Refer notes 1 and 2) and have been regrouped/rearranged as necessary to conform to current years presentation.

For and on behalf of the Board

**Amit Khanna**  
Director

**Gautam Doshi**  
Director

Mumbai  
30 June 2009

**Kirti Desai**  
Company Secretary & Manager

# ADLABS FILMS LIMITED

## 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
---	---

Balance Sheet Date 

3	1
---	---

0	3
---	---

2	0	0	9
---	---	---	---

  
Date Month Year

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

Public Issue 

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

 Right Issue 

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

Bonus Issue 

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

 Private Placement 

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

### III. Position of mobilisation & deployment of funds (Amount in Rs.Thousands)

Total Liability 

1	9	0	9	7	4	9	0
---	---	---	---	---	---	---	---

 Total Assets 

1	9	0	9	7	4	9	0
---	---	---	---	---	---	---	---

#### Sources of Funds

Paid-up Capital 

		2	3	0	6	3	1
--	--	---	---	---	---	---	---

 Reserves & Surplus 

	5	3	1	7	6	4	8
--	---	---	---	---	---	---	---

Secured Loans 

	5	0	0	3	7	1	8
--	---	---	---	---	---	---	---

 Unsecured Loans 

	7	1	4	3	5	7	6
--	---	---	---	---	---	---	---

Deferred Tax Liability 

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

#### Application of Funds

Net Fixed Assets 

	8	5	4	3	7	1	8
--	---	---	---	---	---	---	---

 Investments 

		2	3	3	4	5	7
--	--	---	---	---	---	---	---

Net Current Assets 

	8	7	9	4	2	5	9
--	---	---	---	---	---	---	---

 Misc. Expenditure 

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

Accumulated Losses 

		1	2	4	1	3	9
--	--	---	---	---	---	---	---

### III. Performance of the Company (Amount in Rs.Thousands)

Turnover 

	5	5	0	8	2	7	9
--	---	---	---	---	---	---	---

 Total Expenditure 

	5	8	0	3	8	6	6
--	---	---	---	---	---	---	---

Profit/Loss Before Tax 

-	2	9	5	5	8	7
---	---	---	---	---	---	---

 Profit/Loss After Tax 

-	2	9	7	2	5	6
---	---	---	---	---	---	---

(Please tick Appropriate box "+" for profit "-" for loss)

Earning per Share (Basic) in Rs. 

-			6	.	4	4
---	--	--	---	---	---	---

 Dividend % 

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

### IV. General Names 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		

Item Code No. (ITC Code) 

A	I
---	---

Product Description 

T	R	A	D	I	N	G		O	F		N	E	G	A	T	I	V	E		S	T	O	C	K
---	---	---	---	---	---	---	--	---	---	--	---	---	---	---	---	---	---	---	--	---	---	---	---	---

For and on behalf of the Board

**Amit Khanna**  
Director

**Gautam Doshi**  
Director

Mumbai,  
30 June 2009

**Kirti Desai**  
Company Secretary & Manager

## AUDITORS' REPORT

(Currency : Indian Rupees in Millions)

To the Board of Directors of

Adlabs Films Limited

- 1 We have audited the attached Consolidated Balance Sheet of Adlabs Films Limited ('the Company' or 'the Parent Company') and its subsidiaries, associate and joint ventures, as listed in note 2 of Schedule 1 to the consolidated financial statements (collectively referred to as 'the Group'), as at 31 March 2009 and also the Consolidated Profit and Loss Account and the Consolidated Cash Flow Statement for the year ended on that date, annexed thereto. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audit.
- 2 We conducted our audit in accordance with auditing standards generally accepted in India. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall consolidated financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.
- 3 We have audited the financial statements of the parent company, Adlabs Films Limited, whose financial statements reflect total assets of Rs 17,538.48 million (2008: Rs 18,145.06 million) as at 31 March 2009, total revenues of Rs 5,561.69 million (nine months ended 31 March 2008: Rs 3,242.07 million) and net cash outflows aggregating Rs 1,578.62 million (nine months ended 31 March 2008: net cash inflows aggregating Rs 879.26 million) for the year ended 31 March 2009. Our opinion, in so far as it relates to the amounts included in respect thereof, is based on our Auditors' Report.
- 4 We did not audit the financial statements and related other financial information of subsidiaries, associate and joint ventures (other than a joint venture audited by us), whose financial statements reflect the Group's share of total assets of Rs 4,004.87 million (2008: Rs 388.02 million) as at 31 March 2009 and the Group's share of total revenues of Rs 2,000.38 million (nine months ended 31 March 2008: Rs 340.01 million) and net cash inflows aggregating Rs 132.36 million (nine months ended 31 March 2008: net cash inflows aggregating Rs 325.63 million) for the year ended on that date, as considered in the consolidated financial statements. These financial statements and related other financial information have been audited by other auditors whose reports have been furnished to us, and our opinion, in so far as it relates to the amounts included in respect of these subsidiaries, associate and joint ventures, is based solely on the report of the other auditors.
- 5 The consolidated financial statements have been prepared by the Company's management in accordance with the requirements of Accounting Standard (AS) 21 - Consolidated Financial Statements, AS 23 Accounting for Investments in Associates in Consolidated Financial Statements and AS 27 - Financial Reporting of Interest in Joint Ventures notified in the Companies (Accounting Standards) Rules, 2006.
- 6 Without qualifying our report, we draw attention to Note 10 of Schedule 22 to the consolidated financial statements regarding accounting of the Foreign Currency Convertible Bonds ('FCCB'). During the previous financial period ended 31 March 2008, the Company reclassified the liability towards FCCB as non-monetary liability inter-alia on the basis of the trend of earnings, movement of the Company's share prices and conversion option exercised by the FCCB holders. The Company continues to classify the liability towards FCCB as non-monetary liability as in its view the current fall in the market price of the Company's share price and non-conversion by bond holders during the year is a temporary aberration, consequently, the foreign exchange fluctuation (net loss) for the year aggregating Rs 113.01 million (nine months ended 31 March 2008: Rs 405.99 million) has not been recognised and the said liability has not been restated at the period-end exchange rate.

An alternate view exists that the liability towards FCCB is a monetary liability and should be restated at the period-end exchange rate in accordance with Accounting Standard 11 - 'The Effects of Changes in Foreign Exchange Rates' prescribed in the Companies (Accounting Standards) Rules, 2006 issued by the Central government in consultation with the National Advisory Committee on Accounting Standards. There is no specific guidance of The Institute of Chartered Accountants of India on accounting for foreign currency bonds convertible into equity shares at the option of the holder. Had the said liability been considered as a monetary liability, the loss before tax for the current year would be higher by Rs 113.01 million (nine months ended 31 March 2008: profit would be lower by Rs 405.99 million) and the reserves and surplus would be lower by Rs 299.04 million (2008: Rs 186.04 million).

- 7 Without qualifying our opinion, we draw attention to Note 2 of Schedule 22 to the consolidated financial statements. As more fully explained in the said Note, during the year, the Hon'ble High Court of Judicature at Mumbai vide its order dated 8 May 2009

# ADLABS FILMS LIMITED

(Currency : Indian Rupees in Millions)

sanctioned the Scheme of Amalgamation of the Company with its wholly owned subsidiaries Adlabs Multiplex and Theatres Limited, Adlabs Multiplex Limited, Rave Entertainment Private Limited and Mahimna Entertainment Private Limited, under sections 391 to 394 of the Act. Pursuant to the said Scheme the Company has made an adjustment for diminution in value of its assets (production and distribution rights, fixed assets, investments, debtors and loans and advances) aggregating Rs 1,566.97 million by debiting the same to capital reserve instead of the profit and loss account. Had the Company debited the profit and loss account the loss before tax for the year would be higher by the said amount.

- 8 Based on our audit as aforesaid, and on consideration of reports of other auditors as explained in paragraph 4 above, and to the best of our information and according to the explanations given to us, read with matters stated in paragraphs 7 and 8 above, the consolidated financial statements give a true and fair view in conformity with the accounting principles generally accepted in India:
- (a) in the case of the Consolidated Balance Sheet, of the state of affairs of the Group as at 31 March 2009;
  - (b) in the case of the Consolidated Profit and Loss Account, of the loss of the Group for the year then ended; and
  - (c) in the case of the Consolidated Cash Flow Statement, of the cash flows of the Group for the year then ended.

**For B S R & Co.**  
Chartered Accountants

**Bhavesh Dhupelia**  
Partner  
Membership No: 042070

Mumbai  
30 June 2009

# ADLABS FILMS LIMITED

## CONSOLIDATED BALANCE SHEET AS AT 31 MARCH 2009

(Currency : Indian Rupees in Millions)

	Schedule	31 March 2009	31 March 2008
<b>SOURCES OF FUNDS</b>			
<b>Shareholders' funds</b>			
Share capital	2	230.63	230.63
Reserves and surplus	3	5,334.03	6,665.52
		<u>5,564.66</u>	<u>6,896.15</u>
<b>Minority interest</b>		299.78	161.30
<b>Loan funds</b>			
Secured loans	4	5,003.72	4,029.40
Unsecured loans	5	7,957.29	5,226.51
		<u>12,961.01</u>	<u>9,255.91</u>
Deferred tax liabilities (net)	6	6.05	19.24
		<u>18,831.50</u>	<u>16,332.60</u>
<b>APPLICATION OF FUNDS</b>			
<b>Fixed assets</b>			
Gross block	7	12,405.40	8,626.32
Less : accumulated depreciation / amortisation / impairment		4,037.00	2,797.96
Net block		<u>8,368.40</u>	<u>5,828.36</u>
Capital work-in-progress (including capital advances)		<u>2,298.06</u>	<u>3,094.45</u>
		<u>10,666.46</u>	<u>8,922.81</u>
Goodwill on consolidation (Refer Note 16 of Schedule 22)		421.17	275.59
Deferred tax asset (net)	6	1.87	6.44
<b>Investments</b>	8	116.17	2,054.81
<b>Current assets, loans and advances</b>			
Inventories	9	69.05	76.13
Sundry debtors	10	2,522.36	1,526.88
Cash and bank balances	11	789.23	1,238.68
Loans and advances	12	5,786.09	4,463.41
Interest accrued on investment		25.85	93.41
		<u>9,192.58</u>	<u>7,398.51</u>
<b>Less: Current liabilities and provisions</b>			
Current liabilities	13	1,523.38	1,839.64
Provisions	14	366.48	486.50
		<u>1,889.86</u>	<u>2,326.14</u>
<b>Net current assets</b>		<u>7,302.72</u>	<u>5,072.37</u>
Miscellaneous expenditure (to the extent not written - off or adjusted)		-	-
Deferred revenue expenditure		0.51	0.58
<b>Profit &amp; Loss Account</b>		<u>322.60</u>	<u>-</u>
		<u>18,831.50</u>	<u>16,332.60</u>
<b>Significant accounting policies</b>	1		
<b>Notes to the accounts</b>	22		

The Schedules to referred to above from an integral part of this Balance Sheet

As per our report of even date attached.

For **B S R & Co.**  
Chartered Accountants

**Bhavesh Dhupelia**  
Partner  
Membership No: 042070

Mumbai  
30 June 2009

For and on behalf of the Board

**Amit Khanna**  
Director

Mumbai  
30 June 2009

**Gautam Doshi**  
Director

**Kirti Desai**  
Company Secretary & Manager

# ADLABS FILMS LIMITED

## CONSOLIDATED PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31 MARCH 2009

(Currency : Indian Rupees in Millions)

	<i>Schedule</i>	<b>For year ended 31 March 2009</b>	<b>For Nine months ended 31 March 2008</b>
<b>INCOME</b>			
Theatrical exhibition	15	3,347.60	1,238.67
Film facilities	16	1,305.70	627.12
Film distribution		409.11	787.77
Film/content production and related services		1,561.61	438.14
Other income	17	709.30	552.78
		<u>7,333.32</u>	<u>3,644.48</u>
<b>EXPENDITURE</b>			
Direct operational expenses	18	2,386.83	979.20
Personnel costs	19	1,014.76	260.51
Other operating and general administrative expenses	20	2,522.59	761.95
Interest and finance charges (net)	21	636.03	149.75
Depreciation / amortisation	7	1,268.91	1,052.46
		<u>7,829.12</u>	<u>3,203.87</u>
<b>(Loss) / profit before tax</b>		<b>(495.80)</b>	<b>440.61</b>
Less: Provision for tax			
- Current tax		40.67	59.56
- MAT Credit		-	(150.20)
- Deferred tax (credit)/charge		(7.59)	55.20
- Fringe benefit tax		17.17	7.80
- Short / (Excess) provision for earlier years		(150.26)	(11.86)
- Reversal of MAT Credit		150.20	-
<b>Net (loss) / profit after tax and before minority interest</b>		<b>(545.99)</b>	<b>480.11</b>
<b>Less: Minority Interest</b>		<b>(32.21)</b>	<b>5.38</b>
<b>(Loss) / profit after tax</b>		<b>(513.78)</b>	<b>474.73</b>
<b>Less: Adjustment pursuant to Katch 22 scheme (Refer Note 19 of Schedule 22)</b>		<b>-</b>	<b>(10.00)</b>
<b>Add: Accumulated opening balance of Reliance Unicom Limited (Refer Note 19 of Schedule 22)</b>		<b>-</b>	<b>8.42</b>
Accumulated balance brought forward		148.10	978.65
		<u>(365.68)</u>	<u>1,451.80</u>
<b>Appropriations</b>			
Transfer to general reserve		-	1,158.02
Proposed dividend		7.60	123.72
Dividend tax		5.41	21.96
Reduction for Reserves of Adlabs Multiplex Limited, Adlabs Multiplex and Theatres Limited and Reliance Unicom Limited pursuant to Scheme of Amalgamation and demerger (Refer note 1 and 2 of Schedule 22)		(64.93)	-
Balance carried to Balance Sheet		<u>(443.62)</u>	<u>148.10</u>
Basic earnings per share Rs.		(11.33)	11.28
Diluted earnings per share Rs. (Refer note 14 of Schedule 22)		(11.33)	9.85
Significant accounting policies	1		
Notes to the accounts	22		
The Schedules to referred to above from an integral part of this Profit and Loss Account			

As per our report of even date attached.

For **BSR & Co.**  
Chartered Accountants

**Bhavesh Dhupelia**  
Partner  
Membership No: 042070

Mumbai  
30 June 2009

For and on behalf of the Board

**Amit Khanna**  
Director

Mumbai  
30 June 2009

**Gautam Doshi**  
Director

**Kirti Desai**  
Company Secretary & Manager



# ADLABS FILMS LIMITED

## CONSOLIDATED CASH FLOW STATEMENT FOR THE YEAR ENDED 31 MARCH 2009

(Currency : Indian Rupees in Millions)

	For the year ended 31 March 2009	For Nine months ended 31 March 2008
<b>A. Cash flow from operating activities</b>		
Net (loss) / profit before tax	(495.80)	440.53
Adjustment for:		
Depreciation / amortisation	1,268.91	1,052.50
Loss on sale of fixed assets	0.68	5.72
Dividend income	(13.26)	(12.74)
Interest expense and finance charges (net)	636.03	149.75
Interest income	(96.71)	(96.77)
Bad debts / advances written off / Provision for doubtful debts and advances	34.84	39.42
Loss / (Profit) on derivative contract	486.49	(97.74)
Deferred revenue expenditure written off	0.34	0.77
Profit on sale of investments / mutual funds (net)	(196.92)	(269.27)
Gain on restatement of FCCB	-	(43.81)
Unrealised foreign exchange loss	(113.66)	1.67
Operating profit before working capital changes and before net result of Radio business	1,510.94	1,170.03
Adjustment for cash loss pertaining to transaction related to Radio business till date, pursuant to the Modified Scheme of Amalgamation	-	(837.70)
<b>Operating profit before working capital changes</b>	1,510.94	332.33
Adjustment for:		
(Increase) in sundry debtors	(1,737.19)	(765.89)
Decrease / (Increase) in loans and advances	538.91	(336.80)
Decrease / (Increase) in inventories	8.01	(55.14)
(Decrease) / Increase in trade and other payable	(208.70)	1,040.62
Adjustment for merger of Katch 22 (Refer note 19 of Schedule 22)	-	2.33
<b>Cash used in operating activities</b>	111.97	217.45
Taxes paid (net of refunds)	(197.60)	(162.87)
<b>Net cash used in operating activities (A)</b>	(85.63)	54.58
<b>B. Cash flow from investing activities</b>		
Purchase of fixed assets	(3,591.10)	(4,977.25)
Proceeds from sale of fixed assets	109.75	1.41
Amount paid for acquisition of subsidiaries	(786.12)	(265.36)
Purchase of investments-Long term-other	(0.43)	(0.03)
Withdrawals's from Partnership firm	27.83	-
Proceeds on sale of Long term investments	312.73	-
Proceeds on Sale of Mutual funds (net)	26.92	3.24
Dividend income	13.26	12.74
Interest income	162.61	28.82
Cash used in investing activities	(3,724.55)	(5,196.43)
Taxes paid (net of refunds)	(10.31)	(19.44)
<b>Net cash used in investing activities (B)</b>	(3,734.86)	(5,215.87)
<b>C. Cash flow from financing activities</b>		
(Loss) / Profit of option contract	(486.49)	97.74
Proceeds from Short term borrowings (net)	3,283.64	2,881.23
Proceeds from long term borrowings	782.61	4,000.00

# ADLABS FILMS LIMITED

## CONSOLIDATED CASH FLOW STATEMENT FOR THE YEAR ENDED 31 MARCH 2009

(Currency : Indian Rupees in Millions)

	For the year ended 31 March 2009	For Nine months ended 31 March 2008
Repayment of long term borrowings	(156.52)	-
Dividend and repayments to minority (including tax on Dividend)	(21.29)	-
Dividend (including dividend tax) paid	(134.92)	(116.41)
Dividend tax paid on distribution by Subsidiaries and joint ventures	(1.28)	-
Recoverable from Radio Company	(258.49)	-
Interest and finance charges paid (net)	(633.03)	(496.38)
<b>Net cash flow from financing activities (C)</b>	<b>2,374.23</b>	<b>6,366.18</b>
<b>Net increase / (decrease) in cash and cash equivalent (A+B+C)</b>	<b>(1,446.26)</b>	<b>1,204.89</b>
Cash and cash equivalents as at beginning of the year / period	2,646.62	1,411.06
Cash and cash equivalents of non-consolidated entities taken over in previous period	-	30.67
Cash and cash equivalents acquired on merger (Refer note 2 of Schedule 22)	0.10	-
Cash and cash equivalents acquired on take over of subsidiaries	61.09	-
Cash and cash equivalents transferred on de-merger (Refer note 1 of Schedule 22)	(420.70)	-
Cash and cash equivalents as at end of the year / period (Refer note 1 below)	<b>840.85</b>	<b>2,646.62</b>
	<b>(1,446.26)</b>	<b>1,204.89</b>
Notes:		
<b>1) Cash and cash equivalents at period end comprises:</b>		
Cash on hand	19.60	9.16
Foreign currency denominated pre-loaded cards	-	0.17
Balances with scheduled banks		
-Deposit accounts	444.67	992.06
-Current accounts	323.50	236.48
-Margin money deposits		
Liquid investment in mutual funds	53.08	1,408.75
	<b>840.85</b>	<b>2,646.62</b>

Note : Of the above fixed deposits of Rs. 230.20 (2008: Rs. 230.32) are under lien by the bank.

As per our report of even date attached.

For **B S R & Co.**

Chartered Accountants

**Bhavesh Dhupelia**

Partner

Membership No: 042070

Mumbai

30 June 2009

For and on behalf of the Board

**Amit Khanna**

Director

Mumbai

30 June 2009

**Gautam Doshi**

Director

**Kirti Desai**

Company Secretary & Manager

## SCHEDULES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2009

(Currency : Indian Rupees in Millions)

### Background

Adlabs Films Limited ('Adlabs' or 'the Company') was incorporated in 1987 as a private limited company and is currently a publicly listed company. The Company is listed on Bombay Stock Exchange Limited and National Stock Exchange of India Limited. Adlabs is primarily engaged in film processing, exhibition, distribution, production and related services.

The Board of Directors (Board) of the Company at their meeting held on 25 October 2008 approved the scheme of de-merger of the Radio Division of the Company to its wholly owned subsidiary Reliance Unicom Limited ('RUL'). The shareholders of the Company accorded their approval to the Scheme at their meeting held on 22 January 2009. The Scheme was approved by the Hon'ble High Court of Judicature at Bombay vide its order dated 4 April 2009. The aforesaid scheme has been filed with the Registrar of Companies on 30 June 2009 after the approval of the Ministry of Information and Broadcasting ('MIB'). Further, the Board of the Company approved the merger of its wholly owned subsidiaries Mahimna Entertainment Private Limited ('MEPL'), Rave Entertainment Private Limited ('REPL'), Adlabs Multiplex Limited ('AML') and Adlabs Multiplex and Theatres Limited ('AMTL'). The scheme was approved by the Hon'ble High Court of Judicature at Bombay vide its order dated 8 May 2009 and was filed with the Registrar of Companies on 29 May 2009. The above schemes have been given effect to in the books of the Company for the year ended 31 March 2009.

### SCHEDULE – I

#### Summary of significant accounting policies

##### 1. Basis of preparation and consolidation

These consolidated financial statements relate to Adlabs Films Limited ('the Company / Parent Company'), its subsidiary companies, associates and joint ventures. The Company along with its subsidiaries, associates and joint ventures constitute 'the Group'.

The financial statements of the subsidiaries, joint venture and associates companies used in the consolidation are for the same reporting period as the Company, i.e. year ended 31 March 2009. These financial statements are audited by the auditors of the respective entities.

The financial statements of the Group are prepared and presented under the historical cost convention on the accrual basis of accounting except for revaluation of certain fixed assets and in accordance with the Accounting Standards ('AS') notified in the Companies (Accounting Standards) Rules, 2006 and the relevant provisions of the Companies Act, 1956 (the 'Act') to the extent applicable. The financial statements are presented in Indian Rupees in millions except for number of shares/securities, per share data and where mentioned otherwise.

##### 2. Principles of consolidation

The consolidated financial statements are prepared in accordance with AS 21 – 'Consolidated Financial Statements', AS 23 – 'Accounting for Investments in Associates in Consolidated Financial Statements' and AS 27 – 'Financial Reporting of Interest in Joint Ventures'. Consolidated financial statements are prepared using uniform accounting policies for transactions and other events in similar circumstances except where it is not practicable to do so. The consolidated financial statements are presented, to the extent possible, in the same format as that adopted by the Parent Company for its independent financial statements. The consolidated financial statements have been consolidated on the following basis:

###### *Subsidiaries*

The excess of cost to the Parent Company of its investment in subsidiaries over its portion of equity in the subsidiaries at the respective dates on which investments in such subsidiaries was made is recognised in the financial statements as goodwill and any excess of assets over the investment of the Group in a subsidiary is transferred to Capital Reserve. The Parent Company's portion of equity in the subsidiaries is determined on the basis of the book value of assets and liabilities as per the financial statements of the subsidiaries as on the date of the investment. The financial statements of the Parent Company and its subsidiaries have been combined on a line-by-line basis by adding together the book values of like items of assets, liabilities, income and expenses, after eliminating intra-group balances/ transactions and resulting unrealised profits in full. The amounts shown in respect of reserves/accumulated losses comprise the reserve / accumulated losses as per the balance sheet of the Parent Company and its share in the post-acquisition increase / decrease in the relevant reserve/ accumulated losses of the subsidiaries.

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

During the year,

- The Company set up a wholly owned subsidiary in Malaysia; Reliance Big Entertainment Malaysia Sdn Bhd through its wholly owned subsidiary in Mauritius effective 18 April 2008;
- The Company purchased a 70% stake in Reliance Lotus Five Star Cinemas Sdn Bhd through its wholly owned subsidiary Reliance Big Entertainment Malaysia Sdn Bhd;

# ADLABS FILMS LIMITED

## SCHEDULES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2009

(Currency : Indian Rupees in Millions)

- Wholly owned subsidiaries of the Company, namely Rave Entertainment Private Limited, Adlabs Multiplex Limited, Adlabs Multiplex and Theatres Limited and Mahimna Entertainment Private Limited have been merged with the Company (Refer note 2 of Schedule 22);
- The Radio Division of the Company have been demerged to the Company's wholly owned subsidiary Reliance Unicom Limited and its investments in Reliance Unicom Limited has been cancelled pursuant to scheme (Refer note 1 of Schedule 22);
- The Company has set up a wholly owned subsidiary in Nepal; Rave Entertainment and Food Nepal Private Limited;
- The Company purchased a 90% stake in Reliance Big Entertainment Inc. through its wholly owned subsidiary Adlabs Films USA Inc.;
- The Company has registered two new Companies / LLC's in USA namely Big Pictures USA Inc. and Adlabs Digital Media USA LLC.

### Joint venture entities

Interests in jointly controlled entities are accounted for using proportionate consolidation method.

The list of subsidiaries considered in these consolidated financial statements with percentage holding is summarised below:

Sr. No	Name of the Subsidiary	Country of Incorporation	Ownership Interest in 2009	Ownership Interest in 2008
1	Adlabs Distributors and Exhibitors Limited	India	100%	100%
2	Adlabs Films (UK) Limited	United Kingdom	100%	100%
3	Adlabs Films USA, Inc	United States of America	100%	100%
4	Adlabs Films Netherlands B.V.	The Netherlands	100%	100%
5	Adlabs (Mauritius) Limited	Mauritius	100%	100%
6	Adlabs Multiplex and Theatres Limited (formerly known as Mukta Adlabs Digital Exhibition Private Limited)	India	Refer Note 2 of Schedule 22	100%
7	Rave Entertainment Private Limited	India		100%
8	Adlabs Multiplex Limited (formerly known as Runwal Multiplex Private Limited )	India		100%
9	Synergy Adlabs Media Limited	India	51%	51%
10	Reliance Unicom Limited	India	Refer Note 1 of Schedule 22	100%
11	Sri Ramakrishna Theatres Limited #	India	89.68%	89.16%
12	Rave Entertainment and Food Nepal Private Limited @	Nepal	100.00%	-

# - The Company was earlier a subsidiary of Adlabs Multiplex and Theatres Limited, which was merged in the Company effective 1 April 2008. (Also refer note 2 of Schedule 22)

@ - The Company was earlier a subsidiary of Rave Entertainment Private Limited, which has merged in the Company effective 1 April 2008. (Also refer note 2 of Schedule 22)

The List of Step – down subsidiaries considered in these consolidated financial statements with percentage shareholding is summarised below:

Sr. No	Name of the Subsidiary	Name of the Parent Company	Ownership Interest in 2009	Ownership Interest in 2008
1	Adlabs Entertainment LLC	Adlabs Films USA Inc.	100%	100%
2	Adlabs Entertainment (DE) LLC	Adlabs Films USA Inc.	100%	100%
3	Adlabs Forum LLC	Adlabs Films USA Inc.	100%	100%

# ADLABS FILMS LIMITED

## SCHEDULES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2009

(Currency : Indian Rupees in Millions)

Sr. No	Name of the Subsidiary	Name of the Parent Company	Ownership Interest in 2009	Ownership Interest in 2008
4	Adlabs Laurel LLC	Adlabs Films USA Inc.	100%	100%
5	Adlabs Falls Church LLC	Adlabs Films USA Inc.	100%	100%
6	Adlabs Heritage LLC	Adlabs Films USA Inc.	100%	100%
7	Adlabs Norwalk LLC	Adlabs Films USA Inc.	100%	100%
8	Adlabs Galaxy LLC	Adlabs Films USA Inc.	51%	51%
9	Adlabs Sahil LLC	Adlabs Films USA Inc.	100%	100%
10	Adlabs Sar LLC	Adlabs Films USA Inc.	51%	51%
11	Phoenix Adlabs Theatre Management LLC	Adlabs Films USA Inc.	51%	51%
12	Adlabs-Union LLC	Adlabs Films USA Inc.	100%	100%
13	Adlabs Phoenix LLC	Adlabs Films USA Inc.	51%	51%
14	Adlabs-Exhibitions LLC	Adlabs Films USA Inc.	100%	100%
15	Adlabs IMC LLC	Adlabs Films USA Inc.	100%	100%
16	Reliance Big Entertainment Inc.	Adlabs Films USA Inc.	90%	NA
17	Big Pictures USA Inc	Adlabs Films USA Inc.	100%	NA
18	Adlabs Digital Media USA LLC	Adlabs Films USA Inc.	100%	NA
19	Reliance Big Entertainment Malaysia Sdn Bhd	Adlabs (Mauritius) Limited	100%	NA
20	Reliance Lotus Five Star Cinemas Sdn Bhd	Reliance Big Entertainment Malaysia Sdn Bhd	70%	NA

The list of Joint venture entities considered in these consolidated financial statements with percentage shareholding is summarised below:

Sr. No	Name of the Joint Venture	Country of Incorporation	Ownership Interest in 2009	Ownership Interest in 2008
1	Swanston Multiplex Cinemas Private Limited	India	50%	50%
2	Divya Shakti Marketing Private Limited	India	50%	50%
3	Cineplex Private Limited	India	50%	50%

The Company hold 9,800 (2008: 9,800) equity shares of an associate i.e. Sultan Production Private Limited.

### 3. Use of estimates

The preparation of financial statements in conformity with generally accepted accounting principles ('GAAP') in India requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosures of contingent liabilities on the date of the financial statements. Management believes that the estimate made in the preparation of financial statements are prudent and reasonable. Actual results could differ from those estimates. Any revision to accounting estimates are recognise prospectively in current and future periods.

### 4. Goodwill

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

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

# ADLABS FILMS LIMITED

## SCHEDULES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2009

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goodwill when, in conjunction with its valuation methodology, its expectations with respect to the underlying acquisitions it has made deteriorates with adverse market conditions

### 5. Fixed assets and depreciation / amortisation

#### a. Tangible assets

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

Depreciation on fixed assets (other than for fixed assets of Adlabs Films UK Ltd.) is provided on the straight line method, at the rates prescribed in Schedule XIV to the Act, which, in management's opinion, reflects the estimated useful lives of those fixed assets, except in case of following assets of Exhibition Division wherein depreciation is provided at following rates:

Particulars of Fixed Assets	Rate of Depreciation
Plant & Machinery (including air conditioner plant)	10%
Furniture & fixture	10%
Computers	20%
Motor car	10%
Office equipment	10%
Electrical installation	10%

Leasehold improvements are depreciated over the lower of the useful life of the asset and the lease term, on a straight line basis.

Individual assets costing up to Rs 0.005 are depreciated fully in the year of acquisition.

Depreciation on fixed assets relating to Adlabs Films USA, Inc and Reliance Lotus Five Star Cinemas Sdn Bhd is provided on the basis of estimated useful life's of the assets which is similar to the rates prescribed in Schedule XIV of the Companies Act.

Depreciation on fixed assets relating to Adlabs Films UK Limited has been prepared on written down value method and fixtures, fittings and equipment have been depreciated at 25%.

(Refer note 11 of Schedule 22)

#### b. Intangible assets

Intangible assets, all of which have been acquired / created and are controlled through custody or legal rights, are capitalised at cost, where they can be reliably measured. Where capitalised, intangible assets are regarded as having a limited useful economic life and the cost is amortised over the lower of useful life and 10 years.

Application software purchased, which is not an integral part of the related hardware, is shown as intangible assets and amortised on a straight line basis over its useful life, not exceeding five/ ten years, as determined by management.

Film rights comprise negative rights and distribution rights in films and are for a contractually specified mode of exploitation, period and territory and are stated at cost less accumulated amortisation. Cost of film rights comprises original purchase price/ minimum guarantee. Cost is ascertained on specific identification basis where possible.

In case multiple films/rights are acquired for a consolidated amount, cost is allocated to each film/right based on management's best estimates.

The individual film forecast method is used to amortise the cost of film rights acquired. Under this method, costs are amortised in the proportion that gross revenues realised bear to management's estimate of the total gross revenues expected to be received. If estimates of the total revenues and other events or changes in circumstances indicate that the realisable value of a right is less than its unamortised cost, a loss is recognised for the excess of unamortised cost over the film right's realisable value.

In respect of unreleased films, payments towards film rights are classified under capital advances as the amounts are refundable in the event of nonrelease of the film. Internally generated software is capitalised by the Company and amortised over its estimated useful life of five / ten years.

Purchased goodwill is recognised by the Group on the basis of excess of purchase consideration paid over the fair value of assets acquired at the time of acquisition of business.

## SCHEDULES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2009

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### 6. Impairment

In accordance with AS 28 – 'Impairment of Assets', where there is an indication of impairment of the Company's asset, the carrying amounts of the Company's assets are reviewed at each balance sheet date to determine whether there is any impairment. The recoverable amount of the asset (or where applicable, that of the cash generating unit to which the asset belongs) is estimated as the higher of its net selling price and its value in use. An impairment loss is recognised whenever the carrying amount of an asset or a cash generating unit exceeds its recoverable amount. Impairment loss is recognised in the profit and loss account. Value in use is present value of estimated future cash flows expected to arise from the continuing use of the asset and from its disposal at the end of its useful life.

### 7. Investments

Long-term investments are carried at cost. A provision for diminution is made to recognise a decline, other than temporary, in the value of long-term investments and is determined separately for each individual investment.

Current investments are carried at lower of cost and fair value.

### 8. Inventories

Inventories (comprising of food and beverage items, chemicals, negative film rolls, etc.) are stated at the lower of cost and net realizable value. Cost is determined on the first-in first-out (FIFO) basis except in the case of Adlabs Films USA Inc., and Reliance Lotus Five Star Cinemas Sdn Bhd wherein the Group uses the weighted average method.

Consumables and stores and spares other than those mentioned above are charged to the profit and loss account upon purchase. Inventories (comprises of content cost not aired) are stated at lower of cost and net realizable value.

### 9. Employee benefits

Short-term employee benefits are recognised as an expense at the undiscounted amount in the profit and loss account of the year in which the related service is rendered.

The Company's state governed provident fund scheme, employee state insurance scheme and labour welfare fund are defined contribution plans. The contribution paid/payable under the schemes is recognised during the period in which the employee renders the related service.

The employees gratuity fund scheme is a defined benefit plan. The obligation for long term employee benefits is recognised as long term employee benefit. The present value of the obligation under such defined benefit plan and other long term employee benefits is determined using actuarial valuation carried out by an independent actuary at the balance sheet date using Projected Unit Credit Method. Actuarial gains and losses are recognised immediately in the Profit & Loss Account.

No provision for gratuity is made in any of the overseas subsidiaries as the same is not mandatory as per the local laws of the country.

### 10. Revenue recognition

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Company and the revenue can be reliably measured. The amount recognised as sales is exclusive of value added tax and service tax and net of trade discounts. Amount of entertainment tax is shown as a reduction from revenue.

#### **Film facilities**

Revenue from processing / printing of cinematographic films is recognised upon completion of the related processing/ printing.

Revenue from processing of digital content is recognised using the percentage completion method. Use of the proportionate completion method requires the Company to estimate the efforts expended to date as a proportion of the total efforts to be expended. Efforts expended have been used to measure progress towards completion, as there is a direct relationship between efforts expended and contracted output.

Sale of traded goods is recognised when the risks and rewards of ownership are passed on to the customer, which generally coincides with the dispatch of goods.

Income from equipment/ facility rental is recognised over the period of the relevant agreement/ arrangement.

#### **Theatrical exhibition and related income**

##### *Sale of tickets*

Revenue from theatrical exhibition is recognised on the date of the exhibition of the films and comprises proceeds from sale of tickets, gross of taxes. As the Company is the primary obligor with respect to exhibition activities, the share of distributors in these proceeds is separately disclosed as exhibition costs. Amount of entertainment tax is shown as a reduction from revenue where applicable.

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### *Sale of food and beverages*

Revenue from sale of food and beverages is recognised upon sale and delivery at the counter.

### *Advertisement/ sponsorship revenue*

Revenue from advertisements, sponsorship and events is recognised on the date of the exhibition of the advertisement/ event or over the period of the contract, as applicable.

### **Film/content production and related income**

Revenue from sale of content/ motion pictures is accounted for on the date of agreement to assign / sell the rights in the concerned motion picture or on the date of release of the content/ movie, whichever is later.

### **Income from film distribution activity**

In case of distribution rights of motion pictures/ content, revenue is recognised on the date of release / exhibition.

Revenue from other rights such as satellite rights, overseas rights, music rights, video rights, etc. is recognised on the date when the rights are made available to the assignee for exploitation.

Revenue from sale of VCDs/ DVDs, etc is recognised when the risks and rewards of ownership are passed on to the customer, which generally coincides with the dispatch of the products.

### **Interest income**

Interest income, including from film/ content production financing, is recognised on a time proportion basis.

### **Dividend income**

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

### **Marketing Rights / Rights to Profit**

Amounts received in lieu of future marketing rights sale, right to profit from business of the Company are recognised as income in the year of entering into the contract.

## **11. Foreign currency transactions**

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

Monetary assets and liabilities denominated in foreign currencies as at the balance sheet date are translated at the closing exchange rates on that date; the resultant exchange differences are recognised in the profit and loss account except in case of exchange differences arising on translation of monetary items which form part of Company's net investment in a non-integral foreign operation which is accumulated in a 'Foreign Currency translation reserve' until its disposal.

Non-monetary items which are carried at historical cost denominated in a foreign currency are reported using the exchange rate at the date of the transaction.

Forward contracts are entered into to hedge the foreign currency risk of the underlying transaction. The premium or discount on all such contracts arising at the inception of each contract is amortised as income or expense over the life of the contract. Exchange difference on forward contracts are recognised as income or expense in the profit and loss account of the year. Any profit or loss arising on the cancellation and renewal of forward contract is recognised as income or expense for the year.

## **12. Foreign currency translation**

The consolidated financial statements are reported in Indian rupees. AS-11 dealing with The Effects of Changes in Foreign Exchange Rates requires that in case of all integral operations monetary items are converted at the closing rate of the balance sheet and all non-monetary items are considered at the transaction rate .

The foreign subsidiaries ie. the subsidiaries in Netherlands, Great Britain, Malaysia, Mauritius and Nepal fall in the criteria of integral operations and the translation of the local currency financials of each integral foreign subsidiary within the Group into Indian rupees is performed in respect of assets and liabilities other than fixed assets, using the exchange rate in effect at the balance sheet date and for revenue and expense items other than the depreciation costs, using average exchange rate during the reporting period. Net exchange difference resulting from the above translation of the financial statements of integral foreign subsidiaries is recognised in the consolidated profit and loss account. Fixed assets are translated at exchange rates on the date of the transaction and depreciation on fixed assets is translated at exchange rates used for translation of the underlying fixed assets.

The foreign subsidiaries in the United States of America fall in the criteria of non-integral foreign operations wherein the translation of the local currency balances of the assets and liabilities are translated at the exchange rate in effect at the balance sheet date and for revenue and expense items at the average exchange rate during the reporting period. Net exchange differences resulting from



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the above translation of the financial statements is accumulated in a Foreign Currency Translation Reserve, disclosed as Reserves and Surplus. The amount accumulated will be held in this account till the time of disposal of the net investment in the subsidiary.

### 13. Taxation

Income-tax expense comprises current tax expense and fringe benefit tax computed in accordance with the relevant provisions of the Income tax Act, 1961 / local Income tax regulations of the respective countries of operation of the Subsidiaries and deferred tax charge or credit. Current tax provision is made based on the tax liability computed after considering tax allowances and exemptions, in accordance with the Income tax Act, 1961 / local Income tax regulations of the respective countries of operation of the Subsidiaries. Deferred tax charge or credit and the corresponding deferred tax liability or asset is recognised for timing differences between the profits/ losses offered for income taxes and profits/ losses as per the financial statements. Deferred tax assets and liabilities are measured using the tax rates and tax laws that have been enacted or substantively enacted at the balance sheet date.

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

Provision for fringe benefits tax is made on the basis of applicable rates on the taxable value of eligible expenses of the Company as prescribed under the Income Tax Act, 1961.

### 14. Share issue / FCCB issue expenses and premium on redemption

Share / FCCB issue expenses incurred and premium payable on FCCB are adjusted in the year of issue against the Securities Premium Account.

### 15. Provisions and contingencies

Provisions comprise liabilities of uncertain timing or amount. Provisions are recognised when the Company recognises it has a present obligation as a result of past events, it is more likely than not that an outflow of resources will be required to settle the obligation and the amount can be reasonably estimated. A disclosure for a contingent liability is made when there is a possible obligation or a present obligation that may, but probably will not require an outflow of resources. When there is a possible obligation or a present obligation in respect of which the likelihood of outflow of resources is remote, no provision or disclosure is made. Loss contingencies arising from claims, litigation, assessment, fines, penalties, etc. are recorded when it is probable that a liability has been incurred and the amount can be reasonably estimated.

### 16. Leases

The Group has various operating leases, principally for multiplex properties, single screen properties and office space, with various renewal options. Substantially all operating leases are non-cancelable or cancelable only by the payment of penalties. Rental expense in agreements with scheduled rent increases is recorded on a straight-line basis over the lease term.

### 17. Borrowing costs

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

	<u>31 March</u> <u>2009</u>	<u>31 March</u> <u>2008</u>
<b>2 Share capital</b>		
<b>Authorised</b>		
92,058,000 (2008: 60,000,000) equity shares of Rs.5/-each	<u>460.29</u>	<u>300.00</u>
<b>Issued, subscribed and paid-up capital</b>		
46,126,170 (2008: 46,126,170) equity shares of Rs.5/- each, fully paid-up	<b>230.63</b>	230.63
Of the above:		
- 17,000,000 (2008: 17,000,000) equity shares of Rs.5/-each fully paid-up were allotted as bonus share by capitalisation of general reserves		
The authorised share capital of the Company has been increased as per the provisions of scheme of amalgamation by Rs. 160.29 divided into 32,058,000 shares of Rs. 5 each.		
(Refer note 2 of Schedule 22)		
(Also refer note 10 of Schedule 22)	<u><u>230.63</u></u>	<u><u>230.63</u></u>

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## SCHEDULES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2009

(Currency : Indian Rupees in Millions)

	<u>31 March 2009</u>	<u>31 March 2008</u>
<b>3 Reserves and surplus</b>		
<b>Securities premium account</b>		
At the commencement of the year / period	6,381.55	2,582.45
Less : Provision for premium on redemption of Zero Coupon Foreign Currency convertible Bonds ('FCCB') (Refer Note 10 of Schedule 22)	(24.49)	69.15
Less: Adjustment pursuant to Katch 22 Scheme	-	128.70
Add: Premium on conversion of FCCB	-	3,416.17
Add: Reversal of provision for premium on conversion of FCCB's converted during the year / period (Refer Note 10 of Schedule 22)	-	785.82
Less: Adjustment pursuant to modified scheme	-	205.04
Less: Adjustment on demerger of Radio Division (Refer note 1 of Schedule 22) (Also refer Note 19 of Schedule 22)	(1,670.80)	
	<u>4,686.26</u>	<u>6,381.55</u>
<b>Capital redemption reserve</b>		
Balance at the beginning of the year / period	-	-
Add: Transferred from General Reserve	11.46	-
	<u>11.46</u>	<u>-</u>
<b>Amounts pending transfer of Securities Premium Account and / or General Reserve account as per the Scheme of Amalgamation and Arrangement</b>		
<u>Pending transfer to Securities Premium Account</u>		
Balance at the commencement of the year / period	-	(1,006.04)
Reversal due to the modification of the scheme	-	796.54
Transfer to Securities Premium Account	-	209.50
	<u>-</u>	<u>-</u>
<u>Pending transfer to General Reserve</u>		
Balance at the commencement of the year / period	-	27.26
Add : on merger of E-ONE	-	-
On merger of E-ONE transfer to General Reserve (Refer Note 19 of Schedule 22)	-	(27.26)
	<u>-</u>	<u>-</u>
<b>Capital reserve on Consolidation</b>	24.07	-
<b>Capital reserve - I</b>	3.39	3.39
<b>Capital Reserve - II</b>		
Amounts transferred to Capital Reserve as per provisions of the scheme (Refer note 2 of Schedule 22)	582.62	-
<b>General reserve</b>		
At the commencement of the year / period	132.48	563.35
Add: Transfer from profit and loss account	-	1,158.02
Add: Transfer on account of Katch 22 Merger	-	20.18
Less: Reduction in value of companies assets	-	200.00
Less: Losses of Radio Business	-	1,436.33
Add: Adjustment pursuant to modified scheme	-	27.26
Less: Transferred to Capital Redemption reserve	(11.46)	-
	<u>121.02</u>	<u>132.48</u>
Less: Debit balance of Profit and Loss Account, deducted per contra (Refer Note 19 of Schedule 22)	(121.02)	-
	<u>-</u>	<u>132.48</u>
<b>Foreign Currency Translation Reserve</b>		
At the commencement of the year / period	-	-
Add: Foreign currency translation gain on non-integral operations (net)	26.23	-
	<u>26.23</u>	<u>-</u>

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	31 March 2009	31 March 2008
Balance in profit and loss account	(443.62)	148.10
Less: Debit balance of Profit and Loss account, deducted as per Contra	<u>121.02</u>	-
Balance of Profit & Loss Account	<u>(322.60)</u>	148.10
	<u>5,334.03</u>	<u>6,665.52</u>
<b>4 Secured loans</b>		
From banks		
- Term Loan	5,000.00	3,750.00
- Cash credit facility	3.72	29.36
- Car Loan	-	0.04
From Others		
- Term Loan	-	250.00
Repayable within 1 year Rs. 1,308.72 (2008: Rs. 29.40)	<u>5,003.72</u>	<u>4,029.40</u>
<b>5 Unsecured loans</b>		
Short term loans and advances		
- Commercial paper	4,902.45	3,868.87
- From Banks	1,815.82	-
- Buyers Credit	92.68	-
- Others	22.39	204.63
- Other loans	-	29.06
- Other loans and advances	-	-
- Zero coupon Foreign Currency Convertible Bonds ('FCCB') (Refer note 10 of Schedule 22)	1,123.95	1,123.95
- Repayable within 1 year Rs. 6,425.63 (2008: 4,073.50)	<u>7,957.29</u>	<u>5,226.51</u>
<b>6 (A) Deferred tax asset</b>		
Arising on account of timing difference in:		
Provision for leave encashment and gratuity	13.71	20.73
Deduction u/s 35D	9.15	14.71
Others	49.26	3.90
Unabsorbed depreciation allowance and carried forward business loss *	109.39	196.37
	<u>181.51</u>	<u>235.71</u>
<b>(B) Deferred tax liability</b>		
Arising on account of timing difference in:		
Depreciation/ amortisation (net)	185.69	248.51
	<u>185.69</u>	<u>248.51</u>
<b>Net deferred tax liability</b>	<u>(4.18)</u>	<u>(12.80)</u>
* Restricted to the extent of deferred tax liability due to absence of virtual certainty		
<b>The net liability has been shown as follows, since the Group does not have the option to set off the balances of individual Companies.</b>		
Deferred tax asset	1.87	6.44
Deferred tax liability	(6.05)	(19.24)
<b>Net deferred tax liability</b>	<u>(4.18)</u>	<u>(12.80)</u>

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## SCHEDULES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2009

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Particulars	Gross block			Accumulated depreciation / amortisation / impairment			Net block				
	As at 1 Apr 08	Adjustments (Refer note 1)	Additions during the period	Deductions during the period	As at 31-Mar-09	Adjustments	Charge for the year / period	Depreciation on assets sold/ discarded	Impairment (Refer note 18 of Schedule 22)	As at 31 Mar 09	As at 31 Mar 08
<b>Intangible assets</b>											
Goodwill on acquisition	-	-	190.11	-	190.11	-	-	-	-	190.11	-
Distribution rights	1,438.97	-	326.97	99.68	1,219.41	153.65	271.25	-	-	21.95	219.56
Negative rights	665.86	-	579.38	-	529.03	104.77	611.43	-	-	0.01	136.83
Computer software	61.06	(57.27)	23.24	-	8.48	(6.23)	4.16	-	-	20.62	52.58
Computer software-Internally generated	-	-	92.27	-	92.27	-	-	-	-	92.27	-
Radio Licenses	1,597.76	(1,597.76)	-	-	185.09	(185.09)	-	-	-	-	1,412.67
Copy Rights	4.15	(4.15)	-	-	0.63	(0.63)	-	-	-	-	3.52
<b>Tangible assets</b>											
Leasehold land	42.11	821.63	-	-	0.49	-	-	-	-	863.25	41.62
Buildings:											
- Leasehold	1,038.31	1,262.90	608.85	1.63	112.62	(32.71)	84.95	0.03	24.16	188.99	935.69
- Freehold	265.87	(0.16)	0.04	-	63.82	(0.05)	9.71	-	-	192.27	202.05
Air conditioner-plant	173.52	(0.01)	141.80	-	33.34	-	22.94	-	4.41	60.69	140.18
Electrical installation	301.11	(1.36)	291.31	1.26	589.80	(0.02)	46.04	-	9.01	100.58	255.56
Plant and machinery	2,713.33	(1,299.57)	1,751.55	4.59	3,160.72	(121.94)	168.57	0.83	17.48	597.11	2,179.50
Furniture and fixtures	268.49	(46.97)	840.12	4.20	1,057.44	(6.32)	62.84	0.07	0.11	114.29	210.76
Vehicles	55.78	(33.89)	1.41	-	7.94	(1.69)	-	-	-	5.42	47.84
<b>Total</b>	<b>8,626.32</b>	<b>(956.61)</b>	<b>4,847.05</b>	<b>111.36</b>	<b>12,405.40</b>	<b>(96.26)</b>	<b>1,281.06</b>	<b>0.93</b>	<b>55.17</b>	<b>4,037.00</b>	<b>5,828.36</b>
<b>Preval period</b>	<b>3,254.80</b>	<b>2,307.26</b>	<b>3,078.07</b>	<b>13.81</b>	<b>8,626.32</b>	<b>124.87</b>	<b>1,392.96</b>	<b>6.67</b>	<b>-</b>	<b>2,797.96</b>	<b>2,298.06</b>
<b>Capital work-in-progress (including capital advances)</b>											<b>3,094.45</b>

Notes:

- Adjustment to Gross Block & Accumulated depreciation / amortisation includes also (Refer note 18 of schedule 22):
  - Transfer of fixed assets of Radio Division Gross Block amounting to Rs. 3,272.82 (computer software Rs. 53.54, Radio licenses Rs. 1,597.76, Copy Rights Rs. 4.15, leasehold building Rs. 297.57, plant & machinery Rs. 1,265.39, furniture & fixtures Rs. 20.17 and vehicles Rs. 34.24) and accumulated depreciation / amortisation of total amounting Rs. 384.54 (computer software Rs. 5.75, Radio licenses Rs. 185.09, copy rights Rs. 0.63, leasehold building Rs. 33.30, plant & machinery Rs. 150.74, furniture & fixtures Rs. 7.09 and vehicles Rs. 1.94) pursuant to scheme of de-merger of Radio Division of the Company to Reliance Unicom Limited (Refer note 1 of Schedule 22)
  - Revaluation of lease hold land having deemed ownership, building and leasehold building pertaining to the Film Services and Exhibition Business (Revalued amount of leasehold land Rs. 821.63, leasehold building Rs. 967.37 and freehold building Rs. 598.36) based on the valuation report obtained from a government approved external valuer; discarded plant & machinery amounting to Rs. 73.64 and accumulated depreciation / amortisation of film rights and other fixed assets of amounting to Rs. 270.13 (Distribution Right Rs. 149.55, Negative Right Rs. 104.77, Leasehold building Rs. 0.01, plant & machinery Rs. 15.70 and furniture & fixture Rs. 0.10). Pursuant to the scheme the difference between the carrying cost of these assets and the revalued amount has been credit to 'Capital Reserve Account' after netting off the impairment loss. (Refer note 2 of Schedule 22)
- Leasehold land in excess of 99 years is not depreciated as this is treated as deemed ownership.
- Plant and Machinery includes Rs. Nil (2008: Rs. 190.41) being assets jointly owned by the Company and BECIL.
- Additions to fixed assets / CWIP include the following expenses capitalised

	2009	2008
Depreciation	12.15	1.19
Interest	155.99	2.94
Professional fees	149.29	30.73
Personnel cost	139.74	96.96
Other operating expenses	176.60	173.91
Trial period income, netted from Fixed assets capitalised	(4.30)	-
	<b>629.47</b>	<b>305.73</b>

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	31 March 2009	31 March 2008
<b>8 Investments</b>		
<b>A. Long term (trade, unquoted and at cost)</b>		
<i>Government securities</i>		
(i) National savings certificates (Pledged with State government authorities)	10.45	10.02
(ii) Rural Electrification Corporation Bonds	2.20	2.20
<b>B. Long term (non-trade, unquoted and at cost)</b>		
(a) Others		
(i) Tree of Knowledge DOT Com Private Limited. 150,000 (2008: 150,000) 0.5% cumulative redeemable preference shares of Rs 1,000/- each, Rs 800/- partly paid	120.00	120.00
(ii) Manipal Industries Limited 60 (Previous year 60) shares of Rs. 10 each	*	*
(iii) Efficient Management Services Private Limited 200 (Previous year 200) shares of Rs. 10 each	*	*
(b) Investment in associate		
(i) Sultan Production Private Limited 9800 (2008: 9800) equity shares of Rs. 10 each, fully paid up (including goodwill Nil (2008 : Nil))	0.10	0.10
(c) Investment in Partnership firm		
(i) Investment in Partnership firm, Gold Adlabs	50.34	52.96
(ii) HPE / Adlabs LP (Investment in limited partnership)	460.78	460.78
Less: Recovery of principal pursuant to Contract	236.68	-
	<u>407.19</u>	<u>646.06</u>
Less: Provision for diminution in value of long term investments (Refer note 2 of Schedule 22)	<u>(344.10)</u>	<u>-</u>
<b>Total long term investment</b>	<u>63.09</u>	<u>646.06</u>
* - Represents amounts less than Rs. 0.005		
<b>Current investments (non-trade, unquoted and at lower of cost and fair value)</b>		
<b>C Investment in mutual funds</b>		
	<b>No of units</b>	<b>No of units</b>
Reliance Liquid Fund Cash Plan Weekly Dividend Option	-	134,914,326
Prudential ICICI Liquid Plan Daily Dividend Option	-	204,775
Franklin Templeton Floating Rate Income Fund	-	2,126
Birla Sunlife ST Fund Growth	179,101	179,101
Birla Sunlife ST Fund- MD	2,271	2,271
LIC Liquid Plus Mutual Fund	955,475	955,475
Reliance Liquid Plus	24,270	24,270
Osian Art Fund Contemporary	20,000	20,000
Templeton India SIP Growth + Monthly Dividend	5,302	5,302
Templeton India STIP SCB	3,511	3,511
<b>Total current investments</b>	<u>53.08</u>	<u>1,408.75</u>
	<u>116.17</u>	<u>2,054.81</u>
<b>9 Inventories</b>		
Stores and spares	38.80	5.78
Chemical stock	3.35	1.72
Food and beverages	15.48	6.76
Negative film rolls	5.46	5.88
Content not aired	-	51.58
Stock of DVD's	5.96	4.41
	<u>69.05</u>	<u>76.13</u>

# ADLABS FILMS LIMITED

## SCHEDULES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2009

(Currency : Indian Rupees in Millions)

	31 March 2009	31 March 2008
<b>10 Sundry debtors</b>		
<i>(Unsecured)</i>		
Debts outstanding for a period exceeding six months		
- Considered Good	1,418.43	151.87
- Considered doubtful	-	22.41
	<u>1,418.43</u>	<u>174.28</u>
Other debts		
- Considered Good	697.25	1,062.28
- Considered doubtful	4.06	9.38
	<u>701.31</u>	<u>1,071.66</u>
Less: Provision for doubtful debts	4.06	31.79
Other Receivable for sale of investment / Right to investment	406.68	312.73
(Refer note 2 of Schedule 22 for Debtors written off pursuant to Scheme)	<u>2,522.36</u>	<u>1,526.88</u>
<b>11 Cash and bank balances</b>		
Cash on hand	19.60	9.16
Foreign currency denominated pre-loaded cards	-	0.17
Balances with banks		
- in current accounts	323.50	236.48
- in fixed deposit account	444.67	992.06
- Dividend account	1.46	0.81
(Of the above fixed deposits of Rs. 230.20 (2008: Rs. 230.32) are under lien by the bank)	<u>789.23</u>	<u>1,238.68</u>
<b>12 Loans and advances</b>		
- Unsecured and considered good		
Amount due from Reliance Unicom Limited pursuant to demerger (Refer note I of Schedule 22)	2,609.50	-
Loans and advances to Others	306.54	1,445.64
Advances recoverable in cash or in kind or for value to be received	761.15	1,197.03
Deposits	1,692.66	1,479.93
Advance tax, tax deducted at source, advance fringe benefit tax [Net of provision for tax Rs. 450.32 (2008: Rs. 503.30)]	416.24	190.61
MAT Credit	-	150.20
	<u>5,786.09</u>	<u>4,463.41</u>
- Unsecured and considered doubtful		
Advances recoverable in cash or in kind or for value to be received	0.06	6.65
Less: Provision for doubtful advances	0.06	6.65
	<u>-</u>	<u>-</u>
(Refer note 2 of Schedule 22 for Loans and advances written off pursuant to Scheme)	<u>5,786.09</u>	<u>4,463.41</u>
<b>13 Current liabilities</b>		
Sundry creditors for goods and services	1,255.82	1,018.66
Other current liabilities	170.64	280.65
Advance payments received	92.46	539.51
Interest accrued but not due	3.00	-
Unclaimed dividend	1.46	0.82
	<u>1,523.38</u>	<u>1,839.64</u>
<b>14 Provisions</b>		
Proposed dividend	-	115.32
Tax on proposed dividend	4.13	21.03
Gratuity	3.14	14.92
Leave encashment	50.72	51.24
Premium on redemption of FCCB	308.49	283.99
	<u>366.48</u>	<u>486.50</u>

# ADLABS FILMS LIMITED

## SCHEDULES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2009

(Currency : Indian Rupees in Millions)

	For the year ended 31 March 2009	For Nine months ended 31 March 2008
<b>15 Theatrical exhibition</b>		
Sale of tickets	2,586.44	1,003.44
Less: Entertainment tax	228.87	128.80
	<u>2,357.57</u>	<u>874.64</u>
Advertisements / sponsorship revenue	146.52	143.78
Facilities provided at multiplex	64.73	32.91
Food and beverages	677.52	187.34
Other income from theatrical operations	101.26	-
	<u>3,347.60</u>	<u>1,238.67</u>
<b>16 Film facilities</b>		
Processing / printing of films	929.98	359.57
Equipment rental income	61.24	26.53
Trading income	307.74	241.02
Others	6.74	-
	<u>1,305.70</u>	<u>627.12</u>
<b>17 Other income</b>		
Dividend income from:		
- long term investments	-	1.01
- Current investments	13.26	11.73
Interest income from:		
- Banks	49.67	73.73
- Loans, advances and other deposits	47.04	23.04
Profit on sale of investments / Rights in investments (Long Term)	170.00	266.03
Profit on sale of current investments	26.92	3.24
Foreign exchange gain (net)	97.88	-
Consultation fee	213.05	-
Proceeds from keyman insurance policy	26.64	-
Profit on derivative contract (net)	-	97.74
Miscellaneous income	64.84	76.26
	<u>709.30</u>	<u>552.78</u>
<b>18 Direct operational expenses</b>		
Cost of production for television content	251.03	155.81
Distributors share	875.81	295.07
Print, publicity expenses and Producers overflow	202.92	38.53
Electricity, power and water charges	364.05	103.84
Show Tax , INR Charges etc	9.61	10.29
Cost of food and beverage sold	202.07	61.76
Chemical consumed	35.48	21.70
Processing charges	133.14	43.24
Cost of raw films sold	300.87	215.77
Other direct expenses	11.85	6.02
Film production expenses	-	27.17
	<u>2,386.83</u>	<u>979.20</u>

# ADLABS FILMS LIMITED

## SCHEDULES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2009

(Currency : Indian Rupees in Millions)

	For the year ended 31 March 2009	For Nine months ended 31 March 2008
<b>19 Personnel costs</b>		
Salaries, wages and bonus	879.13	228.36
Contribution to provident and other funds	61.38	8.60
Gratuity	10.77	0.74
Leave encashment	23.01	0.77
Staff welfare expenses	40.47	22.04
	<u>1,014.76</u>	<u>260.51</u>
<b>20 Other operating and general administrative expenses</b>		
Advertisement	174.94	83.21
Bank charges	47.21	9.00
Business promotion	10.54	7.90
Rent	967.21	309.18
Rates and taxes	90.78	19.54
Commission and brokerage	3.68	3.07
Travelling and conveyance	84.91	25.54
Deferred revenue expenses written-off	0.34	0.77
Donation	1.17	0.05
Labour charges	116.28	49.18
Insurance	29.51	10.57
Legal and professional fees	118.29	50.60
Directors sitting fees	0.58	-
Loss on sale of assets (net)	0.68	5.72
Printing and communication	77.33	48.95
Bad debts written off / Provision for doubtful debts and advances	34.84	39.10
Facility maintenance charges	8.04	3.33
Repairs and maintenance		
- Building	1.52	1.52
- Machinery	58.14	12.32
- Others	37.53	19.45
Foreign exchange loss (net)	-	5.25
Loss on derivative contracts (net)	486.49	-
Miscellaneous expenses	172.58	57.70
	<u>2,522.59</u>	<u>761.95</u>
<b>21 Interest and finance charges (net)</b>		
On fixed loan	433.56	15.89
On other loans	593.56	135.34
Less: Interest allocated to Reliance Unicom Limited pursuant to demerger (Refer note I of Schedule 22)	(258.49)	-
Less: Interest capitalised	(155.99)	(2.94)
	<u>612.64</u>	<u>148.29</u>
Finance Charges	23.39	1.46
	<u>636.03</u>	<u>149.75</u>



# ADLABS FILMS LIMITED

## SCHEDULES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2009

(Currency : Indian Rupees in Millions)

### (Schedule 22 - Notes to the accounts)

#### 1. Demerger of the Radio Division of the Company to Reliance Unicom Limited

The Board of the Company in their meeting held on 25 October 2008 approved a Scheme of Arrangement ('the Radio Scheme') between Reliance Unicom Limited ('RUL'), a wholly owned subsidiary and the Company for the de-merger of the Radio business (constituting the Radio Segment) of the Company into RUL.

The shareholders of the Company accorded their approval in a court convened meeting of members of the Company held on 22 January 2009. The Scheme was approved by the Hon'ble High Court of Judicature at Bombay vide its order dated 4 April 2009 and filed with the Registrar of Companies ('ROC') on 30 June 2009, as required under Section 391(3) of the Act after obtaining approval from the Ministry of Information and Broadcasting ('MIB') for vesting of radio licenses held by the Company in the name of RUL.

As per the Scheme, the Radio business of the Company stands transferred to RUL with effect from 1 April 2008, the Appointed Date and has been given effect to on 30 June 2009, being the Effective Date and the accounting treatment prescribed by the Scheme has been given effect to in the financial statements for the year ended 31 March 2009.

All the assets of and liabilities, directly allocable and as mutually determined by the Board of Directors of RUL and the Company, of the Radio business as at 1 April 2008 have been transferred at their respective book values. Further, general borrowings of the Company as on 1 April 2008 have been allocated between the Company and RUL on the basis of ratio of total assets of the Company immediately before giving effect of the Scheme. In consideration of the demerger, RUL will allot equity shares of Rs 5 each in the ratio of 1:1 and upon issue of shares as above the Company's investment in shares of RUL will stand cancelled.

As per the provisions of the scheme, excess balances of assets transferred over liabilities and the cost of Investments in RUL cancelled has been debited to Securities Premium Account as follows:

	<b>Amount</b>
Assets of Radio Division as of 1 April 2008 transferred as per the provisions of the scheme	<b>4,492.95</b>
Liabilities of Radio Division as of 1 April 2008 transferred as per the provisions of the scheme	<b>(683.15)</b>
General borrowings of the Company as of 1 April 2008 allocated between RUL (Radio Division) and the Company as per the provisions of the Scheme	<b>(2,240.00)</b>
Excess of net assets transferred to RUL (Radio Division)	<b>1,569.80</b>
Cancellation of investment in RUL	<b>101.00</b>
Total amount debited to Securities premium account as per the Provisions of the scheme	<b>1,670.80</b>

The radio business has been held / carried on in trust for the period 1 April 2008 till the Effective Date by the Company. Accordingly, the Company has charged interest, at an agreed rate on the amount receivable as at the appointed date and subsequent funding till the effective date. The total receivable Rs. 2,609.50 (includes interest Rs. 258.49) has been disclosed as a recoverable from RUL.

However, for the purpose of these financial statements, pending allotment of shares by RUL, the investment has been cancelled to give effect to the substance of the Scheme as approved by the Hon'ble High Court of Judicature at Bombay and RUL ceases to be a subsidiary for the purpose of these financial statements.

#### 2. Scheme for merger of wholly owned subsidiaries with the Company

The Board of the Company in their meeting held on 30 January 2009 approved the Scheme of Amalgamation ('Amalgamation Scheme') of the Company ('Transferee') with its wholly owned subsidiaries AMTL, AML, MEPL and REPL (collectively referred to as the Transferor Companies). The Scheme was approved by the Hon'ble High Court of Judicature at Bombay vide its order dated 8 May 2009 and filed with the Registrar of Companies ('ROC') on 29 May 2009, as required under Section 391(3) of the Act.

The amalgamating subsidiaries pertain to the Exhibition business segment in the case of AMTL, AML and REPL and is part of unallocated assets in the case of MEPL.

As per the Scheme, AMTL, AML, MEPL and REPL amalgamate with the Company with effect from 1 April 2008, the Appointed Date and has been given effect to on 29 May 2009, being the Effective Date and the accounting treatment prescribed by the Scheme has been given effect to in the financial statements for the year ended 31 March 2009.

In accordance with the requirements of the Amalgamation Scheme, the credit aggregating Rs 582.62 to Capital reserve has been arrived at as follows:

- All assets and liabilities of the transferor companies as at 1 April 2008 which have been identified by the Board of Directors

# ADLABS FILMS LIMITED

## SCHEDULES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2009

(Currency : Indian Rupees in Millions)

have been recorded at their respective fair values (as determined based on valuation reports from government approved valuer / management estimates) as on 31 March 2009. Investments in the equity shares of the transferor companies as appearing in the books of the Transferee Company as at 31 March 2009 have been cancelled. The excess of net assets of the transferor companies taken over at fair value (as determined on 31 March 2009) over the cost of investment in these companies, aggregating Rs 360.58 has been credited to capital reserve.

- The Company has recorded a increase in the value of its assets based on revaluation of certain assets of the Company pertaining to the Exhibition and Film Services business. The total increase in value of assets of the Company is Rs. 1,789.01, based on revaluation reports obtained from government approved external valuers. The Company has also reduced the value of its assets by Rs. 1,566.97 (Fixed assets and intangible rights Rs. 398.95, Debtors Rs. 205.07, Loans and advances including capital advances Rs. 618.85 and Investments Rs. 344.10). The net increase in the value of assets of the Company Rs. 222.04 has been credited to Capital reserve Pursuant to the provisions of the Scheme.
- The authorised share capital of the transferor Companies was considered as authorised share capital of the transferee Company. Hence, the authorised share capital of the Company has been increased by Rs. 160.29 divided into 32,058,000 shares of Rs. 5 each.

The above mentioned accounting treatment is in accordance with the Scheme, had the Company followed accounting treatment prescribed by AS – 14 “Accounting for Amalgamations” / Indian GAAP:

- The excess of investments over net assets acquired for the Company amounting to Rs. 193.91 would have been transferred to Goodwill and would have been amortised over 5 years
- The appreciation in the value of the Company’s assets aggregating Rs 1,789.01 would have been credited to the Revaluation Reserve instead of being credited to the capital reserve.
- The diminution in the value of the Company’s assets aggregating Rs 1,566.97 would have been debited to the profit and loss account instead of capital reserve Accordingly, had the schemes as referred above been accounted for as per the requirements of AS – 14 “Accounting for Amalgamations” / Indian GAAP, the loss for the year would be higher by Rs. 1,605.76, capital reserve would have been lower Rs 28.12, revaluation reserve would have been higher by Rs 1,789.01 and balance of Goodwill would have been Rs. 155.13.

### 3. Contingent Liabilities

On Account of	31 March 2009	31 March 2008
<b>Dispute with excise department</b>		
Disputed Central Excise demand pending with the Central Excise Appellate Tribunal in respect of the film processing division	130.88	111.09
<b>Entertainment tax</b>		
In respect of a multiplex, the Company has made an application for availing exemption under the relevant Act retrospectively from the date of commencement of operations of the said multiplex and the application is pending approval	39.13	35.74
In respect of certain multiplexes, the Company is in dispute with the entertainment tax authorities regarding eligibility for availing exemption under the relevant Act.	29.34	21.94
In respect of demand orders received for payment of entertainment tax collected and not paid to the authorities, the Company has made an appeal against said demand orders as it believes that the same is not payable, being exemption from payment available to it.	6.29	5.69
The Company shall be liable to pay the entertainment tax in the event that the multiplexes do not continue operations for a period of 10 years from the respective dates from which they commenced their operations	574.75	440.44
<b>Disputed property tax</b>	7.40	7.40
<b>Share of Contingent liabilities in the Joint Ventures</b>		
Swanston Multiplex Cinemas Pvt. Ltd. (SMCPL) had received demand orders for payment of entertainment tax collected and not paid to the authorities aggregating Rs 19.81. The Bombay High Court passed an Order dated 21 October 2008 in favour of the Company upholding the exemption of payment from entertainment tax available to the Company and has also directed the State Government to refund the amount of Rs 2 deposited by the management. The State Government has preferred a special leave petition (‘SLP’) before the Supreme Court of India challenging the said Order and the judgment passed by the Bombay High Court. The Company has, at present, filed its Affidavit in reply with the Supreme Court in relation to the captioned SLP. Based on a legal opinion obtained by the Company, the Company has made a provision aggregating Rs 1.83 in the books of accounts.	8.99	8.99
SMCPL shall be liable to pay entertainment tax in the event that the Multiplex does not continue operations for the period of ten years from 11 June 2002.	92.62	92.62

# ADLABS FILMS LIMITED

## SCHEDULES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2009

(Currency : Indian Rupees in Millions)

### Value Added Tax:

The Maharashtra Value Added Tax Act, 2002 lists the Scheduled entry, interalia, "Copy right" w.e.f. 1.4.2005. Pursuant to this enactment/scheduled entry, the entertainment industry has made a written representation to the Finance Minister, Maharashtra for deletion of the scheduled entry from the Act. Similar representation was made by the industry in some other states, as a result of which the Act was modified to delete this scheduled entry. The Company is awaiting a positive response from the Ministry of Finance in respect of the assurance given. Accordingly, no provision (amount not currently ascertainable) has been made in the books of accounts.

### Note:

The amounts are excluding penalty and interest, if any, that could be levied at the time of final conclusion.

### 4. Commitments

	31 March 2009	31 March 2008
Estimated amount of contracts remaining to be executed on capital account and not provided for (net of advances)	638.69	1,359.96
Amount uncalled on 150,000 partly paid preference shares of Tree of Knowledge DOT Com Private Limited	30.00	30.00

### 5. Secured loans

Cash credit is secured by pari passu first charge on the Inventories and Book Debts of the Company.

Term loan from the banks are secured by pari passu first charge on fixed assets, Inventories, Book Debts and Loans & Advances of the Company

### 6. Lease disclosure under AS 19

The Group is obligated under non-cancellable leases primarily for multiplex and single screen projects which are renewable thereafter as per the terms of the respective agreements. Rental expenses under non-cancellable operating lease accrue from the commencement of commercial operations. The future minimum lease payments in respect of non-cancellable operating leases are as follows:

Period	Minimum lease payments	
	31 March 2009	31 March 2008
<b>For the Parent Company</b>		
Amounts due within one year from the balance sheet date	672.43	460.78
Amounts due in the period between one year and five years	2,798.87	1,897.88
Amounts due after five years	7,137.44	5,346.38
	<u>10,608.74</u>	<u>7,705.04</u>
<b>For Subsidiaries</b>		
Amounts due within one year from the balance sheet date	331.95	46.54
Amounts due in the period between one year and five years	846.52	193.94
Amounts due after five years	794.25	-
	<u>1,972.72</u>	<u>240.48</u>
<b>For Joint Ventures (Group's share)</b>		
Amounts due within one year from the balance sheet date	204.67	11.40
Amounts due in the period between one year and five years	-	10.45
Amounts due after five years	-	-
	<u>204.67</u>	<u>21.85</u>

Amount payable within lock-in-period is Rs. 3,939.80 (2008: Rs. 3,830.94)

Amount debited to Profit and Loss Account for lease rental

Particulars	Year ended 31 March 2009	Nine months ended 31 March 2008
Lease rental	967.21	328.72

# ADLABS FILMS LIMITED

## SCHEDULES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2009

(Currency : Indian Rupees in Millions)

### 7. Disclosure of Segment Reporting under AS 17

	Film facilities		Theatre exhibition		Film production and distribution		Radio		Total	
	CY	PP	CY	PP	CY	PP	CY	PP	CY	PP
Revenue										
Operating revenue	1,349.80	664.77	3,447.47	1,238.68	2,116.48	1,390.79	-	-	6,913.75	3,294.24
Other income	-	4.97	-	33.02	-	33.21	-	-	-	71.20
Net revenue	1,349.80	669.74	3,447.47	1,271.70	2,116.48	1,424.00	-	-	6,913.75	3,365.44
Internal segment sales	(44.09)	(37.65)	(99.86)	-	(145.76)	(164.89)	-	-	(289.71)	(202.54)
Total segment revenue	1,305.71	632.09	3,347.60	1,271.70	1,970.72	1,259.11	-	-	6,624.04	3,162.90
Unallocated revenue	-	-	-	-	-	-	-	-	709.28	-
Total Revenue	-	-	-	-	-	-	-	-	7,333.32	-
Result (profit before interest and corporate expenses)										
Segment result	433.92	197.02	(454.56)	68.49	321.64	(15.92)			301.00	249.59
Unallocated corporate income									709.28	481.58
Unallocated corporate expenses									869.99	(142.32)
Profit before interest and tax									140.29	588.85
Interest expenses									(636.03)	(148.29)
Prior period adjustment (includes results of entities not consolidated in the previous year)									-	0.04
Income tax (including FBT)									(50.25)	39.50
Share in associate									-	
Minority interest									32.21	(5.38)
(Loss) / Profit for the year/ period									(513.78)	474.72
Other Information										
Segment assets*	2,976.42	1,622.60	10,825.54	5,573.32	1,689.12	4,187.88	-	4,506.18	15,491.08	15,889.98
Unallocated corporate assets									4,489.06	2,762.33
Total assets*									19,980.14	18,652.31
Segment liabilities	157.75	318.67	1,090.84	557.53	142.07	797.43	-	702.19	1,390.66	2,375.82
Unallocated corporate liabilities									13,764.17	9,380.33
Total liabilities									15,154.83	11,756.15
Capital expenditure	481.09	751.46	3,685.47	1,698.03	-	751.29	-	-	4,166.56	3,200.78
Unallocated corporate capital expenditure									18.63	15.10
Total capital expenditure									4,185.19	3,215.88
Depreciation and amortisation	24.96	66.70	350.96	115.20	888.68	867.63	-	-	1,264.60	1,049.53
Unallocated depreciation and amortization									4.31	2.97
Total depreciation and amortization									1,268.91	1,052.50
Total assets exclude:										

# ADLABS FILMS LIMITED

## SCHEDULES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2009

(Currency : Indian Rupees in Millions)

	Film facilities		Theatre exhibition		Film production and distribution		Radio		Total	
	CY	PP	CY	PP	CY	PP	CY	PP	CY	PP
Advance tax and tax deducted at source									416.24	844.11
Miscellaneous expenditure (to the extent not written off)									-	
Deferred revenue expenditure									0.51	0.58
Total liabilities exclude:										
Provision for taxation (including net deferred tax liability)									-	503.30

### Geographic Segment Disclosure

	India		Americas		Malaysia		Others		Total	
	CY	PP	CY	PP	CY	PP	CY	PP	CY	PP
Segment Revenue	5,262.91	3,144.06	1,154.00	12.00	149.11	-	58.02	6.84	6,624.04	3,162.90
Segment Assets*	19,335.57	18,541.28	462.92	65.44	130.80	-	50.85	45.59	19,980.14	18,652.31
Capital Expenditure	2,258.48	3,125.83	910.10	0.05	1,008.10	-	8.51	-	4,185.19	3,215.88

\* Refer Note 1 and 2 of Schedule 22

The Group has disclosed Business Segment as the primary segment.

The business of the Group is divided into three segments - Film facilities, Theatrical exhibition and Film production and distribution. Segments have been identified taking into account the nature of the business, the differing risks and returns, the organisation structure and internal reporting system. In the previous period, the Company also operated in the Radio Broadcasting business which has been de-merged by the Company. (Refer note 1 of Schedule 22) Film facilities operation primarily comprise of processing of raw exposed films, colour correction, editing, digital processing, equipment rental, copying and printing of positive exhibition prints and trading in raw film rolls. Other income primarily comprise of realization from sale of silver extracted from film processing. Theatrical exhibition operations comprise of single screen, multiplex/Imax cinema exhibition, range of activities/services offered at cinema centers including catering food and beverages. Film production represents share of net income from movies produced/co-produced or in which the Company has invested, and content production. Films distribution operation represents acquisition of movie rights for overseas as well as Indian distribution for a fixed period and exploitation thereof. These rights generally include as a package, theatrical rights and video and television rights.

Radio operations primarily consist of operating FM radio broadcasting services in the cities where the Parent company has been allotted radio broadcasting licences.

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

Further, the Group has considered the overseas operations of the Company as a separately identifiable geographic segment due to substantial operations in the United States of America and Malaysia. Hence, the Group has identified secondary segments based on geographic locations and has reported India, Americas, Malaysia and Rest of world as geographic segments.

### 8. Mark to market (MTM) losses on derivative contracts

The Company has assigned the derivative contracts pertaining to Options for FCCB and Interest rate swap for long term loans to a Company (Assignee), who has advised the Company regarding entering into these contracts. The Assignee had advised the Company with regards to entering into these derivative contracts and has indemnified the Company with regards to any mark to market losses that the Company will have to incur on termination of these contracts.

Consequently, the total mark to market loss of Rs. 1,403.70 have not been recognised by the Company in its Profit & Loss Account. For the same reason, the Company has also not recognised a liability for these MTM losses and amounts receivable from the Assignee Company.

# ADLABS FILMS LIMITED

## SCHEDULES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2009

(Currency : Indian Rupees in Millions)

### 9. Disclosure of Related Party under AS 18

#### Parties where control exists

##### Holding Company

Reliance Land Private Limited (upto 30 November 2007)

#### Other related parties with whom transactions have taken place during the period

##### (a) Significant Shareholders, Key Management Personnel and their relatives

- Manmohan Shetty (till 30 November 2007)
- Pooja Shetty (till 30 November 2007)
- Kirti Desai - Manager appointed under section 269 of the Companies Act, 1956.
- Reliance Land Private Limited

##### (b) Enterprises over which company has significant influence / Associates

- HPE / Adlabs LP.
- Sultan Production Private Limited
- Gold Adlabs

##### (c) Joint Ventures

- Divyashakti Marketing Private Limited
- Cineplex Private Limited
- Swanston Multiplex Cinemas Private Limited
- Runwal Multiplex Private Limited ( upto 19 December 2007 )

Transactions	Holding Company		Significant shareholders, key management personnel and their relatives		Enterprises over which Company has significant influence / associates	
	CY	PP	CY	PP	CY	PP
<b>Reimbursement of Expenses</b>						
Sultan Production Private Limited					(10.77)	
	-	-	-	-	(10.77)	-
<b>Rendering of Services</b>						
HPE / Adlabs LP						4.37
	-	-	-	-	-	4.37
<b>Dividend paid / (received)</b>		54.64	-	5.73		
<b>Managerial Remuneration</b>						
Kirti Desai			0.78		0.49	
Manmohan Shetty					11.61	
Pooja Shetty					0.14	
	-	-	0.78	-	12.24	-
<b>Share of Profit from Partnership firm</b>						
Gold Adlabs					25.20	29.22
<b>Drawings from Partnership firm</b>						
Gold Adlabs					27.83	-
<b>Loan given</b>						
Sultan Production Private Limited					54.83	71.92
	-	-	-	-	54.83	71.92
<b>Outstanding balances as at year end</b>						
Sultan Production Private Limited					126.75	71.92
	-	-	-	-	126.75	71.92

CY - Year ending 31 March 2009

PP - Nine month period ending 31 March 2008

### 10. Foreign Currency Convertible Bonds

On 25 January 2006 the Company ('Issuer') issued Zero Coupon Foreign Currency Convertible Bonds ('Bonds' or 'FCCB') aggregating

# ADLABS FILMS LIMITED

## SCHEDULES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2009

(Currency : Indian Rupees in Millions)

Euro 84 million. The Bonds are convertible at any time on or after 7 March 2006 and up to the close of the business on 19 January 2011 by the holders of the Bonds ('the Bondholders') into newly issued equity shares of the Company with full voting rights with par value of Rs 5 each ('Shares') at an initial conversion price (as defined in Terms and Conditions of the Bonds) of Rs 543.42 per share with a fixed rate of exchange on conversion of Rs 54.26=EUR 1.00. Of the above bondholders holding bonds of value Euro 63.50 million opted for conversion in the previous period ended 31 March 2008. During the year, pursuant to the Scheme of Demerger (Refer Note 1 of Schedule 22) the conversion price is subject to adjustment, after agreement with bondholders and the Company. Pending finalisation of agreement, the revised conversion price is not yet decided. Consequently the equity shares issuable on conversion of FCCB have been computed based on initial conversion price. The Bonds are listed on the Singapore Exchange Securities Trading Limited ('SGX ST').

The Bonds may be redeemed, in whole but not in part, at the option of the issuer at any time on or after 25 January 2009 and on or prior to 26 January 2011 subject to satisfaction of certain conditions. Unless previously redeemed, converted or purchased and cancelled, the bonds will mature on 26 January 2011 at 121.679 per cent of the principal amount.

The balance in premium account as at 31 March 2009 is as follows:

	Year ended 31 March 2009	Nine months ended 31 March 2008
Opening balance	283.99	1,000.66
Add: Reversal of provision for premium on conversion of FCCB	-	(785.82)
Adj: Foreign exchange fluctuation	24.50	69.15
Closing balance	308.49	283.99

During the previous financial period ended 31 March 2008, the Company re-classified the liability towards Foreign Currency Convertible Bonds ('FCCB') as non-monetary liability inter-alia on the basis of the trend of earnings, movement of the Company's share prices and conversion option exercised by the FCCB holders. The Company continues to classify the liability towards FCCB as a non-monetary liability as in its view the current fall in the market price of the Company's share price and non-conversion by bond holders is a temporary aberration. Consequently, the foreign exchange fluctuation loss for the year ended 31 March 2009 aggregating to Rs 113.01 (2008: Rs. 175.27) has not been recognised by the management. Cumulative loss not recognised due to classification of FCCB as a non-monetary liability is Rs. 299.04 in respect of outstanding FCCB's. Unrecognised losses on FCCB's which were converted into equity shares in earlier periods is Rs. 219.95.

### 11. Changes in the method of depreciation

Hitherto it was the policy of the group to charge depreciation as per the Written Down value method for assets pertaining to the Film Services, the Production and Distribution business and other unallocated assets as per rates specified in Schedule XIV of the Companies Act, 1956. From 1 April 2008, the Group has changed its policy to charge depreciation as per the Straight Line method as per rates specified in Schedule XIV of the Companies Act, 1956. This change in policy has resulted in reduction in depreciation charge for the current year by Rs. 196.96 (including Rs. 85.33 in respect of prior periods) as compared to the amount of depreciation that would have been charged had there been no change in the method of providing for depreciation.

### 12. Foreign currency exposures (other than investments and fixed assets) not covered by forward contracts

	Year ended 31 March 2009			Nine months ended 31 March 2008		
	Currency	Foreign Currency Amount(mns)	Amount - Indian Rupees	Currency	Foreign Currency Amount(mns)	Amount - Indian Rupees
Sundry Debtors	USD	3.46	180.52	USD	0.60	23.98
	GBP	0.05	3.71	GBP	0.37	29.08
	EURO	0.02	1.38	EURO	0.01	0.65
Sundry Creditors	USD	4.50	234.78	USD	4.38	195.80
	GBP	0.23	17.06	GBP	0.83	52.44
	EURO	0.01	0.69	EURO	0.03	1.54
	MUR	13.36	21.68	MUR	0.07	0.11
	MYR	0.06	0.86			
	NPR	0.28	0.18			
Loans and advances	USD	3.78	197.22			
	GBP	0.05	3.71			
	EURO	0.06	4.13			
	MYR	1.97	28.20			
	NPR	4.13	2.66			
	MUR	28.28	45.89			

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## SCHEDULES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2009

(Currency : Indian Rupees in Millions)

	Year ended 31 March 2009			Nine months ended 31 March 2008		
	Currency	Foreign Currency Amount(mns)	Amount - Indian Rupees	Currency	Foreign Currency Amount(mns)	Amount - Indian Rupees
Cash & bank balances	USD	1.67	87.13			
	MYR	6.87	98.33			
	NPR	5.47	3.53			
	GBP	0.11	8.16			
	EURO	0.04	2.76			
Buyers credit / Unsecured Loans	USD	0.53	27.66	USD	3.58	143.38
	GBP	0.12	8.53	GBP	0.01	0.90
	EURO	0.82	56.49	EURO	1.32	83.93
Unsecured loans	USD	15.64	816.01			
Foreign Currency Convertible bonds ('FCCB')	EURO	20.65	1,123.95	EURO	20.65	1,123.95
Provision for premium on redemption of FCCB	EURO	4.48	308.49	EURO	4.48	289.99

### 13. Interest in joint ventures

The Company's interests in jointly controlled entities (incorporated Joint Ventures) are:

Name of the Company	Country of Incorporation	% of ownership interest as at 31 March 2009	% of ownership interest as at 31 March 2008
Swanston Multiplex Cinemas Private Limited	India	50%	50%
Cineplex Private Limited	India	50%	50%
Divya Shakti Marketing Private Limited	India	50%	50%

### Details of Joint Venture

Particulars	31 March 2009	31 March 2008
<b>I Assets</b>		
1. Fixed assets (including Capital work-in-progress)	96.42	106.38
2. Investments	-	5.64
3. Current assets, loans and advances		
a) Inventories	1.12	0.85
b) Sundry debtors	5.37	8.84
c) Cash and bank balances	8.20	6.93
d) Interest Accrued but not due	0.06	0.05
e) Loans and advances	11.50	7.35
<b>II Liabilities</b>		
1. Shareholders' fund - reserves and surplus	47.86	40.49
2. Secured loans	-	-
3. Unsecured loans	50.68	63.46
4. Deferred tax (net)	5.57	5.41
5. Current liabilities and provisions		
a) Liabilities	16.06	17.96
b) Provisions	2.63	1.33
<b>III Income</b>		
1. Sales (net of excise duty)	118.67	102.41
2. Other Income	9.20	10.28
<b>IV Expenses</b>		
1. Operating expenses	95.68	91.13
2. Depreciation	10.97	10.21
3. Interest	-	0.06
Profit before Taxation	21.22	11.29



# ADLABS FILMS LIMITED

## SCHEDULES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2009

(Currency : Indian Rupees in Millions)

Particulars	31 March 2009	31 March 2008
Prior period Adjustments	-	(0.03)
Provision for Taxation (including deferred taxation)	5.15	3.00
Profit after Taxation before minority interests	16.07	8.32
<b>V. Other matters</b>		
1. Contingent Liabilities	101.61	101.61
2. Capital Commitments	Nil	Nil
<b>Movement of the aggregate reserves of the joint ventures:</b>		
Reserves as at beginning of the year / period	40.49	42.31
Add: Share of profits for the year / period	16.07	(1.82)
Less: Dividend declared during the year / period	(8.70)	-
Reserves as at the end of the year / period	47.86	40.49

### 14. Earnings per Share ('EPS') (also Refer note 10 of Schedule 22)

	Year ended 31 March 2009	Nine months ended 31 March 2008
Net (loss) / profit after tax	(522.64)	474.73
Weighted average number of equity shares outstanding during the year / period		
for Basic EPS	46,126,170	42,103,935
Add : Equity shares issuable on conversion of FCCB (also Refer note 10 of Schedule 22)	2,061,884	6,084,140
Weighted average number of equity shares outstanding during the period for Dilutive EPS	48,188,054	48,188,054
Basic EPS	(11.33)	11.28
Dilutive EPS *	(11.33)	9.85
Nominal value per share in Rs	5.00	5.00

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

### 15. Employee Benefits

Details of "Employee Benefits" for Parent Company is as follows:

#### Defined Contribution Plan

Contribution to Defined Contribution Plan, recognised as expense for the period are as under :

	Year ended 31 March 2009	Nine months ended 31 March 2008
Employers contribution to Provident fund	19.13	7.60

#### Defined Benefit Plan

The employees' gratuity fund scheme managed by a Trust is a defined benefit plan. The present value of obligation is determined based on actuarial valuation using the Projected Unit Credit Method, which recognizes each period of service as giving rise to additional unit of employee benefit entitlement and measures each unit separately to build up the final obligation. The obligation for leave encashment is recognised in the same manner as gratuity.

#### I. Reconciliation of opening and closing balances of Defined Benefit obligation

	Year ended 31 March 2009			Nine months ended 31 March 2008		
	AFL (Funded)	Radio (unfunded)	Total	AFL (Funded)	Radio (unfunded)	Total
<b>Gratuity</b>						
Defined Benefit obligation at beginning of the period	7.49	10.42	17.91	7.21	3.40	10.61
Transferred as per provisions of Scheme (Refer note I above)	-	(10.42)	(10.42)	-	-	-

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## SCHEDULES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2009

(Currency : Indian Rupees in Millions)

	Year ended 31 March 2009			Nine months ended 31 March 2008		
	AFL (Funded)	Radio (unfunded)	Total	AFL (Funded)	Radio (unfunded)	Total
On Amalgamation	0.08	-	0.08	-	-	-
Current Service Cost	4.00	-	4.00	2.28	3.42	5.70
Interest Cost	1.00	-	1.00	0.62	0.20	0.82
Actuarial (gain) / loss	2.50	-	2.50	(2.47)	3.40	0.93
Benefits paid	-	-	-	(0.15)	-	(0.15)
Settlement cost	(0.06)	-	(0.06)	-	-	-
Defined Benefit obligation at period end	15.01	-	15.01	7.49	10.42	17.91

### II. Reconciliation of opening and closing balances of fair value of plan assets

	Year ended 31 March 2009			Nine months ended 31 March 2008		
	AFL (Funded)	Radio (unfunded)	Total	AFL (Funded)	Radio (unfunded)	Total
<b>Gratuity</b>						
Fair value of plan assets at beginning of the period	3.90	-	3.90	3.59	-	3.59
Actuarial (gain)/loss	(0.37)	-	(0.37)	0.28	-	0.28
Expected return on plan assets	0.42	-	0.42	0.18	-	0.18
Employer Contribution	20.00	-	20.00	-	-	-
Benefits paid	(0.06)	-	(0.06)	(0.15)	-	(0.15)
Fair value of plan assets at period end	23.89	-	23.89	3.90	-	3.90
Actual return on plan assets	0.05	-	0.05	-	-	-

### III. Reconciliation of fair value of assets and obligations

	Year ended 31 March 2009			Nine months ended 31 March 2008		
	AFL (Funded)	Radio (unfunded)	Total	AFL (Funded)	Radio (unfunded)	Total
<b>Gratuity (funded)</b>						
Fair value of plan assets at the end of the year / period	23.89	-	23.89	3.90	-	3.90
Present value of obligation at the end of the year / period	15.01	-	15.01	7.49	10.42	17.91
Amount recognised in Balance Sheet #/*	(8.88)	-	(8.88)	3.59	10.42	14.01

# - Recognised as an asset under Advances recoverable in cash or in kind or value to be received in Schedule 12

\* - since paid

### IV. Expense recognised during the period (Under the head "Personnel Cost – Refer Schedule '20')

	Year ended 31 March 2009			Nine months ended 31 March 2008		
	AFL (Funded)	Radio (unfunded)	Total	AFL (Funded)	Radio* (unfunded)	Total
<b>Gratuity</b>						
Current Service Cost	4.00	-	4.00	2.28	3.42	5.70
Interest Cost	1.00	-	1.00	0.62	0.20	0.82
Expected return on plan assets	(0.42)	-	(0.42)	(0.28)	-	(0.28)
Actuarial (gain) / loss	2.87	-	2.87	(2.65)	3.40	0.75
Limitation of asset recognition as per AS – 15 (R)	0.25	-	0.25	-	-	-
Net Cost	7.70	-	7.70	(0.03)	7.02	6.99

\* - Charged to Reserves

# ADLABS FILMS LIMITED

## SCHEDULES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2009

(Currency : Indian Rupees in Millions)

### V. Investment details

% invested as at year / period end

Nature of Investments	31 March 2009	31 March 2008
Insurance policies	100%	100%

### VI. Actuarial assumptions

	Gratuity (Funded)	Leave Encashment (Unfunded)
Mortality Table (LIC)	1994-96 (Ultimate)	1994-96 (Ultimate)
Discount rate (per annum)	7.85%	8.00%
Expected rate of return on plan assets (per annum)	7.50%	8.00%
Rate of escalation in salary (per annum)	10% for the first three years and 7% thereafter	6.50%

The estimates for rate of escalation in salary considered in actuarial valuation, take into account inflation, seniority, promotion and other relevant factors including supply and demand in the employment market. The above information is certified by the actuary. The expected rate of return on plan assets is determined considering several applicable factors mainly, the composition of plan assets held, assessed risks, historical results of return on plan assets and the Company's policy for plan asset management.

Other members of the Group have computed gratuity and leave encashment, if applicable to them on the basis of the last drawn salary and number of years of service completed or number of dates leave outstanding on an arithmetical basis. The total amount provided as at year end for Gratuity under the above method is Rs. 3.16 for leave encashment Rs. 0.10.

### 16. Movement of Goodwill

Particulars	Amount
Opening balance of Goodwill	275.59
Goodwill, reversed on Subsidiaries which have been amalgamated in the current year	(160.55)
Goodwill for Malaysia Subsidiary acquired in the current year	306.07
Goodwill for additional shares in Subsidiaries acquired in the current year	0.06
	<u>421.17</u>

### 17. Translation of foreign subsidiaries

The Company in the current year has classified its operations in the United States of America, as non-integral to the business of the Company in India considering the size of the operations, autonomy of management of the subsidiary and the local sources of funding of the operations. The effect of the above change on the loss of the US operations for the period ending 31 March 2009 is not significant.

### 18. Impairment Disclosure

During the current year, the Company has impaired certain fixed assets pertaining to the:- Exhibition Division on the basis of determination of value in use of each property, which the Company considers as the relevant Cash Generating Unit ('CGU') for the purpose of impairment testing. The Company has considered a discount rate of 11.68%. The amount of impairment loss of Rs. 55.17 has been debited to the Capital Reserve pursuant to Scheme of Amalgamation. (Refer note 2 of Schedule 22)

### 19. Scheme and arrangement made in previous period ended 31 March 2008

A. Modified Composite scheme of amalgamation and arrangement The Board of the Company at their meeting held 23 April 2006, approved the composite scheme of amalgamation and arrangement (the Scheme) between the Company, Entertainment One India Limited (E-ONE), Mukta Adlabs Digital Exhibition Private Limited (MADEL) and Reliance Unicom Limited (RUL). The shareholders of the Company accorded their approval to the Scheme at the Annual General Meeting on 29 July 2006. The Scheme was approved by the Hon'ble High Court of Judicature at Bombay vide its order dated 15 September 2006. The Scheme inter-alia provided for the following:

- 1 the amalgamation of E-ONE with the Company effective 1 April 2005;
- 2 the merger of the digital business of MADEL with the Company effective 1 April 2005; and
- 3 the demerger of the radio business of the Company to RUL effective 31 March 2006.

The Company had made an application to the Ministry of Information and Broadcasting pursuant to the Scheme for transfer of Radio licenses held by the Company to RUL. Pending, receipt of approval from the Ministry, the Company gave an in-principal effect of the scheme in the accounts for the 15 months period ended 30 June 2007 and recorded the following amounts in a special account "Amounts pending transfer to Securities Premium account and/or General reserve account as per the Scheme of amalgamation and arrangement":

- 1 The excess of net assets taken (at fair value) over the cost of investment in EONE amounting to Rs 27.26 was credited to 'Amounts pending transfer to the Securities premium account and/or General reserve account as per the Scheme of amalgamation and arrangement'
- 2 The excess of liabilities over the assets taken over (at book value) amounting to Rs 4.47 was debited to Amounts pending

# ADLABS FILMS LIMITED

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- transfer to the Securities premium account and/or General reserve account as per the Scheme of amalgamation and arrangement'.
- 3 An amount of Rs. 796.54 was debited to 'Amounts pending transfer to the Securities premium account and/or General reserve account as per the Scheme of amalgamation and arrangement' for excess net assets transferred to RUL.
  - 4 Pursuant to provisions of the scheme, the Company recorded a reduction in the value of the Company's assets of Rs. 205.03 and has debited the amount to 'Amounts pending transfer to the Securities premium account and/or General reserve account as per the Scheme of amalgamation and arrangement'

Subsequently, during the period ended 31 March 2008 the Board of the Company modified the aforesaid Scheme vide circular mode pursuant to Section 289 of the Companies Act, 1956 on 13 February 2008. The modified composite scheme of amalgamation and arrangement (the Modified Scheme) between the Company, E-ONE and MADEL was approved by the Hon'ble High Court of Judicature at Bombay vide its order dated 7 March 2008 and was filed with the ROC as required under Section 391(3) of the Companies Act, 1956 ('the Act') on 31 March 2008. The modified scheme was substantively similar to the original scheme with respect to merger of E-ONE and MADEL and provided for adjustment of results of the Radio Division from 1 April 2006 upto the effective date of the modified scheme (31 March 2008) to be adjusted against the general reserves of the Company. Pursuant to the modified scheme, the Company made the following adjustments to its reserves

- 1 Rs. 4.47 pertaining to merger of the digital business of MADEL was transferred to Securities premium account
- 2 Rs. 205.03 pertaining to reduction in the value of Company's assets was transferred to Securities premium account
- 3 Rs. 796.54 which was earlier debited to 'Amounts pending transfer to the Securities premium account and/or General reserve account as per the Scheme of amalgamation and arrangement' was reversed pursuant to the provisions of the modified scheme and results of the Radio Division for the period 1 April 2006 to 31 March 2008 of Rs. 1,436.33 (net of tax benefit of Rs. 190.76) were debited to the General reserve.
- 4 Rs. 27.26 pertaining to merger of E-ONE was transferred to general reserve.

## **B. Acquisition of Rave Entertainment Private Limited ('REPL')**

On 31 May 2007, the Company entered into a Share Purchase Agreement ('SPA') with the shareholders of Rave Entertainment Private Limited ('REPL'), a company engaged inter-alia in the business of owning and operating multiplexes, for acquisition of 100% stake in that company. One of the conditions precedent to the SPA was the approval by the Hon'ble High Court of Judicature at Allahabad of the Scheme of demerger filed by REPL for demerger of Kanpur properties. Pending approval of the scheme of demerger by the said Court, the shares of REPL were held in Escrow. On 12 December 2007, the Hon'ble High Court of Judicature at Allahabad approved the said scheme of demerger. Consequently, REPL is now a wholly owned subsidiary of the Company and the amounts placed in Escrow and those disclosed under loans and advances have been adjusted as per the terms of the SPA.

## **C. Acquisition of Katch 22 Entertainment Private Limited ('Katch 22')**

On 23 April 2007, the Company acquired 100% stake in Katch 22, a company engaged in the production and distribution of films. Subsequently, pursuant to the board of directors' approval vide resolution dated 26 April 2007, the Company had filed the Scheme of amalgamation of Katch 22 ('the Katch 22 Scheme') with the Hon'ble High Court of Judicature at Bombay for the merger of Katch 22 with the Company effective 1 April 2006. The Katch 22 Scheme was approved by the Hon'ble High Court of Judicature at Bombay vide its order dated 14 September 2007 and filed with the ROC on 9 October 2007. The Katch 22 Scheme inter-alia provides for the amalgamation of Katch 22 Entertainment Private Limited with the Company effective 1 April 2006.

- 1 The excess of net assets taken over at fair value (as determined on the effective date i.e. 9 October 2007) over the cost of investment in Katch 22 amounting to Rs. 20.18 has been credited to General Reserve Account.
- 2 The Company has also recorded the reduction of Rs 200 in the value of its assets (debtors, unamortised rights and loans and advances) by debit to 'General Reserve account' as per the provisions of the Katch 22 Scheme.

## **20. Prior year comparatives**

The figures for the previous period are strictly not comparable to those of the current year, which comprises 12 months and the effect of the scheme of de-merger of the Radio Division to Reliance Unicom Limited, which has now been excluded from the Group and amalgamation of subsidiaries (Refer notes 1 and 2) and have been regrouped/ rearranged as necessary to conform to current years presentation.

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**For and on behalf of the Board**

**Amit Khanna**  
Director

**Gautam Doshi**  
Director

Mumbai  
30 June 2009

**Kirti Desai**  
Company Secretary & Manager

# ADLABS FILMS LIMITED

## STATEMENT PURSUANT TO SECTION 212 OF THE COMPANIES ACT, 1956 RELATING TO COMPANY'S INTEREST IN THE SUBSIDIARY COMPANIES

(Currency : Indian Rupees in Millions)

Sr. No	Name of the Subsidiary	Financial year ending of the Subsidiary	Date from which they became subsidiary	Number of equity shares held in Subsidiary companies	Extent of holding	Net aggregate amount of profit / loss so far as it concerns the members of holding Company			
						Not dealt with in the holding Company's Accounts		Dealt in the Holding Company's accounts	
						for the financial year of Subsidiary	for the previous financial years of the Subsidiary since it became the Holding Company's subsidiary	for the financial year of Subsidiary	for the previous financial years of the Subsidiary since it became the Holding Company's subsidiary
1	Synergy Adlabs Media Limited	31 March 2009	12 January 2007	5,100 equity shares of Rs. 100 each	51%	30.57	17.95	NIL	NIL
2	Adlabs Distributors and Exhibitors Limited	31 March 2009	19 May 2003	50,000 equity shares of Rs. 10 each	100%	25.48	59.50	NIL	NIL
3	Adlabs Films (UK) Limited	31 March 2009	19 May 2006	10,000 Ordinary shares of 1 each	100%	(21.99)	(19.20)	NIL	NIL
4	Adlabs Films USA Inc.	31 March 2009	17 May 2006	200 Common stock	100%	(83.87)	(8.69)	NIL	NIL
5	Adlabs (Mauritius) Limited	31 March 2009	20 March 2008	1000 Ordinary shares of no par value	100%	(9.48)	(0.11)	NIL	NIL
6	Adlabs Films Netherlands B.V	31 March 2009	8 February 2008	180 shares of EUR 100 each	100%	0.83	(1.86)	NIL	NIL
7	Sri Rama Krishna Theatre Limited	31 March 2009	11 January 2008	403,574 equity shares of Rs. 10 each	89.68%	1.54	(0.65)	NIL	NIL
8	Rave Entertainment and Food Nepal Private Limited	31 March 2009	24 August 2008	96,000 equity shares of Nepali Rupees 100/- each	100%	0.05	-	NIL	NIL
9	Adlabs Entertainment LLC #	31 March 2009	19 December 2007	@	100%	(14.79)	-	NIL	NIL
10	Adlabs Entertainment (DE) LLC #	31 March 2009	24 January 2008	@	100%	(9.87)	-	NIL	NIL
11	Adlabs Forum LLC #	31 March 2009	6 March 2008	@	100%	-	-	NIL	NIL
12	Adlabs Laurel LLC #	31 March 2009	2 January 2008	@	100%	(16.25)	-	NIL	NIL
13	Adlabs Falls Church LLC #	31 March 2009	8 November 2007	@	100%	(4.87)	-	NIL	NIL
14	Adlabs Heritage LLC #	31 March 2009	7 March 2008	@	100%	-	-	NIL	NIL
15	Adlabs Norwalk LLC #	31 March 2009	14 March 2008	@	100%	(6.66)	-	NIL	NIL
16	Adlabs Galaxy LLC #	31 March 2009	21 December 2007	@	51%	(49.34)	-	NIL	NIL
17	Adlabs Sahil LLC #	31 March 2009	13 November 2007	@	100%	-	-	NIL	NIL
18	Adlabs Sar LLC #	31 March 2009	8 November 2007	@	51%	(2.36)	-	NIL	NIL
19	Phoenix Adlabs Theatre Management LLC #	31 March 2009	25 February 2008	@	51%	7.79	-	NIL	NIL
20	Adlabs-Union LLC #	31 March 2009	8 February 2008	@	100%	(1.33)	-	NIL	NIL
21	Adlabs Phoenix LLC #	31 March 2009	22 February 2008	@	51%	(0.45)	-	NIL	NIL
22	Adlabs-Exhibitions LLC #	31 March 2009	6 March 2008	@	100%	(18.45)	-	NIL	NIL
23	Adlabs IMC LLC #	31 March 2009	19 January 2008	@	100%	(6.37)	-	NIL	NIL
24	Reliance Big Entertainment Inc. #	31 March 2009	1 September 2008	900 shares of \$ 1 each	90%	(68.91)	-	NIL	NIL
25	Big Pictures USA Inc #	31 March 2009	30 March 2009	@	100%	-	-	NIL	NIL
26	Adlabs Digital Media USA LLC #	31 March 2009	27 March 2009	@	100%	-	-	NIL	NIL
27	Reliance Big Entertainment Malaysia SDN BHD #	31 March 2009	18 April 2008	250,000 equity shares of RM 1 each	100%	(29.62)	-	NIL	NIL
28	Reliance Lotus Five Star Cinemas SDN BHD #	31 March 2009	1 November 2008	10,196,900 equity shares of RM 1 each	70%	(8.18)	-	NIL	NIL

# - Subsidiary under section 4(1)(c) of the Companies Act, 1956

@ - The Company does not have a fixed share capital, hence the number of shares has not been given.

### For and on behalf of the Board

**Amit Khanna**  
Director

**Gautam Doshi**  
Director

Mumbai  
30 June 2009

**Kirti Desai**  
Company Secretary & Manager

# ADLABS FILMS LIMITED

## DETAILS OF SUBSIDIARY COMPANIES FORMING PART OF CONSOLIDATED FINANCIAL STATEMENTS

(Currency: Indian Rupees in Millions)

Sr. No.	Particulars	Capital	Reserves	Total Assets	Total Liabilities	Investments	Turnover/ Total Income	Profit Before Taxation	Provision for Taxation	Profit After Taxation	Proposed Dividend
1	Adlabs Films (UK) Limited	0.85	(40.87)	13.07	53.09	-	60.51	(21.99)	-	(21.99)	-
2	Adlabs Films (USA) INC	0.92	(102.23)	1,380.92	1,482.23	-	178.79	(76.38)	7.49	(83.87)	-
3	Adlabs Films Netherlands B.V.	1.04	(2.66)	3.24	4.86	-	1.10	(0.83)	-	(0.83)	-
4	Adlabs (Mauritius) Limited	-	(9.59)	1,311.03	1,320.62	-	1.17	(9.48)	-	(9.48)	-
5	Adlabs Distributors and Exhibitors Limited	0.50	84.97	87.29	1.82	50.34	26.46	25.64	0.16	25.48	-
6	Synergy Adlabs Media Limited	109.54	100.03	358.30	148.73	53.08	412.45	94.12	34.18	59.94	24.32
7	Sri Ramakrishna Theatre Limited	4.50	31.53	36.71	0.68	2.38	5.36	2.57	0.85	1.72	-
8	Rave Entertainment and Food Nepal Private Limited	6.19	(0.04)	6.19	0.04	-	-	(0.04)	-	(0.04)	-
9	Adlabs Entertainment LLC	-	(16.54)	25.32	41.87	-	63.20	(14.79)	-	(14.79)	-
10	Adlabs Entertainment (DE) LLC	-	(11.06)	4.46	15.52	-	14.46	(9.87)	-	(9.87)	-
11	Adlabs Forum LLC	-	-	-	-	-	-	-	-	-	-
12	Adlabs Laurel LLC	13.70	(18.20)	16.05	20.56	-	13.93	(16.25)	-	(16.25)	-
13	Adlabs Falls Church LLC	4.57	(5.42)	8.15	9.00	-	29.65	(4.87)	-	(4.87)	-
14	Adlabs Heritage LLC	-	-	-	-	-	-	-	-	-	-
15	Adlabs Norway LLC	23.48	(7.19)	26.98	10.68	-	52.96	(6.66)	-	(6.66)	-
16	Adlabs Galaxy LLC	160.17	(107.05)	158.40	105.29	-	138.42	(96.75)	-	(96.75)	-
17	Adlabs Sahil LLC	-	-	213.51	213.51	-	-	-	-	-	-
18	Adlabs Sar LLC	4.71	(5.14)	7.27	7.71	-	45.98	(4.62)	-	(4.62)	-
19	Phoenix Adlabs Theatre Management LLC	67.51	17.22	102.97	18.24	-	74.51	15.28	-	15.28	-
20	Adlabs Union LLC	0.41	(1.50)	6.56	7.65	-	74.87	(1.33)	-	(1.33)	-
21	Adlabs Phoenix LLC	93.50	(0.46)	143.96	50.93	-	190.13	(0.89)	-	(0.89)	-
22	Adlabs Exhibitions LLC	18.26	(20.65)	53.71	56.10	-	117.35	(18.45)	-	(18.45)	-
23	Adlabs IMC LLC	26.09	(7.12)	31.08	12.11	-	16.25	(6.37)	-	(6.37)	-
24	Reliance Big Entertainment Inc.	0.05	210.88	266.99	56.06	-	313.96	(78.97)	-	(78.97)	-
25	Adlabs Digital Media USA LLC	-	-	-	-	-	-	-	-	-	-
26	Big Pictures USA Inc	-	-	-	-	-	-	-	-	-	-
27	Reliance Big Entertainment Malaysia SDN BHD	3.72	(29.62)	1,179.93	1,205.83	-	8.10	(28.94)	0.68	(29.62)	-
28	Reliance Lotus Five Star Cinemas SDN BHD	208.51	(11.69)	1,079.61	882.78	-	141.01	(11.69)	-	(11.69)	-

### Details of Investments except in subsidiaries

#### Synergy Adlabs Media Limited

Investment in mutual funds

Birla Sunlife ST Fund Growth

Birla Sunlife ST Fund

Birla LIC Liquid Plus Mutual Fund

Reliance Liquid Fund

Osian Art Fund Contemporary

Templeton India SIP Growth

Templeton India STIP SCB

2.53

0.03

10.00

25.90

2.00

7.62

5.00

**53.08**

50.34

**50.34**

0.18

2.20

**2.38**

#### Adlabs Distributors and Exhibitors Limited

Investment in Partnership firm, Gold Adlabs

#### Sri Ramakrishna Theatre Private Limited

Government Securities

Kisan Vikas Patra

Rural Electrification Corporation Bonds

Note: The above information of the foreign subsidiaries has been translated in accordance with the provision of AS-11. The translation rates used for Balance Sheet Items in the case of US Dollars – Rs. 52.17, Euro – Rs. 68.91, Great Britain Pound – Rs. 74.16, Mauritian Rupee – Rs. 1.62, Nepali Rupee – Rs. 0.65, Malaysian Ringget – Rs. 14.31. The rates used for Profit and Loss Account in the case of US Dollars – Rs. 46.47, Euro – Rs. 65.65, Great Britain Pound – Rs. 79.10, Mauritian Rupee – Rs. 1.62, Nepali Rupee – Rs. 0.65, Malaysian Ringget – Rs. 13.56.

# ADLABS FILMS LIMITED

## FINANCIAL HIGHLIGHTS

For Year Ending	31-Mar-2009 (12) Rs. mn	31-Mar-2008 (9) Rs. mn	30-June-2007 (15) Rs. mn	31-Mar-2006 (12) Rs mn	31-Mar-2005 (12) Rs mn	31-Mar-2004 (12) Rs mn	31-Mar-2003 (12) Rs mn	31-Mar-2002 (12) Rs mn
Sales	4,852.68	2,703.54	761.54	1,054.63	858.56	753.43	740.72	569.12
Other Income	655.60	538.53	737.68	49.9	16.99	35.63	39.82	40.74
PBDIT	1,478.12	1,570.97	2,015.59	484	393.24	336.37	321.6	208.38
PBDT	850.64	1,438.07	1,971.42	475.13	377.41	322.9	311.13	198.64
PBT	(295.59)	403.91	1,041.55	386.36	322.86	278.08	268.62	160.78
Tax	1.67	55.14	188.21	123.3	116.17	101.66	102.09	57.4
Profit after tax(PAT)	(297.26)	459.05	853.35	263.06	206.69	176.42	166.53	103.38
Dividend-Equity	-	50%	50%	45%	40%	50%	40%	25%
No. of Equity Shares	46,126,170	46,126,170	39,800,750	39,800,750	21,500,750	21,500,750	21,500,750	21,500,750
EPS (Basic) Rs.	(6.44)	10.9	20.95	8.33	9.61	8.21	7.75	4.81
EPS (Diluted) Rs.	(6.44)	9.53	17.65	8.02	9.61	8.21	7.75	4.81
As on	31-Mar-09	31-Mar-08	30-Jun-07	31-Mar-06	31-Mar-05	31-Mar-04	31-Mar-03	31-Mar-02
Assets	Rs. mn	Rs. mn	Rs mn	Rs mn	Rs mn	Rs mn	Rs mn	Rs mn
Gross Block	10,528.98	7,949.93	3,022.30	1,079.88	853.49	800.62	719.09	698.62
Net Block	6,679.70	5,239.03	1,786.04	781.3	639.03	634.31	597.6	619.58
Capital WIP	1,864.02	3,094.45	1,613.41	2,279.90	61.81	11.33	20.06	9.31
Investments	233.46	2441.99	816.52	4,424.07	130.22	133.41	0.5	-
Inventory	51.83	19.18	16.15	13.03	9.35	6.12	7.17	8.31
Receivables	2,439.43	1,476.74	603.87	447.57	362.58	320.42	284.69	234.36
Other Current Assets	7,704.91	5,873.67	6,041.47	1,849.73	831.52	564.12	552.83	463.5
Profit and Loss Account	124.14	-	-	-	-	-	-	-
Misc. Expenditure	-	-	-	-	0.59	11.53	21.63	32.4
<b>Total</b>	<b>19,097.49</b>	<b>18,145.06</b>	<b>60,877.46</b>	<b>9,795.61</b>	<b>2,035.12</b>	<b>1,681.24</b>	<b>1,484.49</b>	<b>1367.45</b>
<b>Liabilities</b>	<b>Rs mn</b>	<b>Rs mn</b>	<b>Rs mn</b>	<b>Rs mn</b>	<b>Rs mn</b>	<b>Rs mn</b>	<b>Rs mn</b>	
Equity Share Capital	230.63	230.63	199	199	107.5	107.5	107.5	107.5
Reserves	5317.65	6,550.21	2,912.85	3,186.78	1,065.53	940.93	825.29	707.27
Total Debt	12147.3	9,226.85	5,834.17	4,651.05	241.46	143.05	116.09	150.5
Deferred Tax Liability	-	-	128.62	70.41	78.28	68.57	52.37	35.37
Creditors and Acceptances	1056.24	1,653.47	662.91	187.96	182.9	156.41	164.72	219.43
Other current liab/provisions	345.67	483.9	1,539.91	1,500.40	359.44	264.78	218.51	147.38
<b>Balance Sheet Total</b>	<b>19097.49</b>	<b>18,145.06</b>	<b>10,877.46</b>	<b>9,795.61</b>	<b>2,035.12</b>	<b>1,681.24</b>	<b>1,484.49</b>	<b>1367.45</b>





# 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 22<sup>nd</sup> Annual General Meeting of the Company held at Rangsharda Natyamandir, K.C. Marg, Bandra Reclamation, Bandra (West), Mumbai 400050 on Wednesday, September 30, 2009 at 3.00 p.m.

\_\_\_\_\_  
Name of the Attending Member

\_\_\_\_\_  
Name of the Attending Proxy

\_\_\_\_\_  
Signature of the Attending Member

\_\_\_\_\_  
Signature of the Attending Proxy

Note : 1. Shareholder/Proxy holder wishing to attend the meeting is requested to sign and hand over the Attendance Slip at the entrance of the venue of meeting.

# 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

### PROXY FORM

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 22<sup>nd</sup> Annual General Meeting of the Company to be held on Wednesday, September 30, 2009 at 3.00 p.m. or at any adjournment thereof.

Affix Re. I/-  
Revenue  
Stamp

Signed this \_\_\_\_\_ day of \_\_\_\_\_ 2009.

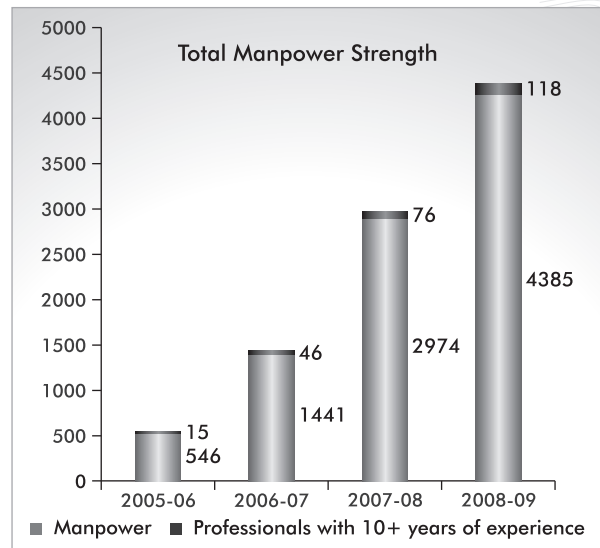
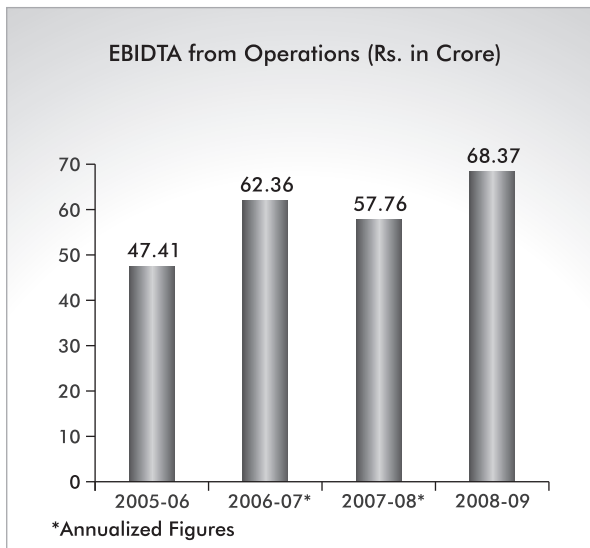
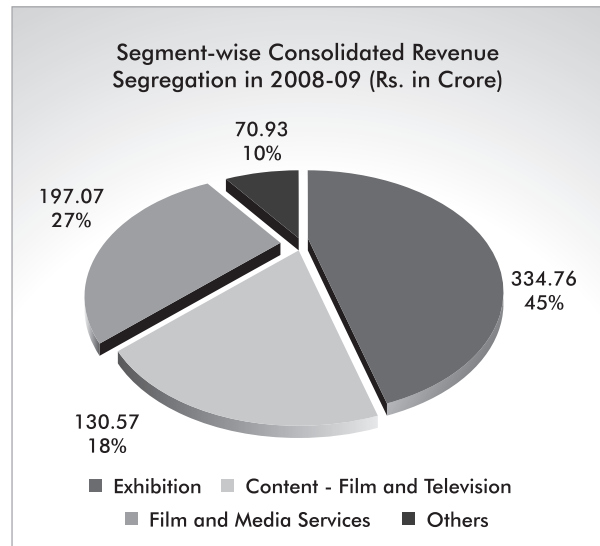
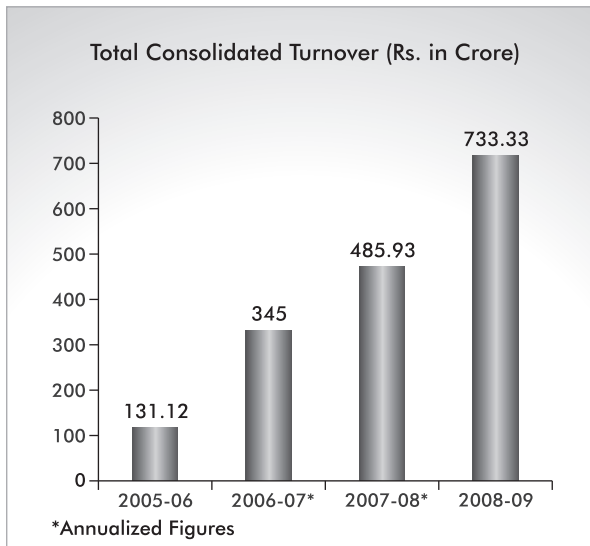
Signature \_\_\_\_\_

Note: 1. The proxy in order to be effective should be duly stamped, completed and signed and must be deposited at the Registered Office of the Corporation not less than 48 hours before the schedule time of the aforesaid meeting.

2. A Proxy need not be a Member.



# HIGHLIGHTS - AT A GLANCE



# ADLABS

ADLABS FILMS LTD.,  
FILM CITY COMPLEX, GOREGAON (EAST),  
MUMBAI 400 065, INDIA.  
[www.adlabsfilms.com](http://www.adlabsfilms.com)