ADLABS

ANNUAL REPORT 2007-2008

CORPORATE INFORMATION

BOARD OF DIRECTORS

Shri Gautam Doshi, Director
Shri Amit Khanna, Director
Shri Sujal Shah, Director
Shri Pradeep Shah, Director
Shri Anil Sekhri, Director
Shri Darius Kakalia, Director

COMPANY SECRETARY AND MANAGER

Ms. Kirti Desai

AUDITORS

B S R & Co.

INTERNAL AUDITORS

Mahajan & Aibara Associates

BANKERS

HDFC Bank Ltd.
Bank of Baroda

SUBSIDIARIES

1. Synergy Adlabs Media Limited
2. Adlabs Distributors and Exhibitors Limited
3. Runwal Multiplex Private Limited (Name changed to Adlabs Multiplex Private Limited w.e.f. May 9, 2008)
4. Rave Entertainment Private Limited
5. Reliance Unicom Limited
6. Mukta Adlabs Digital Exhibition Private Limited (Name changed to Adlabs Multiplexes and Theatres Private Limited w.e.f. May 1, 2008)
7. Sri Ramakrishna Theatre Limited (Subsidiary of Mukta Adlabs Digital Exhibition Private Limited)
8. Adlabs Films (UK) Limited
9. Adlabs Films USA, Inc.
10. Adlabs (Mauritius) Ltd.
11. Adlabs Films Netherlands B.V.

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

Intime Spectrum Registry Limited
C-13, Pannalal Silk Mills Compound,
L.B.S Marg, Bhandup, Mumbai 400 078
Phone: (022) 25963838
Fax: (022) 2594 6969

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NOTICE

Notice is hereby given that the Twenty First Annual General Meeting of the Members of Adlabs Films Limited will be held on Thursday, the August 7, 2008 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, 2008, the Profit and Loss Account for the nine month period ended on that date, and the Reports of the Board of Directors and Auditors thereon.
2. To declare a dividend on Equity Shares.
3. To appoint a Director in place of Shri Gautam Doshi, who retires by rotation and being eligible offers himself for re-appointment.
4. To appoint a Director in place of Shri Sujal Shah, who retires by rotation and being eligible offers himself for re-appointment.
5. To appoint M/s. B S R & Co., Chartered Accountants as the Auditors of the Company to hold office from the conclusion of this Annual General Meeting until the conclusion of the next Annual General Meeting at a remuneration to be decided by the Board of Directors.

SPECIAL BUSINESS

6. To consider and, if thought fit, to pass, with or without modification, the following resolution as an Ordinary Resolution:

   "RESOLVED THAT pursuant to the provisions of Section 198, 269, 309, 310 read with Schedule XIII and other applicable provisions, if any, of the Companies Act, 1956, (including any statutory modification or re-enactment thereof for the time being in force), consent of the Company be and is hereby accorded to the assignment and one time payment of surrender value of Keyman Insurance Policy amounting to Rs.88,86,645/- (Rupees Eighty Eight Lacs Eighty Six Thousand Six Hundred and Forty Five Only) by the Company to Shri Manmohan Shetty, sum assured Rs.50,00,000/- (Rupees Fifty Lacs Only) to be treated as perquisite in the hands of the assignee."

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

   "RESOLVED THAT in accordance with the provisions of Section 198, 269, 387,388 and all other applicable provisions, if any, read with Schedule XIII to the Companies Act, 1956, and subject to all such sanctions, as may be necessary, the consent of the Company be and is hereby accorded to the appointment of Ms. Kirti Desai as the Manager of the Company, to be designated as Company Secretary & Manager, for a period of 3 (three) years commencing from January 30, 2008, on the terms and conditions including remuneration set out in the Agreement, which Agreement is hereby specifically sanctioned with liberty to the Board of Directors (hereinafter referred to as "Board" which term shall be deemed to include any Committee of the Board constituted to exercise its powers including powers conferred by this resolution) to alter and vary the terms and conditions of the said appointment and/or Agreement, as may be agreed to between the Board and Ms. Kirti Desai, so as not to exceed the limits specified in Schedule XIII of the Companies Act, 1956 or any amendment/s thereto,

   RESOLVED FURTHER THAT in the event of loss or inadequacy of profits in any financial year during the currency of tenure of Ms. Kirti Desai, as Manager, the remuneration and perquisite set out as aforesaid be paid or granted to her as minimum remuneration and perquisites provided that the total remuneration by way of salary, perquisites and other allowances shall not exceed the applicable ceiling limit in terms of Schedule XIII to the said Act as may be amended from time to time or any equivalent statutory re-enactment thereof for the time being in force,

   RESOLVED FURTHER THAT the Board of Directors be and is hereby authorised to take all such steps as may be necessary, proper or expedient to give effect to this resolution."

Registered Office
Filmcity Complex
Goregaon (East),
Mumbai 400 065

By Order of the Board of Directors

Kirti Desai
Company Secretary & Manager

Mumbai,
May 29, 2008

Notes:

1. **A MEMBER ENTITLED TO ATTEND AND VOTE AT THE MEETING IS ENTITLED TO APPOINT ONE OR MORE PROXIES TO ATTEND AND VOTE INSTEAD OF HIMSELF AND THE PROXY NEED NOT BE A MEMBER OF THE COMPANY.**
2. The instrument appointing proxy to be effective should be deposited at the Registered Office of the Company not later than 48 hours before the commencement of the meeting to be effective.
3. 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.
4. 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.
5. The Register of Members and the Share Transfer Books of the Company will remain closed from Friday, August 1, 2008 to Thursday, August 7, 2008 (both days inclusive).
6. The dividend, on equity shares, as recommended by the Board of Directors, if declared at the meeting, will be paid on or before August 19, 2008, to those Members whose names appear on the Company's Register of Members after giving effect to all valid share transfers in physical form lodged with the Company as on August 7, 2008 or in respect of shares held in electronic form to those Members whose names appear on the date in the Statement of Beneficial Ownership furnished by the Depositories for this purpose.
7. The Company shall transfer dividend for the financial year ended March, 2001 that remained unclaimed or unpaid for a period of seven years from the date they were transferred to Unpaid Dividend Account to Investor Education and Protection Fund (IEPF) on October 31, 2008. Members who have not encashed their dividend warrants are therefore requested to write to Intime Spectrum Registry Ltd. immediately claiming dividends declared by the Company for the said financial year.
8. Members are advised to avail of facility of Electronic Clearing Service (ECS) for receipt of dividend. The ECS facility is available at certain specified locations. Members holding shares in dematerialized mode are requested to contact their respective Depository Participant (DP) for availing ECS facility. Members holding shares in physical form and desirous of availing ECS facility are requested to write to the Company/Company's Registrar and Share Transfer Agents, Intime Spectrum Registry Limited at C-13, Pannalal Silk Mills Compound, L.B.S Marg, Bhandup, Mumbai 400 078.
9. Members are requested to inform any change in their addresses immediately so as to enable the Company or its Registrar and Share Transfer Agents to send communication at their correct addresses.
10. Members are requested to direct all correspondence relating to shares to the Company's Registrar and Share Transfer Agents, Intime Spectrum Registry Limited at C-13, Pannalal Silk Mills Compound, L.B.S Marg, Bhandup, Mumbai 400 078.
11. Members / Proxies attending the meeting are requested to complete the enclosed attendance slip and handover the same at the entrance of the Meeting Hall. Members holding shares in dematerialized form are requested to bring their Client ID and DP ID numbers for easy identification of members attending the meeting.
12. Members/proxies should bring along with them the Annual Report copy at the time of attending the Meeting.
13. Queries on accounts and operations of the Company, if any, may please be sent to the Company at least seven days in advance so that required information may be made available at the meeting.
14. Re-appointment /Appointment of Directors: At the ensuing Annual General Meeting, Shri Gautam Doshi and Shri Sujal Shah, Directors of the Company being longest in office retire by rotation and being eligible offer themselves for re-appointment. The information or details pertaining to these Directors to be provided in terms of Clause 49 of the Listing Agreement is furnished in the Statement on the Corporate Governance published elsewhere 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 No. 6

During the year 1993 Company had availed Keyman Insurance Policy Cover (Five Policies of Rs. 10,00,000/- each) with a Maturity period of 15 years in favour of Shri Manmohan Shetty, the Managing Director of the Company at the time.

At its meeting held on October 29, 2007 the Board, in consideration of the valuable services rendered over the past 20 years by Shri Manmohan Shetty, thought it fit to assign the said policy in his favour at its surrender value.

Further, though Shri Manmohan Shetty resigned from the position of Chairman and Managing Director of the Company effective November 30, 2007, the assignment was made during currency of his term of office and is treated as perquisite in his hands. Hence it is deemed necessary to obtain the shareholders' approval to the one time payment of the perquisites amount caused on assignment of the Keyman Insurance Policy in favour of Shri Manmohan Shetty at the surrender value of Rs.88,86,645/-.

The Board recommends the ordinary resolution for approval by Members.

None of the Directors of the Company is, in any way, concerned or interested in the said resolution.

Item No. 7

The Board of Directors of the Company at their meeting held on January 30, 2008, have, subject to the approval of the Members in general meeting and the Central Government, if applicable, appointed Ms. Kirti Desai as Manager of the Company, designated as Company Secretary & Manager, for a period of 3 (three) years commencing from January 30, 2008 on the remuneration determined by the Board of Directors. Ms. Kirti Desai aged 39 years is a Chartered Accountant and Associate Member of the Institute of Company Secretaries of India. She has fourteen years of experience in corporate secretarial, finance and managerial functions. The remuneration payable to and the terms of appointment of Ms. Kirti Desai as Manager of the Company during the tenure of her appointment will comprise salary, allowances and other perquisites, the aggregate monetary value of such salary, allowances and perquisites being limited to Rs. 7.46 lacs per annum. The perquisites and allowances payable to Ms. Kirti Desai will include House Rent allowance, medical reimbursements, leave travel concession for self and family including dependants; medical insurance and such other perquisites and / or allowances within the amount specified above. The said perquisites and allowances shall be evaluated, wherever applicable, as per the Income Tax Act, 1961 or any Rules thereunder (including any statutory modification(s) or re-enactment thereof, for the time being in force). However Company's contribution to Provident Fund, Superannuation or Annuity Fund to the extent these singly or together are not taxable under the Income tax Act, 1961 and Gratuity payable and encashment of leave at the end of the tenure, as per the rules of the Company, shall not be included in the computation of limits for the remuneration. Ms. Kirti Desai fulfils the conditions for eligibility contained in Part I of Schedule XIII of the Companies Act, 1956. The terms and conditions of appointment and payment of remuneration are set out in the Agreement to be entered into between the Company and Ms. Kirti Desai. The Board or any Committee thereof, subject to requisite approval(s), if necessary, is entitled and authorised to revise at any time, the salary, allowances and perquisites payable to the Manager of the Company such that the overall remuneration payable to the Manager of the Company shall not exceed the limits specified above. Either party may terminate the aforesaid Agreement by giving three months prior notice of termination in writing to the other party.

The draft Agreement to be entered into between the Company and Ms. Kirti Desai is available for inspection by Members of the Company at the Registered Office of the Company on all working days except Saturdays between 11.00 a.m. and 1.00 p.m. till the date of this Annual General Meeting.

The terms and conditions mentioned herein may also be treated as an abstract under Section 302 of the Companies Act, 1956.

The Directorships of Ms. Kirti Desai are Adlabs Distributors and Exhibitors Limited, Mukta Adlabs Digital Exhibition Private Limited (name changed to Adlabs Multiplexes and Theatres Private Limited) and Sri Ramakrishna Theatre Limited.

Your Directors therefore recommend the said ordinary resolution for your approval.

None of the Directors of the Company is, in any way, concerned or interested in the said resolution.

Registered Office
Filmcity Complex
Goregaon (East),
Mumbai 400 065

By Order of the Board of Directors

Kirti Desai
Company Secretary & Manager

Mumbai,
May 29, 2008

DIRECTORS' REPORT

To the Members,

Your Directors have pleasure in presenting the Twenty First Annual Report and the Audited Accounts of the Company for the nine month period ended 31st March 2008.

Financial Results:

(Rs. in millions)

Particulars	Financial Year ended 31st March 2008 (9 months)		Financial Year ended 30th June 2007 (15 months)
Gross income			
Film Processing and Traded Goods	634.17		954.16
Theatre Operations	1051.46		873.61
Film Distribution	782.30		1,362.55
Film production and Related Services	235.61		10.53
Other Income	538.53		761.54
Total	**3242.07**		**3,962.39**
Expenditure	1671.10		1,946.79
Profit Before Depreciation, Interest & Tax	1570.97		2,015.60
Interest	132.90		44.17
Depreciation	1034.16		929.87
Profit Before Tax	**403.91**		**1,041.56**
Tax	(43.41)		187.24
(Excess) / Short provision for tax in respect of earlier years	(11.73)		0.97
Profit After Tax	**459.05**		**853.35**
Loss after tax for the period April 1, 2005 to March 31, 2006 incorporated pursuant to scheme of amalgamation and arrangement	—		(19.52)
Balance brought forward from previous year	879.48		247.46
Total	**1338.53**		**1,081.29**
Appropriations			
General Reserve	1150.00		85.40
Proposed Dividend	115.32		99.50
Dividend Tax	19.60		16.91
Balance carried forward	53.61		879.48
Total	**1338.53**		**1,081.29**

Results of Operations

The financial results covered and forming part of this report include 9 month period from July 1, 2007 to March 31, 2008.

As such the accounts for the period ended 2008 shall not be strictly comparable with that of the previous year/s.

The total income from operations of the Company for the period ended March 31, 2008 (9 months) was higher at Rs. 2,704 millions recording an increase of 41% over the previous period on an annualized basis. The income from film processing for the period was at Rs. 634 millions, an increase of 11% on an annualized basis over the previous period.

Income from exhibition rose by 101% to Rs. 1,052 millions on an annualized basis. During the period, the contribution of the exhibition division towards the overall revenues has significantly increased from 22% to 32% of the total revenues.

The contribution of film production and distribution to the total income was Rs. 1,018 millions, an increase of 24% annualized basis over the previous period. The overall net profit of the Company was Rs. 459 millions during the 9 month period ended March 31, 2008.

Dividend

Your Directors have recommended a dividend of 50% (Rs. 2.50 per Equity Share) for the period ended March 31, 2008 and hereby seeks your approval for the same. The total outgo on account of dividend to be paid to shareholders will be Rs.135 Millions (inclusive of Corporate Tax on Dividend) as against Rs. 116 Millions in the previous year.

Business Review

The last year has seen us expanding our position in existing businesses and building leadership positions. Key milestones have been:

- Continued to be the largest cinema chain in India with 166 screens across the nation
- International presence with Cinemas in USA

- State-of-the-art 4K DI Lab set up and operational from April 2008
- Set up India's first DCI grade Digital Cinema operation with a test bed of 22 screens
- Awarded the 2 lacs sq ft Filmcity Studios on BOT basis for 20 years
- Mumbai Lab processed the highest number of prints ever in one year
- The consolidated cinema revenues grew by 86% on annualized basis
- The film processing and allied services revenue recorded a 16% increase over the previous year on annualized basis
- The content production and distribution business saw a total income growth of 50% on annualized basis

Cinemas

Adlabs continues to be the largest cinema chain with 166 screens across the country. These constitute a healthy mix of premium cinemas such as Adlabs in Noida in India's largest mall, The Great India Place and cinemas in smaller towns such as Warangal, Sivakasi, Tenali etc. Adlabs is committed to providing audiences across India - particularly tier II cities - access to our world-class facilities at competitive rates. Adlabs' strategy is to not only set up new standalone properties and cinemas in malls, but also to take over current properties, renovate and operate them, thereby taking advantage of their considerable existing infrastructure and local brand value.

For megaplexes being planned that will have 3-4 times the capacity than an average multiplex, Adlabs is the preferred choice for all developments with Emaar MGF in Hyderbad, Lucknow, Delhi, Sun Gumberg at Mohali and Ludhiana and Phoenix at Kurla Market City mall, Mumbai.

As part of the initiative to bring new and enhanced experiences to Indian consumers, Adlabs opened India's first 6-D cinema in Agra, near the Taj Mahal.

Further while looking at cinemas as a global business, Adlabs Cinemas recently acquired 220 screens across 28 locations in the US. The chain will play mainstream Hollywood films apart from popular international fare which includes Indian movies and will provide a superior experience of watching movies. The programming mix will also include popular Asian content in Chinese, Japanese and Korean languages catering to the cultural mix in the vicinity.

This will enable Adlabs to directly and efficiently reach not only a large community of over two million Indian consumers with a strong affinity to Indian films in Hindi, Tamil and Telugu but also other Asians in the USA.

Content Services

FILM CO-PRODUCTION & DISTRIBUTION

Several film features have been under development and are slated for completion and release during the current financial year. Some interesting projects lined up are Ram Gopal Varma's *Sarkar Raj*, Vipul Shah's *Singh is Kinng* and Harry Baweja's *Love Story 2050*.

India's much awaited animation film *Sultan-The Warrior* featuring Rajinikanth is under production with Ocher Studios.

FY08 has seen Adlabs successfully distribute films in India and overseas – such as *Dhol, Dhamaal, Jab We Met, Mitti Awaajaan Mardi, Dil Dosti Etc, Khoya Khoya Chand, Kireedam* etc. We also established a pan-India domestic theatrical distribution network which encompasses 85% of the Indian box office, with offices in Mumbai, Delhi (covering Delhi, UP and Punjab), Vijayawada and Hyderabad (covering the Nizam and Andhra territories), Jalandar, Chennai and Amrawati. Adlabs intends to be present in all 14 domestic film territories. We already have well-established offices in the major overseas territories of USA and UK and these will be expanded to include other locations in the future.

Film Services

Adlabs is the market leader, processing the largest number of Hindi films with a record-breaking number of prints. FY08 saw the highest number of prints ever processed by the lab. Process improvement and de-bottlenecking have resulted in a 17% increase in prints per quarter. Long-standing business relationships combined with a technologically advanced lab facility and a well-appointed preview theatre at Film City, Mumbai have made Adlabs the most sought-after film processing laboratory in India, the only one that has been conferred the prestigious Kodak Imagecare accreditation for three years. Adlabs also has an award-winning lab in another significant film market-Chennai, as well as Kolkata, both of which have growing market shares.

In line with Adlabs' plan to become a larger Services company, it commenced its Broadcast Equipment Rental business last year which provides quality equipment for live shows, reality shows and game shows, among other segments. The business is being scaled up to provide support to fiction shows as well which are a lucrative segment.

Adlabs is also in the process of developing an international standard studio complex with world class shooting facilities within Film City in Mumbai.

Other Initiatives

FM RADIO

The Company launched its Private FM Radio stations under the name of BIG 92.7 FM in various cities in India. The Company had bid successfully for 45 stations under the FM Radio Broadcasting Phase II, out of which 44 stations were made operational during the current financial year. In terms of number of licenses, BIG 92.7 FM is amongst the largest radio station networks in the country. As per RAM (Radio Audience Measurement), BIG 92.7 FM is already among the Top 2 stations in each of the 3 markets currently under measurement in just 18 months of launch.

The FM radio stations are located in diverse regions in India and the Company has been successful in attracting local listeners in each of these markets. The Company's superior understanding of audience preferences enables the Company to provide content that is customized to their taste, language and culture.

TELEVISION

Synergy Adlabs has established itself as a leader in the television content space having produced some of the biggest and best-known shows on Indian television this year such as *Kya Aap Paanchvi Pass Se Tez Hain*, *Dus ka Dum* and the second season of *Jhalak Dikhlaa Jaa* among others. Other channel-driver shows produced this year are *Angrezi Mein Kehte Hain* on NDTV Imagine, *Bollywood ka Boss* on Sahara One and a foray into drama with *Jiya Jale* on 9X which became one of the top rated shows for the channel.

NEW BUSINESSES

Adlabs has opened a new state-of-the-art digital laboratory to complement its processing business within the same premises at Film City, Mumbai. The Digital Laboratory, which would be catering largely to the film industry, offers the best in class end-to-end digital post production services. Since the short period of its opening for business, the DI Lab has been able to garner some significant projects.

Adlabs is proposing to enter digital content distribution for films and is in the process of rolling out 2K DCI-grade Mastering and Installation, as well as infrastructure connectivity through fiber optics and satellite. Adlabs has built an international team of expert professionals to spearhead the expansion and look to exploit the huge potential of digitalization in a market hampered by disorganization and piracy.

Credit Rating

The Company's proposed short term borrowing programme was assigned a rating of A1+ by ICRA Limited. This is the highest credit rating assigned by ICRA to short term debt instruments.

Acquisition

During the year on December 20, 2007, Adlabs Films Limited has increased its stake to 100% in its Joint Venture Company Runwal Multiplex Private Limited, which owns and operates the multiplex R-Adlabs in Mulund, Mumbai.

Amalgamation & Merger

Katch 22 Entertainment Pvt. Limited

Katch 22 Entertainment Pvt. Limited, a wholly owned subsidiary of Adlabs Films Limited amalgamated with the Company effective April 1, 2006 pursuant to the order passed by the Honourable High Court of Judicature at Bombay on September 14, 2007 which was filed with the Registrar of Companies, Maharashtra on October 9, 2007.

Rave Entertainment Pvt. Limited

On December 12, 2007, the Honorable High Court of Judicature at Allahabad sanctioned the Scheme of arrangement for the demerger of the Rave Entertainment Private Limited (REPL) i.e. the demerged company and Rave Real Estate Private Limited (RREPL) the resulting company. This was filed with the Registrar of Companies, Uttar Pradesh on December 29, 2007 which is the effective date of the Scheme.

Adlabs Films Limited had acquired the right to conduct the cinema exhibition business of six properties of Rave Entertainment Private Limited which was subject to the aforesaid demerger. Pursuant to the said order taking effect, REPL became a wholly owned subsidiary of Adlabs Films Limited and the results of the operations of REPL per se with effect from April 1, 2007 are included in the consolidated results of Adlabs Films Limited.

Modified Composite Scheme of Amalgamation and Arrangement between Adlabs Films Limited and Entertainment One (India) Limited and Mukta Adlabs Digital Exhibition Pvt. Ltd and Reliance Unicom Limited.

The Original Scheme of Amalgamation between Adlabs Films Limited and Entertainment One (India) Limited (EOIL) and Mukta Adlabs Digital Exhibition Pvt. Ltd (MADEL) and Reliance Unicom Limited (RUL) had received the approvals of all the concerned parties viz; Shareholders, Creditors, Stock Exchanges and the Regulatory Authorities such as the Regional Director and the Official Liquidator. The said Scheme was also sanctioned by the Hon'ble High Court of Judicature at Bombay on September 15, 2006.

However as the demerger of Radio Business of the Company necessitated vesting of licenses for operation of Radio Business in favor of Reliance Unicom Limited which required the approval of Ministry of Information and Broadcasting, the Company had made an application for approval to the Ministry of Information and Broadcasting. The Company did not receive the said approval.

In view of the above it was not possible for the Company to give effect to the demerger of the Radio business as provided in the Original Scheme. It was therefore proposed to give effect only to the amalgamation of EOIL with the Applicant Company and Demerger of Digital Cinema Business of MADEL into the Applicant Company and not give effect to the demerger of radio business of the Applicant Company into RUL from the Scheme.

Accordingly, pursuant to the provisions of Section 392(1)(b) of the Companies Act, 1956, the Company had sought the sanction of the Hon'ble Bombay High Court to modify the Scheme which was approved by the Board of Directors of the Company on February 13, 2008.

Pursuant to the above, Adlabs Films Limited, on March 7, 2008, received the sanction of the Hon'ble Bombay High Court to modify the "Scheme" thus enabling the Company not to give effect to the demerger of its radio business into Reliance Unicom Limited. As a result the radio business continues to be part of your Company's business and the financial statements of RUL are consolidated with the financial statements of your Company.

The High Court Order for approval to the Modified Scheme was filed with the Registrar of Companies on March 31, 2008, which is the date of giving effect to the Modified Composite Scheme.

Subsidiaries

As required under Section 212 of the Companies Act, 1956, the audited statement of accounts, along with the report of the Board of Directors and the respective Auditors' Report thereon of all the subsidiaries for the financial year ended March 31, 2008 are annexed together with the statement relating to the Company's interest in the subsidiary companies. Further pursuant to Accounting Standard AS-21 issued by Institute of Chartered Accountants of India, Consolidated Financial Statements presented by the Company include financial information of its subsidiaries.

Name Change of Subsidiaries

The names of two of your Company's subsidiaries viz. Mukta Adlabs Digital Exhibitions Private Limited and Runwal Multiplex Private Limited have change to Adlab Multiplexes and Theatres Private Limited on May 1, 2008 and Adlabs Multiplex Private Limited on May 9, 2008 respectively.

Business Outlook

The Reliance ADA Group has identified Media and Entertainment as one of the thrust areas of the group and is making significant investments and commitments covering filmed entertainment, television broadcasting and platforms such as Direct to Home.

As an integral element of the group, Adlabs enjoys the support from the Group in respect to all its forays.

The Entertainment and Media (E&M) industry is in a phase of steady growth, supported by the stable economic growth in the country. Once again, the E&M industry has outperformed the Indian economy as well as most other industries.

The industry recorded a growth of 17% over the previous year, higher than the forecasted growth of 15% projected in the previous year. The Indian E&M industry estimated at Rs. 513 billion in 2007, is projected to grow at 18% CAGR for the next 5 years to reach Rs. 1.157 trillion in 2012 (Indian Entertainment & Media Industry Report 2008 by Federation of Indian Chambers of Commerce and Industry and PricewaterhouseCoopers).

Adlabs is an established leader in the business and is well positioned to benefit from the expansion of the industry.

Awards/Achievements

- Adlabs Cinemas was named "Most Admired Retailer in Entertainment" Award at the Images Retail Awards 2007.

- The Mumbai Processing Lab received the Filmfare Award for Best Cinematography in 2007 for *Chak De India* (Hindi).
- The Processing Lab in Chennai was awarded the South Indian Cinematographers Association (SICA) Award for "Best Colour Laboratory" in Chennai for 2007.

Conversion of Foreign Currency Convertible Bonds to Equity Shares(FCCBs)

During the year Company converted 63,350 FCCBs into 63,25,420 Equity shares of Face value Rs.5/- each at premium of Rs.538.42 per share pursuant to Notices received from Bondholders up to March 31, 2008. Each Bond of Face value € 1000 was converted at a fixed exchange rate of € 1 equivalent to Rs. 54.26.

Directors

Shri Manmohan Shetty, Chairman and Managing Director and Ms. Pooja Shetty, Wholetime Director resigned from their respective offices effective November 30, 2007.The Board places on record its sincere appreciation towards the contribution made by Shri Manmohan Shetty and Ms. Pooja Shetty during their tenure in the Company.

In accordance with the provisions of the Companies Act, 1956 and the Articles of Association, Shri Gautam Doshi and Shri Sujal Shah being longest in office retire by rotation and being eligible, offer themselves for reappointment.

A brief profile, expertise and details of other directorships of these Directors have been furnished in the section on Corporate Governance elsewhere in the Annual Report.

Directors' Responsibility Statement

In terms of provisions of Section 217(2AA) of the Companies Act, 1956, with respect to the Director's Responsibility Statement, it is hereby confirmed:

- that in the preparation of the annual accounts, the applicable accounting standards have been followed and that no material departures have been made for the same;
- that they 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 31st March, 2008 and of the profit of the Company for the year under review;
- that they have taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 1956, for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities;
- that they have prepared the annual accounts on a "going concern" basis.

Consolidated Financial Statements

The Audited Consolidated Financial Statements for the year under review ended March 31, 2008 is annexed to this Report. The reports and standalone audited accounts of all subsidiary companies along with statement pursuant to Section 212 of the Companies Act, 1956 containing full details of the performance also form part of this Annual Report. These statements have been prepared on the basis of audited financial statements received from the subsidiary companies as approved by their respective Boards.

Auditors

M/s. BSR & Co., Chartered Accountants, Auditors of the Company, hold office until the conclusion of the ensuing Annual General Meeting and are eligible for reappointment. The Company has received a letter from M/s. BSR & Co., Chartered Accountants, to the effect that their reappointment, if made, would be within the prescribed limits under Section 224(1B) of the Companies Act, 1956 and they are not disqualified for such reappointment within the meaning of the Section 226 of the said Act.

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

Management Discussion and Analysis

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

Transfer of Unclaimed Dividend to Investor Education Protection Fund (IEPF)

Pursuant to the provisions of Section 205A of the Companies Act, 1956 the dividend declared by the Company in respect of the financial year 2001 which has remained unpaid and unclaimed for a period of seven years amounting to Rs.19,477/- shall be transferred to the Investor Education Protection Fund (IEPF) established by the Central Government pursuant to Section 205C of the said Act.

Disclosure of Particulars

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

Particulars of Employees

In terms of the provisions of the Section 217(2A) of the Companies Act, 1956 read with the Companies (Particulars of Employees) Rules 1975, as amended, name and other particulars of employees are required to form part of this Directors' Report. However, as per the provisions of the Section 219(1)(b)(iv) of the Companies Act, 1956, the Annual Report and the accounts are being sent to all shareholders of the Company and others entitled thereto excluding the aforesaid information. Any Shareholder interested in obtaining such particulars may write to the Company at its Registered Office.

Internal control system and their adequacy

The Company has effective internal control procedures commensurate with its size and nature of business to ensure that all its assets are safeguarded against losses, unauthorized use and that its transactions are recorded appropriately and reported correctly.

The Company's Internal Auditors viz. Mahajan & Aibara Associates have been conducting regular internal audits and checks to ensure that responsibilities are executed effectively. The audit committee of the Board of Directors actively reviews the adequacy and effectiveness of internal control systems and suggestion for improvement in the system from time to time.

Corporate Governance

A Report on Corporate Governance as stipulated by Clause 49 of the Listing Agreement along with a certificate of compliance from Practising Company Secretary, is included as part of the Annual Report.

The Company has complied with the mandatory provisions of Corporate Governance as prescribed in Clause 49 of the Listing Agreement with the Stock Exchanges. The Company has implemented a Code of Conduct for all its Board Members and senior management of the Company who have affirmed compliance thereto. The said Code of Conduct has also been posted on the Company's website.

Human resources

The Company's most valuable asset and strength, its human resource is built up over the period of time. The Company is continuously facilitating their assessment procedure to progress rapidly as an organization. The Company's employee relations were harmonious during the period under review.

Acknowledgement

Your Directors would like to express their sincere appreciation and gratitude for the cooperation and assistance from its 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 contribution and commitment displayed by its employees.

On behalf of the Board

Amit Khanna
Director

Gautam Doshi
Director

May 29, 2008
Mumbai.

ANNEXURE TO THE DIRECTORS' REPORT DISCLOSURE OF PARTICLUARS

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

CONSERVATION OF ENERGY & TECHNOLOGY ABSORPTION

The Company was engaged in processing & trading activities and had no direct manufacturing activities during the 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 13 of Schedule 22 to the Accounts forming part of the Balance Sheet.

On behalf of the Board

Amit Khanna
Director

Gautam Doshi
Director

May 29, 2008
Mumbai.

ANNEXURE TO DIRECTORS' REPORT

MANAGEMENT DISCUSSION AND ANALYSIS

Indian Economy- An Overview

India today is a major emerging global market. During FY08, India's Gross Domestic Product (GDP) grew at an estimated 8.7% on top of a growth of 9.6% in the previous year making it one of the best performing economies in the world (National Council for Applied Economic Research). Over the next 2-3 years, India is predicted to maintain a healthy growth rate of 8.5-8.9 per cent. The BRIC report by Goldman Sachs predicts that India's economy will become the third largest in the world by 2032, ranking just after the US and China.

Indian Entertainment and Media Industry

The Indian Entertainment and Media industry has out-performed the Indian economy and is one of the fastest growing sectors in India. In 2007, the Indian media and entertainment industry grew 17% over the previous year, touching US$11.92 billion according to a 2008 joint report by Federation of Indian Chambers of Commerce and Industry (FICCI) and PricewaterhouseCoopers (PWC). It is rising on the back of economic growth and increasing income levels that India has been experiencing in the past years. This is significantly benefiting the entertainment and media industry in India.

The eighth PwC Global Entertainment and Media Outlook ranked India as the fastest growing market in the world for spends in entertainment and media in the next five years. India will be one of the key drivers in pushing the global entertainment and media industry. With a CAGR of 18.5%, the E&M industry is already the fastest growing in Asia-Pacific.

An added advantage to the entertainment and media industry in India is from the demographic point of view where consumer spending is rising due to increasing disposable incomes on account of sustained growth in income levels and reduction of personal income tax over the last decade.

Another major boost comes from the Government which has permitted 100% foreign direct investment (FDI) for the entire film value chain including financing, production, distribution, exhibition and marketing as well as television content, subject to a few conditions.

As per the data released in IRS 2007, in the last four years, India's population has grown by 92 million individuals, i.e. a growth of 12.5%. Of this, the media audience has increased by 86 million individuals, i.e. a growth of 18.4%. High growth in television and FM radio listeners is driving this growth.

Key Drivers of the Indian Media & Entertainment Industry

- Increase in income levels
- Rising aspiration levels
- Increase in spending power
- Increase in the number of urban working class
- Rising percentage of young population
- Growing middle class
- Foreign investment
- Better content
- Easing of Government regulations
- Technology & talent

Filmed Entertainment

The Filmed Entertainment and Television segment, which is Adlabs' core area of business operation, dominates the E&M industry followed by the Print, Radio and the Music segments.

With over three billion admissions per annum, India is clearly the leader in the Global Filmed Entertainment segment. This industry which was worth $2.12 billion in 2006, is estimated to grow at a CAGR of 16% to $4.42 billion in 2011. The immense popularity of films as a source of entertainment and the vast cultural diversity of the Indian population has also been instrumental in making India the largest producer of films in the world with close to 1000 films made every year.

The opening of the film industry to foreign investment, coupled with the granting of industry status to this segment has had a favourable impact, leading to many global production units entering the country. Simultaneously, advancements in technology along with a rise in consumer income and change in consumption patterns have led to a massive shift in all spheres of the film industry.

One perceptible change has been the rapid growth of multiplexes, which meets consumer demand for quality entertainment and has also helped boost production of niche films targeted at niche audiences.

With the growing popularity of Indian content in the world market in general and South Asians in particular, Indian distributors are building networks abroad to tap this booming segment. For example, in 2007, of the top 20 foreign films in the UK, 14 were Indian. These 14 were part of a total 69 Indian films that constituted 13.7% of all releases. In fact, a report by CII-AT Kearney estimates that the share of international box office collections is estimated to increase from 8% in 2006 to 15% in 2010. Another recent estimate puts the total value of Indian content sold overseas at over $200 million and this number is expected to grow by 20% every year.

Exhibition:

The nation's multiplex industry is all set for an unprecedented boom buoyed by positive regulatory changes and booming consumerism. Multiplexes/ megaplexes have been instrumental in contributing 28% of the total theatrical sales for the industry according to a report by Systematix Institutional Research.

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). Though the number of admissions is the highest in the world, when one compares the number of screens available for India's population, the average is relatively low as compared with the other countries. With around 12,000 theatres in the country that are mostly single-screen, the average screen density works out to be only 123 screens (per million population) compared to the UK which has 30 screens (per million population). Even if a gap of just 8 screen average (as per the UNESCO Report of 2001, quoted in the CII-KMPG Report 2005) is considered, there is a potential demand of about 8,000 additional screens in the country.

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 an opportunity for companies to take 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. Such companies also retain the right to monitor their ticket collections, and having retained a share, are able to recover their investments faster than if they had opted to set up a new theatre.

South Asians in the US are also under-serviced indicating a potential for more screens dedicated to the Asian community in this market. USA accounts for 30% of overseas theatrical revenues for Indian films which are also watched by Indians, Pakistanis and Bangladeshis.

Digitization

Cinema has increasingly become more technology-centric in other aspects as well. Not only is computer graphics imaging or 3D animation picking up, live action film content itself is going digital with more graphics and visual effects.

Today there is an increased use of the Digital intermediate (DI) technology in Indian films. DI involves a process whereby a film gets converted to digital format and affords more control of colours and images as well as room for the adjustment of image structures. This process helps in maintaining the consistency of the film and allows the director and cinematographer much greater flexibility in film-making as well as a reduction in costs since several inconsistencies can be corrected without having to reshoot raw stock.

DI is the first step for Digital Cinemas which are compliant to DCI standards set by Hollywood.

Adlabs has thus ensured that it invests in both these businesses.

In 2007, the Indian post-production industry was estimated at Rs. 1000 crore (Source: ICICIdirect.com), a 100% rise over the previous year. It further states that International outsourced work and mainstream films which was at Rs 65 crore of the total market in 2006, is estimated to grow to Rs 400 crore. Newer revenue streams such as brand merchandising and in-film advertising have increased spending on visual effects and post-production. The average budget for post- production and visual effects is expected to rise from 15% to 25%, the report says.

Television

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 the investor who still believes that there is room for more, keeping in consideration the potential to effectively reach a larger number of eyeballs than any other medium can capture. Some new channels that have come up include NDTV Imagine, 9X and CNN IBN. Furthermore, while mass entertainment Hindi and regional language channels attract almost 80% of the total TV viewership, niche channels like news and sports have also gained ground (Source: TAM Media Research). As a result, around 50 new channels are being added each year. Moreover, the penetration of pay TV is still low which promises a huge untapped potential for growth. This has given rise to the serious demand for quality content which still needs to be tapped to its fullest.

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.

COMPANY'S FINANCIAL PERFORMANCE

Segment Wise Analysis

1. Cinemas

   Income from theatrical distribution during the financial year amounted to Rs. 1051 millions. This substantial increase is due to an expansion on properties across the country. Adlabs is the largest cinema chain in the country with 166 screens in India.

2. Content: Film Production & Distribution

   Revenues from this division contributed to Rs. 1,018 millions. Although FY08 has primarily been a year with films under project development, there have been some big releases. The distribution network has also expanded in India as well as overseas. In the coming year, Adlabs has a slate of top films for release and its distribution network is continuously expanding to maximize benefits.

3. Processing & allied services

   Income from Processing amounted to Rs. 634 millions. Adlabs has maintained its dominant position in Bollywood processing the highest amount of prints ever in a year, with a 70% market share. The geographical expansion into Chennai and Kolkatta has also been fruitful, with Chennai lab winning an award this year.

Business Outlook

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

OPPORTUNITIES AND THREATS

Opportunities

- The Punjab government has given a major push to the concept of megaplex granting a 10-year tax exemption to companies that set up "mega" malls of one million square feet and megaplexes comprising a minimum of 10 screens. Through this opportunity, multiplexes are seeing the potential of providing new forms of content such as regional films, world cinema, sporting events etc.
- 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 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.

- Indian cinemas are considerably under-serviced with 300-400 celluloid prints being produced for approximately 12,000 cinemas in the country. Digital cinema has proven to be a high-quality, cost-effective and speedy way to ensure larger audiences. The digitization process will also curb piracy which is rampant, particularly in 'B' and 'C' class cities which are not able to access film prints as early as 'A' class cities.
- 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 major sports events, such as the Indian Premier League cricket tournament.
- 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.

RISKS AND MITIGATION MEASURES

Each division faces specific risks. Hence these have been broadly classified by the various divisions as below:

CINEMAS

Adlabs is in the process of expanding its network of cinemas both in India and overseas, and also refurbishing existing cinemas throughout India. 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.

In India, Adlabs has a dedicated Projects team that focuses on timely completion of signed properties. Having established the largest number of cinemas across India, the Company is in a strong position to control the execution and completion to a large extent. Similarly, Adlabs has acquired managing and controlling interest in a US-based theatre management firm Phoenix Theatres LLC, with several man years of experience, to facilitate set-up and operations of the US cinemas.

Adlabs' ability to attract the public to its cinemas depends on the films' quality and popularity. If the film industry fails to produce content which has widespread audience appeal, the number of patrons attending the cinemas will 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 a material adverse effect on the Group'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 movies on a consistent basis, thus feeding compelling content to the moviegoer. Better distribution strategy will also ensure that the correct movies reach audiences in time.

CONTENT & DISTRIBUTION

Adlabs collaborates with various external providers to produce films and, as such, its film production business is subject to any adverse developments affecting such external providers.

Creativity is not a quantifiable resource. As such, there is no assurance that the films and TV programmes produced or films distributed will be successful with the audience. Moreover, Adlabs faces competition within the India as well as international entertainment businesses entering the sector.

Adlabs executes tight controls, checks and balances including insurance against cost over runs and project delays. Also, tie-ups with a number of quality producers have reduced the risks associated with a single or few creative content providers.

Acquisition of external content for distribution, both in domestic as well as overseas markets, carries the risk of misjudgment; for example, while a particular film may do well at the local box office, the same may not be the case overseas.

Films are acquired for distribution after due internal deliberation and debate, gaining from the considerable experience Adlabs has in this area. Furthermore, a consistent line-up of movies throughout the year has enabled better economies of scale and optimal utilization of infrastructure such as overseas offices of manpower.

The legitimate business in the overseas market has been adversely affected due to piracy and is expected to continue to do so for some time. In an environment characterized by technological evolution in the distribution platforms such as the Internet, mobile etc, it is imperative for content producers like Adlabs to plan and develop dis-intermediating distribution infrastructure to open up avenues for optimal exploitation and realization of distribution revenues over the short, medium and long term. Adlabs is looking at further dis-intermediation of the international markets by developing new office locations covering the Asia Pacific region as well as developing human resources to exploit non-traditional distribution rights.

SERVICES

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 has taken concrete 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.

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 top-line is de-risked from the impact of the 'digital revolution'.

The Equipment Rental and Digital Lab businesses are new and the Studios and Digital Cinema business is in the investment phase. We believe that the potential of these markets as well as Adlabs' long-term relationships, quality consciousness and support from other divisions will ensure their accretion to shareholder value.

On behalf of the Board

Amit Khanna	**Gautam Doshi**
Director	Director

May 29, 2008
Mumbai.

ANNEXURE TO DIRECTORS' REPORT

REPORT ON CORPORATE GOVERNANCE

1. COMPANY'S PHILOSOPHY ON CODE OF CORPORATE GOVERNANCE

Your Company believes good governance is critical to sustaining corporate development, increasing productivity and competitiveness. The governance process should ensure that the available resources are utilized in a manner that meets the aspirations of all its stakeholders. Your Company's essential charter is shaped by the objectives of transparency, professionalism and accountability. The Company continuously endeavours to improve on these aspects on an ongoing basis. The Company has and will always focus on long term value creation for all its shareholders, employees, customers, creditors and regulatory bodies.

A report on the implementation of the Corporate Governance requirements stipulated by Clause 49 of the Listing Agreement by the Company is furnished herewith.

2. BOARD OF DIRECTORS

Composition of Board of Directors & membership of Board Committees

At present the Board of Directors of the Company comprises of Six Directors and all of which are Non-executive and four of them are Independent Directors. The composition of the Board is in compliance of the requirements set forth by Clause 49 of the Listing Agreement.

Reconstitution of the Board of Directors during the nine month period ended March 31, 2008 under review

Shri Sujal Shah and Shri Amit Khanna were appointed as Additional Directors with effect from April 26, 2007. Shri Pradeep Shah, Shri Anil Sekhri and Shri Darius Kakalia were appointed as Additional Directors with effect from September 13, 2007. At the Company's last Annual General Meeting held on October 25, 2007, Shri Sujal Shah, Shri Amit Khanna, Shri Pradeep Shah, Shri Anil Sekhri and Shri Darius Kakalia were reappointed as Directors of the Company.

Shri. Manmohan Shetty, Managing Director and Ms. Pooja Shetty, Wholetime Director of the Company resigned effective November 30, 2007. Pursuant to their resignation, the Company was required to comply with the provisions of Section 269 of the Companies Act, 1956 and appoint Managing Director or Wholetime Director or Manager.

The Board therefore took the necessary steps for the said appointment and has in its Meeting held on January 30, 2008 appointed the Company Secretary Ms. Kirti Desai as Manager to be designated as Company Secretary and Manager of the Company.

The names of Members of the Board of Directors as on March 31, 2008, their attendance at the Company's Board Meetings and last Annual General Meeting and number of Directorships/Committee Memberships in other Companies during the period under review are detailed below:

Name of Director	Category of Directorship	No. of Board Meetings attended during the period under review	Attendance at the last AGM held on October 25, 2007	Number of Directorship in other public limited companies as on March 31, 2008	No. of Committee positions held in other public limited companies as on March 31, 2008		No. of shares/ convertible instruments held in the Company as on March 31, 2008
					Member	Chairman	
Shri Gautam Doshi	NED (NI)	3	Yes	10	8	1	—
Shri Amit Khanna	NED (NI)	3	Yes	2	—	—	—
Shri Sujal Shah	NED (I)	4	Yes	3	1	1	—
Shri Darius Kakalia	NED (I)	3	No	2	1	—	—
Shri Pradeep Shah	NED (I)	3	Yes	—	—	—	—
Shri Anil Sekhri	NED (I)	2	Yes	—	—	—	—

Notes:

a) NED(NI)- Non-Executive Non-Independent, NED(I)- Non-Executive Independent.

b) Committees include Shareholders/Investor Grievance Committee and Audit Committee.

Board Meetings

During the nine month period ended on March 31, 2008, four Board Meetings were held and the gap between two meetings did not exceed four months.

The dates on which the Board Meetings were held are as follows: July 16, 2007, September 13, 2007, October 29, 2007 and January 30, 2008.

Information on Directors' appointment/ re-appointment of Directors

In accordance with Section 255 and 256 of the Companies Act, 1956, and pursuant to the provisions of Articles of Association of the Company, Shri Gautam Doshi and Shri Sujal Shah, Directors, being longest in office are liable to retire by rotation and being eligible offer themselves for reappointment.

Brief resume of Directors being re-appointed/appointed at the ensuing Annual General Meeting, nature of their expertise in specific functional areas and names of the Companies in which they hold Directorship (except Directorship held in Private Limited Companies and Section 25 Companies) and the Membership of Committees of the Board is furnished hereunder:

Shri Gautam Doshi started out as a practicing Chartered Accountant and partner of M/s Bansi Mehta between 1978 and 1991. He was elected for three consecutive terms to the Western India Regional Council of the Institute of Chartered Accountants of India and was its Chairman for the year 1982-83. Shri Doshi was elected for two consecutive terms to the Council of the Institute of Chartered Accountants of India between 1991 and 1997. Shri Doshi joined RSM & Co. as a partner in 1997 and continued as a partner and also as Director of Ambit Corporate Finance Pte. Ltd. till 2005. Shri Doshi is on the Board of Reliance Anil Dhirubhai Ambani Group Ltd., Reliance Telecom Limited, Garware Polyester Ltd., Sterlite Industries (India) Ltd., Reliance Communications Infrastructure Ltd., Reliance Life Insurance Company Limited, Reliance Big TV Ltd., Reliance Asset Reconstruction Co. Ltd., Sonata Investments Ltd., and Piramal Life Sciences Ltd.

Shri Gautam Doshi is a member of Audit Committee of Reliance Big TV Limited, Reliance Communications Infrastructure Limited, Reliance Life Insurance Company Limited, Reliance Telecom Limited, and Sonata Investments Limited. He is currently the Chairman of the Audit Committee of Sterlite Industries (India) Limited and Piramal Life Sciences Limited. He is member of Investor Grievance Committee of Reliance Telecom Ltd.

Shri Sujal Shah is a qualified Chartered Accountant having a post qualification experience of 17 years. He has recently started his own practising firm SSPA & CO., Chartered Accountants, before which he was a partner with M/s N.M. Raiji & Co. and M/s Dalal & Shah, Chartered Accountants handling the Corporate Consultancy practice. His main areas of practice are mergers & acquisitions, restructuring of companies, valuation of business / shares, due diligence review, etc.

He has also written papers on subjects of Valuations and Restructuring for WIRC of Institute of Chartered Accountants of India and Bombay Chartered Accountants' Society (BCAS). He is a regular contributor to the Referencer published by the BCAS. He is Hon. Treasurer of the Chamber of Tax Consultants for the year 2007-08.

In the past, he has addressed various seminars and conferences on subjects such as Mergers & Acquisitions, Valuations, Due Diligence Reviews, Auditing and Assurance Standards etc..

Shri Shah is an independent professional Director on the Board of Reliance Asset Reconstruction Company Limited, Gitanjali Gems Limited, Keynote Corporate Services Limited, Dawnay Day AV Trustee Company Private Limited, Elbee Express Private Limited and i-Process Services Private Limited.

Shri Sujal Shah is Chairman of Audit Committee in Gitanjali Gems Limited and also has been appointed recently on the Audit Committee of Reliance Asset Reconstruction Co. Ltd. as the Chairman.

3. AUDIT COMMITTEE

The Audit Committee presently comprises of four non-executive Directors viz, Shri Sujal Shah, Shri Pradeep Shah, Shri Gautam Doshi and Shri Anil Sekhri.

Shri Sujal Shah, an Independent Non-executive Director is the Chairman of the Committee. He is a reknowned Chartered Accountant and has accounting and related financial expertise. Ms. Kirti Desai, Company Secretary and Manager acts as the Secretary to the Committee. The representatives from the Statutory Audit Firm, Internal Audit Firm and the Chief Financial Officer are invitees to the Committee meetings.

During the financial period under review ended March 31, 2008, four meetings of Audit Committee were held on following dates: July 16, 2007, September 13, 2007, October 29, 2007 and January 30, 2008.

Attendance at the meeting of the Audit committee held during July 1, 2007 to March 31, 2008 was as follows:

Members	Category	Meetings Attended
Shri Sujal Shah (Chairman)	Non Executive and Independent	4
Shri Pradeep Shah	Non Executive and Independent	2
Shri Gautam Doshi	Non Executive and Non Independent	3
Shri Anil Sekhri	Non Executive and Independent	1

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:

1. Overseeing of the Company's financial reporting process and ensuring that the quarterly/annual financial statements are true, correct and credible.
2. Recommending to the Board appointment, reappointment, replacement/removal of the Statutory Auditors, fixation of their remuneration and approval for payment for any other services rendered by statutory auditors.
3. Reviewing financial reports with particular reference to matters included in Directors' Responsibility Statement in terms of Section 217(2AA) of Companies Act, 1956, changes in accounting policies, practices, reasons for the same.
4. Reviewing major accounting entries, significant adjustment in financial statements, compliance with listing and other legal requirements, disclosures of related parties transactions and qualifications by auditors in the draft audit report.
5. Holding periodical discussion with Statutory Auditors and Internal Auditors of the Company concerning accounts of Company, internal control systems, scope of audit and observations of the Statutory/Internal Auditors.
6. Reviewing the compliance with internal control system.
7. Making recommendation to the Board on any matter relating to financial management of the Company including Audit Report.

The Audit Committee reviews besides other items the Management Discussion and Analysis Report, Report on significant related party transactions, letter on internal controls and weaknesses by the statutory auditors and internal audit reports.

4. REMUNERATION COMMITTEE

The Remuneration Committee has the following members- Shri Darius Kakalia is the Chairman of the Committee and Shri Gautam Doshi, Shri Anil Sekhri and Shri Amit Khanna, are the members of the Committee.

The Committee's scope of work ranges from nominating Directors on the Board, evaluating performance of Executive Directors and laying down guidelines for remuneration package thereof.

Directors' Remuneration Policy

The details of the remuneration paid to the Board of Directors were within the permissible limit and as approved by the Members in the AGM.

The details of Remuneration/Sitting fees paid to directors during the nine month period ended March 31, 2008 was as follows:

Sr. No.	Name	Position	Sitting Fees (in Rs.)	Salary (in Rs.)	Contri-bution to P.F. (in Rs.)	Perquisites (in Rs.)	Commission (in Rs.)	Total (in Rs.)
1	Shri Gautam Doshi	Director	45,000	–	–	–	–	45,000
2	Shri Amit Khanna	Director	30,000	–	–	–	–	30,000
3	Shri Sujal Shah	Director	60,000	–	–	–	–	60,000
4	Shri Darius Kakalia	Director	30,000	–	–	–	–	30,000
5	Shri Pradeep Shah	Director	40,000	–	–	–	–	40,000
6	Shri Anil Sekhri	Director	25,000	–	–	–	–	25,000
7	Shri Manmohan Shetty *	Managing Director	–	25,49,880	1,80,000	88,86,645	–	1,16,16,525
8	Ms. Pooja Shetty *	Whole Time Director	–	4,50,000	36,000	–	–	4,86,000

*Shri. Manmohan Shetty and Ms. Pooja Shetty resigned effective November 30, 2007, hence remuneration stated above is only for a part of the nine month period ended March 31, 2008.

Notes:

1. The Company has not entered into any other pecuniary relationship or transactions with non-executive Directors.
2. Presently Company does not have stock option scheme for any of its Directors.
3. Other than sitting fees, no payments are made to the Non Executive Directors.

Details of remuneration paid to manager during the financial nine month period ended March 31, 2008

The Board appointed Ms. Kirti Desai as Manager under Companies Act, 1956 with effect from January 30, 2008 for a period of three years. Pursuant to the said appointment, the aggregate value of salary, allowances and perquisites including Company contribution to the Provident Fund paid to Ms. Kirti Desai, Manager upto the period ended March 31, 2008 was Rs.1,35,608.47.

5. SHAREHOLDERS / INVESTORS GRIEVANCE COMMITTEE

Composition

The Shareholders/Investors Grievance Committee of the Company currently comprises Shri Gautam Doshi, Chairman and Shri Pradeep Shah. The Committee looks into redressal of the Shareholders/Investors Grievances and related matters.

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

Terms of reference:

1) Review the existing investor redressal system and suggest measures of improvement
2) Resolution of investor grievances/complaints

During the period ended March 31, 2008 three meetings of Shareholders/ Investors Grievances Committee were held on following dates: September 13, 2007, October 29, 2007 and January 30, 2008.

Attendance of members at the meeting of the Shareholders/ Investors Grievances Committee held during the period under review is :

Members	Category	Meetings Attended
Shri Gautam Doshi	Non Executive and Non Independent	3
Shri Pradeep Shah	Non Executive and Independent	2

Ms. Pooja Shetty ceased to be member of the Shareholders/ Investors Grievances Committee, consequent to her resignation as Wholetime Director of the Company on November 30, 2007.

Further during the period under review, Company received 18 complaints from shareholders, relating to matters regarding non receipt of dividend warrants and/or annual reports posted by the Company, change of address and bank details, request for revalidation of expired dividend warrants and all of these have been attended to.

At the close of the period there was no complaint remaining unattended to.

6. SHARE TRANSFER COMMITTEE

Presently the Share transfer Committee comprises of Shri Venkat Devarajan, Chief Financial Officer and Ms. Kirti Desai, Company Secretary and Manager.

The physical transfer and other requests from shareholders are processed by the Registrar and Transfer Agents viz. Intime Spectrum Registry Limited. The Committee meets as and when it is required to approve the physical transfer of shares, transmission of shares, demat/remat requests, etc.

There was no pending transfer at the close of the nine month period ended March 31, 2008 under review.

7. GENERAL BODY MEETINGS

The Company's last three Annual General Meetings were held as follows:

Date	Venue	Time	No. of Special Resolution Passed
October 25, 2007	Rangsharda Natyamandir, K.C. Marg, Bandra Reclamation, Bandra (West), Mumbai – 400 050.	3.00 p.m.	NIL
July 29, 2006	Rangsharda Natyamandir, K.C. Marg, Bandra Reclamation, Bandra (West), Mumbai – 400 050.	11.00 a.m.	2
September 29, 2005	Adlabs Films Limited, Filmcity Complex, Goregaon (East), Mumbai – 400 065	2.30 p.m	NIL

The resolutions set out in the respective Notices were passed by the Shareholders with the requisite majority.

The Company did not hold any Extra Ordinary General Meetings during the period ended March 31, 2008.

Resolution through Postal Ballot

During the period ended March 31, 2008, there were no resolutions passed through Postal Ballot.

8. DISCLOSURES

All transactions with related parties including transactions of material nature between the Company and its promoters, directors, management, their subsidiaries or relatives etc. if any are disclosed in the Notes to the Accounts forming part of the Annual Report. There were no materially significant related party transactions during the nine month period ended March 31, 2008 having conflict with the interests of the Company.

During the last three years there were no penalties or strictures imposed on the Company by SEBI, Stock Exchange or any statutory authority on any matter related to capital market.

The Non Mandatory requirements under Clause 49 are being complied by the Company need based.

9. STATUS OF COMPLIANCE WITH NON-MANDATORY REQUIREMENTS

The Company has reviewed the Non Mandatory requirements under Clause 49 of the Listing Agreement and these shall be adopted/complied by the Company need based. The Remuneration Committee which is a Non- Mandatory requirement was constituted on April 29, 2004. The details on this have been mentioned earlier in the Report.

The tenure of Independent Director on the Board of the Company shall not exceed, in the aggregate, a period of nine years as stipulated under Clause 49 of the Listing Agreement.

10. MEANS OF COMMUNICATION

The quarterly Unaudited financial results and the annual audited financial results are normally published in the widely circulating national and local newspapers viz. "The Economic Times", "Maharashtra Times", "Free Press Journal" and "Navshakti".

The Company's financial results and official press releases are being displayed on Company's website "www.adlabsfilms.com"

Further, as per the requirements of the Listing Agreement, Company has also posted the financial results, shareholding pattern and other required data on the EDIFAR/Corporate Filing and Dissemination System (CFDS), a portal jointly owned and maintained by BSE and NSE wherein all filings made by the Company with the Exchanges can be viewed. viz., www.corpfiling.co.in

11. GENERAL SHAREHOLDER INFORMATION

I. 21st Annual General Meeting :

Date : August 7, 2008
Time : 3.00 p. m.
Venue : Rangsharda Natyamandir, K.C Marg, Bandra Reclamation, Bandra (West), Mumbai 400 050

II. Financial Calendar:

Financial/Accounting year : July-March 31, 2008 (9 months)
First Quarter Results : End October 2007
Second Quarter Results : End January 2008
Audited Results for the Financial year : End May 2008
Annual General Meeting : August 2008

Henceforth the financial year of the Company which ended on March 31, 2008 this year will be April 1, to March 31, each year.

III. Date Of Book Closure :

Friday, August 1, 2008 to Thursday, August 7, 2008, both days inclusive.

IV. Dividend Payment Date:

On or before Tuesday, August 19, 2008

V. Listing On Stock Exchanges :

The Company's equity shares are listed on:

Bombay Stock Exchange Limited,
Phiroze Jeejeebhoy Towers,
Dalal Street, Mumbai 400 001.

National Stock Exchange Of India Limited,
Exchange Plaza, Bandra-Kurla Complex,
Bandra (East), Mumbai 400 051.

The Company's Zero Coupon convertible Bonds due 2011 are listed on:
Singapore Exchange Securities Trading Limited,
2 Shenton Way, #19-00, SGX Centre 1, Singapore 068804

The annual listing fees have been paid to all Exchanges as applicable.

On January 25, 2006, Company had raised Euro 84 million (F.V of each Bond being Euro 1000) through issue of Zero percent Foreign Currency Convertible Bonds (FCCBs) due 2011. The conversion price of the Bonds having a five year maturity period and zero coupon was fixed at Rs. 543.42 ie. a premium of 50% to the volume weighted average price of Company's shares on the day prior to its issue at Bombay Stock Exchange Limited (BSE). The Bonds are listed on the Singapore Exchange Securities Trading Limited. During the nine month period ended March 31, 2008, Company received conversion requests for 63,350 Bonds, against which 63,25,420 equity shares of face value Rs.5/- each were issued and allotted on conversion.

As on March 31, 2008, 20,650 Zero percent Foreign Currency Convertible Bonds (FCCBs) are outstanding for redemption/conversion.

VI. Stock Code:

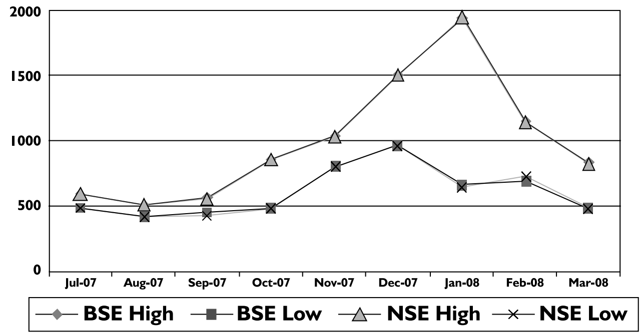
Stock Exchange Mumbai : 532399
National Stock Exchange Limited : ADLABSFILM
ISIN Number for NSDL & CDSL : INE540B01015

VII. Market Price Data:

The high/low market price of the Company's shares in each month during the last financial period under review 2007-08 was :

Month		BSE			NSE		
	BSE Sensex	High (Rs.)	Low (Rs.)	Volume (No. of Shares)	High (Rs.)	Low (Rs.)	Volume (No. of Shares)
July	15,550.99	595.00	488.00	23,10,898	595	489	61,96,317
August	15,318.60	512.50	417.00	12,84,161	510	415	29,68,498
September	17,291.10	564.00	456.10	29,50,385	563.4	425	69,40,942
October	19,837.99	863.30	487.25	1,00,81,022	865	490	2,33,98,147
November	19,363.19	1030.00	802.00	75,29,901	1029.7	802.35	1,67,62,034
December	20,286.99	1495.00	965.25	70,95,983	1496	965	1,68,76,178
January 2008	17,648.71	1945.00	666.00	77,49,401	1939.9	650	2,19,48,510
February	17,578.72	1148.00	700.00	73,36,853	1144.7	727	2,01,74,208
March	15,644.44	835.00	485.00	1,40,97,632	829.1	485.5	3,34,19,584

Comparative High Low price on BSE & NSE



VIII. Registrar & Share Transfer Agent:

Intime Spectrum Registry Ltd.,
C-13, Pannalal Silk Mills Compound,
L.B.S Marg, Bhandup,
Mumbai-400 078
Tel : (22) 25963838
Fax: (22) 25946969

IX. Share Transfer System :

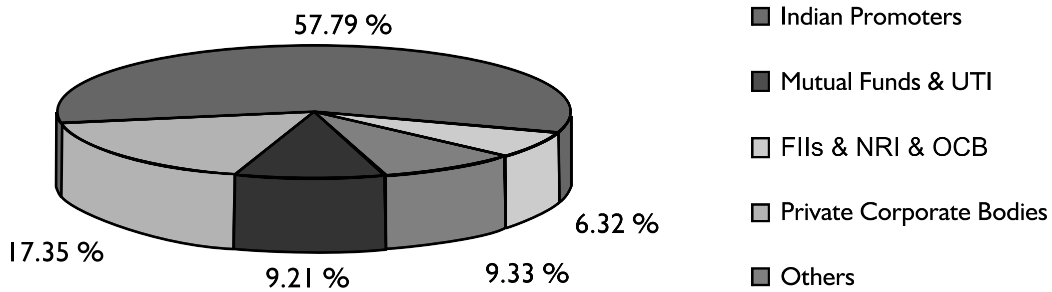
The share transfers which are received in physical form are processed by Registrar and Share Transfer Agent viz. Intime Spectrum Registry Limited and approved by the Share Transfer Committee. The Committee meets as and when there is a requirement and the transfer is effected and share certificates despatched within the time limit prescribed under the Listing Agreement.

X. Distribution of shareholding as on March 31, 2008 :

Share Holding of	SHARE HOLDERS		SHARE AMOUNT	
Nominal Value (Nos.)	Number	% of Total	In Rs.	% of Total
1 – 500	78,357	97.73	1,63,52,655	7.09
501 – 1,000	871	1.09	34,80,540	1.51
1,001 – 2,000	392	0.49	29,45,415	1.28
2,001 – 3,000	155	0.19	19,78,100	0.86
3,001 – 4,000	69	0.09	12,26,930	0.53
4,001 – 5,000	48	0.06	11,32,045	0.49
5,001 – 6,000	36	0.05	9,89,025	0.43
6,001 – 7,000	23	0.03	7,58,060	0.33
7,001 – 8,000	28	0.03	10,54,530	0.46
8,001 – 9,000	17	0.02	7,32,970	0.32
9,001 – 10,000	24	0.03	11,85,580	0.51
10,001and above	150	0.19	19,87,95,000	86.19
TOTAL	**80,170**	**100**	**23,06,30,850**	**100**

XI. Shareholding Pattern as on March 31, 2008:

Category of Shareholders	No. of Shareholders	No. of Shares Held	% of Holding
Indian Promoters	3	2,66,55,000	57.79
Directors & Relatives	–	–	–
Financial Institutions & Banks	7	51,460	0.11
Mutual Funds & UTI	44	29,15,297	6.32
FIIs	10	26,73,268	5.80
NRIs/OCBs	546	16,30,439	3.53
Private Corporate Bodies	1,538	42,46,909	9.21
Public	76,287	72,78,763	15.78
Clearing Members Transit Position	495	3,63,146	0.78
Market Maker	135	67,680	0.15
Trusts	–	–	–
HUF	1,105	2,44,208	0.53
TOTAL	**80,170**	**4,61,26,170**	**100**



XII. Dematerialisation Of Shares And Liquidity:

The Company's shares are held in dematerialised form to the extent of 99.92% by National Securities Depository Limited and Central Depository Services (India) Limited. Out of public and other non promoter holding of 1,94,71,170 equity shares of the Company as on March 31, 2008, 1,94,31,984 equity shares were in dematerialised form constituting 99.80% of the total shares in the category.

The Indian Promoters viz. ADA led Reliance group hold 2,66,55,000 equity shares representing 57.79% of the paid up capital of the Company. All these shares are held in dematerialised form.

XIII.Outstanding GDRS/ADRS/Warrants Or Convertible Instruments:

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 nine month period ended March 31, 2008, Company received requests for conversion of 63,350 FCCBs into Equity shares. Pursuant to such conversion the equity share capital of the Company increased by 63,25,420 equity shares of Face value Rs.5/- each.

The total shareholding of the Company as on March 31, 2008 is 4,61,26,170 Equity shares of Face Value Rs.5/- each.

The Conversion price of each Bond was Rs.543.42 per share at a fixed rate of exchange on conversion being Rs.54.26= €1.00.

As on March 31, 2008, 20,650 Zero percent Foreign Currency Convertible Bonds (FCCBs) are outstanding.

XIV. Transfer to the Investor Education & Protection Fund:

Pursuant to the provisions of Section 205A(5) and Section 205C of the Companies Act, 1956, (the Act) the amount of dividend of Rs. 19,477/- which has remained unclaimed and unpaid for a period of seven years from the date of transfer of such amount to Unpaid Dividend Account, is required to be transferred to the Investors Education and Protection Fund (IEPF) established by the Central Government. Accordingly, the amount of dividend for the financial year ended March 31, 2001 which has remained unclaimed and unpaid for the stipulated period is due to be credited to the IEPF on October 31, 2008 and 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 Intime Spectrum Registry Ltd., the RTA 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 2000-01 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
2000-01	27th September, 2001	31st October, 2008
2001-02	23rd September, 2002	27th October, 2009
2002-03	23rd September, 2003	27th October, 2010
2003-04	28th September, 2004	3rd November, 2011
2004-05	29th September, 2005	2nd November, 2012
2005-06	29th July, 2006	1st September, 2013
2006-07	25th October, 2007	29th November, 2014

All the Shareholders whose dividend has remained unclaimed and unpaid for 2000-01 have been intimated individually to claim their Dividend.

XV. Plant Locations:

Adlabs Films Limited

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

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

Plot No. 12, Block AQ, Sector V,
Salt lake, Kolkatta 700 091

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

The company presently has 70 multiplexes/theatres in India and overseas which are:-

I either owned/ operated by companies which are joint venture or subsidiaries of Adlabs Films Limited.

II acquired on lease in agreement with various property owners cum developers at different locations.

XVI. Address For Correspondence:

(1) Shareholders

Intime Spectrum Registry Ltd.,
C-13, Pannalal Silk Mills Compound,
L.B.S Marg, Bhandup, Mumbai-400 078
Tel : (22) 25963838
Fax: (22) 25946969
Email: kirti.desai@adlabfilms.com

(2) Others
Adlabs Films Limited
Film City Complex
Goregaon (East), Mumbai 400 065.Tel. : 2842 3333 / 4488
Fax : 2842 2211

(3) Email id for Investors: rnt.helpdesk@intimespectrum.com.

XVII. Code of Conduct:

The Company adopted the code of conduct and ethics for Board Members and senior management members of the Company. The code has been circulated to all the members of the Board and senior management and the same has been posted on the Company's website www.adlabsfilms.com. The Board members and senior management members have affirmed their compliance with the code as on March 31, 2008 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.

DECLARATION

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 period ended March 31, 2008.

Kirti Desai
Manager

XVIII. CEO/CFO Certification:

A certificate from the Chief Executive Officer and the Chief Financial Officer on the financial statements of the Company was placed before the Board.

On behalf of the Board

Amit Khanna Director

Gautam Doshi Director

May 29, 2008
Mumbai.

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, 2008, as stipulated in Clause 49 of the Listing Agreements of the Company with the 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.

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

Mumbai
May 20, 2008

AUDITORS' REPORT

To the Members of

Adlabs Films Limited

We have audited the attached Balance Sheet of Adlabs Films Limited ('the Company') as at

31 March 2008 and the related Profit and Loss Account and Cash Flow Statement for the nine months period ended on that date, annexed thereto. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

1. Without qualifying our report, we draw attention to Note 1 of Schedule 22 to the financial statements. As more fully explained in the said Note, during the period, the Hon'ble High Court of Judicature at Bombay vide its order dated 7 March 2008 sanctioned the Modified composite scheme of amalgamation and arrangement ('the Modified Scheme') between the Company, Entertainment One India Limited ('E-ONE') and Mukta Adlabs Digital Exhibition Private Limited ('MADEL'). The Scheme was filed with the Registrar of Companies ('ROC') on 31 March 2008.

   Pending completion of licensing and other procedural formalities, the original composite scheme of amalgamation and arrangement between the Company, E-ONE, MADEL, Reliance Unicom Limited ('RUL') and their respective shareholders and creditors sanctioned by the Hon'ble High Court of Judicature at Bombay vide its order dated

   15 September 2006 was not filed with the Registrar of Companies ('ROC') as required under Section 391(3) of the Companies Act, 1956 ('the Act'). However, the said original scheme was given effect to by the Company's management in the previous period's financial statements for the fifteen months ended 30 June 2007, so as to give effect to the substance of the Scheme as approved by the Hon'ble High Court of Judicature at Bombay.

   The Modified Scheme inter-alia provides that the net results of the transactions related to the radio business of the Company for the period from 31 March 2006 to the Effective date (i.e. the date of filing the Modified Scheme with the ROC) be adjusted in the General Reserve account of the Company (the original scheme provided for the demerger of the radio business of the Company to RUL effective 31 March 2006). As the original scheme was given effect to in the previous period's financial statements for the fifteen months ended 30 June 2007, only the modifications to the original scheme have been given effect to in the current period's financial statements (including reversal of demerger of radio business to RUL).

2. Without qualifying our report, we draw attention to Note 21 of Schedule 22 to the financial statements regarding accounting of the Foreign Currency Convertible Bonds ('FCCB'). During the current period, the Company reclassified the liability towards FCCB as non-monetary liability inter-alia on the basis of the trend of earnings and movement of the Company's share prices. Accordingly, the foreign exchange fluctuation (net loss) aggregating to Rs 43.81 million accounted in previous period has been reversed and the foreign exchange fluctuation loss for the current period aggregating to Rs 362.18 million has not been recognised by management and the said liability has not been revalued at the period-end exchange rate.

   An alternate view exists that the liability towards FCCB is a monetary liability and should be revalued 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 Standard) Rules, 2006 issued by the Central government in consultation with the National Advisory Committee on Accounting Standard. 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 as before, the profit after tax would be lower by Rs 411.89 million.

   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 Act;
   e) On the basis of written representations received from the directors of the Company as at 31 March 2008 and taken on record by the Board of Directors, we report that none of the directors is disqualified as on 31 March 2008 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 paragraphs 1 and 2 above, the said accounts give the information required by the Act in the manner so required, and give a true and fair view in conformity with the accounting principles generally accepted in India:
      i) in the case of the Balance Sheet, of the state of affairs of the Company as at 31 March 2008;
      ii) in the case of the Profit and Loss Account, of the profit of the Company for the nine months period ended on that date; and
      iii) in the case of the Cash Flow Statement, of the cash flows of the Company for the nine months period ended on that date.

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

Natrajan Ramkrishna
Partner
Membership No: 032815

Mumbai
29 May 2008

ANNEXURE TO THE AUDITORS' REPORT – 31 MARCH 2008

(Referred to in our report of even date)

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

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

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

(ii) (a) The inventory has been physically verified by the management during the period. 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/ 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. However, controls over reconciliation process of service tax and sales tax/ VAT and capitalisation of project related expenses need to be further strengthened.

(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, Customs duty, Entertainment tax and other material statutory dues have been generally regularly deposited during the period by the Company with the appropriate authorities. In respect of service tax and sales tax/ VAT, 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 and Investor Education and Protection Fund.

There were no dues on account of cess under Section 441A of the Act since the date from which the 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 and other material statutory dues were in arrears as at 31 March 2008 for a period of more than six months from the date they became payable except for Rs 28.03 million being entertainment tax pertaining to a multiplex 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 4 of Schedule 22 to the financial statements, no amount has been accrued in respect of Maharashtra Value Added Tax.

(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)	Period to which the amount relates	Forum where dispute is pending
Central Excise Act, 1944	Duty and penalty	6.50	2007-2008	Central Excise and Service tax Appellate Tribunal (CESTAT)
		5.96	2006-2007	
		12.75	2004-2006	
		12.33	2004-2005	
		1.20	2003 - 2004	
		12.15	2002-2003	
		8.20	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 Company does not have any accumulated losses at the end of the period and has not incurred cash losses in the period and in the immediately preceding financial period.

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

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

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

(xviii) The Company has not made any preferential allotment of shares during the period 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 period.

(xx) According to the information and explanations given to us, the Company has not raised any money by public issues during the period.

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

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

Natrajan Ramkrishna
Partner
Membership No: 032815

Mumbai
29 May 2008

BALANCE SHEET AS AT 31 MARCH 2008

(Currency : Indian Rupees in millions)

	Schedule	31 March 2008	30 June 2007
SOURCES OF FUNDS			
Shareholders' funds			
Share capital	2	**230.63**	199.00
Reserves and surplus	3	**6,550.21**	2,912.85
		6,780.84	3,111.86
Loan funds			
Secured loans	4	**4,029.40**	34.81
Unsecured loans	5	**5,197.45**	5,799.36
		9,226.85	5,834.17
Deferred tax liabilities (net)	6	**–**	128.62
		16,007.69	9,074.64
APPLICATION OF FUNDS			
Fixed assets	7		
Gross block		**7,949.93**	3,022.30
Less :Accumulated depreciation/amortisation		**2,710.90**	1,236.26
Net block		**5,239.03**	1,786.04
Capital work-in-progress (including capital advances)		**3,094.45**	1,613.41
		8,333.48	3,399.45
Investments	8	**2,441.99**	816.52
Current assets, loans and advances			
Inventories	9	**19.18**	16.15
Sundry debtors	10	**1,476.74**	603.87
Cash and bank balances	11	**715.36**	1,308.34
Loans and advances	12	**5,076.58**	4,713.04
Interest accrued on investment		**81.73**	20.09
		7,369.59	6,661.49
Less: Current liabilities and provisions			
Current liabilities	13	**1,653.47**	662.91
Provisions	14	**483.90**	1,139.91
		2,137.37	1,802.82
Net current assets		**5,232.22**	4,858.67
		16,007.69	9,074.64
Significant accounting policies	1		
Notes to the accounts	22		

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

As per our report of even date attached.

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

Natrajan Ramkrishna
Partner
Membership No: 032815

Mumbai
29 May 2008

For and on behalf of the Board

Amit Khanna
Director

Gautam Doshi
Director

Mumbai
29 May 2008

Kirti Desai
Company Secretary & Manager

PROFIT AND LOSS ACCOUNT FOR THE NINE MONTHS ENDED 31 MARCH 2008

(Currency : Indian Rupees in millions)

	Schedule	**For nine months ended 31 March 2008**	For fifteen months ended 30 June 2007
INCOME			
Theatrical exhibition	*15*	**1,051.46**	873.61
Film facilities	*16*	**634.17**	954.16
Film distribution		**782.30**	1,362.55
Film/content production and related services		**235.61**	10.53
Other income	*17*	**538.53**	761.54
		3,242.07	3,962.39
EXPENDITURE			
Direct operational expenses	*18*	**758.53**	1,106.34
Personnel costs	*19*	**227.28**	200.40
Other operating and general administrative expenses	*20*	**685.29**	640.05
Interest	*21*	**132.90**	44.17
Depreciation / amortisation	*7*	**1,034.16**	929.87
		2,838.16	2,920.83
Profit before tax (also refer note 1 of Schedule 22)		**403.91**	1,041.56
Less : Provision for taxes			
- Current tax		**37.50**	124.26
- MAT Credit		**(150.20)**	-
- Deferred tax charge		**62.14**	58.21
- Fringe benefit tax		**7.15**	4.77
- (Excess) / Short provision for earlier years		**(11.73)**	0.97
Profit after tax/profit after tax and before adjustment for results of Entertainment One (India) Limited (E-ONE) and Mukta Adlabs Digital Exhibition Private Limited (MADEL) for the year ended 31 March 2006		**459.05**	853.35
(Loss) after tax for the period from 1 April 2005 to 31 March 2006 incorporated pursuant to Scheme of amalgamation and arrangement (also refer note 1 of Schedule 22)		–	(19.52)
Net profit after tax		**459.05**	833.83
Accumulated balance brought forward		**879.48**	247.46
		1,338.53	1,081.29
Appropriations			
Transfer to general reserve		**1,150.00**	85.40
Proposed dividend		**115.32**	99.50
Dividend tax		**19.60**	16.91
Balance carried to balance sheet		**53.61**	879.48
		1,338.53	1,081.29
Basic earnings per share Rs.		**10.90**	20.95
Diluted earnings per share Rs.		**9.53**	17.65
(Refer Note 19 of Schedule 22)			
Significant accounting policies	*1*		
Notes to the accounts	*22*		

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

As per our report of even date attached.

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

Natrajan Ramkrishna
Partner
Membership No: 032815

Mumbai
29 May 2008

For and on behalf of the Board

Amit Khanna
Director

Gautam Doshi
Director

Mumbai
29 May 2008

Kirti Desai
Company Secretary & Manager

CASH FLOW STATEMENT FOR THE NINE MONTHS ENDED 31 MARCH 2008

(Currency : Indian Rupees in millions)

		For nine months ended 31 March 2008	For fifteen months ended 30 June 2007
A.	**Cash flow from operating activities**		
	Net profit before tax	**403.91**	1,041.56
	Loss before tax for the period 1 April 2005 to 31 March 2006 pursuant to the Scheme of amalgamation and arrangement	**–**	(19.52)
	Adjustment for:		
	Depreciation / amortisation	**1,034.16**	929.87
	Loss on sale of fixed assets	**5.65**	0.53
	Dividend income	**(14.88)**	(26.94)
	Interest expense	**132.90**	44.17
	Interest income	**(83.15)**	(291.45)
	Bad debts / advances written off	**38.51**	–
	Profit on option contract	**(97.74)**	(267.12)
	Profit on sale of investments / mutual funds (net)	**(266.94)**	(153.16)
	Gain on restatement of FCCB	**(43.81)**	–
	Unrealised foreign exchange loss	**(1.81)**	20.50
	Operating profit before working capital changes and before net results of Radio business	**1,106.80**	1,278.44
	Adjustment for cash loss pertaining to transaction related to Radio business till date, pursuant to the Modified Scheme of amalgamation (Refer note 2 below and note 1 of Schedule 22)	**(837.70)**	–
	Operating profit before working capital changes	**269.10**	1,278.44
	Adjustment for:		
	(Increase) in sundry debtors	**(758.21)**	(241.41)
	(Increase) in loans and advances	**(916.26)**	(3,834.83)
	(Increase) in inventories	**(3.03)**	(3.12)
	Increase / (decrease) in trade and other payable	**906.17**	(74.31)
	Cash used in operating activities	**(502.23)**	(2,875.23)
	Taxes paid (net of refunds)	**(134.68)**	(160.71)
	Net cash used in operating activities (A)	**(636.91)**	(3,035.94)
B.	**Cash flow from investing activities**		
	Purchase of fixed assets	**(4,619.44)**	(1,167.39)
	Proceeds from sale of fixed assets	**1.21**	4.84
	Purchase of investments - long term - in shares of subsidary companies / joint venture / associates	**(272.08)**	(650.73)
	Purchase of investments-Long term-other	**(0.04)**	–
	Profit on Sale of Mutual funds (net)	**0.91**	153.16
	Dividend income	**14.88**	26.94
	Interest income	**23.84**	81.41
	Cash used in investing activities	**(4,850.72)**	(1,551.77)
	Taxes paid (net of refunds)	**(19.44)**	(11.88)
	Net cash used in investing activities (B)	**(4,870.16)**	(1,563.65)

CASH FLOW STATEMENT FOR THE NINE MONTHS ENDED 31 MARCH 2008 *(CONTINUED)*

(Currency : Indian Rupees in millions)

		For nine months ended 31 March 2008	For fifteen months ended 30 June 2007
C.	**Cash flow from financing activities**		
	Profit of option contract	**97.74**	267.12
	Proceeds from commercial paper	**2,685.31**	1,171.55
	Proceeds from long term borrowings	**4,000.00**	–
	Proceeds from short term loans (net)	**199.22**	(52.25)
	Dividend (including dividend tax) paid	**(116.41)**	(102.02)
	Interest paid	**(479.53)**	(32.16)
	Net cash flow from financing activities (C)	**6,386.33**	1,252.24
	Net increase / (decrease) in cash and cash equivalent (A+B+C)	**879.26**	(3,347.35)
	Cash and cash equivalents as at beginning of the period	**1,055.32**	4,394.43
	Cash and cash equivalents acquired on merger (Refer note 2 of Schedule 22)	**130.00**	8.24
	Cash and cash equivalents as at end of the period (Refer note 1 below)	**2,064.58**	1,055.32
		879.26	(3,347.35)

Notes:

1. Cash and cash equivalents at period end comprises:

Cash on hand	**7.76**	12.69
Balances with scheduled banks		
- Deposit accounts	**515.63**	849.55
- Current accounts	**191.16**	186.74
- Margin money deposits	**–**	4.36
Liquid investment in mutual funds	**1,350.03**	1.98
	2,064.58	1,055.32

2. Adjustment for cash loss pertaining to transaction relating to Radio business till date, due to the Modified Scheme of amalgamation (deletion of demerger of Radio business) (Refer note 1 of Schedule 22)

Net result of transaction relating to Radio business from 1 April 2006 till effective date (31 March 2008)	1,627.09
Adjustment for:	
Taxes	(19.04)
Depreciation	(387.11)
Interest	(346.62)
Provision for doubtful debts / advances	(36.62)
	837.70

As per our report of even date attached.

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

Natrajan Ramkrishna
Partner
Membership No: 032815

Mumbai
29 May 2008

For and on behalf of the Board

Amit Khanna
Director

Gautam Doshi
Director

Mumbai
29 May 2008

Kirti Desai
Company Secretary & Manager

SCHEDULES TO THE FINANCIAL STATEMENTS FOR THE NINE MONTHS ENDED 31 MARCH 2008

(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 public 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, FM Radio broadcasting services, distribution, production and related services.

The Board of Directors (Board) of the Company at their meeting held on 22 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 held 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 aforesaid Scheme was modified by the Board vide circular mode pursuant to Section 289 of the Companies Act, 1956 on 13 February 2008. The Modified scheme was approved by the Hon'ble High Court of Judicature at Bombay vide its order dated 7 March 2008. The certified copy of the order was been filed with the Registrar of Companies (ROC) on 31 March 2008. Also refer Note 1 of Schedule 22.

1 Summary of significant accounting policies

1. Basis of preparation

The financial statements are prepared and presented under the historical cost convention on the accrual basis of accounting and in accordance with the Accounting Standards ('AS') notified in the Companies (Accounting Standard) 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 for number of shares/securities, 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. Actual results could differ from those estimates. Any revision to accounting estimates is recognized 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 relating to the radio, exhibition and film production division 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 aforesaid divisions wherein depreciation is provided at following rates:

Particulars of fixed assets	Rate of Depreciation
Plant and machinery used for exhibition division (including air conditioner plant)	10%
Electrical installation used in exhibition division	10%
Furniture & fixtures used for exhibition division	10%
Computers	20%
Motor car	10%
Office equipment in exhibition and radio	10%

Studio equipments and plant and machinery used in Radio business are depreciated over 10 years, being the period of the license.

Depreciation on other fixed assets is provided on written down value method, at the rates prescribed in Schedule XIV of the Act which, in management's opinion, reflects the estimated useful lives of those fixed assets, except in case of following assets wherein depreciation is provided at following rates:

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.

During the period, the Company has revised the estimated useful life of certain fixed assets, since the management believes that these revised useful lives more appropriately reflect the period of economic benefit to be derived from the use of such assets and hence would result in a more appropriate preparation and presentation of the financial statements. The revised rates along with earlier rates are stated below:

Asset block	Revised depreciation rates	Earlier depreciation rates
Plant and machinery used for exhibition division (including air conditioner plant)	10.00%	7.42%
Furniture and fixture used in exhibition division	10.00%	9.50%
Computers	20.00%	16.21%
Motor car	10.00%	7.07%
Office equipment in exhibition and radio	10.00%	7.42%
Electrical installation used in exhibition division	10.00%	7.42%

SCHEDULES TO THE FINANCIAL STATEMENTS (CONTINUED)

(Currency: Indian Rupees in millions)

As a result of this change in estimate, the depreciation charge for the period is higher by Rs 7.10 and the net block is lower by Rs 7.10, profit before tax is lower by Rs 7.10 and reserve and surplus is lower by the like amounts.

b. Intangible assets

Intangible assets, all of which have been acquired / created and are controlled through custody or legal rights, are capitalized at cost, where they can be reliably measured. Where capitalized, 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.

One Time Entry Fees paid for acquiring new radio licenses has been capitalized as an asset and is amortised over a period of ten years, being the period of the license, from the date of operationalisation of the station.

The individual film forecast method is used to amortize the cost of film rights acquired. Under this method, costs are amortized in the proportion that gross revenues realized 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 non-release of the film.

4. Impairment

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

7. Employee benefits

Short-term employee benefits are recognized 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 contribution to provident fund, which is a defined contribution scheme, is charged to the profit and loss account as incurred.

Post employment and other long term employee benefits are recognized as an expense in the profit and loss account for the year in which the employee has rendered services. The expense is recognized at the present value of the amount payable determined using actuarial valuation carried out by an independent actuary at the balance sheet date using Projected Unit Credit Method.

8. Revenue recognition

Revenue is recognized 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 net of trade discounts. Amount of entertainment tax and service tax is shown as a reduction from revenue.

Film facilities

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

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 recognized over the period of the relevant agreement/ arrangement.

SCHEDULES TO THE FINANCIAL STATEMENTS (CONTINUED)

(Currency: Indian Rupees in millions)

Theatrical exhibition and related income

Sale of tickets

Revenue from theatrical exhibition is recognized 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.

Sale of food and beverages

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

Advertisement/ sponsorship revenue

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

Radio Broadcasting and related services

Revenue from sale of airtime

Revenue from radio broadcasting is recognised on an accrual basis on the airing of the customers commercials.

Revenue from event management activities

Revenue from event management is recognised on the completion of the event and on the basis of related services performed, as per the contracted terms.

Interactive Revenue

Revenue from short code short messaging service ('SMS') is recognised on acceptance of the hits by telecom operators.

Out of Home Media

Advertising space revenue, net of taxes, rebate and discount is recognized on the display of advertisements over the period of the contract.

Film/content production and related income

Revenue from sale of content/ motion pictures is accounted for on the date of agreement to assign 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 recognized on the date of release/exhibition.

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

Revenue from sale of VCDs/ DVDs, etc is recognized 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 recognized on a time proportion basis.

Dividend income

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

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 period are recognized 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.

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 period. Any profit or loss arising on the cancellation are revewal of forward contract is recognise as income or expense for the period.

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 recognized 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 realized in future. However, where there is unabsorbed depreciation or carried forward loss under taxation laws, deferred tax assets are recognised only if there

SCHEDULES TO THE FINANCIAL STATEMENTS (CONTINUED)

(Currency: Indian Rupees in millions)

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 realized.

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 / Foreign Currency Convertible Bond ('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 recognized when the Company recognizes 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. License Fees for FM Radio Broadcasting

As per the new Frequency Module (FM) broadcasting policy, effective 1 April 2005 license fees are charged to revenue at the rate of 4% of gross revenue for the period or 10% of Reserve One Time Entry Fee (ROTEF) for the concerned city, whichever is higher. Gross Revenue for this purpose shall mean revenue on the basis of billing rates inclusive of any taxes and without deduction of any discount given to the advertiser and any commission paid to advertising agencies. Barter advertising contracts shall also be included in the gross revenue on the basis of relevant billing rates. ROTEF means 25% of highest valid bid in the city.

15. Borrowing costs

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

		31 March 2008	30 June 2007
2	**Share capital**		
	Authorised		
	60,000,000 (2007: 60,000,000) equity shares of Rs.5 each	**300.00**	300.00
	Issued, subscribed and paid-up capital		
	46,126,170 (2007: 39,800,750) equity shares of Rs.5 each, fully paid-up	**230.63**	199.00
	Of the above:		
	- 17,000,000 (2007: 17,000,000) equity shares of Rs.5 each fully paid-up were allotted as bonus share by capitalisation of general reserves;		
	- 20,600,000 (2007: 20,600,000) equity shares of Rs. 5 each fully paid-up are held by Reliance Land Pvt. Ltd., the holding company till 30 November 2007 (Also Refer note 18 of Schedule 22)		
		230.63	199.00
3	**Reserves and surplus**		
	Securities premium account		
	At the commencement of the period	**2,453.75**	2,466.32
	Less : Provision for premium on redemption of Zero Coupon Foreign Currency convertible Bonds ('FCCB')	**69.15**	12.57
	Add: Premium on conversion of FCCB	**3,416.17**	–
	Add: Reversal of provision for premium on FCCB Converted during the period	**785.82**	–
	Less: Adjustment pursuant to modified Scheme (Refer note 1 of Schedule 22)	**209.50**	–
		6,377.09	2,453.75

SCHEDULES TO THE FINANCIAL STATEMENTS (CONTINUED)

(Currency: Indian Rupees in millions)

		31 March 2008	30 June 2007
	General reserve		
	At the commencement of the period	**558.40**	473.00
	Add: Transfer from profit and loss account	**1,150.00**	85.40
	Add: Transfer on account of Katch 22 Merger (Refer note 3 of schedule 22)	**20.18**	–
	Less: Reduction in value of companies assets (Refer note 3 of schedule 22)	**200.00**	
	Less: Net result from the transactions relating to Radio business (Refer note 1 of schedule 22)	**1,436.33**	–
	Add: Adjustment pursuant to modified scheme (Refer note 1 of schedule 22)	**27.26**	–
		119.51	558.40
	Amounts pending transfer to the Securities Premium Account and/or the General reserve account as per the Scheme of amalgamation and arrangement. (Refer note 1 of schedule 22)		
	Pending transfer to Securities premium account		
	Balance at the commencement of period	**(1,006.04)**	–
	On demerger of radio business	**–**	(796.54)
	On reduction in value of Company's assets	**–**	(205.03)
	On merger of digital business of MADEL	**–**	(4.47)
	Reversal due to the modification of the Scheme	**796.54**	–
	Transfer to Securities Premium account	**209.50**	–
		–	(1,006.04)
	Pending transfer to General Reserve		
	At the commencement of the period	**27.26**	–
	On merger of E-ONE transfer to General Reserve	**(27.26)**	27.26
		–	27.26
	Balance in profit and loss account	**53.61**	879.48
		6,550.21	2,912.85
4	**Secured loans**		
	From banks		
	- Term Loan	**3,750.00**	–
	- Cash credit	**29.36**	34.41
	- Car Loan	**0.04**	0.40
	From Others		
	- Term Loan	**250.00**	–
	(Refer Note 6 of Schedule 22)	**4,029.40**	34.81
5	**Unsecured loans**		
	Short Term		
	Commercial Paper	**3,868.87**	1,183.56
	Inter Corporate Deposit	**204.63**	–
	Others		
	Zero Coupon Foreign Currency Convertible Bonds ('FCCB') (Also, refer Note 18 of Schedule 22)	**1,123.95**	4,615.80
		5,197.45	5,799.36
	Repayable within 1 year - Rs. 4,073.50 (2007: Rs 1,183.56)		
6	**(A) Deferred tax asset***		
	Arising on account of timing difference in:		
	Provision for leave encashment and gratuity	**20.73**	7.69
	Deduction u/s 35D	**14.71**	4.55
	Unrealised foreign exchange loss	**3.90**	6.50
	Unabsorbed depreciation allowance and carried forward business loss	**189.43**	–
		228.77	18.74
	(B) Deferred tax liability		
	Arising on account of timing difference in:		
	Depreciation/ amortisation	**228.77**	147.36
		228.77	147.36
	Net deferred tax liability	**–**	**128.62**

* Restricted to the extent of deferred tax liability due to absence of virtual certainity.

SCHEDULES TO THE FINANCIAL STATEMENTS (CONTINUED)

(Currency: Indian Rupees in millions)

7 Fixed Assets

Particulars	Gross block					Accumulated depreciation / amortisation					Net block	
	As at 1-Jul-07	Adjust-ments	Additions during the period	Deductions during the period	**As at 31-Mar-08**	As at 1-Jul-07	Adjust-ments	Charge for the period	Depreciation on assets sold / discarded	**As at 31-Mar-08**	**As at 31-Mar-08**	As at 30-June -07
Intangible assets												
Distribution rights	869.32	–	569.89	0.24	**1,438.97**	625.23	(0.12)	598.40	–	**1,223.51**	**215.46**	244.09
Negative rights	119.03	251.77	295.06	–	**665.86**	17.89	184.13	327.01	–	**529.03**	**136.83**	101.14
Computer software	2.19	38.6	19.82	–	**60.61**	0.99	1.76	5.73	–	**8.48**	**52.13**	1.20
Production Rights	251.77	(251.77)	–	–	**–**	184.13	(184.13)	–	–	**–**	**–**	67.64
Radio Licenses	–	1,274.69	323.07	–	**1,597.76**	–	73.78	111.31	–	**185.09**	**1,412.67**	–
Copy Rights	–	4.15	–	–	**4.15**	–	0.32	0.31	–	**0.63**	**3.52**	–
Tangible assets												
Leasehold land	22.57	–	–	–	**22.57**	–	–	–	–	**–**	**22.57**	22.57
Buildings:												
Leasehold	54.65	370.13	378.06	0.01	**802.83**	14.61	10.58	60.55	–	**85.74**	**717.09**	40.04
Freehold	487.96	(252.76)	–	–	**235.20**	61.18	(14.26)	5.93	–	**52.85**	**182.35**	426.78
Air conditioner plant	97.94	3.68	35.96	–	**137.58**	19.18	0.15	8.46	–	**27.79**	**109.79**	78.76
Electrical installation	148.61	(7.34)	95.08	0.01	**236.34**	29.42	(4.34)	14.43	–	**39.51**	**196.83**	119.19
Plant and machinery	304.55	1,016.47	937.06	1.49	**2,256.59**	108.63	56.02	216.75	0.37	**381.03**	**1,875.56**	195.92
Theatrical equipments	400.50	(135.68)	1.44	–	**266.26**	125.57	(6.41)	14.90	–	**134.06**	**132.20**	274.93
Furniture and fixtures	242.77	(95.52)	25.25	0.03	**172.47**	40.72	4.50	(8.87)	0.03	**36.32**	**136.14**	202.05
Vehicles	20.44	8.77	34.91	11.38	**52.74**	8.71	0.52	3.53	5.90	**6.86**	**45.89**	11.73
Total	3,022.30	2,225.19	2,715.60	13.16	**7,949.93**	1,236.26	122.50	1,358.44	6.30	**2,710.90**	**5,239.03**	1,786.04
Previous period	1,079.88	47.44	1,909.25	14.27	**3,022.30**	298.58	16.72	929.87	8.91	**1,236.26**	**1,786.04**	
Capital work-in-progress (including capital advances)											**3,094.45**	1,613.41

Notes:

1) Adjustment to gross block & accumulated depreciation / amortisation represents, fixed assets of Radio Division (Gross Block Rs. 2,225.19 and accumulated depreciation of Rs. 122.50) taken over pursuant to modified scheme of amalgamation (Refer note 1 of schedule 22), other reclassification / regrouping, etc.
2) Leasehold land in excess of 99 years is not depreciated as this is deemed ownership.
3) Depreciation charge for current year includes Rs. 323.09 towards impairment of film rights debited to general reserve pursuant to scheme of merger of Katch 22 and depreciation stock amortisation for radio division.
4) Plant and Machinery includes Rs. 190.41 being asset jointly owned by Company and BECIL.
5) Additions to fixed assets/ CWIP include following expenses capitalised:

	2008	2007
- Depreciation	1.19	–
- Interest	2.94	–
- Architectural and professional fees	30.73	13.85
- Personnel cost	96.96	28.30
- Other operational expenses	173.91	47.47
	305.73	89.62

SCHEDULES TO THE FINANCIAL STATEMENTS (CONTINUED)

(Currency : Indian Rupees in millions)

		31 March 2008	30 June 2007
8	**Investments**		
	Long term (trade, unquoted and at cost)		
	Government securities National savings certificates (Pledged with State government authorities)	**9.82**	9.76
	Long term (non-trade, unquoted and at cost unless other stated)		
	Investment in shares in		
	(a) Subsidiary companies		
	(i) Adlabs Distributors and Exhibitors Limited 50,000 (2007: 50,000) equity shares of Rs.10 each, fully paid-up	**0.50**	0.50
	(ii) Adlabs Films (UK) Limited 10,000 (2007: 10.000) ordinary shares of Rs. 84.7 each, fully paid-up	**0.85**	0.85
	(iii) Adlabs Films USA, Inc 200 (2007: 200) common stock with no par value	**0.92**	0.92
	(iv) Adlabs Films Netherlands B.V. 180 (2007: Nil) ordinary shares of € 100 (Rs 6,000) each, fully paid up	**1.04**	–
	(v) Adlabs (Mauritius) Ltd. 1000 (2007: Nil) ordinary shares issued and outstanding with no par value (Rs 1,550).	**–**	–
	(vi) Mukta Adlabs Digital Exhibition Private Limited* 5,000 (2007: 5,000) equity shares of Rs 100 each, fully paid-up * (Name changed to Adlabs Multiplexes and Theatres Private Limited w.e.f. May 01, 2008)	**0.50**	0.50
	(vii) Rave Entertainment Private Limited (Refer note 2 of schedule 22) 3,000,000 (2007: Nil) equity shares of Rs. 10 each fully paid up	**51.53**	–
	(viii) Reliance Unicom Limited (Refer note 1 of schedule 22) 2,110,000 (2007: Nil) equity shares of Rs.5 each, fully paid-up	**101.00**	–
	(ix) Runwal Multiplex Private Limited 98,100 (2007: 49,110) equity shares of Rs. 100 each, fully paid up	**175.35**	4.91
	(x) Synergy Adlabs Media Limited 5,100 (2007: 5,100) equity shares of Rs 100 each, fully paid-up	**64.16**	64.16
	(xi) Katch 22 Entertainment Private Limited (Refer note 3 of Schedule 22) Nil (2007: 10,000) equity shares of Rs 10 each fully paid-up	**–**	0.10
	(b) Joint Ventures		
	(i) Cineplex Private Limited 250,000 (2007:250,000) equity shares of Rs.10 each, fully paid-up	**2.50**	2.50
	(ii) Divya Shakti Marketing Private limited 100,000 (2007:100,000) equity shares of Rs 10 each, fully paid-up	**32.90**	32.90
	(iii) Swanston Multiplex Cinemas Private Limited 390,000(2007:390,000) equity shares of Rs 10 each, fully paid-up	**70.01**	70.01
	Others		
	(i) Prime Focus Limited (Quoted) Nil (2007: 964,000) equity shares of Rs 5 each, fully paid-up	**–**	46.65
	(ii) Tree of Knowledge DOT Com Private Limited. 1,500,000 (2007: 1,500,000) 0.5% cumulative redeemable preference shares of Rs 1,000 each, Rs 800 partly paid	**120.00**	120.00
	(iii) HPE / Adlabs LP (Investment in limited liability partnership)	**460.78**	460.78
	(iv) Sultan Production Private Limited 9,800 (2007: Nil) equity shares of Rs. 10 each, fully paid up	**0.10**	–
	Total long term investments	**1,091.96**	814.54

SCHEDULES TO THE FINANCIAL STATEMENTS (CONTINUED)

(Currency : Indian Rupees in millions)

		31 March 2008	30 June 2007
8	**Investments (Continued)**		
	Current investments (non-trade, unquoted and at lower of cost and fair value)		
	Investment in mutual funds		
	134,914,326 (2007: 198,064) units of Reliance Liquid Fund - Cash Plan - Weekly Dividend Option [Net Asset Value: Rs 1350.03 (2007: Rs 1.98)]	**1,350.03**	1.98
	Total current investments	**1,350.03**	1.98
		2,441.99	816.52

Notes:

1 The following investment was acquired and sold during the period:

Particulars	Face Value	No.of Units	Purchase Amount (Rs 'Mn)
Reliance Liquid Fund - Cash Plan - Weekly Dividend Option	10.00	**301,595,947**	3,018.63

		31 March 2008	30 June 2007
9	**Inventories**		
	Stores and spares	**4.48**	3.19
	Chemical stock	**1.72**	2.59
	Food and beverages	**5.33**	4.22
	Negative film rolls	**5.88**	6.15
	Content not aired	**1.77**	-
		19.18	16.15
10	**Sundry debtors**		
	(Unsecured)		
	Debts outstanding for a period exceeding six months		
	- Considered Good	**175.62**	14.13
	- Considered doubtful	**20.66**	–
		196.28	14.13
	Other debts		
	- Considered Good	**988.39**	589.74
	- Considered doubtful	**9.38**	–
		997.77	589.74
	Other Receivable for sale of investment	**312.73**	–
	Less: Provision for doubtful debts	**30.04**	–
		1,476.74	603.87
	A Sundry debtors include receivable from companies under the same management:		
	(i) Adlabs Films (UK) Limited (Maximum balance outstanding during the period Rs 39.12 (2007: Rs 84.57))	**23.81**	3.43
	(ii) Adlabs Films USA, Inc (Maximum balance outstanding during the period Rs 61.88 (2007: Rs 51.41))	**–**	48.79
	(iii) Runwal Multiplex Pvt. Ltd. (Maximum balance outstanding during the period Rs 4.12 (2007: Rs 1.69))	**4.08**	–
	(iv) Synergy Adlabs Media Ltd (Maximum balance outstanding during the period Rs 4.90 (2007: Rs Nil))	**0.63**	–
	(v) Cineplex Pvt. Ltd (Maximum balance outstanding during the period Rs 0.56 (2007: Rs 1.73))	**0.54**	–
	(vi) Adlabs Distributors and Exhibitors Limited (Maximum balance outstanding during the period Rs 24.48 (2007: Rs 24.48))	–	11.20

SCHEDULES TO THE FINANCIAL STATEMENTS (CONTINUED)

(Currency : Indian Rupees in millions)

		31 March 2008	30 June 2007
11	**Cash and bank balances**		
	Cash on hand	**7.75**	12.08
	Foreign currency denominated pre-loaded cards	**–**	0.61
	Balances with scheduled banks		
	- in current accounts	**191.16**	186.07
	- in fixed deposit account	**515.63**	849.54
	- in escrow account (Refer note 2 of Schedule 22)	**–**	255.00
	- Margin money deposit	**–**	4.36
	- Dividend Account	**0.82**	0.68
		715.36	1,308.34
12	**Loans and advances**		
	(Unsecured and considered good)		
	Loans and advances to subsidiaries	**762.28**	42.52
	Loans and advances to joint ventures	**70.62**	78.81
	Loans and advances to Others	**1,395.22**	3,405.29
	Advances recoverable in cash or in kind or for value to be received		
	- Considered good	**1,064.83**	560.53
	- Considered doubtful	**6.58**	–
		1,071.41	560.53
	Less: Provision for doubtful advances	**6.58**	–
	Deposits	**1,455.94**	550.55
	Advance tax, tax deducted at source, advance fringe benefit tax (Net of provision for Tax Rs. 417.46 (2007 : Rs. 365.49))	**177.49**	75.34
	MAT Credit	**150.20**	–
		5,076.58	4,713.04
	Loans and advances include:		
	A Receivable from companies under the same management:		
	(i) Runwal Multiplex Private Limited (Maximum balance outstanding during the period Rs 6.55 (2007: Rs 16.98))	**3.20**	6.55
	(ii) Adlabs Distributors and Exhibitors Limited (Maximum balance outstanding during the period Rs 38.20 (2007: Rs 58.59))	**4.79**	31.10
	(iii) Synergy Adlabs Media Limited (Maximum balance outstanding during the period Rs 23.39 (2007: Rs 11.42))	**20.10**	11.42
	(iv) Reliance Unicom Limited (Refer note 1 of Schedule 22) (Maximum balance outstanding during the period Rs 604.00 (2007: Rs Nil))	**234.90**	–
	(v) Mukta Adlabs Digital Exibitors Pvt Ltd (Maximum balance outstanding during the period Rs 43.65 (2007: Rs Nil))	**43.65**	–
	(vi) Adlabs Films USA, Inc. (Maximum balance outstanding during the period Rs 86.58 (2007: Rs Nil))	**86.58**	–
	(vi) Adlabs Films Netherlands B.V. (Maximum balance outstanding during the period Rs 44.42 (2007: Rs Nil))	**44.42**	–
	(vii) Rave Entertainment Pvt Ltd (Maximum balance outstanding during the period Rs 326.13 (2007: Rs Nil))	**324.64**	–
	B Receivable from joint ventures		
	(i) Divya Shakti Marketing Private Limited (Maximum balance outstanding during the period Rs 22.24 (2007: Rs 21.86))	**22.24**	21.86
	(ii) Cineplex Private Limited (Maximum balance outstanding during the period Rs 50.88 (2007: 56.73))	**48.38**	50.41
13	**Current liabilities**		
	Sundry creditors for goods and services: (Refer note 7 of schedule 22)	**924.25**	265.66
	Other Current Liabilities	**234.76**	144.85
	Advance payments received	**493.64**	251.72
	Unclaimed dividend	**0.82**	0.68
		1,653.47	662.91

Also refer Note 7 of Schedule 22.

An amount of Rs. 0.02 (2007: Rs Nil) is due and outstanding for credit to Investor Education and Protection Fund.

SCHEDULES TO THE FINANCIAL STATEMENTS (CONTINUED)

(Currency : Indian Rupees in millions)

		31 March 2008	30 June 2007
14	**Provisions**		
	Proposed dividend	**115.32**	99.50
	Tax on proposed dividend	**19.60**	16.91
	Gratuity	**14.01**	3.62
	Leave encashment	**50.98**	19.22
	Premium on Redemption of FCCB	**283.99**	1,000.66
		483.90	1,139.91

		For nine months ended 31 March 2008	For fifteen months ended 30 June 2007
15	**Theatrical exhibition**		
	Sale of tickets	**837.82**	678.84
	Less: Entertainment tax	**102.35**	51.76
		735.47	627.08
	Advertisements/sponsorship revenue	**128.10**	69.08
	Facilities provided at multiplex	**30.33**	23.94
	Food and beverages	**157.56**	153.51
		1,051.46	873.61
16	**Film facilities**		
	Processing/printing of films	**409.99**	628.76
	Less: Service tax	**43.37**	63.79
		366.62	564.97
	Equipment rental income	**26.53**	7.66
	Trading income	**241.02**	381.53
		634.17	954.16
17	**Other income**		
	Dividend income from:		
	- Joint venture companies	**5.50**	8.76
	- long term investments	**0.72**	–
	- Current investments	**8.66**	18.18
	Interest income from:		
	- Banks (tax deducted at source: Rs 19.44; 2007: Rs.11.88)	**47.07**	72.06
	- Loans, advances and other deposits	**36.08**	219.39
	Profit on sale of investments (long term)	**266.03**	–
	Profit on sale of current investments	**0.91**	153.16
	Miscellaneous income	**75.82**	22.87
	Profit on option contract (net)	**97.74**	267.12
		538.53	761.54
18	**Direct operational expenses**		
	Film cost	**0.38**	0.29
	Distributors'/ Producer's share & expenses	**282.69**	221.87
	Electricity, power and water charges	**92.36**	77.46
	Print and publicity expenses	**1.63**	137.11
	Show tax, INR charges etc	**9.06**	8.52

SCHEDULES TO THE FINANCIAL STATEMENTS (CONTINUED)

(Currency : Indian Rupees in millions)

		For nine months ended 31 March 2008	For fifteen months ended 30 June 2007
	Cost of food and beverage sold		
	Opening stock	4.22	1.58
	Purchase	52.93	62.27
	Less: Closing stock	5.33	4.22
	Consumption	51.82	59.63
	Chemical consumed (Indegenious)		
	Opening Stock	2.40	5.92
	Purchase	15.63	33.10
	Less: Closing stock	1.72	2.59
	Consumption	16.31	36.43
	Consumables	5.40	85.83
	Processing charges	43.24	39.51
	Cost of raw films sold		
	Opening stock	6.16	4.40
	Purchase	215.50	337.46
	Less: Closing stock	5.88	6.16
	Consumption	215.78	335.70
	Other direct Expenses	5.64	33.59
	Film production expense	34.22	70.40
		758.53	1,106.34
19	**Personnel costs**		
	Salaries, wages and bonus	198.33	165.87
	Contribution to provident and other funds	7.60	7.43
	Gratuity	(0.03)	3.70
	Leave encashment	0.54	15.02
	Staff welfare expenses	20.84	8.38
		227.28	200.40
20	**Other operating and general administrative expenses**		
	Advertisement	76.97	105.98
	Bank charges	8.60	2.54
	Business promotion	7.64	8.03
	Rent	259.35	186.67
	Rates and Taxes	19.54	23.91
	Commission and brokerage	4.29	4.53
	Travelling and conveyance	23.98	24.57
	Deferred revenue expenses written-off	–	0.33
	Donation	0.04	0.37
	Labour charges	42.92	43.27
	Insurance	9.64	15.49
	Legal and professional fees	41.41	44.86
	Loss on sale of assets (net)	5.65	0.52
	Miscellaneous expenses (Refer note 9 of Schedule 22)	64.10	64.61
	Printing & communication	44.41	4.15
	Bad debts / advances written off	38.51	–
	Facility maintenance charges	3.32	50.09
	Repairs and maintenance		
	- Building	1.40	4.08
	- Machinery	11.07	17.51
	- Others	17.62	14.68
	Foreign exchange loss (net) (Refer note 21 of Schedule 22)	4.83	23.86
		685.29	640.05
21	**Interest**		
	On fixed loan	13.59	30.74
	On other loans (net of capitalised Rs. 2.94; 2007: Nil)	119.31	13.43
		132.90	44.17

SCHEDULES TO THE FINANCIAL STATEMENTS (CONTINUED)

(Currency : Indian Rupees in millions)

22 Notes to the accounts

1. 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, E-ONE, MADEL and 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:

- the amalgamation of E-ONE with the Company effective 1 April 2005;
- the merger of the digital business of MADEL with the Company effective 1 April 2005; and
- 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 for vesting of radio licenses held by it in the name of RUL. Pending the said approval, the Scheme was not filed with the Registrar of Companies ('ROC') as required under Section 391(3) of the Companies Act, 1956 ('the Act'). However, for the purpose of the previous period's financial statements, pending completion of licensing and other procedural formalities, the Scheme was given effect to in view of the Court approval and to give effect to the substance of the Scheme as approved by the Hon'ble High Court of Judicature at Bombay.

In accordance with the requirements of the Scheme, the merger of E-ONE as well as the digital business of MADEL and the demerger of the radio business of the Company was accounted for as follows:

- All assets and liabilities of E-ONE as at 1 April 2005 were recorded by the Company at their fair values. Since E-ONE was a wholly owned subsidiary of the Company, the investment by the Company in the shares of E-ONE was cancelled against the assets and liabilities acquired on amalgamation. The excess of net assets taken (at fair value) over the cost of investment in E-ONE 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'.
- All assets and liabilities of the digital business of MADEL as at 1 April 2005 were recorded by the Company at their book values. Since MADEL was a wholly owned subsidiary of the Company, no consideration was paid against the assets and liabilities acquired. 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'.
- All assets and liabilities of the radio business of the Company as at 31 March 2006 were transferred at their respective book values. The aggregate value of net assets transferred pursuant to the Scheme in excess of Rs 1,000 (which was recorded as receivable from RUL) was recorded in 'Amounts pending transfer to the Securities premium account and/or General reserve account as per the Scheme of amalgamation and arrangement'

Subsequently during the current period, the Board 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 inter-alia provides for the following:

- the amalgamation of E-ONE with the Company effective 1 April 2005;
- the merger of the digital business of MADEL with the Company effective 1 April 2005; and
- adjusting the net results of the transactions related to radio business from 31 March 2006 till the effective date in the General Reserve Account of the Company.

As the original scheme was primarily modified in relation to the radio business, in respect of amalgamation of E-ONE and merger of digital business of MADEL, these were already given effect to in the financial statements of the previous period period. Accordingly, no further adjustments are made in the current period's financial statements, except that the amounts which were not credited / debited to 'Securities Premium' / 'General Reserve' pending filing the scheme with ROC have now been debited / credited to Securities Premium / General Reserve as applicable on the filing of the Modified Scheme with the ROC.

During the period and upto 31 March 2008, as E-ONE and MADEL carried on their existing business in trust for and on behalf of the Company, all vouchers, documents etc. for the period are in the name of E-ONE and MADEL. The title deeds, licenses, agreements, loan documents etc., are being transferred in the name of the Company.

As regards the radio business, the provision relating to demerger of the radio business of the Company to RUL effective 31 March 2006 as provided in the original Scheme and given effect to in the previous period's financial statements has been deleted in the modified scheme. Accordingly, all the adjustments effected in the previous period's financial statements in this regard have been reversed during the current period. Further, in accordance with the Modified Scheme, the net results of the transactions related to radio business for the period from 31 March 2006 till the effective date ('31 March 2008') have been debited to General Reserve Account of the Company.

SCHEDULES TO THE FINANCIAL STATEMENTS (CONTINUED)

(Currency : Indian Rupees in millions)

The net results of the transactions related to radio business for the period from 31 March 2006 upto 31 March 2008 are summarized hereunder:

Particulars	**Nine months ended 31 March 2008**	Fifteen months ended 30 June 2007
Income	**1,116.09**	332.03
Expenditure		
Direct costs	**506.21**	202.46
Personnel costs	**347.76**	252.81
Other operating and general administrative expenses*	**558.41**	454.76
Interest	**134.63**	211.99
Depreciation/ amortisation	**239.66**	147.48
Loss before taxation	**(670.58)**	(937.47)
Tax Expenses - fringe benefit tax	**11.49**	7.55
Loss after tax	**(A) (682.07)**	(B) (945.02)
Total (A + B)	(1,627.09)	
Tax affect of the above	190.76	
Balance transferred to General Reserve Account	1,436.33	

* includes Rs 78.58 (Previous year Rs.208.67, since reversed) being interest etc. allocated / charged in the previous period by Company to the radio division on net funds utilized in carrying on the radio business.

For deviation to the accounting treatment recommended in the standard refer note 3 below.

2. 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 and the consideration of Rs 50 was disclosed under loans and advances in the last period's financial statements. 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.

3. 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.

In accordance with the requirements of the said scheme, the merger of Katch 22 with the Company has been accounted for as follows:

- As per the scheme, Katch 22 amalgamates with the Company retrospectively from 1 April 2006, the Appointed Date. All assets and liabilities of Katch 22 as at 1 April 2006 have been recorded by the Company at their fair values. Since Katch 22 was a wholly owned subsidiary of the Company, the investment by the Company in the shares of Katch 22 has been cancelled against the assets and liabilities acquired on amalgamation. 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.
- The Company has also recorded the reduction of Rs 200 in the value of its assets (debtors, unamortized rights and loans and advances) by debit to 'General Reserve account' as per the provisions of the Katch 22 Scheme.

SCHEDULES TO THE FINANCIAL STATEMENTS (CONTINUED)

(Currency : Indian Rupees in millions)

The net results of the transactions relating to Katch from 1 April 2006 upto the Effective Date are as follows:

Particulars	**For the period from 1 July 2007 to 8 October 2007**	Fifteen months ended 30 June 2007
Sales and Service (net)	Nil	70.19
Other Income	2.33	Nil
Total Revenue	2.33	70.19
Direct costs	-	169.12
Other operating and general administrative expenses	0.02	0.01
Interest	-	13.16
Profit Before Taxation	2.31	(112.11)
Tax Expenses	Nil	Nil
Profit after tax	2.31	(112.11)

Impact of Schemes referred to in notes 1 and 3 above:

Had the Company followed the accounting treatment prescribed by AS-14/ generally accepted accounting principles in India:

Rs.20.18 arising from the merger of Katch 22 with the Company and credited to the General reserve account would have been credited to Capital Reserve account;

Reduction of Rs 200.00 in value of the Company's assets would have been debited to the Profit and loss account instead of General reserve account.

Rs. 208.67 being interest on monies advances by the Company to the Radio Business would have been reversed in the profit and loss account as against the reversal in the General Reserve.

the net results (loss) of the transactions related to Radio Business from 31 March , 2006 upto the Effective date i.e. 31 March, 2008 aggregating to Rs 1,436.33 (net of tax benefits) arising from modification in the scheme of demerger of Radio division and debited to the General reserve account would have been debited to profit and loss account;

Accordingly, had the Scheme been accounted for in compliance with the requirements of AS 14/ generally accepted accounting principles in India, the profit for the period before tax would have been lower by Rs 1,845.00, General reserve account would have been higher by Rs 1,824.82 and Capital reserve account would have been stated at Rs 20.18.

4. Contingent Liabilities

On account of	**31 March 2008**	30 June 2007
Dispute with excise department		
Disputed Central Excise demand pending with the Central Excise Appellate Tribunal in respect of the film processing division	**111.09**	98.64
Entertainment tax		
In respect of certain multiplexes, 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	**28.03**	9.30
In respect of certain multiplexes, the Company is in dispute with the entertainment tax authorities regarding eligibility for availing exemption under the relevant Act.	**21.94**	10.74
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.	**5.69**	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	**440.44**	330.27
Disputed property tax	**7.40**	–

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 this regard. 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.

SCHEDULES TO THE FINANCIAL STATEMENTS (CONTINUED)

(Currency : Indian Rupees in millions)

5. Commitments

	31 March 2008	30 June 2007
Estimated amount of contracts remaining to be executed on capital account and not provided for (net of advances)	**1,340.97**	1,271.41
Amount uncalled on 1,500,000 partly paid preference shares of Tree of Knowledge DOT Com Private Limited	**300.00**	300.00

6. Secured Loans

The car loans are secured by hypothecation of vehicles acquired on Equitable Monthly Installment (EMI) system.

Cash credit is secured by deferred payment note, hypothecation of book-debts, moveable fixed assets and stocks of chemicals.

Term loan from the bank / others are secured by a charge on all movable fixed assets.

7. Micro, Small and Medium Enetrprises

On the basis of the information and records available with management, there are no Micro, Small and Medium enterprises, who have registered with the competent authorities. This information has not been disclosed for the previous year, as the Company was in the process of compiling the requisite list of Micro, Small and Medium enterprises under the Micro, Small and Medium Enterprises Development Act, 2006.

Name of the Small Scale Industrial undertakings to whom the Company owed any sum outstanding for more than 30 days in the previous period are Cine Labs, Elico Limited, Jus Electronics, Shree Shakti Industries, Shree Sainath Photochem.

8. Managerial Remuneration

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

	Nine months ended 31 March 2008	Fifteen months ended 30 June 2007
Salary	**3.13**	6.75
Contribution to provident fund	**0.22**	0.81
Perquisites	**8.89**	3.83
	12.24	11.39

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 are not available.

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

9. Other miscellaneous expenses include remuneration to Auditors as below

Auditors' remuneration (including service tax wherever applicable)

Particulars	**Nine months ended 31 March 2008**	Fifteen months ended 30 June 2007
Audit fees	**5.56**	4.17
Other attestation fee	**2.37**	0.20
Reimbursement of out of pocket expenses	**0.34**	0.16
TOTAL	**8.27**	4.53

10. Quantitative details

Quantitative details of turnover

Particulars		**Nine months ended 31 March 2008**		Fifteen months ended 30 June 2007	
	Units	**Quantity**	**Value**	Quantity	Value
Processing and printing	Feet('000')	**262,658.99**	**366.62**	341,522.00	564.98
Traded goods	Cans('000')	**24.62**	**241.02**	38.51	381.53
Food and beverage sales					
Packaged food items*	Pieces ('000)	**1,341.93**	**32.27**	832	18.57
Bottled beverages*	Pieces ('000)	**377.06**	**8.64**	564	11.84
Non packaged food items			**78.02**		83.69
Others			**38.63**		39.41

* net of complimentary issues and wastages.

SCHEDULES TO THE FINANCIAL STATEMENTS (CONTINUED)

(Currency : Indian Rupees in millions)

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

Particulars	Units	Nine months ended 31 March 2008 Quantity	Nine months ended 31 March 2008 Value	Fifteen months ended 30 June 2007 Quantity	Fifteen months ended 30 June 2007 Value
Negative film rolls					
Opening stock	Cans('000')	**0.85**	**6.16**	0.64	4.40
Purchases*	Cans('000')	**25.00**	**215.50**	38.73	337.46
Closing stock	Cans('000')	**1.23**	**5.88**	0.85	6.16
Food and beverages					
Opening stock					
Packaged food items	Pieces ('000)	**20.20**	**0.06**	10.00	0.06
Bottled beverages	Pieces ('000)	**191.70**	**1.02**	109.00	0.76
Non packaged food items			**3.14**		0.77
Purchases*					
Packaged food items	Pieces ('000)	**1,911.69**	**14.79**	1,289.00	11.58
Bottled beverages	Pieces ('000)	**452.03**	**4.74**	962.00	10.64
Non packaged food items			**33.40**		40.06
Closing stock					
Packaged food items	Pieces ('000)	**72.36**	**0.27**	20.00	0.06
Bottled beverages	Pieces ('000)	**103.13**	**0.49**	192.00	1.02
Non packaged food items			**4.57**		3.15

* All material purchased are indigenous.

11. Value of Imports on CIF basis

	Nine months ended 31 March 2008	Fifteen months ended 30 June 2007
Components and spare parts	**3.19**	6.21
Capital goods	**782.58**	166.54

12. Expenditure in foreign currency

	Nine months ended 31 March 2008	Fifteen months ended 30 June 2007
Travelling	**4.53**	4.50
Professional fees	**16.73**	6.67
Commission	**Nil**	56.05
Others	**20.82**	0.93

13. Earnings in foreign exchange

	Nine months ended 31 March 2008	Fifteen months ended 30 June 2007
Film distribution income	**114.33**	662.03
Interest	**4.37**	12.24
Processing income	**2.26**	5.48
Others	**0.73**	Nil

14. Leases 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.

SCHEDULES TO THE FINANCIAL STATEMENTS (CONTINUED)

(Currency : Indian Rupees in millions)

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

Period	Minimum lease payment	
	31 March 2008	30 June 2007
Amount due within one year from the balance sheet date	**460.78**	171.03
Amount due in the period between one year and five years	**1,897.88**	703.26
Amount due after five years	**5,346.38**	621.68
Total	**7,705.04**	1495.97

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

Amount debited to profit & loss account on account of lease rental is Rs. 259.35, (Previous Year Rs.186.67).

15. 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.

16. Disclosure of Related Party under AS 18

Parties where control exists

Holding Company

Reliance Capital Limited (upto 30th November, 2007)

Reliance Land Private Limited (upto 30th November, 2007)

Subsidiary Companies

- Adlabs Films (UK) Limited (with effect from 19th May,2007)
- Adlabs Films (USA), Inc. (with effect from 17th May, 2007)
- Adlabs Films Netherlands B.V. (with effect from 8th February, 2008)
- Adlabs (Mauritius) Limited (with effect from 20th March, 2008)
- Mukta Adlabs Digital Exhibition Private Limited
- Adlabs Distributors and Exhibitors Limited
- Synergy Adlabs Media Limited
- Runwal Multiplex Private Limited (w.e.f 20th December, 2007)
- Rave Entertainment Private Limited (w.e.f. 29th December, 2007)
- Katch 22 Entertainment Private Limited (Refer note 3 above).
- Reliance Unicom Limited (Refer note 1 above)

Step Down Subsidiary Companies

- Sri Ramakrishna Theatre Private Limited
- 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
- Katch 22 Entertainment Private Limited (Refer note 3 above).

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

(a) Key Management Personnel and their relatives

- Manmohan Shetty (till 30th November, 2007)
- Pooja Shetty (till 30th November, 2007)
- Kirti Desai (with effect from 30 January 2008)- Manager appointed under section 269 of the Companies Act, 1956.

SCHEDULES TO THE FINANCIAL STATEMENTS (CONTINUED)

(Currency : Indian Rupees in millions)

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
- Runwal Multiplex Private Limited (upto 19 December, 2007)

(d) Enterprises over which Key Management Personnel have significant influence

- Dharma Production Private Limited (upto 30th November, 2007)
- idream Production Private Limited (upto 30th November, 2007)
- Whistling Woods International Private Limited (upto 30th November, 2007)
- Reliance Communication Infrastructure Limited (upto 30th November, 2007)
- Reliance Capital Assets Management Limited (upto 30th November, 2007)
- Reliance Web Stores Limited (upto 30th November, 2007)
- Reliance General Insurance Company Limited (upto 30th November, 2007)
- HPE/ Adlabs LP (upto 30th November, 2007)

Transactions	Holding company	Subsidiary companies	Fellow subsidiary companies	Significant shareholders, key management personnel and their relatives	Enterprises over which Company has significant influence/ associates	Enterprises over which Key Management personnel have significant influence	Joint ventures
Rendering of services							
Adlabs Films (USA), Inc	-	8.92	-	-	-	-	-
Adlabs Films (UK) Limited	-	3.64	-	-	-	-	-
Runwal Multiplex Private Limited	-	0.38	-	-	-	-	0.65
Cineplex Private Limited	-	-	-	-	-	-	1.26
Sultan Production Private Limited	-	-	-	-	71.92	-	-
Synergy Adlabs Media Limited	-	7.05	-	-	-	-	-
	Nil	19.99	Nil	Nil	71.92	Nil	1.91
Adlabs Films (USA), Inc	-	(173.53)	-	-	-	-	-
Adlabs Films (UK) Limited	-	(131.60)	-	-	-	-	-
Dharma Production Private Limited	-	-	-	-	-	(11.13)	-
Reliance Communication Infrastructure Limited	-	-	-	-	-	(19.17)	-
Other	(3.14)	(5.00)	-	-	-	(1.24)	(12.13)
	(3.14)	(310.13)	(Nil)	(Nil)	(Nil)	(31.54)	(12.13)
Interest income							
Reliance Unicom Limited	-	13.03	-	-	-	-	-
HPE/ Adlabs LP	-	-	-	-	4.37	-	-
	Nil	13.03	Nil	Nil	4.37	Nil	Nil
Reliance Unicom Limited	-	-	(208.67)	-	-	-	-
Others	-	-	-	-	-	(14.71)	-
	(Nil)	(Nil)	(208.67)	(Nil)	(Nil)	(14.71)	(Nil)
Receiving of services							
Runwal Multiplex Private Limited	-	1.09	-	-	-	-	2.35
Divya Shakti Marketing Private Limited	-	-	-	-	-	-	1.8
Cineplex Private Limited	-	-	-	-	-	-	1.7
Others	-	0.47	-	-	-	-	-
	Nil	1.56	Nil	Nil	Nil	Nil	5.85

SCHEDULES TO THE FINANCIAL STATEMENTS (CONTINUED)

(Currency : Indian Rupees in millions)

Transactions	Holding company	Subsidiary companies	Fellow subsidiary companies	Significant shareholders, key management personnel and their relatives	Enterprises over which Company has significant influence/ associates	Enterprises over which Key Management personnel have significant influence	Joint ventures
Reliance General Insurance Company Limited	**-**	**-**	**-**	**-**	**-**	**(13.62)**	**-**
Others	-	(1)	-	-	-	-	-
	(Nil)	**(1)**	**(Nil)**	**(Nil)**	**(Nil)**	**(13.62)**	**(Nil)**
Reimbursement of expenses							
Adlabs Films (USA), Inc	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Adlabs Films (UK) Limited	**-**	**24.20**	**-**	**-**	**-**	**-**	**-**
Synergy Adlabs Media Limited	**-**	**8.18**	**-**	**-**	**-**	**-**	**-**
	Nil	**32.38**	**Nil**	**Nil**	**Nil**	**Nil**	**Nil**
Adlabs Films (USA), Inc	**-**	**(25.42)**	**-**	**-**	**-**	**-**	**-**
Adlabs Films (UK) Limited	**-**	**(30.72)**	**-**	**-**	**-**	**-**	**-**
Synergy Adlabs Media Limited	**-**	**(11.42)**	**-**	**-**	**-**	**-**	**-**
Others	**-**	**-**	**-**	**-**	**-**	**-**	**(2.90)**
	(Nil)	**(67.56)**	**(Nil)**	**(Nil)**	**(Nil)**	**(Nil)**	**(2.90)**
Managerial remuneration							
Manmohan Shetty	**-**	**-**	**-**	**11.61**	**-**	**-**	**-**
Pooja Shetty	**-**	**-**	**-**	**0.49**	**-**	**-**	**-**
Kirti Desai	-	-	-	**0.14**	-	-	-
	Nil	**Nil**	**Nil**	**12.24**	**Nil**	**Nil**	**Nil**
Manmohan Shetty	**-**	**-**	**-**	**(7.59)**	**-**	**-**	**-**
Pooja Shetty	**-**	**-**	**-**	**(3.80)**	**-**	**-**	**-**
	(Nil)	**(Nil)**	**(Nil)**	**(11.39)**	**(Nil)**	**(Nil)**	**(Nil)**
Dividend paid/(received)	54.64	-	-	5.73	-	-	(5.50)
	54.64	**Nil**	**Nil**	**5.73**	**Nil**	**Nil**	**(5.50)**
	(49.17)	(Nil)	(Nil)	(18.66)	(Nil)	(Nil)	(Nil)
Premium on key managerial policy							
Manmohan Shetty	**-**	**-**	**-**	**(4.81)**	**-**	**-**	**-**
	(Nil)	(Nil)	(Nil)	(4.81)	(Nil)	(Nil)	(Nil)
Loan given							
Reliance Unicom Limited	**-**	**609.81**	**-**	**-**	**-**	**-**	**-**
Synergy Adlabs Media Limited	**-**	**15.50**	**-**	**-**	**-**	**-**	**-**
Adlabs Films USA Inc	**-**	**86.58**	**-**	**-**	**-**	**-**	**-**
Adlabs Films Netherlands B.V.	**-**	**44.42**	**-**	**-**	**-**	**-**	**-**
Mukta Adlabs Digital Exhibition Private Limited	**-**	**43.65**	**-**	**-**	**-**	**-**	**-**
Rave Entertainment Private Limited		**324.64**					
Runwal Multiplex Private Limited	**-**	**2.48**	**-**	**-**	**-**	**-**	**-**
	Nil	**1,117.08**	**Nil**	**Nil**	**Nil**	**Nil**	**Nil**
Reliance Unicom Limited	**-**	**-**	**(2542.38)**	**-**	**-**	**-**	**-**
Others	**-**	**(5.00)**	**-**	**-**	**-**	**-**	**-**
	(Nil)	**(5.00)**	**(2542.38)**	**(Nil)**	**(Nil)**	**(Nil)**	**(Nil)**
Loan received back							
Reliance Unicom Limited	**-**	**385.00**	**-**	**-**	**-**	**-**	**-**
Synergy Adlabs Media Limited	**-**	**15.50**	**-**	**-**	**-**	**-**	**-**
Adlabs Distributors & Exhibitors Private Limited	**-**	**31.09**	**-**	**-**	**-**	**-**	**-**
Runwal Multiplex Private Limited	**-**	**4.22**	**-**	**-**	**-**	**-**	**-**
Cineplex Private Limited	**-**	**-**	**-**	**-**	**-**	**-**	**3.00**
	Nil	**435.81**	**Nil**	**Nil**	**Nil**	**Nil**	**3.00**

SCHEDULES TO THE FINANCIAL STATEMENTS (CONTINUED)

(Currency : Indian Rupees in millions)

Transactions	Holding company	Subsidiary companies	Fellow subsidiary companies	Significant shareholders, key management personnel and their relatives	Enterprises over which Company has significant influence/ associates	Enterprises over which Key Management personnel have significant influence	Joint ventures
Reliance Unicom Limited	-	-	(580.00)	-	-	-	-
Others	-	(26.80)	-	-	-	-	-
	(Nil)	(26.80)	(580.00)	(Nil)	(Nil)	(Nil)	(Nil)
Investment in Limited Liability Partnership							
HPE/ Adlabs LP	-	-	-	-	-	(460.78)	-
	(Nil)	(Nil)	(Nil)	(Nil)	(Nil)	(460.78)	(Nil)
Purchase of shares							
Adlabs Films Netherland B. V.	-	1.04	-	-	-	-	-
Reliance Unicom Limited	-	100.50	-	-	-	-	-
Runwal Multiplex Private Limited	-	170.45	-	-	-	-	-
Rave Entertainment Private Limited	-	51.53	-	-	-	-	-
Adlabs Films Mauritius Limited	-	0.01	-	-	-	-	-
	Nil	323.53	Nil	Nil	Nil	Nil	Nil
Adlabs Films (USA), Inc	-	(0.92)	-	-	-	-	-
Synergy Adlabs Media Limited	-	(64.16)	-	-	-	-	-
Adlabs Films (UK) Limited	-	(0.85)	-	-	-	-	-
Cineplex Private Ltd.	-	-	-	-	-	-	(2.00)
MADEL	-	(0.45)	-	-	-	-	-
Katch 22 Entertainment Private Limited	-	(0.10)	-	-	-	-	-
	(Nil)	(66.48)	(Nil)	(Nil)	(Nil)	(Nil)	(2.00)
Loan adjusted against security premium							
Reliance Unicom Limited (Refer note 1 of Schedule 22)	-	-	(796.54)	-	-	-	-
	Nil	(Nil)	(796.54)	(Nil)	(Nil)	(Nil)	(Nil)
Purchase of fixed assets							
Cineplex Private Limited	-	-	-	-	-	-	(0.1)
	(Nil)	(Nil)	(Nil)	(Nil)	(Nil)	(Nil)	(0.1)
Outstanding balance as on 31 March 2008							
Adlabs Films (USA), Inc	-	86.58	-	-	-	-	-
Adlabs Films (UK) Limited	-	23.81	-	-	-	-	-
Adlabs Distributors and Exhibitors Limited	-	4.79	-	-	-	-	-
Rave Entertainment Private Limited	-	324.64	-	-	-	-	-
Adlabs Films Netherland B. V	-	44.42	-	-	-	-	-
Reliance Unicom Limited	-	234.90	-	-	-	-	-
Synergy Adlabs Media Limited	-	20.73	-	-	-	-	-
Mukta Adlabs Digital Exhibition Private Limited	-	43.65	-	-	-	-	-
Runwal Multiplex Private Limited	-	7.28	-	-	-	-	-
Cineplex Private Limited	-	-	-	-	-	-	48.92
Divya Shakti Marketing Private Limited	-	-	-	-	-	-	22.24
Sultan Production Private Limited	-	-	-	-	71.92	-	-
	Nil	790.80	Nil	Nil	71.92	Nil	71.16
Reliance Unicom Limited	-	-	(2,271.55)	-	-	-	-
Adlabs Films (USA), Inc	-	(48.79)	-	-	-	-	-
Adlabs Distributors and Exhibitors Limited	-	(11.20)	-	-	-	-	-
Others	-	(37.41)	-	-	-	(0.16)	(78.81)
	(Nil)	(97.40)	(2,271.55)	(Nil)	(Nil)	(0.16)	(78.81)

Previous period's figures are given in brackets.

SCHEDULES TO THE FINANCIAL STATEMENTS (CONTINUED)

(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 2008	As at 30 June 2007	Maximum balance during the period
Rave Entertainment Private Limited	Subsidiary	**324.64**	Nil	326.13
Reliance Unicom Limited	Subsidiary	**234.90**	Nil	604.00
Mukta Adlabs Digital Exhibition Private Limited	Subsidiary	**43.65**	Nil	43.65
Adlabs Films Netherlands B. V.	Subsidiary	**44.42**	Nil	44.42
Adlabs Films USA Limited	Subsidiary	**86.58**	Nil	86.58
Adlabs Distributors and exhibitors Private Limited	Subsidiary	**4.79**	31.10	38.20
Runwal Multiplex Private Limited	Subsidiary	**3.20**	6.55	6.55
Divya Shakti Marketing Private Limited	Joint venture	**22.24**	21.86	22.24
Cineplex Private Limited	Joint venture	**48.38**	50.41	50.88
Synergy Adlabs Media Limited	Subsidiary	**20.10**	11.42	23.39

Notes:

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

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

18. 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 upto 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. The conversion price is subject to adjustment in certain circumstances. 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.

During the period, bond holders holding bonds aggregating Euro 63.35 million have opted to convert the bonds to equity shares. Accordingly shares aggregating to 6,325,420 have been issued to them at a price of Rs. 543.42 per share (including securities premium of Rs. 538.42 per share).

The balance in premium account as at 31 March 2008 is as follows:

	31 March 2008	30 June 2007
Opening balance	**1,000.66**	988.09*
Add: Reversal of provision for premium on conversion of FCCB	**(785.82)**	Nil
Adj: foreign exchange fluctuation	**69.15**	12.57
Less: Amounts utilized during the year	**Nil**	Nil
Less: Unutilized amounts reversed during the year	**Nil**	Nil
Closing balance	**283.99**	1,000.66

* Premium payable on redemption of FCCB Rs 988.09 has been fully provided for and has been charged to securities premium account. During the period, Bond holders holding bonds aggregating Euro 63.35 million have opted to convert their bonds into equity shares.

The company has fully utilized the proceeds from FCCB issue for the purpose stated in the issue documents.

SCHEDULES TO THE FINANCIAL STATEMENTS (CONTINUED)

(Currency : Indian Rupees in millions)

19. Earnings per Share ('EPS')

Particulars	**Nine months ended 31 March 2008**	Fifteen months ended 30 June 2007
Net profit after tax and before incorporation of profit/(loss) of E-ONE and the digital business of MADEL for the previous fifteen months ended 30 June 2007 -For calculating Basic EPS	**459.05**	853.35
Loss after tax for the period from 1 April 2005 to 31 March 2006 incorporated pursuant to Scheme of amalgamation and arrangement.	**-**	(19.52)
Net profit after tax and before incorporation of profit/(loss) of E-ONE and the digital business of MADEL for the previous fifteen months ended 30 June 2007 -For calculating Basic EPS	**459.05**	833.83
Adjustment for Exchange loss on FCCB	**-**	16.80
Net profit after tax available for equity shareholders - For calculating Diluted EPS	**459.05**	850.63
Weighted average number of equity shares outstanding during the nine / fifteen months for Basic EPS	**42,103,935**	39,800,750
Add : Equity shares issuable on conversion of FCCB*	**6,084,140**	8,387,325
Weighted average number of equity shares outstanding during the nine months period (previous fifteen months period) for Dilutive EPS	**48,188,075**	48,188,075
Basic EPS Rs.	**10.90**	20.95
Basic EPS Rs. before incorporation of profit/(loss) of E-ONE and the digital business of MADEL for the previous fifteen months ended 30 June 2007	**10.90**	21.44
Dilutive EPS Rs.	**9.53**	17.65
Dilutive EPS Rs. before incorporation of profit/(loss) of E-ONE and the digital business of MADEL for the previous fifteen months ended 30 June 2007	**9.53**	18.05
Nominal value per share in Rs	**5**	5

* these would be dilutive only in the event that the bondholders exercise the conversion option.

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

	Nine months ended 31 March 2008			Fifteen months ended 30 June 2007		
	Currency	**Amount Foreign Currency (mn)**	**Amount Rs**	Currency	Amount Foreign Currency (mn)	Amount Rs
Sundry Debtors	**USD**	**0.46**	**18.44**	USD	1.88	75.92
	GBP	**0.31**	**24.63**	GBP	0.05	3.62
	Euro	**0.01**	**0.65**	Euro	0.007	0.37
Sundry Creditors	**USD**	**4.08**	**163.61**	USD	0.66	26.90
	GBP	**0.16**	**12.99**	GBP	Nil	Nil
	Euro	**0.82**	**52.02**	Euro	Nil	Nil
Loans & Advances	**USD**	**2.16**	**86.58**	USD	Nil	Nil
	Euro	**0.70**	**44.42**	Euro	Nil	Nil
Zero Coupon Foreign Currency Convertible Bonds ('FCCB')	**Euro**	**20.65**	**1,123.95**	Euro	84.00	4,615.80
Provision for premium on redemption of FCCB	**Euro**	**4.48**	**289.99**	Euro	18.21	1,000.66

21. During the period, FCCB have been reclassified as non-monetary liabilities pursuant to inter-alia the current trend of earnings and market price of the Company's equity share exceeding the conversion price stipulated in the offer document (bondholders holding 75.42% of the FCCB have exercised conversion option to this date). Consequently, the foreign exchange fluctuation loss aggregating to Rs 43.81 accounted in previous period has been reversed during the period in the Profit & Loss account and foreign exchange fluctuation loss of Rs 362.18 for the financial period has not been recognized in the Profit & Loss statement.

SCHEDULES TO THE FINANCIAL STATEMENTS (CONTINUED)

(Currency : Indian Rupees in millions)

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 2008**	% of ownership interest as at 30 June 2007
Swanston Multiplex Cinemas Private Limited	India	**50.00%**	50.00%
Runwal Multiplex Private Limited (Became subsidiary w.e.f. 20 December 2007)	India	**–**	50.00%
Cineplex Private Limited	India	**50.00%**	50.00%
Divya Shakti Marketing Private Limited	India	**50.00%**	50.00%

Details of companies in joint ventures:

	Particulars	**Nine months ended 31 March 2008**	Fifteen months ended 30 June 2007
I	**Assets**		
1.	Fixed assets (including Capital work-in-progress)	**106.38**	178.92
2.	Investments	**5.64**	7.86
3.	Current assets, loans and advances		
	a) Inventories	**0.85**	1.40
	b) Sundry debtors	**8.84**	10.44
	c) Cash and bank balances	**6.93**	10.47
	d) Interest Accrued but not due	**0.05**	0.05
	e) Loans and advances	**7.35**	35.80
II	**Liabilities**		
1.	Shareholders' fund - reserves and surplus	**40.49**	97.02
2.	Secured loans	**Nil**	Nil
3.	Unsecured loans	**63.46**	68.21
4.	Deferred tax (net)	**5.41**	12.04
5.	Current liabilities and provisions		
	a) Liabilities	**17.96**	28.10
	b) Provisions	**1.33**	23.04
III.	**Income**		
1.	Sales (net of excise duty)	**102.41**	219.10
2.	Other Income	**10.28**	2.23
IV	**Expenses**		
1.	Operating expenses	**91.13**	155.39
2.	Depreciation	**10.21**	17.78
3.	Interest	**0.06**	0.84
4.	Profit before Taxation	**11.29**	47.39
5.	Prior period Adjustments	**(0.04)**	1.47
6.	Provision for Taxation (including deferred taxation)	**3.00**	17.79
7.	Profit after Taxation before minority interests	**8.32**	28.13
V.	**Other Matters**		
1.	Contingent Liabilities	**203.22**	101.61
2.	Capital Commitments	–	–
	Movement of the aggregate reserves of the joint ventures:		
	Reserves as at beginning of the period	**42.31**	47.26
	Add: Share of (loss)/profits for the period	**(1.82)**	49.76
	Reserves as at the end of the period	**40.49**	97.02

SCHEDULES TO THE FINANCIAL STATEMENTS (CONTINUED)

(Currency : Indian Rupees in millions)

23. Employee Benefits

Defined Contribution Plan

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

Employer's Contribution to Provident Fund Rs. 7.6 (2007: Rs. 7.43).

Other long employee benefits comprises encashment of leave. Total expense recognised for the period Rs. 0.54 (2007: Rs. 15.02).

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

	Company other than Radio (Funded)	Radio (Unfunded)	Total
Gratuity			
Defined Benefit obligation at beginning of the period	7.21	3.40	10.61
On Amalgamation	Nil	Nil	Nil
Current Service Cost	2.28	3.42	5.70
Interest Cost	0.62	0.20	0.82
Actuarial (gain)/loss	(2.47)	3.40	0.93
Benefits paid	(0.15)	Nil	(0.15)
Settlement cost	Nil	Nil	Nil
Defined Benefit obligation at period end (Closing balance as at 30 June 2007 Rs 10.61)	7.49	10.42	17.91

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

	Company other than Radio (Funded)	Radio (Unfunded)	Total
Gratuity			
Fair value of plan assets at beginning of the period	3.59	Nil	3.59
On Amalgamation	Nil	Nil	Nil
Expected return on plan assets	0.28	Nil	0.28
Actuarial gain/(loss)	0.18	Nil	0.18
Employer contribution	Nil	Nil	Nil
Benefits paid	(0.15)	Nil	(0.15)
Settlement cost	Nil	Nil	Nil
Fair value of plan assets at period end	3.90	Nil	3.90
Actual return on plan assets	Nil	Nil	Nil

III. Reconciliation of fair value of assets and obligations

	Company other than Radio (Funded)	Radio (Unfunded)	Total
Gratuity			
Fair value of plan assets as at 31st March, 2008	3.90	Nil	3.90
Present value of obligation as at 31st March, 2008	7.49	10.42	17.91
Amount recognized in Balance Sheet *	3.59	10.42	14.01

* since paid

(Closing balance as at 30 June 2007 Rs 3.90)

SCHEDULES TO THE FINANCIAL STATEMENTS (CONTINUED)

(Currency : Indian Rupees in millions)

IV. Expense recognized during the period
(Under the head "Personnel costs" – Refer Schedule 19)

	Company other than Radio (Funded)	Radio* (Unfunded)	Total
Gratuity			
Current Service Cost	2.28	3.42	5.70
Interest Cost	0.62	0.20	0.82
Expected return on plan assets.	(0.28)	Nil	(0.28)
Actuarial (gain) / loss	(2.65)	3.40	0.75
Net Cost	(0.03)	7.02	6.99

* Charged to Reserve (Refer note 1)

V. Investment details

% invested	As at 31 March 2008
Insurance Policies	100.00
	100.00

VI. Actuarial assumptions

	2008		2007	
	Gratuity (Funded)	**Leave Encashment (Unfunded)**	Gratuity (Funded)	Leave Encashment (Unfunded)
Mortality Table (LIC)	**1994-96 (Ultimate)**	**1994-96 (Ultimate)**	1994-96 (Ultimate)	1994-96 (Ultimate)
Discount rate (per annum)	**8%**	**8%**	8%	8%
Expected rate of return on plan assets (per annum)	**8%**	**8%**	8%	8%
Rate of escalation in salary (per annum)	**6.5%**	**6.5%**	6.5%	6.5%

Effective 1 July 2007, the Company adopted Accounting Standard ('AS') 15 (revised 2005) - "Employee benefits" as notified by Accounting Standard Rules, 2006. As per the transitional provisions specified in the Standard, the difference in the liability as per the existing policy followed by the Company and that arising on adoption of this Standard is required to be charged to opening reserves and surplus account. However, there is no significant impact on adoption of the Standard which is required to be adjusted to the opening balance of reserves and surplus.

The estimates of 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. This being the first year of implementation, previous period figures have not been given. 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. Transfer pricing

The Company's management is of the opinion that its international transactions with related parties are at arms length and that the Company's is in compliance with the transfer pricing legislation. Based on the above, the Company's management believes that the aforesaid legislation will not have any impact on the financial statements, particularly on the amount of tax expenses and that of the provision for taxation.

25. Prior period comparatives

The figures for the previous period (fifteen months) are strictly not comparable to those of the current period, which comprises 9 months and the effect of the Modified Scheme / the Scheme (as detailed in Note 1 above) and have been regrouped/ rearranged as necessary to conform to current period's presentation.

As per our report of even date attached.

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

Natrajan Ramkrishna
Partner
Membership No: 032815

Mumbai
29 May 2008

For and on behalf of the Board

Amit Khanna
Director

Gautam Doshi
Director

Mumbai
29 May 2008

Kirti Desai
Company Secretary & Manager

BALANCE SHEET ABSTRACT AND COMPANY'S GENERAL BUSINESS PROFILE

(Currency : Indian Rupees in thousand)

I. Registration Details

Registration No.	45446	State Code	11
Balance Sheet Date	31 03 2008 (Date Month Year)		

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

Public Issue	NIL	Right Issue	NIL
Bonus Issue	NIL	Private Placement	3437359

III. Position of mobilisation & deployment of funds (Amounts in Rs. thousands)

Total Liabilities	18145053	Total Assets	18145053
Sources of Funds			
Paid-up Capital	230631	Reserves & Surplus	6550218
Secured Loans	4029400	Unsecured Loans	5197442
Deffered tax liability	NIL		
Application of Funds			
Net Fixed Assets	8333489	Investment	2441977
Net Current Assets	5232225	Misc. Expenditure	NIL
Accumulated Losses	NIL		

IV. Performance of Company (Amounts in Rs. thousands)

Turnover	3242066	Total Expenditure	2838156
Profit/Loss before tax	+ 403911	Profit/Loss after Tax	+ 459051
(Please tick Appropriate box + for Profit - for Loss)			
Earnings per Share (Basic) in Rs.	+ 10.90	Dividend %	50

V. Generic Names of Three Principal Products/Services of Company (as per monetary terms)

Item Code No. (ITC Code)	AI
Product Description	PROCESSING & PRINTING OF CINEMATOGRAPHIC FILMS
Item Code No. (ITC Code)	AI
Product Description	TRADING OF NEGATIVE STOCK

For and on behalf of the Board

Amit Khanna
Director

Gautam Doshi
Director

Mumbai
29 May 2008

Kirti Desai
Company Secretary & Manager

AUDITORS' REPORT

To the Board of Directors of

Adlabs Films Limited

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 2008 and also the Consolidated Profit and Loss Account and the Consolidated Cash Flow Statement for the nine months period 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.

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.

1 We have audited the financial statements of the parent company, Adlabs Films Limited, whose financial statements reflect total assets of Rs 18,145 million (2007: Rs 11,243 million) as at 31 March 2008, total revenues of Rs 3,242 million (2007: Rs 3,939 million) and net cash outflows amounting to Rs 879 million (2007: Rs 3,347 million) for the nine months period ended 31 March 2008. Our opinion, in so far as it relates to the amounts included in respect thereof, is based on our Auditors' Report

2 We did not audit the financial statements and 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 388 million (2007: Rs 596 million) as at 31 March 2008 and the Group's share of total revenues of Rs 340 million (2007: Rs 492 million) for the nine months period ended on that date, as considered in the consolidated financial statements. These financial statements, other than the financial statements of a joint venture and associate referred to in 3 below and certain financial information referred to in paragraph 4 and 5 below, 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 and joint ventures, is based solely on the report of the other auditors.

3 We have relied on the unaudited financial statements of a joint venture (2007: joint ventures) whose financial statements reflect the Group's share of total assets of Rs 32 million (2007: Rs 100 million) as at 31 March 2008 and the Group's share of total revenues of Rs 9 million (2007: Rs 241million) for the nine months period ended on that date and on the unaudited financial statements of the associate, as considered in the consolidated financial statements. These unaudited financial statements as approved by the Board of Directors of the joint venture and associate have been furnished to us by the management, and our report in so far as it relates to the amounts included in respect of the joint venture and associate is based solely on such approved financial statements.

4 Further, the following information included in these consolidated financial statements is as certified by the management and not subject to audit by the auditors of the respective subsidiaries and joint ventures:

- Statement of cash flows in respect of Divya Shakti Multiplex Private Limited, Cineplex Private Limited and Adlabs Films Netherlands B.V whose financials statements reflect the Group's share of net cash outflows aggregating to Rs 323 million (2007 Rs 60 million); and
- Related party disclosures in respect of Divya Shakti Multiplex Private Limited, Cineplex Private Limited, Adlabs Films Netherlands B.V and Shri Ramkrishna Theatres Limited.

These consolidated financial statements do not include adjustments, if any, that would have been necessitated had the above mentioned financial statements/ information been subjected to an audit.

5 The following information in respect of subsidiaries and joint ventures has not been included in these consolidated financial statements as the relevant information is not available with the management. :

- Disclosures relating to foreign currency exposures (other than investments) not covered by forward contracts in respect of all subsidiaries and joint ventures (other than a joint venture audited by us);
- Disclosures relating to Employee retirement benefits in respect of subsidiaries and joint venture;
- Disclosures relating to leases in respect of overseas subsidiaries; and
- Contingent liability disclosure by Rave Entertainment Private Limited, Runwal Multiplex Private Limited, Divya Shakti Multiplex Private Limited and Cineplex Private Limited, in respect of payment of entertainment tax liability arising in the event that the multiplex/es do not continue operations for a period of 10 years from the respective dates from which they commenced operations.

6 The consolidated financial statements have been prepared by the Company's management in accordance with the requirements of Accounting Standard (AS) 21 - Consolidated Financial Statements, AS 23 Accounting for Investments in Associates in Consolidated Financial Statements and AS 27 - Financial Reporting of Interest in Joint Ventures issued by the Institute of Chartered Accountants of India.

7 Without qualifying our report, we draw attention to Note 1 of Schedule 22 to the consolidated financial statements. As more fully explained in the said Note, during the period, the Hon'ble High Court of Judicature at Bombay vide its order dated 7 March 2008 sanctioned the Modified composite scheme of amalgamation and arrangement ('the Modified Scheme') between the Company, Entertainment One India Limited ('E-ONE') and Mukta Adlabs Digital Exhibition Private Limited ('MADEL'). The Scheme was filed with the Registrar of Companies ('ROC') on 31 March 2008.

Pending completion of licensing and other procedural formalities, the original composite scheme of amalgamation and arrangement between the Company, E-ONE, MADEL, Reliance Unicom Limited ('RUL') and their respective shareholders and creditors sanctioned by the Hon'ble High Court of Judicature at Bombay vide its order dated

15 September 2006 was not filed with the Registrar of Companies ('ROC') as required under Section 391(3) of the Companies Act, 1956 ('the Act'). However, the said original scheme was given effect to by the Company's management in the previous period's financial statements for the fifteen months ended 30 June 2007, so as to give effect to the substance of the Scheme as approved by the Hon'ble High Court of Judicature at Bombay.

The Modified Scheme inter-alia provides that the net results of the transactions related to the radio business of the Company for the period from 31 March 2006 to the Effective date (i.e. the date of filing the Modified Scheme with the ROC) be adjusted in the General Reserve account of the Company (the original scheme provided for the demerger of the radio business of the Company to RUL effective 31 March 2006). As the original scheme was given effect to in the previous period's financial statements for the fifteen months ended 30 June 2007, only the modifications to the original schemed have been given effect to in the current period's financial statement (including reversal of demerger of radio business to RUL).

8 Without qualifying our report, we draw attention to Note 16 of Schedule 22 to the financial statements regarding accounting of the Foreign Currency Convertible Bonds ('FCCB'). During the current period, the Company reclassified the liability towards FCCB as non-monetary liability inter-alia on the basis of the trend of earnings and movement of the Company's share prices. Accordingly, the foreign exchange fluctuation (net loss) aggregating to Rs 43.81 million accounted in previous period has been reversed and the foreign exchange fluctuation loss for the current period aggregating to Rs 362.18 million has not been recognised by management and the said liability has not been revalued at the period-end exchange rate.

An alternate view exists that the liability towards FCCB is a monetary liability and should be revalued 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 Standard) Rules, 2006 issued by the Central government in consultation with the National Advisory Committee on Accounting Standard. 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 as before, the profit after tax would be lower by Rs 411.89 million.

Based on our audit as aforesaid, and on consideration of reports of other auditors and accounts approved by the Board of Directors/ information certified by management and disclosures not made as explained in paragraphs 3, 4 and 5 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 2008;

(b) in the case of the Consolidated Profit and Loss Account, of the profit of the Group for the nine months period then ended; and

(c) in the case of the Consolidated Cash Flow Statement, of the cash flows of the Group for the nine months period then ended.

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

Natrajan Ramkrishna
Partner
Membership No: 032815

Mumbai
29 May 2008

ADLABS FILMS LIMITED

CONSOLIDATED BALANCE SHEET AS AT 31 MARCH 2008

(Currency : Indian Rupees in millions)

	Schedule	31 March 2008	30 June 2007
SOURCES OF FUNDS			
Shareholders' funds			
Share capital	2	**230.63**	199.00
Reserves and surplus	3	**6,665.53**	3,153.53
		6,896.16	3,352.53
Minority interest			
(includes preference shares issued by subsidiaries)		**161.30**	145.13
Loan funds			
Secured loans	4	**4,029.40**	34.82
Unsecured loans	5	**5,226.51**	5,831.71
		9,255.91	5,866.53
Deferred tax liabilities (net)	6	**19.24**	140.83
		16,332.61	9,505.02
APPLICATION OF FUNDS			
Fixed assets	7		
Gross block		**8,626.32**	3,254.80
Less :Accumulated depreciation/amortisation		**2,797.96**	1,286.80
Net block		**5,828.36**	1,968.00
Capital work-in-progress (including capital advances)		**3,094.45**	1,618.56
		8,922.81	3,586.56
Goodwill on consolidation		**275.59**	225.44
Deferred tax asset (net) (Refer note 14 of Schedule 22)		**6.44**	–
Investments	8	**2,054.81**	736.66
Current assets, loans and advances			
Inventories	9	**76.13**	20.99
Sundry debtors	10	**1,526.88**	589.53
Cash and bank balances	11	**1,238.68**	1,619.69
Loans and advances	12	**4,463.41**	4,669.79
Interest accrued on investment		**93.41**	23.13
		7,398.51	6,923.13
Less: Current liabilities and provisions			
Current liabilities	13	**1,839.63**	827.91
Provisions	14	**486.50**	1,140.38
		2,326.13	1,968.29
Net current assets		**5,072.38**	4,954.84
Miscellaneous expenditure (to the extent not written off)		**0.58**	–
Deferred revenue expenditure		**–**	1.52
		16,332.61	9,505.02
Significant accounting policies	1		
Notes to the accounts	22		

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

As per our report of even date attached.

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

Natrajan Ramkrishna
Partner
Membership No: 032815

Mumbai
29 May 2008

For and on behalf of the Board

Amit Khanna
Director

Gautam Doshi
Director

Mumbai
29 May 2008

Kirti Desai
Company Secretary & Manager

CONSOLIDATED PROFIT AND LOSS ACCOUNT FOR THE NINE MONTHS ENDED 31 MARCH 2008

(Currency : Indian Rupees in millions)

	Schedule	**For nine months ended 31 March 2008**	For fifteen months ended 30 June 2007
INCOME			
Theatrical exhibition	*15*	**1,238.67**	1,122.90
Film facilities	*16*	**627.12**	954.17
Film distribution		**787.77**	1,406.74
Film/content production and related services		**438.14**	70.34
Other income	*17*	**552.78**	758.39
		3,644.48	4,312.54
EXPENDITURE			
Direct operational expenses	*18*	**979.20**	1,241.97
Personnel costs	*19*	**260.51**	230.80
Other operating and general administrative expenses	*20*	**763.41**	722.07
Interest	*21*	**148.29**	45.01
Depreciation / amortisation	*7*	**1,052.50**	944.23
		3,203.91	3,184.08
Profit before tax, prior period adjustments and minority interest (Also refer note 1 of Schedule 22)		**440.57**	1,128.46
Prior period adjustment		**(0.04)**	3.66
Profit before tax		**440.61**	1,124.80
Less : Provision for taxes (Also refer note 1 of Schedule 22)			
- Current tax		**59.56**	146.01
- MAT Credit		**(150.20)**	–
- Deferred tax charge		**55.20**	61.15
- Fringe benefit tax		**7.80**	5.11
- (Excess) / Short provision for earlier years		**(11.86)**	0.97
Profit after tax and before minority interest		**480.11**	911.56
Less: Minority interest		**5.38**	6.68
Net profit after tax		**474.73**	904.88
Accumulated balance brought forward		**978.65**	281.76
Add: Accumulated opening balance of Reliance Unicom Limited (Refer note 1 of Schedule 22)		**8.42**	–
Less: Adjustment pursuant to Katch 22 Scheme (Refer note 3 of Schedule 22)		**(10.00)**	–
		977.07	281.76
		1,451.80	1,186.64
Appropriations			
Transfer to general reserve		**1,158.02**	90.35
Proposed dividend		**123.72**	99.50
Dividend tax		**21.96**	18.14
Balance carried to balance sheet		**148.10**	978.65
		1,451.80	1,186.64
Basic earnings per share Rs.		**11.28**	22.74
Diluted earnings per share Rs.		**9.85**	19.13
(Refer note 12 of Schedule 22)			
Significant accounting policies	*1*		
Notes to the accounts	*22*		

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

As per our report of even date attached.

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

Natrajan Ramkrishna
Partner
Membership No: 032815

Mumbai
29 May 2008

For and on behalf of the Board

Amit Khanna
Director

Gautam Doshi
Director

Mumbai
29 May 2008

Kirti Desai
Company Secretary & Manager

CONSOLIDATED CASH FLOW STATEMENT FOR THE NINE MONTHS ENDED 31 MARCH 2008

(Currency : Indian Rupees in millions)

		For nine months ended 31 March 2008	For fifteen months ended 30 June 2007
A.	**Cash flow from operating activities**		
	Net profit before tax	**440.57**	1,128.46
	Prior period adjustment	**(0.04)**	(3.66)
	Adjustment for:		
	Depreciation / amortisation	**1,052.50**	948.32
	Bad debts / Advances written off	**39.10**	2.14
	Provision for doubtful debts	**0.32**	–
	Loss on sale of fixed assets	**5.72**	0.78
	Dividend income	**(12.74)**	(20.36)
	Interest expense	**148.29**	45.01
	Interest income	**(96.77)**	(294.85)
	Profit on option contract	**(97.74)**	(267.13)
	Deferred revenue expenses written off	**0.77**	–
	Profit on sale of investments / mutual fund (net)	**(269.27)**	(153.16)
	Gain on restatement of FCCBs	**(43.81)**	–
	Unrealised foreign exchange loss	**1.67**	20.50
	Operating profit before working capital changes and before net results of Radio business	**1,168.57**	1,406.05
	Adjustment for cash loss pertaining to transaction relating to Radio business till date, pursuant to the Modified Scheme of amalgamation (Refer note 2 below and note 1 of Schedule 22)	**(837.70)**	–
	Operating profit before working capital changes	**330.87**	1,406.05
	Adjustment for:		
	(Increase) in sundry debtors	**(765.89)**	(165.15)
	(Increase) in loans and advances	**(336.80)**	(2,415.24)
	(Increase) / decrease in inventories	**(55.14)**	37.86
	Increase in trade and other payable	**1,040.62**	404.34
	Adjustment for merger of Katch 22 (Refer note 3 of Schedule 22)	**2.33**	–
	Cash generated / (used in) operating activities	**215.99**	(732.14)
	Taxes paid (net of refunds)	**(162.87)**	(183.15)
	Net cash generated / (used in) operating activities (A)	**53.12**	(917.29)
B.	**Cash flow from investing activities**		
	Purchase of fixed assets	**(4,977.25)**	(3,093.34)
	Proceeds from sale of fixed assets	**1.41**	4.85
	Purchase of investments-Long term-other	**(0.03)**	(577.56)
	Profit on Sale of mutual funds (net)	**3.24**	153.16
	Dividend income	**12.74**	20.36
	Interest income	**28.82**	66.62
	Amount paid for acquisition of subsidaries	**(265.36)**	(132.00)
	Cash used in investing activities	**(5,196.43)**	(3,557.91)
	Taxes paid (net of refunds)	**(19.44)**	(11.98)
	Net cash used in investing activities (B)	**(5,215.87)**	(3,569.89)

CONSOLIDATED CASH FLOW STATEMENT FOR THE NINE MONTHS ENDED 31 MARCH 2008 *(Contd.)*

(Currency : Indian Rupees in millions)

		For nine months ended 31 March 2008	For fifteen months ended 30 June 2007
C.	**Cash flow from financing activities**		
	Proceed from fresh issue of share capital (including share premium) / preference shares	–	250.00
	Profit of option contract	**97.74**	267.12
	Proceeds from commercial paper	**2,685.31**	1,171.55
	Proceeds from long term borrowings	**4,000.00**	–
	Proceeds from short term loans (net)	**195.92**	(160.72)
	Dividend (including dividend tax) paid	**(116.41)**	(111.61)
	Interest paid	**(494.92)**	(32.99)
	Net cash flow from financing activities (C)	**6,367.64**	1,383.35
	Net increase in cash and cash equivalent (A+B+C)	**1,204.89**	(3,103.83)
	Cash and cash equivalents as at beginning of the period	**1,411.06**	4,512.92
	Cash and cash equivalents of entities not consolidated in the previous year (Refer note 2 of Schedule 22)	**30.67**	1.97
	Cash and cash equivalents as at end of the period (Refer note 1 below)	**2,646.62**	1,411.06
		1,204.89	**(3,103.83)**

Notes:

1. Cash and cash equivalents at period end comprises:

	For nine months ended 31 March 2008	For fifteen months ended 30 June 2007
Cash on hand	**9.16**	13.17
Foreign currency denominated pre-loaded cards	**0.17**	0.60
Balances with scheduled banks		
- Deposit accounts	**992.06**	962.18
- Current accounts	**236.48**	384.38
- Margin money deposits	–	4.36
Liquid investment in mutual funds	**1,408.75**	46.37
	2,646.62	**1,411.06**

2. Adjustment for cash loss pertaining to transaction relating to Radio business till date due to the Modified Scheme of amalgamation (deletion of demerger of Radio business). (Refer note 1 of Schedule 22)

Net results of transaction relating to Radio business from 1 April 2006 till effective date (31 March 2008)	**1,627.09**
Adjustment for:	
Taxes	**(19.04)**
Depreciation	**(387.11)**
Interest	**(346.62)**
Provision for doubtful debts / Advances	**(36.62)**
	837.70

As per our report of even date attached.

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

Natrajan Ramkrishna
Partner
Membership No: 032815

Mumbai
29 May 2008

For and on behalf of the Board

Amit Khanna
Director

Gautam Doshi
Director

Mumbai
29 May 2008

Kirti Desai
Company Secretary & Manager

SCHEDULES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE NINE MONTHS ENDED 31 MARCH 2008

(Currency : Indian Rupees in millions)

I Summary of significant accounting policies

1. Basis of preparation and consolidation

The 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 and joint venture companies used in the consolidation are for the same reporting period as the Company, i.e. nine months ended 31 March 2008. These financial statements are audited by the auditors of the respective entities.

The financial statements of the Group are prepared and presented under the historical cost convention on the accrual basis of accounting and in accordance with the Accounting Standards ('AS') notified in the Companies (Accounting Standard) 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. 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 unrealized profits in full. The amounts shown in respect of reserves/accumulated losses comprise the reserve/accumulated losses as per the balance sheet of the Parent Company and its share in the post-acquisition increase/decrease in the relevant reserve/accumulated losses of the subsidiaries.

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.

As more fully explained in Note 1 of Schedule 22, the provision relating to demerger of the radio business of the Company to RUL effective 31 March 2006 as provided in the original Scheme and given effect to in the previous period's consolidated financial statements has been deleted in the modified scheme. Accordingly, all the adjustments effected in the previous period's consolidated financial statements in this regard have been reversed during the current period. Further, in accordance with the Modified Scheme, the net results of the transactions related to radio business for the period from 31 March 2006 till the effective date ('31 March 2008') have been debited to General Reserve Account of the Company.

During the period,

- the Company set-up its wholly-owned subsidiaries in The Netherlands and in Mauritius effective 8 February 2008 and 20 March 2008 respectively;
- the Company increased its stake in Runwal Multiplex Private Limited, which was a joint venture entity up to 19 December 2007. Consequently, Runwal become a wholly-owned subsidiary with effect from 20 December 2007;
- the Company acquired 100% stake in Rave Entertainment Private Limited (30,00,000 equity shares of Rs. 10 each) for a consideration of Rs.51.53. (Refer Note 2 of Schedule 22);
- the company has acquired 89.16% stake in Sri Ramakrishna Theatre Limited through its subsidiary company i.e. Mukta Adlabs Digital Exhibition Private Limited (name changed to Adlabs Multiplexes & Theatres Private Limited w.e.f. 1 May 2008) for a consideration of Rs.43.98 inclusive of all incidental costs;
- Adlabs Films USA, Inc has formed fifteen subsidiaries (Adlabs Laurel LLC, Adlabs-Falls Church LLC, Aldlabs-Sahil LLC, Adlabs Entertainment (DE) LLC, Adlabs-SAR LLC, Adlabs-Entertainment LLC, Adlabs Forum LLC, Adlabs IMC LLC, Adlabs Heritage LLC, Adlabs Norwalk LLC, Adlabs-Galaxy LLC, Phoenix Adlabs Theatre Management LLC, Adlabs Union LLC, Exhibitions LLC, and Adlabs Phoenix LLC) in anticipation of the Group's expanding business activity into movie exhibition operations.

Adlabs Films USA, Inc. depreciates its tangible assets under the straight line method as against the written down value method followed by the Parent Company. No adjustments have been made in these consolidated financial statements to align the said policy of Adlabs films USA, Inc. with that of the Parent Company. the Group's share as at and for the nine months ended 31 March 2008 in the tangible assets and depreciation in respect of which a different accounting policy has been followed is Rs. 1.54 and Rs. 0.78 respectively.

SCHEDULES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(Currency : Indian Rupees in millions)

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 summarized below:

Sr no	Name of the Subsidiary	Country of Incorporation	Ownership Interest 2008	Ownership Interest 2007
1.	Adlabs Distributors and Exhibitors Private Limited	India	**100%**	100%
2.	Mukta Adlabs Digital Exhibition Private Limited (w.e.f. 1 May 2008 Adlabs Multiplexes & Theatres Private Limited)	India	**100%**	100%
3.	Adlabs Films (UK) Limited	United Kingdom	**100%**	100%
4.	Adlabs Films USA, Inc	United States of America	**100%**	100%
5.	Adlabs Films Netherlands B.V.	The Netherlands	**100% (consolidated effective 8 Feb. 2008)**	–
6.	Adlabs (Mauritius) Ltd.	Mauritius	**100% (consolidated effective 20 Mar. 2008)**	–
7.	Rave Entertainment Private Limited	India	**100%**	–
8.	Runwal Multiplex Private Limited	India	**100% (consolidated effective 20 Dec. 2007)**	JV with 50% ownership
9.	Synergy Adlabs Media Limited	India	**51%**	51%
10	Reliance Unicom Limited (Refer note 1 of Schedule 22)	India	**100%**	–

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

Sr no	Name of the Joint Venture	Country of Incorporation	Ownership Interest 2008	Ownership Interest 2007
1.	Swanston Multiplex Cinemas Private Limited	India	**50%**	50%
2.	Runwal Multiplex Private Limited	India	**50% (upto 19 Dec. 2007)**	50%
3.	Divya Shakti Marketing Private Limited	India	**50%**	50%
4.	Cineplex Private Limited	India	**50%**	50%

The list of step – down subsidiaries considered in these consolidated financial statements with percentage shareholding is summarized below:

Sr No	Name of the Subsidiary	Name of the Parent company	% Shareholding
1.	Sri Ramakrishna Theatre Limited	Mukta Adlabs Digital Exhibition Private Limited	89.16%
2.	Adlabs Entertainment LLC	Adlabs Films USA, Inc	100%
3.	Adlabs Entertainment (DE) LLC	Adlabs Films USA, Inc	100%
4.	Adlabs Forum LLC	Adlabs Films USA, Inc	100%
5.	Adlabs Laurel LLC	Adlabs Films USA, Inc	100%
6.	Adlabs Falls Church LLC	Adlabs Films USA, Inc	100%
7.	Adlabs Heritage LLC	Adlabs Films USA, Inc	100%
8.	Adlabs Norwalk LLC	Adlabs Films USA, Inc	100%
9.	Adlabs Galaxy LLC	Adlabs Films USA, Inc	100%
10.	Adlabs Sahil LLC	Adlabs Films USA, Inc	100%
11.	Adlabs Sar LLC	Adlabs Films USA, Inc	100%
12.	Phoenix Adlabs Theatre Management LLC	Adlabs Films USA, Inc	100%
13.	Adlabs-Union LLC	Adlabs Films USA, Inc	100%
14.	Adlabs Phoenix LLC	Adlabs Films USA, Inc	100%
15	Adlabs-Exhibitions LLC	Adlabs Films USA, Inc	100%
16	Adlabs IMC LLC	Adlabs Films USA, Inc	100%

SCHEDULES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(Currency : Indian Rupees in millions)

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. Actual results could differ from those estimates. Any revision to accounting estimates is recognized prospectively in current and future periods.

4. Goodwill on consolidation

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

Goodwill is reviewed for a decline 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 in the carrying value of goodwill when, in conjunction with its valuation methodology, its expectations with respect to the underlying acquisitions it has made deteriorates with adverse market conditions

5. Fixed assets and depreciation / amortization

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 relating to the radio, exhibition and film production division 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 aforesaid division of the Parent Company wherein depreciation is provided at following rates:

Particulars of Fixed Assets	Rate of Depreciation
Plant and Machinery used for exhibition division (including air conditioner plant)	10%
Electrical installation used in exhibition division	10%
Furniture & Fixtures used in exhibition division	10%
Computers	20%
Motor car	10%
Office equipment in exhibition and radio	10%

Studio equipments and plant and machinery are depreciated over 10 years, being the period of the license.

Depreciation on other fixed assets is provided on written down value method, at the rates prescribed in Schedule XIV of the Act which, in management's opinion, reflects the estimated useful lives of those fixed assets, except in case of following assets wherein depreciation is provided at following rates:

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.

During the period, the Parent Company has revised the estimated useful life of certain fixed assets, since the management believes that these revised useful lives more appropriately reflect the period of economic benefit to be derived from the use of such assets and hence would result in a more appropriate preparation and presentation of the financial statements. The revised rates along with earlier rates are stated below:

Asset block	Revised depreciation rate	Earlier depreciation rate
Plant and machinery used for exhibition division (including air conditioner plant)	10.00%	7.42%
Furniture and fixture used in exhibition division	10.00%	9.50%
Computers	20.00%	16.21%
Motor car	10.00%	7.07%
Office equipment in exhibition and radio	10.00%	7.42%
Electrical installation used in Exhibition Division	10.00%	7.42%

As a result of this change in estimate, the depreciation charge for the period is higher by Rs 7.10 and the net block is lower by Rs 7.10, profit before tax is lower by Rs 7.10 and reserves and surplus is lower by the like amount.

Depreciation on fixed assets relating to Adlabs Films USA, Inc is provided on the straight line method, at the rates based on the following estimated useful lives as determined by management:

SCHEDULES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(Currency : Indian Rupees in millions)

	Useful life In Years
Office and computer equipment	3 – 10
Furniture	5 – 7

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%.

b. Intangible assets

Intangible assets, all of which have been acquired / created and are controlled through custody or legal rights, are capitalized at cost, where they can be reliably measured. Where capitalized, 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.

One Time Entry Fees paid for acquiring new Radio licenses has been capitalized as an asset and is amortised over a period of ten years, being the period of the license, from the date of operationalisation of the station.

The individual film forecast method is used to amortize the cost of film rights acquired. Under this method, costs are amortized in the proportion that gross revenues realized 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 unamortized cost, a loss is recognized for the excess of unamortized 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 non-release of the film.

6. Impairment

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

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 recognized 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 contribution to provident fund and other funds, which are a defined contribution scheme, are charged to the profit and loss account as incurred.

Post employment and other long term employee benefits are recognized as an expense in the profit and loss account for the year in which the employee has rendered services. The expense is recognized at the present value of the amount payable determined using actuarial valuation carried out by an independent actuary at the balance sheet date using Projected Unit Credit Method.

SCHEDULES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(Currency : Indian Rupees in millions)

No provision for leave encashment and gratuity is made in respect of any of the overseas subsidiaries as the same is not mandatory as per the local laws of the respective countries.

10. Revenue recognition

Revenue is recognized 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 net of trade discounts.

Film facilities

Revenue from processing/ printing of cinematographic films/ digital content is recognised upon completion of the related processing/ printing. Amount of service tax is shown as a reduction from revenue.

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 recognized over the period of the relevant agreement/ arrangement.

Theatrical exhibition and related income

Sale of tickets

Revenue from theatrical exhibition is recognized 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 recognized upon sale and delivery at the counter.

Advertisement/ sponsorship revenue

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

Radio Broadcasting and related services

Revenue from sale of airtime

Revenue from radio broadcasting is recognised on an accrual basis on the airing of the customer's commercials.

Revenue from event management activities

Revenue from event management is recognised on the completion of the event and on the basis of related services performed, as per the contracted terms.

Interactive revenue

Revenue from short code short messaging service ('SMS') is recognised on acceptance of the hits by telecom operators.

Out of Home Media

Advertising space revenue, net of taxes, rebate and discount is recognized on the display of advertisements over the period of the contract.

Film/content production and related income

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

Program sales

Program sales are accounted on the delivery of the tape to the channel. Sales are recorded net of service tax.

Income from film distribution activity

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

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

Revenue from sale of VCDs/ DVDs, etc is recognized 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 recognized on a time proportion basis.

Dividend income

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

11. Foreign currency transactions

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

SCHEDULES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(Currency : Indian Rupees in millions)

Forward contracts are entered into to hedge the foreign currency risk of the underlying transactions. 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 period. Any profit or loss arising on the cancellation or renewal of forward contract is recognised as a income or expense for the period.

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 are considered as integral operations and the translation of the local currency 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 quarterly 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.

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 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 tax laws applicable to the respetive companies. Deferred tax charge or credit and the corresponding deferred tax liability or asset is recognized 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 realized 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 realized.

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 / Foreign Currency Convertible Bonds (‘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 recognized when the Company recognizes 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. License Fees for FM Radio Broadcasting

As per the new Frequency Module (FM) broadcasting policy, effective 1 April 2005 license fees are charged to revenue at the rate of 4% of gross revenue for the period or 10% of Reserve One Time Entry Fee (ROTEF) for the concerned city, whichever is higher. Gross Revenue for this purpose shall mean revenue on the basis of billing rates inclusive of any taxes and without deduction of any discount given to the advertiser and any commission paid to advertising agencies. Barter advertising contracts shall also be included in the gross revenue on the basis of relevant billing rates. ROTEF means 25% of highest valid bid in the city.

18. 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 profit and loss account.

SCHEDULES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(Currency : Indian Rupees in millions)

		31 March 2008	30 June 2007
2	**Share capital**		
	Authorised		
	60,000,000 (2007: 60,000,000) equity shares of Rs 5 each	**300.00**	300.00
	Issued, subscribed and paid-up capital		
	46,126,170 (2007: 39,800,750) equity shares of Rs 5 each, fully paid-up	**230.63**	199.00
	Of the above:		
	- 17,000,000 (2007: 17,000,000) equity shares of Rs 5 each fully paid-up were allotted as bonus shares by capitalisation of general reserves;		
	- 20,600,000 (2007: 20,600,000) equity shares of Rs 5 each fully paid-up are held by Reliance Land Private Limited; the holding company till 30 November 2007. (Also Refer note 11 of Schedule 22)		
		230.63	199.00
3	**Reserves and surplus**		
	Securities premium account		
	At the commencement of the period	**2,582.45**	2,466.32
	Add: Additions during the period	**–**	128.70
	Less: Provision for premium on redemption of Zero Coupon Foreign Currency Convertible Bonds ('FCCB')	**69.15**	12.57
	Less: Adjustment pursuant to the Katch 22 scheme (Refer note 3 of Schedule 22)	**128.70**	–
	Add: Premium on conversion of FCCB	**3,416.17**	–
	Add: Reversal of provision for premium on FCCB converted during the period	**785.82**	–
	Less: Adjustment pursuant to modified scheme (Refer note 1 of Schedule 22)	**205.03**	–
		6,381.55	2,582.45
	Capital Reserve		
	Balance in Capital Reserve Account	**3.39**	3.39
	General reserve		
	At the commencement of the period	**563.35**	473.00
	Add: Transfer from profit and loss account	**1,158.02**	90.35
	Add: Transfer on account of Katch 22 Merger (Refer Note 3 of Schedule 22)	**20.18**	–
	Less: Reduction in value of Company's assets (Refer note 3 of Schedule 22)	**200.00**	–
	Add: Adjustment pursuant to modified scheme (Refer note 1 of Schedule 22)	**27.26**	–
	Less: Net result from the transactions relating to Radio business (Refer note 1 of Schedule 22)	**1,436.33**	–
		132.48	563.35
	Amounts pending transfer to the Securities premium account and/or the General reserve account as per the Scheme of amalgamation and arrangement (refer note 1 of Schedule 22)		
	Pending transfer to Securities premium account		
	Balance at the commencement of period	**(1,001.57)**	–
	On demerger of radio business	**–**	(796.54)
	On reduction in value of Company's assets	**–**	(205.03)
	Reversal due to the modification of the Scheme	**796.54**	–
	Transfer to Securities premium account	**205.03**	–
		–	(1,001.57)
	Pending transfer to general reserve account		
	At the commencement of the period	**27.26**	–
	Add:On merger of E-ONE	**–**	27.26
	On merger of E-ONE transfer to General Reserve	**(27.26)**	–
		–	27.26
	Balance in profit and loss account	**148.10**	978.65
		6,665.53	3,153.53

SCHEDULES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(Currency : Indian Rupees in millions)

		31 March 2008	30 June 2007
4	**Secured loans**		
	From banks		
	- Term loan	**3,750.00**	–
	- Cash credit	**29.33**	34.41
	- Car loan	**0.07**	0.41
	From Others		
	- Term loan	**250.00**	–
	(Refer Note 6 of Schedule 22)		
		4,029.40	34.82
5	**Unsecured loans**		
	Short Term		
	Commercial Paper	**3,868.87**	1,183.56
	Inter Corporate Deposit	**204.63**	–
	Others		
	Zero Coupon Foreign Currency Convertible Bonds ('FCCB') (Refer note 11 of Schedule 22)	**1,123.95**	4,615.80
	Others	**29.06**	32.35
		5,226.51	5,831.71
	Repayable within 1 year - Rs. 4,102.56 (2007: Rs 1,183.56)		
6	(A) **Deferred tax asset** *		
	Arising on account of timing difference in:		
	Provision for leave encashment and gratuity	**20.73**	7.93
	Deduction u/s 35 D	**14.71**	4.55
	Unrealised foreign exchange loss	**3.90**	6.97
	Unabsorbed depreciation allowance and carried forward business loss	**189.93**	–
		229.27	19.45
	(B) **Deferred tax liability**		
	Arising on account of timing difference in:		
	Depreciation/ amortisation	**248.51**	160.28
		248.51	160.28
	Net deferred tax liability	**19.24**	140.83

* Restricted to the extent of the Parent Company deferred tax liability due to absence of virtual certainity

SCHEDULES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(Currency : Indian Rupees in millions)

7 Fixed Assets

Particulars	Gross block					Accumulated depreciation / amortisation					Net block	
	As at 1-Jul-07	Adjust-ments	Additions during the period	Deductions during the period	**As at 31-Mar-08**	As at 1-Jul-07	Adjust-ments	Charge for the period	Depreciation on assets sold / discarded	**As at 31-Mar-08**	**As at 31-Mar-08**	As at 30-Jun-07
Intangible assets												
Distribution rights	869.32	–	569.89	0.24	**1,438.97**	621.13	(0.12)	598.40	–	**1,219.41**	**219.56**	248.19
Negative rights	119.03	251.77	295.06	–	**665.86**	17.89	184.13	327.01	–	**529.03**	**136.83**	101.14
Computer software	2.19	39.05	19.82	–	**61.06**	0.99	1.76	5.73	–	**8.48**	**52.58**	1.20
Production Rights	251.77	(251.77)	–	–	-	184.13	(184.13)	–	–	**–**	**–**	67.64
Radio Licenses	–	1,274.69	323.07	–	**1,597.76**	–	73.78	111.31	–	**185.09**	**1,412.67**	–
Copy Rights	–	4.15	–	–	**4.15**	–	0.32	0.31	–	**0.63**	**3.52**	–
Tangible assets												
Leasehold land	22.57	19.54	–	–	**42.11**	–	–	0.49	–	**0.49**	**41.62**	22.57
Buildings:												
Leasehold	83.94	477.37	477.01	0.01	**1,038.31**	28.25	10.58	73.79	–	**112.62**	**925.69**	55.69
Freehold	589.58	(325.16)	1.45	–	**265.87**	71.41	(14.26)	6.67	–	**63.82**	**202.05**	518.17
Air conditioner plant	112.80	7.67	53.05	–	**173.52**	22.71	1.04	9.59	–	**33.34**	**140.18**	90.09
Electrical installation	163.59	(2.91)	140.44	0.01	**301.11**	32.32	(2.86)	16.09	–	**45.55**	**255.56**	131.27
Plant and machinery	307.37	1058.96	1018.21	2.01	**2,382.53**	108.78	56.02	225.61	0.70	**389.71**	**1,992.82**	198.59
Theatrical equipments	427.40	(147.28)	50.68	–	**330.80**	133.97	(6.41)	16.56	–	**144.12**	**186.68**	293.43
Furniture and fixtures	283.01	(107.66)	93.23	0.09	**268.49**	55.89	4.50	(2.62)	0.04	**57.73**	**210.76**	227.12
Vehicles	22.23	8.84	36.16	11.45	**55.78**	9.33	0.52	4.02	5.93	**7.94**	**47.84**	12.90
Total	3,254.80	2,307.26	3,078.07	13.81	**8,626.32**	1,286.80	124.87	1,392.96	6.67	**2,797.96**	**5,828.36**	1,968.00
Previous year	1,354.59		1,915.93	15.72	**3,254.80**	352.66		944.23	10.09	**1,286.80**	**1,968.00**	
Capital work-in-progress (including capital advances)											**3,094.45**	1,618.56

Notes:

1) Adjustment to Gross Block & accumulated depreciation / amortisation represents, fixed assets of Radio Division (Gross Block Rs. 2,307.26 & accumulated depreciation of Rs. 124.87) taken over pursuant to modified scheme of amalgamation (Refer Note 1 of Schedule 22), other reclassification/regrouping, etc.
2) Leasehold land in excess of 99 years is not depreciated as this is deemed ownership.
3) Depreciation charge for current year includes Rs. 339.27 towards impairment of film rights debited to general reserve persuant to scheme of merger of Katch 22 and depreciation/amortisation for Radio division.
4) Plant and Machinery includes Rs. 190.41 being asset jointly owned by Parent Company and BECIL.
5) Additions to fixed assets/ CWIP include following expenses capitalised:

	2008	2007
- Depreciation	1.19	-
- Interest	2.94	-
- Architectural and professional fees	30.73	13.85
- Personnel cost	96.96	28.30
- Other operational expenses	173.91	47.47
	305.73	89.62

SCHEDULES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(Currency : Indian Rupees in millions)

		31 March 2008	30 June 2007
8	**Investments**		
	Long term (trade, unquoted and at cost)		
	Government securities		
i	National saving certificates (Pledged with State government authorities)	**10.02**	9.79
ii	Rural Electrification Corporation Bond	**2.20**	–
	Long term (non-trade, unquoted and at cost, unless otherwise stated)		
	Investment in shares / partnership firms		
i	Prime Focus Limited Nil (2007: 964,000) equity shares of Rs 5 each fully paid-up	**–**	46.66
ii	Tree of Knowledge DOT Com Private Limited 1,500,000 (2007: 1,500,000) 0.5% cumulative redeemable preference shares of Rs 1,000 each, Rs 800 partly paid	**120.00**	120.00
iii	HPE / ADLABS LP (Investment in limited liability partnership)	**460.78**	460.78
iv	Sultan Production Private Limited 9,800 (2007: Nil) equity shares of Rs. 10 each, fully paid up	**0.10**	–
v	Investment in partnership firm	**52.96**	53.06
vi	Manipal Industries Ltd 60 (2007: Nil) Equity shares of Rs. 10 each fully paid (Rs. 2,640 Previous year: Rs. Nil)	**–**	–
	Total long term investments	**646.06**	690.29
	Current investments (non-trade, unquoted and at lower of cost and fair value)		
	Investment in mutual funds		
i	Reliance Liquid Fund Cash Plan Weekly Dividend Option 134,914,326 (2007: 198,064) units [Net Asset Value (NAV): Rs 1,350.03 (2007: Rs 1.98)]	**1,350.03**	1.98
ii	Prudential ICICI Liquid Plan Daily Dividend Option 204,775 (2007: Nil) units [Net Asset Value (NAV): Rs. 2.43 (2007: Nil)]	**2.43**	–
iii	Franklin Templeton Floating Rate Income Fund 2,125.625 (2007: 2005) units [Net Asset Value (NAV) Rs. 3.21 (2007: Nil)]	**3.21**	–
iv	Birla Sunlife ST Fund Growth 179,101.330 (2007: Nil) units [Net Asset Value (NAV): Rs.2.63 (2007: Nil)]	**2.53**	–
v	Birla Sunlife ST Fund Growth - MD 2,270.675 (2007: Nil) units [Net Asset Value (NAV): Rs.3.47 (2007: Nil)]	**0.03**	–
vi	LIC Liquid Plus 955,474.871 (2007: Nil) units [Net Asset Value (NAV): Rs.10.25 (2007: Nil)]	**10.00**	–
vii	Reliance Liquid Plus 24,269.707 (2007: Nil) units [Net Asset Value (NAV): Rs.26.53 (2007: Nil)]	**25.90**	–
viii	Osian Art Fund 20,000 (2007: Nil) units [Net Asset Value (NAV): Rs.16.21 (2007: Nil)]	**2.00**	–
ix	Templeton - SIP Growth 8,812.526 (2007: Nil) units [Net Asset Value (NAV) Rs.16.21 (2007: Nil)]	**12.62**	–
	Others	**–**	44.39
	Total current investments	**1,408.75**	46.37
		2,054.81	736.66

SCHEDULES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(Currency : Indian Rupees in millions)

		31 March 2008	30 June 2007
9	**Inventories**		
	Stores and spares	**5.78**	4.03
	Chemical stock	**1.72**	2.59
	Food and beverages	**6.76**	4.78
	Negative film rolls	**5.88**	6.15
	Content not aired	**51.58**	0.12
	Stock of DVD's	**4.41**	3.32
		76.13	20.99
10	**Sundry debtors**		
	(Unsecured)		
	Debts outstanding for a period exceeding six months		
	- *Considered good*	**151.87**	116.75
	- *Considered doubtful*	**22.41**	1.43
		174.28	118.18
	Other debts		
	- *Considered good*	**1,062.28**	472.78
	- *Considered doubtful*	**9.38**	–
		1,071.66	472.78
	Other Receivable for sale of investment	**312.73**	–
	Less : Provision for doubtful debts	**31.79**	1.43
		1,526.88	589.53
11	**Cash and bank balances**		
	Cash on hand	**9.16**	13.17
	Foreign currency denominated pre-loaded cards	**0.17**	0.60
	Balances with scheduled banks		
	- in current accounts	**236.48**	383.70
	- in fixed deposit account	**992.06**	962.18
	- in escrow account (Refer note 2 of Schedule 22)	**–**	255.00
	- Margin money deposit	**–**	4.36
	- Dividend Account	**0.81**	0.68
		1,238.68	1,619.69
12	**Loans and advances**		
	(Unsecured)		
	Advances recoverable in cash or in kind or for value to be received		
	- *Considered good*	**1,197.03**	655.43
	- *Considered doubtful*	**6.65**	0.07
		1,203.68	655.50
	Less: Provision for doubtful advances	**6.65**	0.07
	Loans and advances to others	**1,445.64**	3,383.81
	Deposits	**1,479.93**	551.63
	Advance tax, deducted at source and advance fringe benefit tax (Net of provision for Tax Rs. 503.30 (2007: Rs. 436.93))	**190.61**	78.92
	MAT Credit	**150.20**	–
		4,463.41	4,669.79

SCHEDULES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(Currency : Indian Rupees in millions)

		31 March 2008	30 June 2007
13	**Current liabilities**		
	Sundry creditors for goods and services	**1,018.65**	301.48
	Outstanding liabilities	**280.65**	262.12
	Advance payments received	**539.51**	263.63
	Unclaimed dividend	**0.82**	0.68
		1,839.63	827.91
	The amount due and outstanding for credit to Investor education and protection fund is Rs. 0.02 (2007: Rs Nil)		
14	**Provisions**		
	Proposed dividend	**115.32**	99.50
	Tax on proposed dividend	**21.03**	16.91
	Gratuity	**14.92**	3.85
	Leave encashment	**51.24**	19.46
	Premium on redemption of FCCB	**283.99**	1,000.66
		486.50	1,140.38

		For nine months ended 31 March 2008	For fifteen months ended 30 June 2007
15	**Theatrical exhibition**		
	Sale of tickets	**1,003.44**	887.48
	Less: Entertainment tax	**128.80**	74.73
		874.64	812.75
	Advertisement/sponsorship revenue	**143.78**	89.62
	Facilities provided at multiplex	**32.91**	24.58
	Food and beverages	**187.34**	195.95
		1,238.67	1,122.90
16	**Film facilities**		
	Processing/printing of films	**406.39**	621.11
	Less: Service tax	**46.82**	63.79
		359.57	557.32
	Equipment rental income	**26.53**	7.66
	Trading income	**241.02**	389.19
		627.12	954.17
17	**Other income**		
	Dividend income from: (Other Investment)		
	- Current investments	**11.73**	20.36
	- Other Long Term Investments	**1.01**	–
	Interest income from:		
	- Bank and other deposits	**73.73**	75.51
	- Others	**23.04**	219.34
	Profit on sale of current investments	**3.24**	153.16
	Miscellaneous income	**76.26**	22.90
	Profit on option contract (net)	**97.74**	267.12
	Profit on sale of investments (Long Term)	**266.03**	–
		552.78	758.39

SCHEDULES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(Currency : Indian Rupees in millions)

		For nine months ended 31 March 2008	For nifteen months ended 30 June 2007
18	**Direct operational expenses**		
	Film cost	**0.38**	11.11
	Distributors'/ Producer's share & expenses	**331.58**	267.50
	Electricity, power and water charges	**103.84**	95.93
	Print and publicity expenses	**2.02**	137.70
	Show Tax, INR & Other direct expenses	**10.29**	10.13
	Cost of food and beverage sold	**61.76**	74.31
	Chemicals consumed (Indigenous)	**21.70**	122.27
	Processing charges	**43.24**	44.61
	Cost of raw films sold	**215.77**	335.70
	Other direct expenses	**5.64**	42.81
	Film production expenses	**182.98**	99.90
		979.20	1,241.97
19	**Personnel costs**		
	Salaries, wages and bonus	**228.36**	193.80
	Contribution to provident and other funds	**8.60**	8.87
	Gratuity	**0.74**	3.89
	Leave encashment	**0.77**	15.23
	Staff welfare expenses	**22.04**	9.01
		260.51	230.80
20	**Other operating and general administrative expenses**		
	Advertisement	**83.21**	118.08
	Bank charges	**9.00**	2.79
	Business promotion	**7.90**	9.26
	Rent, Rates and taxes	**328.72**	250.99
	Commission and brokerage	**4.53**	3.54
	Travelling and conveyance	**25.54**	26.01
	Deferred revenue expenses written off	**0.77**	0.33
	Donation	**0.05**	2.55
	Labour charges	**49.18**	2.17
	Insurance	**10.57**	17.30
	Legal and professional fees	**50.60**	58.39
	Loss on sale of assets (net)	**5.72**	0.78
	Miscellaneous expenses	**57.70**	43.99
	Printing and communication	**48.95**	26.69
	Bad debts / advances written off	**39.10**	1.43
	Facility maintenance charges	**3.33**	64.14
	Repairs and maintenance		
	- Building	**1.52**	5.67
	- Machinery	**12.32**	19.77
	- Others	**19.45**	37.64
	Foreign exchange loss (net) (Refer note 16 of Schedule 22)	**5.25**	30.55
		763.41	722.07
21	**Interest**		
	On fixed loan	**15.89**	31.50
	On other loans	**132.40**	13.51
	(Net of capitalised Rs. 2.94; 2007: Nil)		
		148.29	45.01

SCHEDULES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(Currency : Indian Rupees in millions)

22 Notes to the accounts

1. Modified Composite scheme of amalgamation and arrangement

(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, E-ONE, MADEL and 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:

- the amalgamation of E-ONE with the Company effective 1 April 2005;
- the merger of the digital business of MADEL with the Company effective 1 April 2005; and
- 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 for vesting of radio licenses held by it in the name of RUL. Pending the said approval, the Scheme was not filed with the Registrar of Companies ('ROC') as required under Section 391(3) of the Companies Act, 1956 ('the Act'). However, for the purpose of the previous period's financial statements, pending completion of licensing and other procedural formalities, the Scheme was given effect to in view of the Court approval and to give effect to the substance of the Scheme as approved by the Hon'ble High Court of Judicature at Bombay.

In accordance with the requirements of the Scheme, the merger of E-ONE as well as the digital business of MADEL and the demerger of the radio business of the Company was accounted for as follows:

- All assets and liabilities of E-ONE as at 1 April 2005 were recorded by the Company at their fair values. Since E-ONE was a wholly owned subsidiary of the Company, the investment by the Company in the shares of E-ONE was cancelled against the assets and liabilities acquired on amalgamation. The excess of net assets taken (at fair value) over the cost of investment in E-ONE 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'.
- All assets and liabilities of the digital business of MADEL as at 1 April 2005 were recorded by the Company at their book values. Since MADEL was a wholly owned subsidiary of the Company, no consideration was paid against the assets and liabilities acquired. 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'.
- All assets and liabilities of the radio business of the Company as at 31 March 2006 were transferred at their respective book values. The aggregate value of net assets transferred pursuant to the Scheme in excess of Rs 1,000 (which was recorded as receivable from RUL) was recorded in 'Amounts pending transfer to the Securities premium account and/or General reserve account as per the Scheme of amalgamation and arrangement'

Subsequently during the current period, the Board 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 inter-alia provides for the following:

- the amalgamation of E-ONE with the Company effective 1 April 2005;
- the merger of the digital business of MADEL with the Company effective 1 April 2005; and
- adjusting the net results of the transactions related to radio business from 31 March 2006 till the effective date in the General Reserve Account of the Company.

As the original scheme was primarily modified in relation to the radio business, in respect of amalgamation of E-ONE and merger of digital business of MADEL, these were already given effect to in the financial statements of the previous period period. Accordingly, no further adjustments are made in the current period's financial statements, except that the amounts which were not credited / debited to 'Securities Premium' / 'General Reserve' pending filing the scheme with ROC have now been debited / credited to Securities Premium / General Reserve as applicable on the filing of the Modified Scheme with the ROC.

During the period and upto 31 March 2008, as E-ONE and MADEL carried on their existing business in trust for and on behalf of the Company, all vouchers, documents etc. for the period are in the name of E-ONE and MADEL. The title deeds, licenses, agreements, loan documents etc., are being transferred in the name of the Company.

As regards the radio business, the provision relating to demerger of the radio business of the Company to RUL effective 31 March 2006 as provided in the original Scheme and given effect to in the previous period's financial statements has been deleted in the modified scheme. Accordingly, all the adjustments effected in the previous period's financial statements in this regard have been reversed during the current period. Further, in accordance with the Modified Scheme, the net results of the transactions related to radio business for the period from 31 March 2006 till the effective date ('31 March 2008') have been debited to General Reserve Account of the Company.

SCHEDULES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(Currency: Indian Rupees in Millions)

The net results of the transactions related to radio business for the period from 31 March 2006 upto 31 March 2008 are summarized hereunder:

Particulars	Nine months ended 31 March 2008	Fifteen months ended 30 June 2007
Income	1,116.09	332.03
Expenditure		
Direct costs	506.21	202.46
Personnel costs	347.76	252.81
Other operating and general administrative expenses*	558.41	454.76
Interest	134.63	211.99
Depreciation/ amortisation	239.66	147.48
Loss before taxation	(670.58)	(937.47)
Tax Expenses - fringe benefit tax	11.49	7.55
Loss after tax	(A) (682.07)	(B) (945.02)
Total (A + B)	(1,627.09)	
Tax affect of the above	190.76	
Balance transferred to General Reserve Account	(1,436.33)	

* - includes Rs 78.58 (Previous period Rs.208.67, since reversed) being interest etc. (net) allocated / charged in the previous period by Parent Company to Radio division on net funds utilized in carrying on the radio business.

For deviation to the accounting treatment recommended in the standard refer note 3 below.

2. 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 and the consideration of Rs 50 was disclosed under loans and advances in the last period's financial statements. 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.

3. 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.

In accordance with the requirements of the said scheme, the merger of Katch 22 with the Company has been accounted for as follows:

- As per the scheme, Katch 22 amalgamates with the Company retrospectively from 1 April 2006, the Appointed Date. All assets and liabilities of Katch 22 as at 1 April 2006 have been recorded by the Company at their fair values. Since Katch 22 was a wholly owned subsidiary of the Company, the investment by the Company in the shares of Katch 22 has been cancelled against the assets and liabilities acquired on amalgamation. 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.

SCHEDULES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(Currency : Indian Rupees in millions)

- The Company has also recorded the reduction of Rs 200 in the value of its assets (debtors, unamortized rights and loans and advances) by debit to 'General Reserve account' as per the provisions of the Katch 22 Scheme.

Impact of Schemes referred to in notes 1 and 3 above.

Had the Parent Company followed the accounting treatment prescribed by AS-14/ generally accepted accounting principles in India for its standalone financial statements:

Rs. 20.18 arising from the merger of Katch 22 with the Parent Company and credited to the General Reserve account would have been credited to Capital Reserve account.

Reduction of Rs. 200.00 in value of the Parent Company's assets would have been debited to the Profit and Loss account instead of General Reserve account.

Rs. 208.67 being interest on monies advanced by the Parent Company to the Radio business would have been reversed in the profit and loss account as against the reversal in the General reserve.

The net results (loss) of the transactions related to Radio business from 31 March 2006 upto the effective date i.e. 31 March 2008 aggregating to Rs 1,436.33 (net of tax expenses) arising from modification in the scheme of demerger of Radio division and debited to the General reserve account would have been debited to profit and loss account;

Accordingly, had the Scheme been accounted for in compliance with the requirements of AS 14/ generally accepted accounting principles in India, on a standalone basis for the parent company- the profit for the period before tax would have been lower by Rs. 1,845.00. General reserve account would have been higher by Rs 1,824.82 and Capital reserve account would have been stated at Rs. 20.18.

	31 March 2008	30 June 2007
4. Contingent Liabilities		
On account of		
For the Parent Company and Subsidiaries		
Dispute with Excise department		
Disputed Central Excise demand pending with the Central Excise Appellate Tribunal in respect of the film processing division	**111.09**	98.64
Entertainment tax		
In respect of certain multiplexes, the Parent Company and Subsidiaries have 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	**35.74**	9.30
In respect of certain multiplexes, the Parent Company and Subsidiaries are in dispute with the entertainment tax authorities regarding eligibility for availing exemption under the relevant Act	**21.94**	10.74
In respect of the demand orders received for payment of entertainment tax collected and not paid to the authorities, the Parent Company and Subsidiaries have made an appeal against said demand orders as it believes that the same is not payable, being exemption from payment available to it.	**5.69**	5.69
The Parent Company and Subsidiaries 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	**440.44**	330.27
Disputed property tax	**7.40**	–
Share of contingent liabilities in the Joint Venture:		
Swanston Multiplex Cinemas Private Limited (SMCPL) had received demand orders for payment of entertainment tax collected and not paid to the authorities aggregating Rs 19.81. SMCPL is currently under appeal against the said demand as it believes that the same is not payable, being exemption from payment available to it (SMCPL has received a stay order on payment of the said amount and has deposited a sum of Rs 2.0 pending settlement of the case). Based on a legal opinion obtained by SMCPL, no provision has been made in respect of the said demand raised by the Entertainment Tax Authority.	**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 10 years from 11 June 2002.	**92.62**	92.62

SCHEDULES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(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 this regard. 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.

5. Commitment

	31 March 2008	30 June 2007
Estimated amount of contracts remaining to be executed on capital account and not provided for (net of advances)	**1,359.96**	1,271.41
Amount uncalled on 1,500,000 partly paid preference shares of Tree of Knowledge DOT Com Private Limited	**300.00**	300.00

6. Secured Loans of the Group

The car loans are secured by hypothecation of vehicles acquired on Equitable Monthly Installment (EMI) system.

Cash credit is secured by deferred payment note, hypothecation of book-debts, moveable fixed assets and stocks of chemicals.

Term loan from the financial institutions are secured by a charge on all movable fixed assets.

7. Leases 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-cancelable operating leases are as follows:

Period	**Minimum lease payment**	
For the Parent Company	**Nine months ended March 31, 2008**	Fifteen months ended June 30, 2007
Amount due within one year from the balance sheet date	**460.78**	171.03
Amount due in the period between one year and five years	**1,897.88**	703.26
Amount due after five years	**5,346.38**	621.68
Total	**7,705.04**	1,495.97

Period	**Minimum lease payment**	
For Subsidiaries	**Nine months ended March 31, 2008**	Fifteen months ended 30 June 2007
Amount due within one year from the balance sheet date	**46.54**	1.2
Amount due in the period between one year and five years	**193.64**	1.21
Total	**240.18**	2.41

Period	**Minimum lease payment**	
For Joint Ventures (Group's share)	**Nine months ended March 31, 2008**	Fifteen months ended 30 June 2007
Amount due within one year from the balance sheet date	**11.40**	10.64
Amount due in the period between one year and five years	**10.45**	17.73
	21.85	28.37

Amount payable within lock-in period is Rs. 3,830.94

Amount debited to profit & loss account on account of lease rental is Rs. 328.72 (Previous Period Rs. 250.99).

SCHEDULES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(Currency : Indian Rupees in millions)

8. Disclosure of Segment Reporting under AS 17

Particulars	Film facilities		Theatre exhibition		Film production and distribution		Radio		Others**		Total	
	31-Mar-08	30-Jun-07	**31-Mar-08**	30-Jun-07	**31-Mar-08**	30-Jun-07	**31-Mar-08**	30-Jun-07	**31-Mar-08**	30-Jun-07	**31-Mar-08**	30-Jun-07
Revenue												
Operating revenue	**664.77**	1,046.33	**1,238.68**	1,122.90	**1,390.79**	1,477.08	-	-	-	-	**3,294.24**	3,646.31
Other income	**4.97**	5.51	**33.02**	13.22	**33.21**	2.90	-	-	-	-	**71.20**	21.63
Net revenue	**669.74**	1,051.84	**1,271.70**	1,136.12	**1,424.00**	1,479.98	-	-	-	-	**3,365.44**	3,667.94
Inter segment sales	**(37.65)**	(92.16)	**–**	-	**(164.89)**	-	**-**	-	-	-	**(202.54)**	(92.16)
Total segment revenue	**632.09**	959.68	**1,271.70**	1,136.12	**1,259.11**	1,479.98	**-**	-	-	-	**3,162.90**	3,575.78
Result (profit before interest and corporate expenses)												
Segment result	**197.02**	338.65	**68.49**	77.18	**(15.92)**	191.59					**249.60**	607.43
Unallocated corporate income										**481.58**	**481.58**	706.20
Unallocated corporate expenses										**(142.32)**	**(142.32)**	(144.25)
Profit before interest and tax											**588.86**	1,169.38
Interest expenses											**(148.29)**	(45.01)
Prior period adjustment (includes results of entities not consolidated in the previous period - Refer Schedule 2)											**0.04**	(3.66)
Income tax (including FBT)											**39.50**	(213.24)
Minority interest											**(5.38)**	(6.68)
Profit for the period											**474.73**	900.79
Other Information												
Segment assets	**1,622.60**	857.26	**5,573.32**	2,452.09	**4,187.88**	3,264.85	**4,506.18**				**15,889.98**	6,574.20
Unallocated corporate assets											**2,762.33**	4,818.66
Total assets											**18,652.31**	11,392.86
Segment liabilities	**318.67**	175.47	**557.53**	245.91	**797.43**	440.66	**702.19**				**2,375.82**	862.04
Unallocated corporate liabilities											**9,380.33**	7,117.91
Total liabilities											**11,756.15**	7,979.95
Capital expenditure*	**751.46**	265.05	**1,698.03**	716.45	**751.29**	2,177.48	**-**				**3,200.78**	3,158.98
Unallocated corporate capital expenditure											**7.43**	15.10
Total capital expenditure											**3,208.21**	3,174.08
Depreciation and amortization	**66.70**	47.61	**115.20**	113.84	**867.63**	781.65	**-**				**1,049.53**	943.10
Unallocated depreciation and amortization											**2.97**	1.13
Total depreciation and amortization											**1,052.50**	944.23
Total assets exclude:												
Advance tax and tax deducted at source											**844.11**	515.85
Miscellaneous expenditure (to the extent not written off)												
Deferred revenue expenditure											**0.58**	1.53
Total liabilities exclude:												
Provision for taxation (including net deferred tax liability)										503.30	**503.30**	577.75

The Group has disclosed Business Segment as the primary segment.

The business of the Group is divided into four segments - Film facilities, Theatrical exhibition, Film production and distribution and Radio broadcasting services. Segments have been identified taking into account the nature of the business, the differing risks and returns, the organisation structure and internal reporting system.

Film facilities operation primarily comprise of processing of raw exposed films, colour correction, editing, digital processing, equipment rental, copying and printing of positive exhibitions 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 considers the market risks and rewards relating to overseas distribution as similar across various territories and in line with those applicable to domestic territories. Hence there are no reportable geographic segments.

SCHEDULES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(Currency : Indian Rupees in millions)

9. Disclosure of Related Party under AS 18

Parties where control exists

Holding Company

Reliance Capital Limited (upto 30th November, 2007)

Reliance Land Private Limited (upto 30 November 2007)

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

(a) Key Management Personnel and their relatives
- Manmohan Shetty (till 30 November 2007)
- Pooja Shetty (till 30 November 2007)
- Kirti Desai (with effect from 30 January 2008) - Manager appointed under section 269 of the Companies Act, 1956.

(b) Enterprises over which company has significant influence / Associates
- HPE / Adlabs LP
- Sultan Production Private Limited - An Associate

(c) Enterprises over which Key Management Personnel have significant influence
- Dharma Production Private Limited (upto 30 November 2007)
- idream Production Private Limited (upto 30 November 2007)
- Whistling Woods International Private Limited (upto 30 November 2007)
- Reliance Communication Infrastructure Limited (upto 30 November 2007)
- Reliance Capital Assets Management Limited (upto 30 November 2007)
- Reliance Web Stores Limited (upto 30 November 2007)
- Reliance General Insurance Company Limited (upto 30 November 2007)
- HPE/ Adlabs LP (upto 30 November 2007)

(d) Other Related parties
- Shringar Cinemas Limited (upto 30 November 2007)
- South Yarra Holding (upto 30 November 2007)
- Shringar Films Limited (upto 30 November 2007)
- M/s. Shringar Films (upto 30 November 2007)
- Adlabs Shringar Multiplex Cinemas Private Limited (ASMCPL) (upto 30 November 2007)

Details of transactions:

Transactions	Holding company	Fellow subsidiary companies	Significant shareholders, key management personnel and their relatives	Enterprises over which Company has significant influence/ associate	Enterprises over which Key Management personnel have significant influence	Joint ventures parties	Other related
Rendering of services							
Sultan Production Private Limited	-	-	-	71.92	-	-	-
	Nil	**Nil**	**Nil**	**71.92**	**Nil**	**Nil**	**Nil**
Dharma Production Private Limited	-	-	-	-	(11.13)	-	-
Reliance Communication Infrastructure Limited	-	-	-	-	(19.17)	-	-
Other	(3.14)	-	-	-	(1.24)	-	-
	(3.14)	**(Nil)**	**(Nil)**	**(Nil)**	**(31.54)**	**(Nil)**	**(Nil)**
Interest income							
HPE/ Adlabs LP	-	-	-	4.37	-	-	-
	Nil	**Nil**	**Nil**	**4.37**	**Nil**	**Nil**	**Nil**
Reliance Unicom Limited	-	(208.67)	-	-	-	-	-
Others	-	-	-	-	(14.71)	-	-
	(Nil)	**(208.67)**	**(Nil)**	**(Nil)**	**(14.71)**	**(Nil)**	**(Nil)**
Receiving of services	**Nil**	**Nil**	**Nil**	**Nil**	**Nil**	**Nil**	**Nil**
Reliance General Insurance Company Limited	-	-	-	-	(13.62)	-	-
Shringar Cinemas Limited	-	-	-	-	-	-	(0.99)
	(Nil)	**(Nil)**	**(Nil)**	**(Nil)**	**(13.62)**	**(Nil)**	**(0.99)**
Reimbursement of expenses							
Shringar Cinmas Limited	-	-	-	-	-	-	(3.24)
Adlabs Shrinagr Multiplex	-	-	-	-	-	-	(17.97)
Cinmas Private Limited	-	-	-	-	-	-	(4.38)
Others	-	-	-	-	-	-	(2.40)
	(Nil)	**(Nil)**	**(Nil)**	**(Nil)**	**(Nil)**	**(Nil)**	**(27.99)**
Managerial remuneration							
Manmohan Shetty	-	-	11.61	-	-	-	-
Pooja Shetty	-	-	0.49	-	-	-	-
Kirti Desai	-	-	0.14	-	-	-	-
	Nil	**Nil**	**12.24**	**Nil**	**Nil**	**Nil**	**Nil**

SCHEDULES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(Currency : Indian Rupees in millions)

Manmohan Shetty	-	-	(7.59)	-	-	-	-
Pooja Shetty	-	-	(3.80)	-	-	-	-
	(Nil)	(Nil)	(11.39)	(Nil)	(Nil)	(Nil)	(Nil)
Dividend paid/(received)	54.64	-	5.73	-	-	-	-
	54.64	Nil	5.73	Nil	Nil	Nil	Nil
	(49.17)	(Nil)	(18.66)	(Nil)	(Nil)	(Nil)	(Nil)
Premium on key managerial policy							
Manmohan Shetty	-	-	(4.81)	-	-	-	-
	(Nil)	(Nil)	(4.81)	(Nil)	(Nil)	(Nil)	(Nil)
Loan given							
Reliance Unicom Limited	-	(2,542.38)	-	-	-	-	-
	(Nil)	(2,542.38)	(Nil)	(Nil)	(Nil)	(Nil)	(Nil)
Loan received back							
Reliance Unicom Limited	-	(580.00)	-	-	-	-	-
	(Nil)	(580.00)	(Nil)	(Nil)	(Nil)	(Nil)	(Nil)
Investment in Limited Liability Partnership							
HPE/ Adlabs LP	-	-	-	-	(460.78)	-	-
	(Nil)	(Nil)	(Nil)	(Nil)	(460.78)	(Nil)	(Nil)
Outstanding balance as on 31 March 2008							
Shringar Cinemas Limited	-	-	-	-	-	-	(0.63)
Others	-	-	-	-	(0.16)	-	-
	(Nil)	(Nil)	(Nil)	(Nil)	(0.16)	(Nil)	(0.63)

Previous period's figures are given in brackets.

10. Interest in Joint Ventures - (Consolidated)

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

Name of the Company	Country of incorporation	% of ownership interest 2008	2007
Swanston Multiplex Cinemas Private Limited	India	**50.00%**	50.00%
Runwal Multiplex Private Limited (Became wholly owned subsidiary w.e.f. 20 December 2007)	India	–	50.00%
Cineplex Private Limited	India	**50.00%**	50.00%
Divya Shakti Marketing Private Limited	India	**50.00%**	50.00%

	Particulars	Nine months ended 31 March 2008	Fifteen months ended 30 June 2007
I	**Assets**		
1.	Fixed assets (including Capital work-in-progress)	**106.38**	178.92
2.	Investments	**5.64**	7.86
3.	Current assets, loans and advances		
	a) Inventories	**0.85**	1.40
	b) Sundry debtors	**8.84**	10.44
	c) Cash and bank balances	**6.93**	10.47
	d) Interest Accrued but not due	**0.05**	0.05
	e) Loans and advances	**7.35**	35.80
II	**Liabilities**		
1.	Shareholders' fund - reserves and surplus	**40.49**	97.02
2.	Secured loans	**Nil**	Nil
3.	Unsecured loans	**63.46**	68.21
4.	Deferred tax (net)	**5.41**	12.04
5.	Current liabilities and provisions		
	a) Liabilities	**17.96**	28.10
	b) Provisions	**1.33**	23.04
III.	**Income**		
1.	Sales (net of excise duty)	**102.41**	219.10
2.	Other Income	**10.28**	2.23

SCHEDULES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(Currency : Indian Rupees in millions)

IV	**Expenses**		
1.	Operating expenses	**91.13**	155.39
2.	Depreciation	**10.21**	17.78
3.	Interest	**0.06**	0.84
4.	Profit before Taxation	**11.29**	47.39
5.	Prior period Adjustments	**(0.04)**	1.47
6.	Provision for Taxation (including deferred taxation)	**3.00**	17.79
7.	Short provision for previous period	**Nil**	Nil
8.	Profit after Taxation before minority interests	**8.32**	28.13
9.	Minority Interests	**Nil**	Nil
10.	Net Profit	**8.32**	28.13
V.	**OTHER MATTERS**		
1.	Contingent Liabilities	**203.22**	101.61
2.	Capital Commitments	–	–

Movement of the aggregate reserves of the joint ventures:

Reserves as at beginning of the period	**42.31**	47.26
Add: Share of (loss)/profits for the period	**(1.82)**	49.76
Reserves as at the end of the period	**40.49**	97.02

11. 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 upto 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. The conversion price is subject to adjustment in certain circumstances. 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.

During the period, Bond holders holding bonds aggregating Euro 63.35 million have opted to convert the bond to equity share. Accordingly shares aggregating to 6,325,420 have been issued at a price of Rs. 543.42 per share (including securities premium of Rs. 538.42 per share).

The balance in premium account as at 31 March 2008 is as follows:

	31 March 2008	30 June 2007
Opening balance	**1,000.66**	988.09 *
Add: Reversal of provision for premium on conversion of FCCB	**(785.82)**	Nil
Adj: foreign exchange fluctuation	**69.15**	12.57
Less: Amounts utilized during the period	**Nil**	Nil
Less: Unutilized amounts reversed during the period	**Nil**	
Closing balance	**283.99**	1,000.66

* - Premium payable on redemption of FCCB Rs. 988.09 has been fully provided for and has been charged to securities premium account. During the period, Bond holders holding bonds aggregating Euro 63.35 million has opted for conversion. Accordingly amount of premium no longer payable has been credited to securities premium account.

The company has fully utilized the proceeds from FCCB issue for the purpose stated in the issue documents.

SCHEDULES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(Currency : Indian Rupees in millions)

12. Earnings per Share ('EPS')

Particulars	Nine months ended 31 March 2008	Fifteen months ended 30 June 2007
Net profit after tax available for equity shareholders. (for calculating Basic EPS)	**474.73**	904.88
Adjustment for Exchange loss on FCCB	**-**	16.80
Net profit after tax available for equity shareholders. (for calculating Diluted EPS)	**474.73**	921.68
Weighted average number of equity shares outstanding during the Nine / fifteen months (for Basic EPS)	**42,103,935**	39,800,750
Add : Equity shares issuable on conversion of FCCB	**6,084,140**	8,387,325
Weighted average number of equity shares outstanding during the period for Dilutive EPS	**48,188,075**	48,188,075
Basic EPS Rs.	**11.28**	22.74
Dilutive EPS Rs.	**9.85**	19.13
Nominal value per share in Rs.	**5**	5

* - these would be dilutive only in the event that the bondholders exercise the conversion option.

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

Particulars	Currency	Nine months ended 31 March 2008		Fifteen months ended 30 June 2007	
		Foreign currency in million	**Amount in Rs.**	Foreign currency in million	Amount in Rs.
Sundry Debtors	USD	**0.60**	**23.98**	0.68	27.51
	EURO	**0.01**	**0.65**	0.01	0.64
	GBP	**0.37**	**29.08**	0.01	0.37
Sundry Creditors	USD	**4.38**	**195.80**	0.66	26.90
	EURO	**0.03**	**1.54**	Nil	Nil
	GBP	**0.83**	**52.44**	Nil	Nil
	MUR	**0.07**	**0.11**	Nil	Nil
Unsecured Loans	USD	**3.58**	**143.38**	Nil	Nil
	EURO	**1.32**	**83.93**	Nil	Nil
	GBP	**0.01**	**0.90**	Nil	Nil
Zero Coupon Foreign Currency Convertible Bonds ('FCCB')	EURO	**20.65**	**1,123.95**	84.00	4,615.80
Provision for premium on redemption of FCCB	EURO	**4.48**	**289.99**	18.21	1,000.66

14. Taxation

Adlabs Films USA, Inc has created a deferred tax asset of USD 0.161 million i.e. Rs.6.44 as of 31 March 2008 (2007: USD Nil i.e. Rs. Nil). The company has provided for Rs.60 for accrued federal and state income taxes. A summary of deferred tax components of Adlabs Films USA Inc at 31 March 2008 is as under:-

Adlabs Films USA Inc	Nine months ended 31 March 2008		Fifteen monthsended 30 June 2007	
Particulars	**In USD in Mn**	**Rs. In mn**	In USD in Mn	Rs. In mn
Net operating loss carry forwards	0.1611	6.44	Nil	Nil
Accounts receivable	0.0036	0.14	0.0036	0.14
Inventory	0.0012	0.05	0.0012	0.05
Deferred Tax Asset	0.1659	6.63	0.0048	0.19
Deferred Tax Valuation allowance	0.0048	0.19	0.0048	0.19
Deferred Tax Asset , Net	0.1611	6.44	Nil	Nil

- Adlabs Films UK Limited has not recorded any deferred tax liabilities or assets as of 31 March 2008. The company has computed a refund of Rs. 126.99 of corporate taxes.

15. Employee Benefits

Detail of the "Employee Benefits" for Parent Company is as follows:

Defined Contribution Plan

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

Employer's Contribution to Provident Fund Rs. 7.6 (2007: 8.60).

Other long term employee benefits comprises encashment of leave. Total expense recognised for the period is Rs. 0.54 (2007: Rs. 15.02).

SCHEDULES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(Currency : Indian Rupees in millions)

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 recognises 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

	Parent Company other than Radio (Funded)	Radio (Unfunded)	Total
Gratuity			
Defined Benefit obligation at beginning of the period	7.21	3.40	10.61
On Amalgamation	Nil	Nil	Nil
Current Service Cost	2.28	3.42	5.70
Interest Cost	0.62	0.20	0.82
Actuarial (gain)/loss	(2.47)	3.40	0.93
Benefits paid	(0.15)	Nil	(0.15)
Settlement cost	Nil	Nil	Nil
Defined Benefit obligation at period end	7.49	10.42	17.91
(Closing balance as at 30 June 2007 Rs 10.61)			

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

	Parent Company other than Radio (Funded)	Radio (Unfunded)	Total
Gratuity			
Fair value of plan assets at beginning of the period	3.59	Nil	3.59
On Amalgamation	Nil	Nil	Nil
Expected return on plan assets	0.28	Nil	0.28
Actuarial gain/(loss)	0.18	Nil	0.18
Employer contribution	Nil	Nil	Nil
Benefits paid	(0.15)	Nil	(0.15)
Settlement cost	Nil	Nil	Nil
Fair value of plan assets at period end	3.90	Nil	3.90
Actual return on plan assets			

III. Reconciliation of fair value of assets and obligations

	Parent Company other than Radio (Funded)	Radio (Unfunded)	Total
Gratuity			
Fair value of plan assets as at 31 March 2008	3.90	Nil	3.90
Present value of obligation as at 31 March 2008	7.49	10.42	17.91
Amount recognized in Balance Sheet *	3.59	10.42	14.01
* since paid			
(Closing balance as at 30 June 2007 Rs 3.90)			

IV. Expense recognized during the period

(Under the head "Personnel costs" – Refer Schedule 19)

	Parent Company other than Radio (Funded)	Radio* (Unfunded)	Total
Gratuity			
Current Service Cost	2.28	3.42	5.70
Interest Cost	0.62	0.20	0.82
Expected return on plan assets.	(0.28)	Nil	(0.28)
Actuarial (gain) / loss	(2.65)	3.40	0.75
Net Cost	(0.03)	7.02	6.99

* Charged to Reserve (Refer note 1)

SCHEDULES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(Currency : Indian Rupees in millions)

V. Investment details

% invested	As at 31 March 2008
Insurance Policies	100.00
	100.00

VI. Actuarial assumptions

	2008		2007	
	Gratuity (Funded)	**Leave Encashment (Unfunded)**	Gratuity (Funded)	Leave Encashment (Unfunded)
Mortality Table (LIC)	**1994-96 (Ultimate)**	**1994-96 (Ultimate)**	1994-96 (Ultimate)	1994-96 (Ultimate)
Discount rate (per annum)	**8%**	**8%**	8%	8%
Expected rate of return on plan assets (per annum)	**8%**	**8%**	8%	8%
Rate of escalation in salary (per annum)	**6.5%**	**6.5%**	6.5%	6.5%

Effective 1 July 2007, the Company adopted Accounting Standard ('AS') 15 (revised 2005) - "Employee benefits" as notified by Accounting Standard Rules, 2006. As per the transitional provisions specified in the Standard, the difference in the liability as per the existing policy followed by the Company and that arising on adoption of this Standard is required to be charged to opening reserves and surplus account. However, there is no significant impact on adoption of the Standard which is required to be adjusted to the opening balance of reserves and surplus.

The estimates of 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. This being the first year of implementation, previous year figures have not been given. 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.

For other companies in group

As per the local laws of the respective countries and considering the amount involved, provision for leave encashment and gratuity have not been made in any of the overseas subsidiary companies.

16. During the period, FCCB have been reclassified as non-monetary liabilities pursuant to inter-alia the current trend of earnings and market price of the Company's equity share exceeding the conversion price stipulated in the offer document (bondholders holding 75.42% of the FCCB have exercised conversion option to this date). Consequently, the foreign exchange fluctuation loss aggregating to Rs 43.81 accounted in previous period has been reversed during the period in the Profit & Loss account and foreign exchange fluctuation loss of Rs 362.18 for the financial period has not been recognized in the Profit & Loss Statement.

17. Sundry Debtors

In the case of Adlabs Films USA Inc., the Company does not charge interest on the unpaid balances. Credit is granted to substantially all customers. The credit period normally extends to 90 days. The carrying amount of the accounts receivable is reduced by a valuation allowance that reflects management's best estimate of the amounts that are doubtful. A provision of $ 15000 i.e. Rs. 0.60 has been made on account of the same.

In case of Adlabs Films USA Inc., the Company had sales to one customer who accounted for approximately 21% of the total sales for that period. This one customer represented approximately 13% of the net trade receivables at 31 March 2008.

18. Transfer pricing

The Group's management is of the opinion that its international transactions with related parties are at arms length and that the Group's is in compliance with the transfer pricing legislation. Based on the above, the Group's management believes that the aforesaid legislation will not have any impact on the financial statements, particularly on the amount of tax expenses and that of the provision for taxation.

19. Subsequent events

Subsequent to the balance sheet date, Adlabs Films USA, Inc. completed some of the acquisition transactions that were initiated during the period. These transactions, which resulted either in the acquisition of an entire business enterprise or a controlling interest, will allow Adlabs Films USA, Inc. to expand its movie exhibition operations. As at period end, Adlabs Films USA, Inc. had concluded acquisitions of controlling interest in Phoenix Adlabs Theatre Management LLC, Adlabs Phoneix LLC, Adlabs Galaxy LLC, Adlabs Union LLC, Adlabs Entertainment LLC, Adlabs Norwalk LLC, Adlabs Falls Church LLC, Adlabs Laurel LLC and Adlabs SAR LLC. The aggregate purchase consideration paid or payable in connection with the completed acquisitions amounted to UDS 5.2 millions i.e. Rs. 207.79.

20. Prior period comparatives

The figures for the previous period (15 months) are strictly not comparable to those of the current period, which comprises 9 months and have been regrouped/ rearranged as necessary to conform to current period's presentation.

For and on behalf of the Board

Amit Khanna
Director

Gautam Doshi
Director

Mumbai
29 May 2008

Kirti Desai
Company Secretary & Manager

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 become Subsidiary	Number of equity shares held in subsidiary companies	Extent of holding	Net aggregate amount of profit/loss so far as it concerns the memebrs of the holding company's			
						Not dealt with in the holding Company's Acounts		Dealt with in the holding Company's Accounts	
						for the financial year of Subsidiary	for the previous financial years of the Subsidiary Companies since it became the Holding Company's Subsidiary	for the financial year of Subsidiary	for the previous financial years of the Subsidiary Companies since it became the Holding Company's Subsidiary
1	Synergy Adlabs Media Limited	31.3.2008	12.1.2007	5,100 Equity Shares of Rs.100/-each	51%	11.01	6.94	NIL	NIL
2	Mukta Adlabs Digital Exhibition Pvt. Ltd.*	31.3.2008	1.4.2006	5,000 Equity Shares of Rs.100/- each	100%	(0.78)	(.007)	NIL	NIL
3	Adlabs Distributors And Exhibitors Limited	31.3.2008	19.5.2003	50,000 Equity Shares of Rs.10/- each	100%	29.22	30.28	NIL	NIL
4	Runwal Multiplex Pvt. Ltd.**	31.3.2008	20.12.2007	98,100 Equity Shares of Rs.100/- each	100%	4.94	NIL	NIL	NIL
5	Reliance Unicom Limited	31.3.2008	27.3.2006	21,10,000 Equity Shares of Rs.5/- each	100%	8.91	NIL	NIL	NIL
6	Rave Entertainment Pvt. Ltd.	31.3.2008	31.5.2007	30,00,000 Equity Shares of Rs.10/- each	100%	(8.27)	NIL	NiL	NIL
7	Adlabs Films (UK) Ltd.	31.3.2008	19.5.2006	10,000 Ordinary Shares of £1 each	100%	(19.36)	0.16	NIL	NIL
8	Adlabs Films USA, Inc.	31.3.2008	17.5.2006	200 Common Stock	100%	(8.60)	(0.09)	NIL	NIL
9	Adlabs (Maritius) Ltd.	31.3.2008	20.3.2008	1000 Ordinary Shares of no par Value	100%	(0.11)	NIL		
10	Adlabs Films Netherlands B. V.	31.3.2008	8.2.2008	180 shares of EUR100 each	100%	(1.86)	NIL	NIL	NIL
11	Sri Ramakrishna Theatre Limited#	31.3.2008	11.1.2008	–	–	–	–	–	–

Notes:

Subsidiary under Section 4(1)(c) of the Companies Act, 1956

* Name changed to Adlabs Multiplexes and Theatres Private Limited w.e.f. May 1, 2008

** Name changed to Adlabs Multiplex Private Limited w.e.f. May 9, 2008.

For and on behalf of the Board

Amit Khanna
Director

Gautam Doshi
Director

Mumbai
29 May 2008

Kirti Desai
Company Secretary & Manager

DIRECTORS' REPORT

To the Members,

Your Directors have pleasure in presenting the 20th Annual Report and the audited accounts of the Company for the year ended March 31, 2008.

FINANCIAL RESULTS

The working results are:

(Rs. in Lakhs)

Particulars	2008	2007
Sales and Other income	**2370.71**	1341.85
Profit / (Loss) before Depreciation and Tax	**326.37**	224.53
Depreciation	**13.26**	9.91
Profit / (Loss) Before Taxation	**313.11**	214.61
Provision for Current Tax & Deferred Tax	**97.09**	77.19
Profit / (Loss) after Taxes	**216.02**	137.42
Balance brought forward from previous	**94.83**	75.28
Total	**310.85**	212.70
Appropriation		
General Reserve	**31.00**	22.00
Interim Dividend (Paid / Unpaid)	–	82.50
Dividend Unpaid (7% Preference Shares)	**84.00**	–
Dividend Tax	**14.28**	13.38
Income tax Paid-Earlier Year	**0.10**	–
Balance Carried Forward	**181.47**	94.83
Total	**310.85**	212.70

We are glad to share with the members, financial details for the year under review. This year, the Company has reached yet another peak in performance and has achieved a turnover of Rs. 2370.71 Lakhs, an increase of 77% as compared to that of previous year.

The total income from operations for the year ended March 31, 2008 was Rs. 2370.71 lakhs which resulted in a Net Profit after Tax of Rs. 216.02 lakhs as against Rs.137.42 lakhs in the previous year.

DIVIDEND

With a view to conserve your Company's resources, the Directors do not recommend any Dividend on equity Shares of the Company. However dividend on 12,00,000 7% Cumulative Redeemable Non Convertible Preference shares of Rs.10/- each shall be paid.

CONVERSION AND CHANGE IN THE NAME OF THE COMPANY

During the year, the Company has deleted the word "PRIVATE" from its name consequent to conversion of the Company from private to public limited Company and subsequently the name of the Company was changed from "Synergy Communications Private Limited' to "Synergy Communications Limited" with effect from 25th May, 2007.

Being a 51% subsidiary of Adlabs Films Limited, the name of the Company was changed from "Synergy Communications Limited" to "Synergy Adlabs Media Limited" with effect from 07th June, 2007 to reflect the parent Company's brand name and the Company's main areas of business.

PREFERENCE SHARES

During the year the company has issued and allotted 12 Lakhs 7% Cumulative Redeemable Non Convertible Preference Shares at par amounting to Rs. 12 Crores.

PROJECTS AND FUTURE PLAN

The growing economy, advancements in technology, multiplex, corporatisation, digital cinemas, the rise in consumer spending and changing lifestyle have brought a boom in Entertainment Industry. DTH, IPTV are likely to push up subscription revenues and will contribute to the growth of television industry.

The boom is expected to continue in the future, thereby expanding the scope and potential for Television Production and distribution activities.

With a current strength of about 100 talented personnel out of Mumbai and Delhi, Synergy Adlabs is diversifying in a number of different genres, including fiction, which will be playing a vital role in the growth of the Company.

Your company has further consolidated its position in Media and Entertainment space by demonstrating high quality shows. New upcoming shows like Kya Aap Paanchvi Pass Se Tez Hain?, Dus ka Dum etc. will help us to establish and broader viewer base for our shows.

Looking forward, the company is set to continue its expansion through a combination of organic growth in existing businesses and new investments in either established or start-up operations. The company has started its operations in Chennai with 2 shows - Manjal Maghimai and Akka Thangai both being done in collaboration with local talent. Now the Company is hoping to consolidate its position there with more shows in Tamil and the other southern languages.

We anticipate that business development expenditure in the year ahead will accelerate the growth with an increased impact on earnings and cash flows.

SYNERGY ADLABS MEDIA LTD

(FORMERLY KNOWN AS SYNERGY COMMUNICATIONS LTD)

DIRECTORS

In accordance with the provisions of the Companies Act, 1956 and the Articles of Association of the Company, Mr. Siddhartha Basu and Ms. Anita Kaul Basu are liable to retire by rotation and being eligible, offers themselves for re- appointment at the ensuing Annual General Meeting. Your Board recommends their re-appointment.

Mr. Surendra Pipara has been appointed as additional director of the Company with effect from December 17, 2007 pursuant to Section 260 of the Companies Act, 1956 and vacates his office at the ensuing Annual General Meeting. Notice has been received from one of the member of the Company alongwith requisite deposit of money signifying the intention to propose the candidature of Mr. Surendra Pipara for the office of Director under Section 257 of the Companies Act, 1956. Your directors recommend his appointment.

Ms. Pooja Shetty resigned from the directorship of the Company with effect from November 30, 2007. The Board of Directors records appreciation of the valuable services rendered by Ms. Pooja Shetty during her tenure as Director of the Company.

AUDITORS

This Statutory Auditors M/s. Mukul & Ganesh, Chartered Accountants, New Delhi retire at the ensuing Annual General Meeting and being eligible offers themselves for reappointment. The Company has received a certificate pursuant to the provisions of the Sections 224 (1B) of the Companies Act, 1956 regarding the eligibility for reappointment from M/s. Mukul & Ganesh. Your Directors recommend their reappointment.

PARTICULARS OF EMPLOYEES

As required by the provisions of Section 217(2A) of the Companies Act, 1956 read with the Comapanies (Particulars of Employees) Rules, 1975 as amended, the name and other particulars of the employees are as under.

No.	Name	Designation	Date of Joining	Qualification	Last Employment	Amount
1	Mr. Karun Prabhakar	Director Operations	1.09.2007	B.Com.	Consultant - Synergy Communications	19,60,035
2	Mr. Vipul Mayank	Creative Director	25.01.2007	M.A.	Star India Pvt.Ltd.	28,80,040
3	Mr. Ashutosh Barve	Business Head	1.07.2007	B.A. & M.A. Part I	Miditech	17,85,060

PUBLIC DEPOSITS

The Company has not accepted any deposit within the meaning of Section 58A of the Companies Act, 1956 and Rules made there under.

CONSERVATION OF THE ENERGY AND TECHNOLOGY ABSORPTION

Information in respect of conversation of energy, technology absorption is not required to be provided by the company since the relevant provisions in this regard are not applicable to your Company.

FOREIGN EXCHANGE EARNINGS & OUTGO

During the year, company has incurred expenditure of Rs. 6.85 Lakhs on traveling in foreign currency. Foreign exchange earning during the year is Rs. 869.48 Lakhs.

DIRECTOR'S RESPONSIBILY STATEMENT

In accordance with the provisions of Section 217(2AA) of the Companies Act, 1956 as amended by Companies (Amendment) Act, 2001, your director's state:-

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

ii. that the directors have selected accounting policies and applied then consistently and made judgments and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company at the end of the financial year ended 31st March,2008 and of profit and loss of the Company for the year ended on 31st March,2008;

iii. that 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 for preventing and detecting fraud and other irregularities;

iv. that the directors have prepared annual accounts on a going concern basis.

ACKNOWLEDGEMENT

The Directors would also like to express their gratitude for the assistance and co-operation received from the Company's bankers, Business Associates and Customers during the year. Your Directors would also like to once again place on record their appreciation to the employees at all levels in contributing to the improved performance of your Company during the year.

By Order of the Board of Directors

Siddhartha Basu — Director

Anita Kaul Basu — Director

Place: New Delhi
Dated: 22 May, 2008

AUDITORS' REPORT

To the Member of
Synergy Adlabs Media Limited

We have audited the attached Balance Sheet of M/s Synergy Adlabs Media Limited as at 31st March 2008, the annexed Profit and Loss Account and Cash Flow Statement for the year ended on that date, which we have signed under reference to this report. These financial statements are the responsibility of the company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

As required by the Companies (Auditor's Report) Order, 2003 issued by the Central Government of India in terms of sub-section (4A) of section 227 of the Companies Act, 1956 and on the basis of such checks of the books and records of the company as we considered appropriate and according to the information and explanations given to us, we have given below a statement on the matters specified in paragraph 4 and 5 of the said order which are applicable to the company:-

i. a. The Company has maintained proper records to show full particulars including quantitative details and situation of its fixed assets.
   b. All the assets have not been physically verified by the management during the year but there is a regular programme of verification which in our opinion is reasonable having regard to the size of the Company and the nature of its business. No material discrepancies were noticed on such verification.
   c. The Company has not disposed off substantial part of its assets during the year.

ii. Since the business of the company is such that no stocks of finished goods, stores, spares and raw materials is held, sub clauses (iii) (a) (b) & (c) of paragraph 4 of the order are not applicable to the Company.

iii. a. According to the information and explanations given to us the Company has not granted any loans, secured or unsecured, to companies, firms or other parties listed in the register maintained under Section 301 or to the companies under the same management, as defined under sub-section (1B) of Section of the Companies Act, 1956. The Company has taken an interest free loan of Rs.155 Lacs from a Company listed in the register maintained under section 301 of the Companies Act, 1956. The maximum amount due at any time during the year was Rs.155 Lacs and there was no outstanding as at the year-end.
   b. In our opinion, the rate of interest and other terms and conditions on which loans have been taken from the Company listed in the register maintained under section 301 of the Companies Act, 1956 are not, prima facie prejudicial to the interest of the Company.
   c. In our opinion, and explanation given to us the Company has repaid the principal amount during the year as per the terms agreed.

iv. In our opinion and according to the information and explanations given to us, there are adequate internal control procedures commensurate with the size of the company and the nature of its business with regard of purchases of fixed assets and with regard to the sale of programmes. During the course of our audit, we have not observed any continuing failure to correct major weaknesses in internal controls.

v. a. According to the information and explanations given to us, we are of the opinion that the transactions that need to be entered into the register maintained under Section 301 of the Companies Act, 1956 have been so entered.
   b. In our opinion and according to the information and explanations given to us, the transactions made in pursuance of contracts or arrangements entered in the register maintained under section 301 of the Companies Act, 1956 and exceeding the value of rupees five lacs in respect of any party during the year have been made at price which are reasonable having regard to prevailing market prices at the relevant time.

vi. The Company has not accepted any deposits covered under the provisions of sections 58(A) and 58(AA) of the Companies Act, 1956 and the Companies (Acceptance of Deposits) Rules, 1975.

vii. The Company has taken steps to set up an internal audit system, which will complete its coverage over all transactions in the next financial year.

viii. Maintenance of cost records has not been prescribed for the Company.

ix. a. The Company is regular in depositing with appropriate authorities undisputed statutory dues including income tax.
   b. According to the information and explanations given to us, no undisputed amounts payable in respect of income tax were in arrears, as at 31st March, 2008.
   c. According to the information and explanations given to us, there are no dues of income tax, which have not been deposited on account of any dispute.

x. The Company has no accumulated losses as at 31st March, 2008 and has not incurred any cash losses in the financial year ended on that date or 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 any financial institution or Bank.

xii. According to the information and explanations given to us, the Company has not given any loans and advances on the basis of security by way of pledge of shares, debentures and other securities and hence the question of maintenance of adequate records for this purpose does not arise.

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. Therefore, the provisions of clause (xiii) of paragraph 4 of the Companies (Auditors Report) Order, 2003 are not applicable to the Company.

xiv. In our opinion, the Company is not dealing in or trading in shares, securities, debentures and other investments. Accordingly, the provisions of clause 4(xiv) of the Companies (Auditors Report) Order, 2005 are not applicable to the Company.

xv. In our opinion according to information and explanation given to us, the Company has not given any guarantee for loans taken by others from any bank or financial institutions, the terms and conditions whereof are prejudicial to the interest of the Company .

xvi. The Company has not taken any term loans during the year. Accordingly clause (xvi) of the order is not applicable.

xvii. According to the information and explanations given to us and on an overall examination of the Balance sheet of the Company, we report that no funds raised on short-term basis have been used for long term investment.

xviii. The Company has issued 7% preference shares of Rs. 12 Crores to a company listed in the register maintained u/s 301 in the Companies Act, 1956, at face value, which according to the explanations given to us is not prejudicial to the interests of the Company.

xix. The Company did not have any outstanding debentures during the year. Accordingly provisions of clause 4(xix) of the order are not applicable to the Company.

xx. The Company has not raised any money by way of 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.

We further report that:

i. We have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purpose of our audit.

ii. In our opinion, proper books of account have been kept by the company as required by law so far as appears from our examination of those books.

iii. In our opinion, Profit and Loss Account and Balance Sheet comply with the according standards referred to in sub section (3C) of Section 211 of the Companies Act, 1956.

iv. On the basis of the written representations received from the directors and taken on record by the Board of Directors, we report that none of the directors is disqualified as on March 31, 2008 from being appointed as directors in terms of clause (g) of sub section (1) of Section 274 of the Companies Act, 1956.

v. In our opinion and to the best of our information and according to the explanations given to us the Balance Sheet, Profit & Loss Account and Cash Flow Statement together with schedules and notes thereon and attached thereto, give the information required by the Companies Act, 1956, in the manner so required and gives a true and fair view in conformity with the accounting principles generally accepted in India;
   a) in the case of the Balance Sheet of the state of the Company's affairs as at 31st March, 2008.
   b) in the case of Profit & Loss account gives a true and fair view of the profit for the year ended on that date.
   c) in the case of Cash Flow Statement, of the cash flows for the year ended on that date.

For MUKUL & GANESH
Chartered Accountants
(V.GANESH)
Partner
M.No. 81994

Place : New Delhi
Dated :22nd May, 2008

SYNERGY ADLABS MEDIA LTD

(FORMERLY KNOWN AS SYNERGY COMMUNICATIONS LTD)

BALANCE SHEET AS AT 31ST MARCH 2008

(Currency in Indian Rupees)

PARTICULARS	SCH.	AS AT 31.03.2008	AS AT 31.03.2007
SOURCES OF FUNDS			
SHARE HOLDERS FUND			
Share Capital	1	**121,000,000.00**	121,000,000.00
Reserves & Surplus	2	**68,546,574.89**	56,782,630.13
Deferred Tax Liability		**364,864.00**	166,174.00
		189,911,438.89	177,948,804.13
APPLICATION OF FUNDS			
Fixed Assets	3		
Gross Block		**18,778,414.14**	7,361,289.14
Less: Depreciation		**4,081,126.14**	3,871,935.12
NET BLOCK (A)		**14,697,288.00**	3,489,354.02
Investments (B)	4	**53,079,418.27**	45,756,525.33
Current Assets, Loans & Advances			
Cash and bank balance	5	**122,661,726.75**	129,138,829.12
Sundry Debtors	6	**56,984,472.36**	21,581,302.08
Advances	7	**96,224,676.19**	31,397,900.62
Total Current Assets		**275,870,875.30**	182,118,031.82
Less: Current Liabilities & Provisions			
Current Liabilities	8	**114,914,562.68**	22,739,572.04
Provisions	9	**39,403,580.00**	31,451,535.00
Total Current Liabilities		**154,318,142.68**	54,191,107.04
Net Current Assets (C)		**121,552,732.62**	127,926,924.78
PRELIMINARY EXPENSES (D)	10	**582,000.00**	776,000.00
TOTAL (A + B +C + D)		**189,911,438.89**	177,948,804.13
Notes forming part of the accounts	14		

As per our report of even date attached

For Mukul & Ganesh
Chartered Accountants

For and on behalf of Board of Directors

V.Ganesh
Partner
M.No. 81994

Siddhartha Basu
Director

Anita Kaul Basu
Director

Place : New Delhi
Dated : 22nd May, 2008

Dated : 22nd May, 2008

PROFIT & LOSS ACCOUNT FOR THE YEAR ENDED 31ST MARCH 2008

(Currency in Indian Rupees)

PARTICULARS	SCH.	AS AT 31.03.2008	AS AT 31.03.2007
INCOME			
Programme Sales		**217,966,104.00**	132,238,928.00
Other Income	11	**19,105,234.24**	1,946,090.28
Total "A"		**237,071,338.24**	134,185,018.28
EXPENDITURE			
Production Expenses	12	**161,949,683.44**	100,774,628.40
Administrative Expenses	13	**42,209,671.56**	8,554,718.23
Depreciation		**1,325,703.00**	991,239.98
Loss on redemption of Mutual Fund(Net)		**-**	2,207,223.19
Loss on sale of Fixed Assets		**81,602.00**	1,591.00
Preliminary Expenses written off		**194,000.00**	194,000.00
Total "B"		**205,760,660.00**	112,723,400.80
Profit Before tax (A-B)		**31,310,678.24**	21,461,617.48
Less: Provision for Taxation		**9,100,000.00**	7,600,000.00
Less: Provision for Fringe Benefit Tax		**410,000.00**	160,000.00
Add/(Less):-Deferred Tax Liability		**(198,690.00)**	40,979.00
Profit After tax		**21,601,988.24**	13,742,596.48
Less:-Prior period expenses		**-**	31,667.48
Balance in Profit & Loss Account		**9,482,630.13**	7,559,686.13
Profits Available for Aprropriation		**31,084,618.37**	21,270,615.13
Less: Appropriations			
Transfer to general reserve		**3,100,000.00**	2,200,000.00
Interim Dividend		**-**	8,250,000.00
Dividend - on Preference share		**8,400,000.00**	-
Income Tax Paid - Earlier years		**10,463.48**	-
Dividend Tax Payable		**1,427,580.00**	1,337,985.00
Balance of profit carried to Balance Sheet		**18,146,574.89**	9,482,630.13
Basic earnings per share		**1,814.66**	948.26
Diluted earnings per share		**1,814.66**	948.26
Notes forming part of the accounts	14		

As per our report of even date attached

For Mukul & Ganesh
Chartered Accountants

V.Ganesh
Partner
M.No. 81994

Place : New Delhi
Dated : 22nd May, 2008

For and on behalf of Board of Directors

Siddhartha Basu
Director

Anita Kaul Basu
Director

Dated : 22nd May, 2008

CASH FLOW FOR THE YEAR ENDED 31ST MARCH 2008

(Currency in Indian Rupees)

	Particulars	For the year ended 31 March 2008 Amount	For the year ended 31 March 2007 Amount
A	**Cash flow from operting activities:-**		
	Net Profit / (Loss) before Tax	**31,310,679**	21,461,617
	Adjustment for :		
	Depreciation	**1,325,703**	991,240
	Interest Income and Dividend Income	**(14,200,995)**	(1,915,158)
	Profit on sale of investments (net)	**(2,325,335)**	-
	Loss on sale of investments (net)	**-**	2,207,223
	Profit on Sale of Fixed Assets (net)	**-**	(29,341)
	Prior Period Expenses	**-**	(31,667)
	Loss on Sale of Fixed Assets (net)	**81,602**	-
	Preliminary Expenses written Off	**194,000**	194,000
	Operating profits before working capital changes:-	**16,385,654**	22,877,914
	Increase in inventories	**(45,558,597)**	1,593,055
	Increase in sundry debtors	**(35,403,170)**	(188,961)
	Increase in loans & Advances	**(11,760,906)**	136,256
	Increase in trade and other payable	**92,174,986**	5,489,009
	Cash generated from operation	**15,837,967**	29,907,273
	Taxes paid (net of refunds)	**(11,367,735)**	(8,493,793)
	Net cash flow used in operating activities (A)	**4,470,232**	21,413,480
B	**Cash flow from investing activities:-**		
	Purchase of Fixed Assets	**(12,780,159)**	(855,932)
	Proceeds from sale of fixed assets	**164,921**	119,000
	Purchase of Investments	**(247,780,927)**	(43,873,675)
	Profit on sale of investments	**2,325,335**	–
	Dividend income and other income	**4,563,147**	1,915,158
	Interest income (net of TDS)	**9,637,848**	
	Sales of Investments (net of profit)	**120,820,186**	33,390,655
	Loss of sale of Investments	-	(2,207,223)
	Net cash flow used in investing activities (B)	**(123,049,649)**	(11,512,017)
C	**Cash flow from financing activities**		
	Proceeds from / (Payments towards)		
	Share Application Money	**-**	120,000,000
	Dividend (including Dividend Tax) Paid	**(7,535,535)**	(2,052,450)
	Preliminery Expenses		(970,000)
	Net cash flow from financing activities (C)	**(7,535,535)**	116,977,550
	Net increase in cash and cash equivalent - (A + B + C)	**(126,114,952)**	126,879,013
	Cash and cash equivalents as at beginning of the period/year	**129,138,829**	2,259,816
	Cash and cash equivalents as at end of the period/year	**3,023,877**	129,138,829
		(126,114,952)	126,879,013

As per our report of even date attached

For Mukul & Ganesh
Chartered Accountants

V.Ganesh
Partner
M.No. 81994

Place : New Delhi
Dated : 22nd May, 2008

For and on behalf of Board of Directors

Siddhartha Basu
Director

Anita Kaul Basu
Director

Dated : 22nd May, 2008

SCHEDULES TO THE FINANCIAL STATEMENTS 31ST MARCH 2008

(Currency in Indian Rupees)

	As at 31st March'2008	As at 31st March'2007
Schedule - 1		
SHARE CAPITAL		
Authorised		
20,000 (Previous Year:20,000) Equity Shares of Rs. 100/- each	**2,000,000.00**	2,000,000.00
12,00,000 (Previous Year:12,00,000) 7% Preference Shares of Rs.100/- each (Preference Shares are cumulative, redeemable and non-convertible)	**120,000,000.00**	120,000,000.00
	122,000,000.00	122,000,000.00
Issued, Subscribed & Paid-up		
10,000 (Previous year 10,000) Equity Shares of Rs. 100/- each fully paid up	**1,000,000.00**	1,000,000.00
Share Application Money	**-**	120,000,000.00
12,00,000 (Previous Year:Nil) 7% Preference Shares of Rs.100/- each fully paid up (Preference Shares are cumulative, redeemable and non-convertible)	**120,000,000.00**	-
	121,000,000.00	121,000,000.00
Schedule - 2		
RESERVES & SURPLUS		
General Reserve		
As per Balance Sheet	**47,300,000.00**	45,100,000.00
Add : Transfer from Profit & Loss Account	**3,100,000.00**	2,200,000.00
	50,400,000.00	47,300,000.00
Profit & Loss Account	**18,146,574.89**	9,482,630.13
	68,546,574.89	56,782,630.13

Schedule - 3

FIXED ASSETS

PARTICULARS	GROSS BLOCK				DEPRECIATION				NET BLOCK	
	As at 1.04.2007	Additions during the Year	Deletions during the Year	As at 31.03.2008	As at 1.04.2007	For the Year	Deletions	As at 31.03.2008	As at 31.3.2008	As at 31.3.2007
Vehicles	1,741,574	1,291,658	-	3,033,232	546,028	553,746	-	1,099,775	1,933,457	1,195,545
Office Equipments	1,756,953	1,025,996	600,020	2,182,929	790,513	154,731	361,738	583,506	1,599,423	966,440
Plant & Machinery	7,947	-	-	7,947	3,581	607	-	4,189	3,759	4,366
Furniture & Fixtures	513,005	393,750	29,869	876,886	191,749	66,591	26,579	231,761	645,125	321,256
Furniture & Fixtures (lease related)	-	8,232,583	-	8,232,583	-	13,469	-	13,469	8,219,114	-
Computers	3,304,898	1,836,172	733,146	4,407,924	2,323,428	533,738	728,195	2,128,971	2,278,953	981,471
Buzzer System	36,912	-	-	36,912	16,636	2,820	-	19,456	17,456	20,276
TOTAL	**7,361,289**	**12,780,159**	**1,363,035**	**18,778,414**	**3,871,935**	**1,325,703**	**1,116,512**	**4,081,126**	**14,697,288**	**3,489,354**
PREVIOUS YEAR	**6,855,182**	**855,932**	**349,825**	**7,361,289**	**3,140,861**	**991,240**	**260,166**	**3,871,935**	**3,489,354**	

Note :

Lease related items have been depreciated over the period of lease instead of depreciated at the rates prescribed in schedule XIV of the Companies Act, 1956

SCHEDULES TO THE FINANCIAL STATEMENTS 31ST MARCH 2008

(Currency in Indian Rupees)

Schedule - 4
CURRENT INVESTMENTS
(A) NON- TRADE INVESTMENTS - (UNQUOTED)

No.of Units	Description	As at 31st March'2008	As at 31st March'2007
120845.921	Franklin India Flexi Cap Fund	-	2,000,000.00
2243024.195	Kotak Flexi Debt	-	22,890,834.40
PMS	Reliance Capital Asset Manangement Ltd-PMS	-	12,748,783.15
300000.000	Reliance Equity Fund	-	3,000,000.00
177410.524	Sundaram Capex Opportunities-Dividend	-	3,116,907.78
179101.330	Birla Sunlife ST Fund Growth	**2,529,150.06**	-
2270.675	Birla Sunlife ST Fund- MD	**31,880.56**	-
955474.871	LIC Liquid Plus Mutual Fund	**10,000,000.00**	-
24269.707	Reliance Liquid Plus	**25,900,000.00**	-
20000.000	Osian Art Fund Contemporary	**2,000,000.00**	2,000,000.00
5301.898	Templeton India SIP Growth	**7,618,387.65**	-
3510.628	Templeton India STIP SCB	**5,000,000.00**	-
		53,079,418.27	45,756,525.33

(B) Details of Investments purchased and redeemed/sold during the year

Particulars of Investments	Number	Face Value	Balance as on 1st April 2007	Cost	Proceeds from sale/redemption
Birla Sunlife Liquid Plus	695105.760	14.39	-	10,000,000.00	10,386,826.35
Birla Sunlife ST Fund Growth	179101.330	13.94	-	2,529,150.06	-
Birla Sunlife ST Fund- MD	236789.513	10.56	-	2,531,880.55	2,497,442.67
Birla Sunlife STF (SCB)	540645.747	13.87	-	7,500,000.00	7,789,407.66
Canara Robecco Mutual Fund	1347179.775	12.99	-	17,500,000.00	17,669,024.17
Franklin India Flexi Cap Fund	120845.921	16.55	2,000,000.00	-	2,127,261.14
Kotak Flexi Debt	2243024.195	10.03	22,890,834.40	403,883.46	23,294,717.86
LIC Liquid Plus Mutual Fund	955474.871	10.47	-	10,000,000.00	-
Osian Art Fund Contemporary	20000.000	100	2,000,000.00	-	-
Reliance Capital Asset Manangement Ltd	PMS		12,748,783.15	3,011,542.05	15,923,160.82
Reliance Equity Fund	300000.000	10	3,000,000.00	-	3,848,355.00
Reliance Interval Fund	589171.036	10.18	-	6,000,000.00	6,087,786.48
Reliance Liquid Plus Fund	9442.711	1059.02	-	25,900,000.00	-
Reliance Liquid Plus Fund - Institutional Opt	14826.996	1072.37	-	7,500,000.00	7,636,343.46
Sundram Capex Oppoturinities - Dividend			3,116,907.78	-	3,228,267.29
Templeton India SIP- Growth	7273.043	1031.21	-	7,618,387.65	-
Templeton India STIP (Monthly) -Div	106.272	1032.21	-	7,609,694.56	7,618,387.65
Templeton India STIP (SCB)	3510.628	1424.2465	-	5,000,000.00	-
UTI Liquid Fund - Cash Plan	14713.878	1019.45	-	15,038,540.82	15,038,540.82
			45,756,525.33	**128,143,079.15**	**123,145,521.37**

Schedule - 5
CURRENT ASSETS
Cash and bank balance

	As at 31st March'2008	As at 31st March'2007
Cash in hand	**244,922.00**	68,810.00
Cheques in Hand	**-**	120,159,000.00
Cash at Bank		
(With a Scheduled Bank)		
in Current Account	**2,642,577.79**	8,762,708.01
in EEFC Account	**136,378.96**	148,311.11
in Fixed Deposit	**110,000,000.00**	-
Interest Accrued on FDR	**9,637,848.00**	-
	122,661,726.75	129,138,829.12

SCHEDULES TO THE FINANCIAL STATEMENTS 31ST MARCH 2008

(Currency in Indian Rupees)

	As at 31st March'2008	As at 31st March'2007
Schedule - 6		
SUNDRY DEBTORS		
(Unsecured, considered good)		
Others	**54,925,472.55**	-
Outstanding for period More than 6 Months	**2,058,999.81**	21,581,302.08
	56,984,472.36	21,581,302.08
	179,646,199.11	150,720,131.20
Schedule - 7		
ADVANCES		
Security Deposit	**3,242,800.00**	800,456.00
Advance to Suppliers	**6,879,368.00**	342,146.00
Income Tax Paid	**31,552,872.66**	24,521,932.62
Work in progress (at cost)	**49,815,800.13**	4,257,203.00
Service tax credit available	**3,629,176.40**	950,791.00
Pre-paid Expenses	**316,300.00**	99,591.00
Expenses Reimbursement (Star-KBC)	**-**	113,755.00
Fringe Benefit Tax	**788,359.00**	312,026.00
	96,224,676.19	31,397,900.62
Schedule - 8		
CURRENT LIABILITIES		
Sundry Creditors for goods and services:-		
Due to small scale industrial undertakings	**-**	-
Due to other creditors	**58,681,365.95**	17,804,130.04
Expenses Payable	**1,829,301.00**	599,301.00
Other liabilities	**10,644,509.00**	2,083,601.00
Advance from Customers	**43,759,386.73**	2,252,540.00
	114,914,562.68	22,739,572.04
Schedule - 9		
PROVISIONS		
Provision for Taxation	**28,910,000.00**	23,660,000.00
Provision for Fringe Benefit Tax	**666,000.00**	256,000.00
Dividend Payable	**8,400,000.00**	6,450,000.00
Dividend Tax Payable	**1,427,580.00**	1,085,535.00
	39,403,580.00	31,451,535.00
Schedule - 10		
PRELIMINARY EXPENSES		
Preliminary Expenses	**776,000.00**	970,000.00
Less: Preliminary Expenses written off	**194,000.00**	194,000.00
	582,000.00	776,000.00
Schedule - 11		
OTHER INCOME		
Dividend on current investments	**1,729,879.13**	1,558,398.82
Interest Receive on FD	**12,471,115.61**	-
Misc Income	**237,819.00**	356,759.46
Profits on sale of current investment	**4,624,735.66**	-
Notice Pay Recovery	**41,684.84**	-
Profit on sale of fixed assets	-	30,932.00
	19,105,234.24	1,946,090.28

SCHEDULES TO THE FINANCIAL STATEMENTS 31ST MARCH 2008

(Currency in Indian Rupees)

	As at 31st March'2008	As at 31st March'2007
Schedule - 12		
PRODUCTION EXPENSES		
Equipment Hire Charges	**25,664,605.00**	30,557,987.00
Video Tapes	**3,005,052.13**	1,382,333.00
Set Expenses	**10,588,214.00**	6,639,918.00
Participants Expenses	**3,280.00**	28,921.00
Professional & Technical Fees	**69,856,690.00**	42,719,830.00
Research Expenses	**329,584.55**	521,393.40
Wardrobe Expenses	**6,556,573.00**	2,858,702.00
Production Expenses	**40,321,387.95**	11,844,015.00
Unit Transportation	**5,624,296.81**	4,213,429.00
Prizes to Participants	**-**	8,100.00
	161,949,683.44	100,774,628.40

	As at 31st March'2008	As at 31st March'2007
Schedule - 13		
ADMINISTRATIVE EXPENSES		
Directors Remuneration	**-**	900,000.00
Salaries	**22,704,274.81**	2,958,629.63
Staff Welfare	**267,479.00**	132,302.00
Rent , Rates & Taxes	**9,255,943.00**	1,256,419.00
Vehicle Repairs & Maintenance	**165,768.34**	96,868.86
Conveyance Charges	**185,840.00**	93,582.00
Printing & Stationery Expenses	**626,472.00**	79,528.00
Postage Expenses	**63,699.00**	86,961.00
Electricity & Water Charges	**1,195,606.00**	405,354.00
Telephone Expenses	**1,102,784.45**	695,557.00
Travelling Expenses	**946,966.98**	239,387.62
Office Maintenance Expenses	**719,504.00**	549,744.00
Auditors Remuneration	**500,000.00**	275,000.00
Repairs & Maintenance Charges	**1,514,673.00**	202,489.00
Bank Charges & Interest	**20,718.88**	7,355.57
Professional Charges	**680,250.00**	-
Business Promotion	**202,629.36**	217,863.22
Insurance Charges	**261,568.00**	71,337.00
Computer Consumables	**430,872.00**	180,792.00
Discount Allowed	**1,042,021.00**	-
Miscellaneous Expenses	**322,601.74**	105,548.33
	42,209,671.56	8,554,718.23

SCHEDULE -14

Significant Accounting policies

A. Accounting Policies

i. Basis of Accounting :-

The financial statements are prepared and presented under the historical cost convention on the accrual basis of accounting and in accordance with the Accounting Standards ('AS') notified in the Accounting Standard Rules,2006 and the relevant provisions of the Companies Act,1956(the 'Act') , to the extent applicable.

ii. Use of Estimates:-

The preparation of financial statements in conformity with generally accepted accounting principle in India("Indian GAAP") require management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent liabilities on the date of the financial statements. Actual results could differ from those estimates. Any revision to accounting estimates is recognized prospectively in current and future period.

iii. Fixed Assets and depreciation / amortisation:-

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

Depreciation on fixed assets is provided pro-rata to the period of use, under Written down Value Method, at the rates prescribed in Schedule XIV of the Companies Act, 1956.

SCHEDULES TO THE FINANCIAL STATEMENTS 31ST MARCH 2008

(Currency in Indian Rupees)

iv. Inventories:-

Inventories are stated at the lower of cost and net realizable value. Cost is determined on the first-in-first-out (FIFO) basis.

v. Revenue Recognition:-

Revenue is recognized to the extent that it is certain that the economic benefit will flow to the company and the revenue can be reliably measured. Program sales are accounted on the delivery of the tape to the channel. Sales are recorded net of service tax.

vi. Taxation:-

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

B. Notes forming part of the accounts

i. Schedule 1 to 14 forms an integral part of the Balance Sheet and Profit and Loss Account and has been duly authenticated.

ii. Gain on short Term Investment of Rs.37,00,600.40/- includes Rs.22,99,400.50/- pertaining to previous financial year.

iii. Auditors remuneration consists of:

	31.3.2008	31.3.2007
Audit fee	**3,00,000**	1,15,000
Taxation matters	**75,000**	60,000
Other Matters	**1,25,000**	1,00,000
Service tax	**61,800**	33,660
	5,61,800	3,08,660

iv. Previous year figures have been re-grouped wherever necessary to make them comparable with current year's figures.

v. **Disclosure of Related Party under AS 18:-**

Holding company – Adlabs Films Ltd.

Transactions	Holding Company	Amount
Re-imbursement of Expenses	Adlabs Films Ltd.	Rs.1,94,53,515/-
Equipment Hiring	Adlabs Films Ltd.	Rs.79,24,908/-

vi. **Statement of additional information**

		As at 31.3.2008	As at 31.3.2007
1.	Value of imports calculated at CIF value	**NIL**	NIL
2.	Value of imported raw material, spare parts and components consumed during the year.	**NIL**	NIL
3.	Remittance in foreign exchange on account of dividends	**NIL**	NIL
4.	Earning in foreign exchange	**Rs.8,69,48,780.00**	Rs.6,18,66,199.92
5.	Expenditure in foreign exchange	**Rs. 6,85,333.34**	Rs. 91,461.03
6.	Quantitative details in respect of purchases and sales do not appear as the items purchased and sold by the company do not have any standard unit of measurement.	**NIL**	NIL

As per our report of even date attached

For Mukul & Ganesh
Chartered Accountants

V.Ganesh
Partner
M.No. 81994
Place : New Delhi
Dated : 22nd May, 2008

For and on behalf of Board of Directors

Siddhartha Basu
Director

Anita Kaul Basu
Director

Dated : 22nd May, 2008

STATEMENT PURSUANT TO PART IV OF SCHEDULE VI OF THE COMPANIES ACT, 1956

BALANCE SHEET ABSTRACT AND COMPANY'S GENERAL BUSINESS PROFILE

I. Registration Details

Registration No. 30732			State - 55		
Balance Sheet Date	:	31.03.2008			

II. Capital Raised during the Year (Amount in Rs. Thousands)

Public Issue	:	NIL	Rights Issue	:	NIL
Bonus Issue	:	NIL	Private Placements	:	120000

III. Position of Mobilisation and Deployment of Funds (Amounts is Rs. Thousand)

Total Liabilities	:	189911	Total Assets	:	189911
Sources of Funds					
Share Capital	:	121000	Reserves & Surplus	:	68547
Secured Loans	:	NIL	Unsecured Loans	:	NIL
Deferred Tax	:	365			
Application of funds					
Net Fixed Assets	:	14697	Investments	:	53079
Net Current Assets	:	121553	Misc. Expenditure	:	582
Accumulated Losses	:	NIL			

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

Turnover	:	23707	Total Expenditure	:	205761
Profit / Loss Before Tax	:	31310	Profit / Loss After tax	:	21601
Earning per share in Rs.	:	1815	Dividend (Preference Shares)	:	8400

V. Generic Names of Three Principal Products / Services of Company (as per monetary terms)

PRODUCTION OF T.V. SERIALS ETC.

Item Code No. (ITC Code)	:	N.A
PRODUCT	:	
Item Code No. (ITC Code)	:	N.A.
Product Description		

For and on behalf of Board of Directors

Siddhartha Basu
Director

Anita Kaul Basu
Director

Place : New Delhi
Dated : 22nd May, 2008

DIRECTORS' REPORT

Dear Shareholders,

Your Board of Directors takes pleasure in presenting the fifth Annual report for the year ended 31st March 2008.

FINANCIAL RESULTS

(Amount in Rupees)

	2008	2007
Income from Operations (share of profit)	**2,92,21,639**	1,97,61,415
Profit / (Loss) before Depreciation & Tax	**2,92,21,385**	1,99,57,192
Less: Depreciation	**NIL**	NIL
Profit Before Taxation	**2,92,21,385**	1,99,57,192
Less: Provision for Taxation	**(2,500)**	(66,000)
Profit / (Loss) after Taxes	**2,92,18,885**	1,98,91,192
Balance brought forward from previous	**3,02,77,420**	1,03,86,228
Profit / (Loss) carried to Balance Sheet	**5,94,96,305**	3,02,77,420

OPERATIONS

The Company is partner in Gold Adlabs, at Pune and the partnership firm has registered an impressive performance in the multiplex business with occupancy going upto 36% and total revenues increasing to Rs.13.46 crores. Our share of profit therein for the year ended 31st March, 2008 was Rs 2.92 crores.

The Company entered into the domestic distribution business in January 2007 and has established its offices in key territories of Mumbai, Delhi, UP and East Punjab, Nizam & TamilNadu. The Company is looking to further expand its distribution infrastructure in Central India and other distribution territories. Some of the major films releases during the year were Cash-The Film, Bheja Fry, Aap Ka Suroor, Dhokha, Johnny Gaddar, Khoya Khoya Chand, Dil Dosti Etc, Jab We Met, Dhol, Dhamaal, Animation Flicks like Return of Hanuman, Regional Films like Mitti Wajan Mardi (Punjabi), Don (Telugu) and other Hollywood movies like Spiderman -3, Premonition, The Queen, Van Wilder-2, Because I Said So etc.

DIVIDEND

The Directors have not recommended any dividend on the equity shares of the Company for the year ended 31st March 2008.

DIRECTORS

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

Ms. Kirti Desai was appointed as Additional Director of the Company on 31st October, 2007 pursuant to Section 260 of the Companies Act, 1956 to hold office upto the date of this Annual General Meeting. The Company has received notice under section 257 of the Companies Act, 1956 from member proposing the appointment of Ms. Kirti Desai as Directors of the Company.

Mr. Vasanji Mamania has resigned from Directorship of your Company with effect from 31st October, 2007. The Board places on record its sincere appreciation to the active involvement and support of Mr. Vasanji Mamania during his tenure as Director.

AUDITORS

The present Auditors of the Company, M/s H.O. Agarwal & Co., Chartered Accountants, retire at the ensuing Annual General Meeting and the Company proposes to appoint M/s Chaturvedi & Shah, Chartered Accountants as Auditors of the Company for the financial year 2008-09.

REMUNERATION TO EMPLOYEES

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

PUBLIC DEPOSITS

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

CONSERVATION OF ENERGY, TECHNOLOGY ABSORPTION

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

FOREIGN EXCHANGE EARNING AND OUTGO

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

DIRECTORS RESPONSIBILITY STATEMENT

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

a) in the presentation of the annual accounts, the applicable accounting standard has been followed along with proper explanation relating to material departures;

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

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

d) the directors had prepared the annual accounts on going concern basis.

ACKNOWLEDGEMENT:

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

For and on behalf of Board

Place: Mumbai
Date:12th May, 2008.

Sunir Kheterpal
Director

Suresh Bharadwaj
Director

AUDITORS' REPORT

We have audited the attached Balance Sheet of **ADLABS DISTRIBUTORS & EXHIBITORS LIMITED** as at 31st March, 2008, the Profit & Loss Account and also the Cash Flow Statement for the year ended on that date annexed thereto. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

(1) As required by the Companies (Auditors' Report) Order, 2003(as amended by the Companies (Auditors' Report)(Amendment) Order 2004) issued by the Central Government of India in terms of sub-section (4A) of Section 227 of the Companies Act, 1956, we enclose in the Annexure, a statement on the matters specified in paragraphs 4 and 5 of the said Order.

(2) Further to our comments in the Annexure referred to above, we report that:

(a) We have obtained all the information and the explanations, which to the best of our knowledge and belief were necessary for the purpose of our audit;

(b) In our opinion, proper books of account as required by law have been kept by the Company so far as it appears from our examination of those books;

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

(d) In our opinion, the Balance Sheet, Profit and Loss Account and Cash Flow statement dealt with by this report comply with the Accounting Standards referred to in sub-section (3C) of section 211 the Companies Act, 1956;

(e) On the basis of written representations received from the directors as on 31st March, 2008 and taken on record by the Board of Directors, we report that none of the Directors is disqualified as on 31st March, 2008 from being appointed as a Director in terms of clause (g) of sub-section (1) of Section 274 of the Companies Act, 1956;

(f) In our opinion and to the best of our information and according to the explanations given to us, the said accounts together with the notes annexed thereto, give the information required by the Companies Act, 1956, in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India:

i) in the case of the Balance Sheet, of the state of affairs of the Company as at 31st March, 2008;

ii) in the case of the Profit and Loss Account of the PROFIT for the year ended on that date; and

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

For H.O. Agarwal & Co.
Chartered Accountants

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

Place : Mumbai.
Date : 12th May, 2008.

ANNEXURE TO THE AUDITORS' REPORT

(Referred to in paragraph (1) of our report of even date on the account for the year ended 31st March, 2008 of ADLABS DISTRIBUTORS & EXHIBITORS LIMITED)

i) In our opinion and according to the information and explanations given to us, the nature of the Company's business/activity during the period is such that clauses (i), (ii), (v), (vi), (ix), (xi), (xii), (xiii), (xiv), (xvi), (xviii), (xix), (xx) of paragraph 4 of the Company (Auditors' Reports) Order, 2003 are either nil or not applicable to the Company.

ii) As explained to us and according to the information furnished to us, the Company has neither granted nor taken any loans, secured or unsecured from Companies, firms or other parties listed in the register maintained under section 301 of the Companies Act, 1956 and as such clause (iii)(a) to (iii)(g) of paragraph 4 of the Order are not applicable.

iii) In our opinion and according to the information and explanation given to us there are adequate internal control system commensurate with size of the Company and nature of its business with regard to purchases of inventory, fixed assets and with regard to the sale of goods and services. We have not observed any major weaknesses in Internet Control Systems during the course of our Audit.

iv) The Company has no formal internal audit department as such. However, its control procedures ensure reasonable internal checking of its financial and other records.

v) To the best of our knowledge and according to the information given to us, the Central Government has not prescribed the maintenance of Cost records under section 209 (1) (d) of the Companies Act, 1956 for the products of the Company.

vi) The Company was incorporated on 19th May, 2003 and accordingly Paragraph 4 (x) of the order is not applicable to the Company.

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

viii) According to the information and explanations given to us and on an overall examination of the balance sheet and cash flow statement of the Company, we report that no funds raised on short-term basis have been used for long-term investment.

ix) Based upon the audit procedures performed for the purpose of reporting the true and fair view of the financial statements and as per the information and explanations given by the management, we report that no material fraud on or by the Company has been noticed or reported during the course of our audit.

For H.O. Agarwal & Co
Chartered Accountants

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

Place : Mumbai.
Date : 12th May, 2008.

BALANCE SHEET AS AT 31ST MARCH 2008

	SCHEDULE	31-Mar-08 Rupees	31-Mar-07 Rupees
SOURCES OF FUNDS			
Shareholder's Funds			
Share Capital	A	**500,000.00**	500,000.00
Reserve & Surplus	B	**59,496,304.15**	30,277,419.54
		59,996,304.15	30,777,419.54
Loan Funds			
Unsecured Loans	C	**-**	31,094,904.00
		59,996,304.15	61,872,323.54
APPLICATION OF FUNDS :			
Fixed Assets			
Intangible assets		**5,000,000.00**	5,000,000.00
Investments	D	**52,963,565.60**	53,902,533.59
Current Assets,Loans & Advances			
Cash and bank balances	E	**6,745,322.17**	7,721,932.18
Loans and advances	F	**94,868.00**	94,011.00
		6,840,190.17	7,815,943.18
Less : Current Liabilities & Provisions			
Liabilities	G	**4,819,141.22**	4,877,722.83
Provisions	H	**73,684.00**	66,000.00
Net Current Assets		**1,947,364.95**	2,872,220.35
Miscellaneous Expenditure (To the extent not written off or adjusted)		**85,373.60**	97,569.60
		59,996,304.15	61,872,323.54
ACCOUNTING POLICIES & NOTES ON ACCOUNTS	I		

The schedule referred to above form an integral part of the Balance Sheet.

As per our report of even date

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

H.O. Agarwal
Proprietor
M.No. 14270

Place : Mumbai
Date : 12th May, 2008.

For and on behalf of the Board

Suresh Bharadwaj Director

Sunir Kheterpal Director

Date : 12th May, 2008.

PROFIT & LOSS ACCOUNT FOR THE YEAR ENDED 31ST MARCH 2008

	31-Mar-08 Rupees	31-Mar-07 Rupees
INCOME		
Income - Theatre Operations-Share of Profit from Firm	**29,221,639.01**	19,761,414.59
Other Income	**60,000.00**	1,000,000.00
	29,281,639.01	20,761,414.59
EXPENDITURE		
Audit fees	**22,472.00**	14,928.00
Bank charges	**2,693.40**	1,162.65
Legal & professional fees	**22,893.00**	25,936.00
Advertisement & publicity	**-**	750,000.00
Miscellaneous Expenditure W/off.	**12,196.00**	12,196.20
	60,254.40	804,222.85
PROFIT BEFORE TAX	**29,221,384.61**	19,957,191.74
Provision for tax- Current	**2,500.00**	66,000.00
PROFIT AFTER TAX	**29,218,884.61**	19,891,191.74
Add:Balance brought forward from previous years	**30,277,419.54**	10,386,227.80
Balance Carried to Balance Sheet	**59,496,304.15**	30,277,419.54
Basic / Diluted Earning Per Share	**584.38**	**397.82**

As per our report of even date

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

H.O. Agarwal
Proprietor
M.No. 14270

Place : Mumbai
Date : 12th May, 2008.

For and on behalf of the Board

Suresh Bharadwaj Director

Sunir Kheterpal Director

Date : 12th May, 2008.

CASH FLOW STATEMENT FOR THE YEAR ENDED 31ST MARCH 2008

		31-Mar-08 Rupees	31-Mar-07 Rupees
A	**CASH FLOW FROM OPERATING ACTIVITIES**		
	Net profit before tax & extraordinary items	**29,221,384.61**	19,957,191.74
	Adjustment for:		
	Deferred revenue expenditure	**12,196.00**	12,196.20
	Operating profit before working capital changes	**29,233,580.61**	19,969,387.94
	Increase/(Decrease) in trade payable	**(53,397.61)**	4,859,182.83
	(Increase)/decrease in Loans & Advances	**(857.00)**	(94,011.00)
	Cash generated from operation	**29,179,326.00**	24,734,559.77
	Cash flow before extraordinary items	**29,179,326.00**	24,734,559.77
	Net cash flow from operating activities (A)	**29,179,326.00**	24,734,559.77
B	**CASH FLOW FROM INVESTING ACTIVITIES**		
	(Increase)/decrease in investment	**938,967.99**	3,950,485.41
	(Purchase)/Sale of Fixed Assets	**0.00**	(5,000,000.00)
	Net cash used in investing activities (B)	**938,967.99**	(1,049,514.59)
C	**CASH FLOW FROM FINANCING ACTIVITIES**		
	(Repayment)/ Proceeds from long term borrowings / issue of shares	**(31,094,904.00)**	(21,798,000.00)
	Net cash used for financing activities (C)	**(31,094,904.00)**	(21,798,000.00)
	NET INCREASE/(DECREASE) IN CASH &		
	CASH EQUIVALENT (A+B+C)	**(976,610.01)**	1,887,045.18
	Cash & cash equivalents as at 1st April, 2007	**7,721,932.18**	5,834,887.00
	Cash & cash equivalents as at 31st March, 2008	**6,745,322.17**	7,721,932.18

As per our report of even date

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

H.O. Agarwal
Proprietor
M.No. 14270

Place : Mumbai
Date : 12th May, 2008.

For and on behalf of the Board

Suresh Bharadwaj Director

Sunir Kheterpal Director

Date : 12th May, 2008.

SCHEDULES TO THE FINANCIAL STATEMENTS AS AT 31ST MARCH 2008

SCHEDULE		31-Mar-08 Rupees	31-Mar-07 Rupees
A.	**SHARE CAPITAL**		
	Authorised		
	5,00,000 equity share of Rs.10/- each	**5,000,000.00**	5,000,000.00
	Issued,Subscribed & Paid up Capital		
	50,000 equity share of Rs.10/- each, fully paid up	**500,000.00**	500,000.00
	(All the above shares are held by Adlabs Films Limited, the Holding Company and its Nominee)		
		500,000.00	500,000.00
B	**RESERVE & SURPLUS**		
	Profit & Loss Account	**59,496,304.15**	30,277,419.54
		59,496,304.15	30,277,419.54
C	**UNSECURED LOANS**		
	From Holding Company	**-**	31,094,904.00
		-	31,094,904.00
D	**INVESTMENT (AT COST)**		
	Investment in Partnership Firm	**52,963,565.60**	53,902,533.59
		52,963,565.60	53,902,533.59
E	**CASH & BANK BALANCES**		
	Cash with scheduled banks-in Current Accounts	**6,745,322.17**	7,721,932.18
		6,745,322.17	7,721,932.18
F	**LOANS AND ADVANCES**		
	(Unsecured Considered Good)		
	Advances receivable in Cash or kind on value to be received	**27,842.00**	37,911.00
	Advance Tax & Tax deducted at source	**67,026.00**	56,100.00
		94,868.00	94,011.00
G	**LIABILITIES**		
	Sundry creditors for expenses	**25,769.00**	33,738.00
	Due to Holding Company	**4,793,372.22**	4,843,984.83
		4,819,141.22	4,877,722.83
H	**PROVISIONS**		
	Provision for Taxation	**68,500.00**	66,000.00
	TDS Payable	**5,184.00**	
		73,684.00	66,000.00

SCHEDULE- I

NOTES FORMING PART OF THE ACCOUNTS FOR THE YEAR ENDED 31st MARCH 2008.

1. The Company is a partner in a firm M/s. Gold Adlabs, Pune which is engaged in running and operating a Multiplex Theatre at Marigold Complex, Kalyani Nagar, Pune. During the year the Company has also done the business of Distribution of Films for which a Convenience fee was charged.

2. The Company has paid Rs. 50,00,000/- as second exhibition rights for Distribution of Films. The same has been shown as intangible assets in fixed assets schedule. The same will be charged to accounts in the year in which the Company allowed to exhibit the films.

3. **Significant Accounting Policies**

i) **Method of Accounting:**

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

SCHEDULES TO THE FINANCIAL STATEMENTS AS AT 31ST MARCH 2008

ii) Revenue Recognition:

Revenue is recognized on the basis of actual financial statements available from the partnership firm.

Income from Distribution of Films is recognized on the basis of actual performance or mutual understanding with the respective parties.

iii) Investments:

Investments represent Current Investments in a Partnership Firm and the same is stated at Cost.

4. Payment to Auditors

	31.03.2008	31.03.2007
Audit Fees	**22,472**	5,510.00
Other Matters		–
Total	**22,472**	5,510.00

5. Segment Reporting:

The Company has two reporting segments i.e. Exhibition and Distribution.

	Exhibition (In Rs.)	Distribution (In Rs.)
Revenue	**2,92,21,639**	60,000
Profit before Tax	**2,91,86,886**	34,499
Capital Employed	**5,96,96,039**	2,26,056

6. Related Party Disclosures:

Related parties with whom transaction have taken place during the year.

i) List of Related Parties:

Name of Party	Relationship
a) Adlabs Films Limited	Holding Company

ii) Transaction with Related Parties:

Particulars	31.03.2008	31.03.2007
a) Amount payable to Holding Company	**47,93,372**	48,43,985
b) Unsecured Loan Repaid to Holding Company	**3,10,94,904**	NIL
c) Amount Paid to Holding Company for Rights	**NIL**	50,00,000
d) Convenience Fees /Commission received from Holding Company	**60,000**	10,00,000

7. Earning Per Share:

Particulars	31.03.2008	31.03.2007
Net Profit/(Loss) after tax	**2,92,18,885**	1,98,91,191
Weighted average number of Shares	**50,000**	50,000
Face value per share	**10**	10
Earning Per Share(Basic and Diluted)	**584.38**	397.82

8. Earning and expenditure in foreign currency: Nil

9. The Company has made provision for taxation as per Income Tax Act, 1961.

10. Sundry Creditors, Loans & Advances & Loan from holding Company are subject to confirmation.

11. According to the Accounting Standard 22 'Accounting for taxes on Income' issued by the Institute of Chartered Accountants of India, no deferred tax liability is recognized as there is no timing difference which is likely to be reversal in future and no deferred tax assets, either for current period or earlier year, is recognized as there is no virtual certainty of taxable profit in future.

12. The other additional information as required by part II of Schedule VI of the Companies Act is either nil or not applicable.

13. Miscellaneous expenses have been written off over a period of 10 years.

14. The Company is a 100% subsidiary of Adlabs Films Limited.

15. Previous years Figures have been regrouped and rearranged wherever necessary to confirm with the current years presentation.

As per our report of even date

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

H.O. Agarwal
Proprietor
M.No. 14270

Place : Mumbai
Date : 12th May, 2008.

For and on behalf of the Board

Suresh Bharadwaj Director

Sunir Kheterpal Director

Date : 12th May, 2008.

BALANCE SHEET ABSTRACT AND COMPANY'S GENERAL BUSINESS PROFILE

I. Registration details

Registration No.	1 4 0 4 6 7	State code	1 1
Balance sheet date	3 1 (Date) 0 3 (Month)	Year	2 0 0 8

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

Public Issue	Rights Issue
N I L	N I L
Bonus issue	Private Placement
N I L	N I L

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

Total Liabilities	Total Assets
5 9 9 9 6	5 9 9 9 6

Sources of Funds

Paid up capital	Reserves & surplus
0 5 0 0	5 9 4 9 6
Secured loans	Unsecured loans
N I L	N I L

Application of Funds

Net fixed assets	Investments
5 0 0 0	5 2 9 6 4
Net current assets	Misc.expenditure
0 1 9 4 7	0 0 8 5
Accumulated Losses	
N I L	

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

	Turnover		Total Expenditure
	2 9 2 8 2		0 6 0
	Profit/Loss Before Tax		Profit/Loss after Tax
+	2 9 2 2 1	+	2 9 2 1 9

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

	Earning per share in Rs.	Dividend %
+	5 8 4 . 3 8	N I L

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

Item Code No. (ITC Code)	N I L
Product description	E X H I B I T I O N O F F I L M S

For and on behalf of the Board

Suresh Bharadwaj	**Sunir Kheterpal**
Director	Director

Place : Mumbai
Date : 12th May, 2008

DIRECTORS' REPORT

Dear Shareholders,

Your Directors have pleasure in presenting the Annual Report along with Audited Accounts of the Company together with the Audited statement of Accounts for the year ended 31st March 2008.

FINANCIAL RESULTS:

(Amt in Rs.)

Particulars	**31st March 2008**	31st March 2007
Sales and Other Income	**103,256,479**	110,346,726
Profit / (Loss) before Depreciation & Tax	**32,823,652**	42,418,377
Less: Depreciation	**(8,317,330)**	(7,325,660)
Profit Before Taxation	**24,506,323**	35,092,717
Less: Provision for tax	**(8,497,201)**	(11,864,327)
Profit / (Loss) after Taxes	**16,009,122**	23,228,390
Add: Balance brought forward from previous	**105,771,972**	82,543,582
Profit / (Loss) carried to Balance Sheet	**121,781,094**	105,771,972

OPERATIONS

Runwal Multiplex Private Limited became a wholly owned subsidiary of Adlabs Films Limited pursuant to the Share Purchase Agreement executed on 20th December 2007.

During the year the occupancy was at 23.43% as compared to 26.40% in the previous year. Average Ticket Price (ATP) increased to Rs.145 as compared to Rs. 134 in the previous year.

SHIFTING OF REGISTERED OFFICE

The Company shifted its Registered Office from Runwal Chambers, 1st Road, Chembur, Mumbai – 400 071 to Filmcity Complex, Goregaon (East), Mumbai – 400 065 during the year.

DIVIDEND

The Directors have not recommended any dividend on the equity shares of the Company for the year ended 31st March 2008.

DIRECTORS

Mr. Vasanji Mamania resigned from the directorship of the Company with effect from July 19, 2007. The Board of Directors records their appreciation of the valuable services rendered by Mr. Vasanji Mamania during his tenure as Director of the Company.

Mr. Venkat Devarajan and Mr. Tushar Dhingra were appointed as Additional Directors of the Company with effect from 20th December 2007 pursuant to Section 260 of the Companies Act, 1956 to hold office upto the date of the Annual General Meeting of the Company. The Company has received notice under section 257 of the Companies Act, 1956 from members proposing the appointment of Mr. Venkat Devarajan and Mr. Tushar Dhingra as Directors of the Company.

Mr. Subhash Runwal, Mr. Subodh Runwal and Mr. Sandeep Runwal resigned from the Directorship of the Company with effect from 20th December 2007. The Board of Directors place on record their appreciation for the valuable services rendered by Mr. Subhash Runwal, Mr. Subodh Runwal and Mr. Sandeep Runwal during their tenure as Directors of the Company.

COMPLIANCE CERTIFICATE

The Company appointed M/s. Pramod S. Shah & Associates, Practicing Company Secretaries for the certificate of compliance under Section 383A (1) of the Companies Act, 1956 for the financial year 2007-2008. The Certificate is attached with the Directors' Report.

AUDITORS

M/s. M. B. Agarwal & Co., Chartered Accountant, Auditors of the Company, hold office until the conclusion of the ensuing Annual General Meeting and are eligible for reappointment. The Company has received letters from M/s. M. B. Agarwal & Co., Chartered Accountant, to the effect that their reappointment, if made, would be within the limits under Section 224(1B) of the Companies Act, 1956 and they are not disqualified for such reappointment.

REMUNERATION TO EMPLOYEES

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

PUBLIC DEPOSITS

The Company has not accepted any deposits by way of invitation to the public. Hence, provisions of Section 58A of the Companies Act, 1956 is not applicable.

CONSERVATION OF ENERGY, TECHNOLOGY ABSORPTION

The Company's main business is centered on running & operating a Multiplex Theatre and has no direct manufacturing activity during the year under review. No particulars are, therefore, furnished in this report in relation to the conversation of energy and technology absorption as required under section 217(1)(e) of the Companies Act, 1956.

FOREIGN EXCHANGE EARNING AND OUTGO

There was no Foreign Exchange earning and outgo during the year.

DIRECTORS RESPONSIBILITY STATEMENT

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

a) in the presentation of the annual accounts, the applicable accounting standard has been followed along with proper explanation relating to material departures;

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

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

d) the directors had prepared the annual accounts on going concern basis.

ACKNOWLEDGEMENT

The Directors express their deep appreciation for the support and patronage extended by the Company's business associates and bankers. The Directors also place on record their appreciation for employees at all levels in the organisations for their sustained effort and positive contribution.

For and on behalf of Board

Place: Mumbai
Dated: 22nd April 2008

Venkat Devarajan
Director

Suresh Bharadwaj
Director

ANNEXURE TO THE DIRECTORS' REPORT

COMPLIANCE CERTIFICATE

U/S 383A of the Companies Act, 1956 & Rule 3 of the Companies (Compliance Certificate) Rules, 2001

To,
The Members,
Runwal Multiplex Private Limited

Nominal Capital: 1, 00, 00, 000/-
Registration No.: 11- 72296
(31/03/2008)

I/ We have examined the registers, records, books and papers of Runwal Multiplex Private Limited (the Company) as required to be maintained under the Companies Act 1956, (the Act) and the rules made thereunder and also the provisions contained in the Memorandum and Articles of Association of the Company for the financial year ended on 31st March, 2008. In my/our opinion and to the best of my/our information and according to the examinations carried out by me/us and explanations furnished to me/us by the Company, its officers and agents, I/we certify that in respect of the aforesaid financial year:

1. The Company has kept and maintained all registers as stated in *Annexure* 'A' to this certificate, as per the provisions and the rules made thereunder and all entries therein have been duly recorded.
2. The Company has duly filed the forms and returns as stated in *Annexure* 'B' to this certificate, with the Registrar of Companies, Regional Director, Central Government, Company Law Board or other authorities within the time prescribed under the Act and the rules made thereunder.
3. The Company being a private limited company has the minimum prescribed paid up capital and its maximum number of members during the said financial year was 7 excluding its present and past employees and the Company during the year under scrutiny:
   (a) has not invited public to subscribe for its shares or debentures; and
   (b) has not invited or accepted any deposits from person other than its members, director or their relatives.
4. The Board of Directors duly met 10 times on 19/04/2007, 19/07/2007, 20/08/2007, 19/12/2007, 20/12/2007, 21/12/2007, 01/02/2008, 14/02/2008, 21/02/2008 and 12/03/2008 in respect of which meetings proper notice were given and the proceedings were properly recorded and signed including the circular resolutions passed in the minutes books maintained for the purpose.
5. The Company has not closed its Register of Members or Debenture holders during the financial year.
6. The annual general meeting for the year ended on 31.03.2007 was held on 29.09.2007 after giving due notice to the members of the Company and the resolutions passed thereat were duly recorded in Minutes Book maintained for the purpose.
7. No extra ordinary general meeting was held during the financial year.
8. The Company has not advanced any loans to its directors or persons or firms or companies referred to under section 295 of the Act.
9. The Company has duly complied with provision of Section 297 of the Act in respect of contracts specified in that section.
10. The Company has made necessary entries in the register maintained under section 301 of the Act.
11. As there were no instances falling within the purview of section 314 of the Act, the Company has not obtained any approvals from the Board of Directors, Members or Central Government.
12. No duplicate share certificates were issued during the year under review.
13. i. There were transfers of securities during the financial year. The Company has delivered all the certificates on lodgment thereof for transfer during the financial year.
    ii. The Company has not deposited any amount in a separate Bank Account as no dividend was declared during the financial year.
    iii. The Company was not required to post warrants to any members of the Company as no dividend was declared during the financial year.
    iv. No amount was required to be transferred to Investors Education & Protection Fund.
    v. The Company has duly-complied with the requirements of section 217 of the Act regarding Board's report.
14. The Board of Directors of the company is duly constituted. There was no appointment of directors, alternate directors and directors to fill casual vacancies during the financial year. The appointment of additional directors has been duly made.
15. The Company has not appointed any Managing Director/ Whole-time Director/ Manager during the financial year.
16. The Company has not appointed any sole-selling agents during the financial year.
17. The Company was not required to obtain any approvals of the Central Government, Company Law Board, Regional Director, Registrar and/or such other authorities prescribed under the various provisions of the Act during the year
18. The Directors have disclosed their interest in other firms/companies to the Board of Directors pursuant to the provisions of the Act and the rules made thereunder.

19 The company has not issued any shares, debentures or other securities during the financial year.

20. The Company has not bought back any shares during the financial year.
21. There was no redemption of preference shares or debentures during the financial year.
22. There were no transactions, which required the Company to keep in abeyance rights to dividend, rights shares and bonus shares pending registration of transfer of shares.
23. The Company has neither raised nor accepted any deposits from Public.

24. The Company has not made any borrowings, during the financial year.
25. The Company has not made any loans and investments or given guarantees or provided securities to other bodies corporate and consequently no entries have been made in the register kept for the purpose.
26. The Company has not altered the provisions of the memorandum with respect to situation of the company's registered office from one state to another during the financial year
27. The Company has not altered the provisions of the memorandum with respect to situation of the company's registered office from one state to another during the financial year
28. The Company has not altered the provisions of the memorandum with respect to the objects of the company during the financial year.
29. The Company has not altered the provisions of the memorandum with respect to name of the company during the financial year.
30. The Company has not altered its articles of association during the financial year
31. There were no prosecution initiated against or show cause notices received by the Company and no fines or penalties or any other punishment imposed on the company during the year, for offences under the Act.
32. The Company has not received any money as security from its employees during the financial year.
33. The Company has deposited both employee's and employer's contribution to provident fund with prescribed authorities pursuant to Section 418 of the Act.

Place : Mumbai   Name of Company Secretary : Pramod S. Shah

Date : 22/04/2008   C. P. No. : 3804

Annexure A

The Company has been maintaining the statutory records such as:

1) Minutes Book (Board Meeting).
2) Minutes Book (AGM & EGM).
3) Register of Member.
4) Register of Director.
5) Register of Director's shareholding.
6) Register of Assets.
7) Register of Investment.
8) Register of Charges.
9) Register of Contracts.

Annexure B

Forms and Returns as filed by the Company with the Registrar of Companies, Regional Director, Central Government or other authorities during the financial year ending on **31st March, 2008.**

Sr. No.	Form No.	Filed under Section	For	Filed on
1.	Balance SheetForm No. 23AC &ACA	220	31/03/2007	13/02/2008
2.	Annual ReturnForm No.20B	159	29/09/2007	Being Filed
3.	Secretarial Compliance Report Form No. 66	383A	31/03/2007	15/02/2008
4.	Form No. 32	303(2)	Resignation of Mr. Vasanji Asaria Mamania	10/01/2008
5.	Form No. 32	303(2)	Appointment of Mr. Venkat Devarajan	10/01/2008
6.	Form No. 32	303(2)	Resignation of Mr. Subhash Runwal	18/01/2008
7.	Form No. 32	303(2)	Resignation of Mr. Subodh Runwal	18/01/2008
8.	Form No. 32	303(2)	Resignation of Mr. Sandeep Runwal	18/01/2008
9.	Form No. 32	303(2)	Appointment of Mr. Tushar Dhingra	15/02/2008
10.	Form No. 18	146	Change in situation of Registered office	01/03/2008
11.	Form no. 1A	21	Application for Change of name of the Company	01/03/2008

AUDITORS' REPORT

The Members of

M/s Runwal Multiplex Private Limited

1. We have audited the attached balance sheet of **M/s Runwal Multiplex Private Limited**, as at 31st March 2008, the profit and loss account for the year ended on that date annexed thereto. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.
2. We conducted our audit in accordance with the auditing standards generally accepted in India. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, in a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.
3. As required by the Companies (Auditor's Report) Order, 2003 issued by the Central Government of India in terms of sub-section (4A) of section 227 of the Companies Act, 1956, we enclose in the Annexure a statement on the matters specified in paragraphs 4 and 5 of the said Order.
4. Further to our comments in the Annexure referred to above, we report that:
   i) We have obtained all the information and explanations, which to the best of our knowledge and belief were necessary for the purposes of our audit;
   ii) In our opinion, the company has kept proper books of account as required by law so far, as appears from our examination of those books.
   iii) The balance sheet and profit and loss account and dealt with by this report are in agreement with the books of account.
   iv) In our opinion, the balance sheet and profit and loss account and dealt with by this report comply with the accounting standards referred to (in) sub-section (3C) of section 211 of the Companies Act, 1956;
   v) On the basis of written representations received from the directors, as on 31st March 2008 and taken on record by the Board of Directors, we report that none of the directors is disqualified as on 31st March 2008 from being appointed as a director in terms of clause (g) of sub-section (1) of section 274 of the Companies Act, 1956;
   vi) In our opinion and to the best of our information and according to the explanations given to us, the said accounts give the information required by the Companies Act, 1956, in the manner so required, and give a true and fair view in conformity with the accounting principles generally accepted in India.
      a) In the case of the balance sheet, of the state of affairs of the company as at 31st March 2008
      b) In the case of the profit and loss account, of profit for the year ended on that date; and

For M. B. Agrawal & Co.
Chartered Accountants

Harshal Agrawal
Partner
M. No. 109438

Place: Mumbai
Date: April 22, 2008

ANNEXURE TO THE AUDITORS' REPORT

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

i) (a) The company has maintained proper records showing full particulars including quantitative details and situation of fixed assets.
   (b) All the assets have been physically verified by the management during the year and there is a regular programme of verification which, in our opinion is reasonable having regard to the size of the company and the nature of its assets. No material discrepancies were noticed on such verification.
   (c) During the year, the company has not disposed off any major part of the plant and machinery.

ii) (a) The inventory has been physically verified during the year by the management. In our opinion, the frequency of verification is reasonable.
   (b) The procedures of physical verification of inventories followed by the management are reasonable in relation to the size of the company and the nature of its business.
   (c) The company is maintaining proper records of inventory and no discrepancies were noticed on verification between the physical stocks and the book records.

iii) The company has not taken any loans or granted any loans during the previous year to the parties covered in the register maintained under section 301 of the Companies Act, 1956 therefore the clauses (iii) (a), (b), (c), (d), (e), (f) and (g) of the Order are not applicable.

iv) In our opinion and according to the information and explanations given to us, there is adequate internal control system commensurate with the size of the company and the nature of its business with regard to purchases of inventory, fixed assets and with regard to the sale of tickets. During the course of our audit, we have not observed any continuing failure to correct major weaknesses in internal controls.

v) (a) According to the information and explanations given to us, we are of the opinion that the transactions that need to be entered into the register maintained under section 301 of the Companies Act, 1956 have been so entered.
   (b) In our opinion and according to the information and explanations given to us, the transactions made in pursuance of contracts or arrangements entered in the register maintained under section 301 of the Companies Act, 1956 and exceeding the value of rupees five lakhs in respect of any party during the year have been made at prices which are reasonable having regard to prevailing market prices at the relevant time.

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

vii) (a) The company is regular in depositing with appropriate authorities undisputed statutory dues including provident fund, employees' state insurance, income tax, sales tax, wealth tax, service tax, custom duty, excise duty, cess and other material statutory dues applicable to it.
   (b) According to the information and explanations given to us, no undisputed amounts payable in respect of income tax, sales tax, wealth tax, service tax, custom duty, excise duty and cess were in arrears, as at 31st March 2008 for a period of more than six months from the date they became payable.
   (c) According to the information and explanations given to us, there are no dues of income tax, sales tax, wealth tax, service tax, custom duty, excise duty and cess, which have not been deposited on account of any dispute.

viii) The Company does not have accumulated losses as at 31st March 2008. The Company has not incurred cash losses during the financial year covered by our audit or in the immediately preceding financial year.

ix) According to the information and explanations given to us and on an overall examination of the balance sheet of the company, we report that no funds raised on short-term basis have been used for long term investment.

x) The Company has not made any preferential allotment of shares to the parties and companies covered in the register maintained under section 301 of the Act.

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

For M. B. Agrawal & Co.
Chartered Accountants

Harshal Agrawal
Partner
M. No. 109438

Place: Mumbai
Date: April 22, 2008

BALANCE SHEET AS AT 31ST MARCH 2008

	SCHEDULE	31-Mar-08 Rupees	31-Mar-07 Rupees
SOURCES OF FUNDS			
Shareholder's funds			
Share capital	A	**9,810,000**	9,810,000
Share application money	B	–	8,435,030
Reserves & surplus	C	**121,781,093**	105,771,972
		131,591,093	124,017,002
Deferred tax liabilities		**13,478,935**	12,310,709
		145,070,028	136,327,711
APPLICATION OF FUNDS			
Fixed assets	D		
Gross block		**175,191,242**	155,580,202
Less : Depreciation		**34,978,221**	26,660,892
Net block		**140,213,021**	128,919,310
Capital work in progress		–	1,562,969
		140,213,021	130,482,279
Current assets, loans & advances			
Inventories		**901,018**	447,484
Sundry debtors	E	**8,127,309**	3,740,093
Cash and bank balances	F	**2,920,376**	2,636,854
Loans and advances	G	**60,774,704**	49,233,046
		72,723,407	56,057,477
Less : Current liabilties & provisions			
Liabilities	H	**17,582,983**	7,225,182
Provisions	I	**50,283,416**	42,988,463
		67,866,399	50,213,645
Net current assets		**4,857,008**	5,843,831
Miscellaneous expenditure			
Preliminary expenses (To the extent not written off or adjusted)	J	–	1,600
		145,070,028	136,327,711
SIGNIFICANT ACCOUNTING POLICIES	P		
NOTES ON ACCOUNTS	Q		

The schedule referred to above form an intergral part of the balance sheet.

As per our report of even date
For M. B. Agrawal & Co.
Chartered Accountants

Harshal Agrawal
Partner
Membership No. 109438

April 22, 2008

For and on behalf of Board of Directors

Suresh Bharadwaj
Director

Venkat Devarajan
Director

April 22, 2008

PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31ST MARCH 2008

	SCHEDULE	31-Mar-08 Rupees	31-Mar-07 Rupees
INCOME			
Box Office Collection		**78,364,138**	82,417,547
Café collection		**12,986,867**	18,126,206
Other Income	K	**11,905,474**	9,802,972
Profit on asset discarded		–	–
		103,256,479	110,346,726
EXPENDITURE			
Café Purchases	L	**5,003,758**	7,261,308
Direct Expenses	M	**34,737,985**	35,124,482
Employees Remuneration & Benefits	N	**3,960,984**	3,304,310
Other Operating Expenses	O	**26,728,499**	22,236,648
Preliminary Expenses		**1,600**	1,600
Depreciation		**8,317,330**	7,325,660
		78,750,156	75,254,009
PROFIT BEFORE TAX AND PRIOR PERIOD ITEMS		**24,506,323**	35,092,717
Less : Provision for tax			
Income-tax adjustment			
FBT		**165,122**	33,606
Current		**7,163,853**	10,484,853
Deferred		**1,168,226**	1,345,868
		8,497,201	11,864,327
PROFIT AFTER TAX		**16,009,122**	23,228,390
PROFIT AFTER TAX CARRIED OVER TO BALANCE SHEET		**16,009,122**	23,228,390
Basic / diluted earnings per share (In Rupees)		**163**	237
SIGNIFICANT ACCOUNTING POLICIES	P		
NOTES ON ACCOUNTS	Q		

The schedule referred to above form an intergral part of the Profit & Loss Accounts.

As per our report of even date

For M. B. Agrawal & Co.
Chartered Accountants

Harshal Agrawal
Partner
Membership No. 109438

April 22, 2008

For and on behalf of Board of Directors

Suresh Bharadwaj
Director

Venkat Devarajan
Director

April 22, 2008

CASH FLOW STATEMENT FOR THE YEAR ENDED 31ST MARCH 2008

	PARTICULARS	31-Mar-08 Rupees	31-Mar-07 Rupees
A	**CASH FLOW FROM OPERATING ACTIVITIES**		
	Net profit before tax & extraordinary items	**24,341,201**	35,059,111
	Adjustment for:		
	Profit on asset discarded		
	Depreciation	**8,317,330**	7,325,660
	Preliminary expenditure w/off	**1,600**	1,600
	Operating profit before working capital changes	**32,660,130**	42,386,371
	(Increase)/ Decrease in trade receivables	**(4,387,216)**	(826,383)
	(Increase)/ Decrease in inventories	**(453,534)**	(127,405)
	(Increase)/ Decrease in loans & advances	**(4,307,238)**	(4,932,258)
	(Increase)/ Decrease in trade payables	**7,527,206**	(3,119,315)
	Cash generated from operation	**31,039,348**	33,381,010
	Tax paid	**(7,234,420)**	(12,501,667)
	Loan instalments/interest paid/payable		
	Cash flow before extraordinary items	**23,804,928**	20,879,343
	Net cash flow from operating activities (A)	**23,804,928**	20,879,343
B	**CASH FLOW FROM INVESTING ACTIVITIES**		
	Purchase of Fixed Assets	**(15,086,376)**	(2,614,302)
	Net Cash Flow from Investing activities (B)	**(15,086,376)**	(2,614,302)
C	**CASH FLOW FROM FINANCING ACTIVITIES**		
	Proceeds from issue of shares/ share application money		
	Refund of share application money	**(8,435,030)**	(21,000,000)
	Net cash used for financing activities (C)	**(8,435,030)**	(21,000,000)
	NET INCREASE/(DECREASE) IN CASH & CASH EQUIVALENT (A+B+C)	**283,522**	(2,734,959)
	Cash & cash equivalents as at 1st April, 2007	**2,636,854**	5,371,812
	Cash & cash equivalents as at 31st March, 2008	**2,920,376**	2,636,854

As per our report of even date
For M. B. Agrawal & Co.
Chartered Accountants

Harshal Agrawal
Partner
Membership No. 109438

April 22, 2008

For and on behalf of Board of Directors

Suresh Bharadwaj
Director

Venkat Devarajan
Director

April 22, 2008

RUNWAL MULTIPLEX PRIVATE LIMITED

SCHEDULES TO THE FINANCIAL STATEMENTS AS AT 31ST MARCH 2008

	PARTICULARS	31-Mar-08 Rupees	31-Mar-07 Rupees
A.	**SHARE CAPITAL**		
	Authorised		
	99,000 Equity Shares of Rs. 100 Each		
	1,000 Equity Shares of Rs. 100 each without voting rights		
	99,000 Equity Shares of Rs. 100 Each	**9,900,000**	9,900,000
	1,000 Equity Shares of Rs. 100 each without voting rights	**100,000**	100,000
	Issued, Subscribed & Paid up Capital		
	98,000 Equity Shares of Rs. 100/- each fully paid up	**9,800,000**	9,800,000
	100 Equity Shares of Rs. 100/- each without voting rights	**10,000**	10,000
	(of the above, 98100 Equity Shares of Rs. 100/- each are held by Adlabs Films Ltd)		
		9,810,000	9,810,000
B.	**SHARE APPLICATION MONEY**		
	Adlabs Films Ltd	–	4,217,515
	Runwal Developers Private Ltd	–	4,217,515
		–	8,435,030
C.	**RESERVES & SURPLUS**		
	At the comensement of the year	**105,771,972**	82,543,582
	Profit for the year	**16,009,122**	23,228,390
		121,781,093	105,771,972

D. SCHEDULE OF FIXED ASSETS A FORMING PART OF THE BALANCE SHEET AS AT 31.03.2008

PARTICULARS		GROSS BLOCK				DEPRECIATION			WDV	WDV
	RATE OF DEPRECIA-TION	OPENING 01.04.2007	ADDITIONS 2007-08	SALE / DISCARDED 2007-08	CLOSING 31.03.2008	AS ON 01.04.2007	PROVIDED DURING THE YEAR	TOTAL 31.03.2008	AS ON 01.04.2007	AS ON 31.03.2008
I. BUILDING.	3.34%	105,714,247	5,130,103	-	110,844,350	13,077,829	3,619,712	16,697,541	92,636,418	94,146,809
II. PLANT & MACHINERY										
A. PROJECTION SYSTEM	7.07%	14,728,875	-	-	14,728,875	3,803,538	1,044,184	4,847,723	10,925,337	9,881,152
B. AIR CONDITIONERS	7.42%	7,979,388	467,549	-	8,446,937	1,402,911	558,491	1,961,402	6,576,477	6,485,535
C. COMPUTERS & PRINTERS	16.21%	3,368,710	-	-	3,368,710	1,623,822	547,056	2,170,878	1,744,888	1,197,832
D. ELEVETORS	7.42%	1,328,336	-	-	1,328,336	233,765	89,990	323,756	1,094,571	1,004,581
E. ELECTRICAL FITTINGS	7.07%	7,096,360	2,073,699	-	9,170,059	1,855,848	558,798	2,414,645	5,240,512	6,755,413
E. OFFICE EQUIPMENT	7.42%	1,981,501	4,116,989	-	6,098,490	326,024	261,473	587,497	1,655,478	5,510,993
III. FURNITURE & FIXTURE										
A. ADMIN	9.50%	4,209,394	5,316,162	-	9,525,556	1,486,429	648,340	2,134,769	2,722,965	7,390,787
B. CAFETARIA	9.50%	3,139,519	450,396	-	3,589,915	729,621	320,157	1,049,778	2,409,898	2,540,137
C. AUDITORIUM	9.50%	6,033,873	2,056,142	-	8,090,015	2,121,105	669,129	2,790,234	3,912,768	5,299,781
TOTAL RS.		**155,580,202**	**19,611,040**	**-**	**175,191,242**	**26,660,892**	**8,317,330**	**34,978,221**	**128,919,310**	**140,213,021**

SCHEDULES TO THE FINANCIAL STATEMENTS AS AT 31ST MARCH 2008

	PARTICULARS	31-Mar-08 Rupees	31-Mar-07 Rupees
E.	**SUNDRY DEBTORS**		
	Unsecured & Considered Good		
	Debts outstanding for a period exceeding six months	**1,644,112**	324,101
	Other debts	**6,483,197**	3,415,992
		8,127,309	3,740,093
F.	**CASH & BANK BALANCES**		
	Cash on hand	**217,793**	311,242
	Balance with Scheduled Banks		
	In Current Accounts	**2,702,582**	2,325,612
		2,920,376	2,636,854
G.	**LOANS & ADVANCES**		
	(Unsecured & considered good)		
	Advances recoverable in cash or in kind or for value to be received	**4,986,246**	4,859,001
	Deposits	**2,561,090**	101,090
	TDS & Advance Tax	**50,587,362**	43,352,942
	Protest Money of ET	**2,640,006**	920,013
		60,774,704	49,233,046
H.	**CURRENT LIABILITES**		
	Sundry Creditors for goods and services:		
	Due to small scale industrial undertakings	–	–
	Due to other creditors	**15,482,205**	6,382,524
	Advance Booking of Tickets	**3,761**	11,371
	Retention Money	**536,511**	9,056
	Security Deposit	**110,000**	70,000
	Other Liabilities:	**1,450,506**	752,231
		17,582,983	7,225,182
I.	**PROVISIONS**		
	Duties & Taxes:		
	FBT Payable	**131,745**	118
	Provision For Taxation	**49,923,793**	42,759,940
	Leave Encashment Payable	**149,851**	145,863
	Gratuity Payable	**78,027**	82,542
		50,283,416	42,988,463
J.	**PRELIMINARY EXPENSES**		
	Opening balance as on 1st April 2007	**1,600**	3,200
	Less : 1/5th charged to profit & loss account	**1,600**	1,600
	Closing balance as on 31st March 2008	–	1,600

SCHEDULES TO THE FINANCIAL STATEMENTS AS AT 31ST MARCH 2008

	PARTICULARS	**31-Mar-08 Rupees**	31-Mar-07 Rupees
K.	**OTHER INCOME**		
	Promotional income	8,275,932	6,884,314
	On Screening Income	1,601,098	1,315,620
	Video game collections	–	89,550
	Telebooking & service charges	127,595	337,404
	Discount Received	–	88,719
	Income from Vend Trend	1,898	25,306
	Painting Sales	–	1,913
	Merchandise sale	1,364	18,853
	Letting Space Charges	765,000	360,000
	PCO collection	2,408	8,508
	Kiosk Income	1,078,779	–
	Misc. Income	51,400	672,785
		11,905,474	**9,802,972**
L.	**CAFÉ PURCHASE**		
	Opening Stock	306,851	320,079
	Less : Closing Stock	203,411	447,484
	Increase / (Decrease) in stock	103,440	-127,405
	Café Purchase	3,976,093	6,317,668
	VAT Sales	924,225	1,071,045
		5,003,758	**7,261,308**
M.	**DIRECT EXPENSES**		
	Distributor Share	22,508,235	24,056,213
	Electricity, Disel Cost & Water Charges	6,099,890	7,234,471
	INR Charges	103,499	111,204
	Print Expenses	311,400	248,980
	Show Tax	135,660	137,340
	Entertainment Tax	5,579,301	3,336,275
		34,737,985	**35,124,482**
N.	**EMPLOYEES REMUNERATION & BENEFITS**		
	Salary & wages	3,379,157	2,726,948
	PF & ESIC - Employers Contribution	185,321	193,421
	Leave Encashment	40,430	201,526
	Gratuity	(4,515)	5,542
	Staff Welfare	360,591	176,873
		3,960,984	**3,304,310**
O.	**OTHER OPERATING EXPENSES**		
	Advertisement & Marketing	**3,752,853**	4,032,315
	Bank charges & commission	**295,888**	260,283
	Business promotion Expenses	**15,601**	19,553
	Contract charges	**5,289,898**	5,137,016
	Conveyance, travelling & motor car Expenses	**96,524**	95,798
	Donation	**3,501**	105,000
	Call Centre Expenses	**720,794**	890,822
	Management fees	**1,230,000**	1,272,852
	CAM Charges	**7,200,092**	2,690,092
	Insurance charges	**426,030**	652,905
	Legal & professional Fees	**448,813**	490,538
	Postage, telegram & telephone	**613,559**	265,527
	Printing & stationary	**209,993**	229,495
	Rent, rates & taxes	**5,334,239**	3,867,583
	Interest & other charges	**17,241**	–
	Repairs & maintenance	**1,047,949**	2,095,140
	Print cost	**–**	31,200
	Video game expenses	**–**	55,454
	Misc. Expenses	**25,525**	45,075
		26,728,499	22,236,648

SCHEDULES TO THE FINANCIAL STATEMENTS AS AT 31ST MARCH 2008

SCHEDULE – P :

SIGNIFICANT ACCOUNTING POLICIES:

1. **Method of accounting:**
The financial statements have been prepared on the historical cost convention based on the accrual concept and in accordance with applicable Accounting Standards referred to in the sub-section 3C of Section 211 of the Companies Act, 1956 and normally accepted accounting principles. The accounting is on the basis of a going concern concept.
2. **Fixed assets:**
Fixed assets are stated at cost (Gross block) less accumulated depreciation.
3. **Depreciation:**
Depreciation has been calculated at the rates & in the manner as specified in Schedule XIV of the Companies Act, 1956. In respect of Plant & Machinery other than Cinematographic Machinery depreciation has been provided @7.42% w.e.f. 1st July 2007. The company follows straight-line method for providing depreciation.
4. **Inventories:**
Inventories consist of café items, xenon lamps, spare parts and ticket rolls. They are valued at cost determined on FIFO basis. Stores & spares are charged to profit & loss account on purchase.
5. **Foreign Currency Transaction:**
Transactions denominated in foreign currency are normally recorded at the exchange rate prevailing at the time of transactions. The exchange difference has been capitalized as fixed assets.
6. **Taxation:**
Provision for income tax for the year comprises current income tax determined to be payable in respect of taxable income and deferred tax being the tax effect of timing differences representing the difference between taxable income and accounting income that originate in one period, and are capable of reversal in one or more subsequent period(s).
7. **Retirement Benefits:**
Contributions to defined contribution schemes such as provident fund and pension fund are charged to profit & loss account as incurred. Provision for leave encashment and gratuity is made on the basis of actuarial valuation.
8. **Revenue Recognition:**
    1. Café sales are recorded when the effective sales taken place and is net of discount & complementaries.
    2. Box office sales are recorded on the basis of shows screened and are net of refund, discount & complementaries.
    3. Miscellaneous incomes are recorded on the basis of accrual of the same.

SCHEDULE – Q:

NOTES TO THE ACCOUNTS:

1. Contingent liabilities
    i) Towards unfinished contracts to be executed on capital account Rs.Nil (P. Y. Rs. Nil/-)
    ii) Others – Nil (P. Y. - Nil)
2. Name of the Small Scale Industrial Undertaking to whom the Company owes any sum outstanding for more than 30 days are as under.
    - 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 is in the process of compiling relevant information from its suppliers about the coverage under the Act. Since the relevant information is not readily available, no disclosures have been made in the accounts. However, in view of the management, the impact of interest, if any, that may be payable in accordance with the provisions of this Act is not expected to be material.
3. Additional information pursuant to the provisions of paragraphs 3, 4C and 4D of part II of Schedule VI to the Companies Act, 1956:
Expenditure in foreign currency on account of capital goods Rs. NIL/- (P.Y. – NIL)
4. Payment to auditors

	31st March 2008	31st March 2007
Audit Fees	**65,000.00**	65,000.00
Professional fees	**40,000.00**	–
Tax Audit Fees	**20,000.00**	20,000.00
Service Tax reimbursement	**15,450.00**	10,506.00
Total (Rs)	**140,450.00**	95,506.00

5. Related party disclosure:
Category I : Holding Company
Adlabs Films Limited
Related party transaction 2007-08 :

Transactions	Category – I
Receiving services	13,81,902
Rendering Services	42,21,899
Outstanding balances	
Payable as on 31.3.2008	72,85,873
Receivable as on 31.3.2008	38,37,474

6. The Company operates in a single business segment of Multiplex Operation.
7. Calculation of earning per share (Face value Rs. 100/- per share):

	31st March, 2008	31st March, 2007
Net profit after taxes (A) (Rupees)	**1,60,09,122**	23228390
No. of shares (B)	**98100**	98,100
Basic/Diluted earning per share (A)/(B) (Rupees)	**163**	237

8. In accordance with the Accounting Standard 22 "Accounting for Taxes on Income" issued by the Institute of Chartered Accountants of India, the deferred tax liability of Rs.11,68,226/- attributable to depreciation has been charged to the profit & loss account (Previous year - Rs.13,45,868/-). The Deferred tax asset on account of others is Rs. 12,552/-. The same has been netted off with the deferred tax liability.
9. The figures of previous year have been regrouped and reclassified wherever necessary.

As per our report of even date

For M. B. Agrawal & Co.
Chartered Accountants

Harshal Agrawal
Partner
Membership No. 109438
April 22, 2008

For and on behalf of Board of Directors

Suresh Bharadwaj
Director

Venkat Devarajan
Director

April 22, 2008

RUNWAL MULTIPLEX PRIVATE LIMITED

BALANCE SHEET ABSTRACT AND COMPANY'S GENERAL BUSINESS PROFILE

I. Registration Details

Registration No.	72296	State Code	11
Balance Sheet Date	31 (Date) 03 (Month)		2008 (Year)

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

Public Issue	Rights Issue
NIL	NIL
Bonus issue	Private Placement
NIL	NIL

III. Position of Mobilisation and Deployment of Funds (Amount in Rs. Thousands)

Total Liabilities	Total Assets
145070	145070

Sources of Funds

Paid up Capital	Reserves & Surplus
9810	121781
Secured Loans	Unsecured Loans
NIL	NIL
Deferred Tax Laibility	
13479	

Application of Funds

Net Fixed Assets	Investments
140213	NIL
Net Current Assets	Misc.Expenditure
4857	NIL
Accumulated Losses	
NIL	

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

Turnover	Total Expenditure
103256	78750
Profit/Loss Before Tax	Profit/Loss after Tax
24506	16009

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

Earning per share in Rs.	Dividend %
163	NIL

V. Generic Names of Three Principal Products/Services of Company (as per monetary terms)

Item Code No. (ITC Code)	NIL
Product Description	EXHIBITION OF FILMS

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

For and on behalf of Board of Directors

Harshal Agrawal
Partner
Membership No. 109438

April 22, 2008

Suresh Bharadwaj
Director

Venkat Devarajan
Director

April 22, 2008

DIRECTORS' REPORT

Dear Shareholders,

Your Directors have pleasure in presenting the 9th Annual Report along with Audited Accounts of the Company for the year ended 31st March, 2008.

FINANCIAL RESULTS

(Amounts in Rupees)

Particulars	Current Financial Year 2007- 2008	Previous Financial Year 2006- 2007
Sales and Other Income	**2,64,60,205**	15,03,43,526
Profit / (Loss) before Depreciation & Tax	**(39,37,735)**	2,44,27,914
Less: Depreciation	**(43,16,091)**	2,59,45,638
Profit / (Loss) Before Taxation	**(82,53,826)**	(15,17,724)
Less: Provision for tax	**15,668**	2,18,24,257
Profit / (Loss) after Taxes	**(82,69,494)**	(2,33,41,981)
Add: Balance brought forward from previous financial year	**75,56,703**	5,90,37,151
Less: On account of demerger of the mall cum multiplex business	**(3,75,56,703)**	Nil
Profit / (Loss) carried to Balance Sheet	**(3,82,69,494)**	**75,56,703**

OPERATIONS

The Company entered into operation of cinemas in December, 2007 by opening its first cinema at Meelange Mall, Meerut and later on opened two more cinemas in January 2008 at TGIP Mall, Noida and TDI Mall, Agra.

SCHEME OF ARRANGEMENT (DEMERGER)

The Honorable High Court of Judicature at Allahabad sanctioned the Scheme of arrangement for the demerger of the Rave Entertainment Private Limited (REPL) i.e. the demerged Company and Rave Real Estate Private Limited (RREPL) the resulting company. This was filed with the Registrar of Companies, Uttar Pradesh on 29th December 2007 which is the effective date of the Scheme.

Adlabs Films Limited had acquired the right to conduct the cinema exhibition business of six properties of Rave Entertainment Private Limited which was subject to the aforesaid demerger. Pursuant to the said order taking effect, the Company is a wholly owned subsidiary of Adlabs Films Limited.

SHIFTING OF REGISTERED OFFICE FROM THE STATE OF UTTAR PRADESH TO MAHARASHTRA

The Company proposes to shift its Registered Office from Jagran Building, 2, Sarvodaya Nagar, Kanpur – 208 005 in the state of Uttar Pradesh to Filmcity Complex, Goregaon (East), Mumbai – 400 065 in the state of Maharashtra for administrative convenience and control and has started all the formalities for applying to the Company Law Board for approval of the same.

DIVIDEND

In view of the losses incurred during the year, your Directors have not recommended any dividend on the equity shares of the Company for the year ended 31st March 2008.

DIRECTORS

Mr. Venkat Devarajan, Mr. Anil Arjun and Mr. Tushar Dhingra were appointed as Additional Directors of the Company with effect from 18th February 2008 pursuant to Section 260 of the Companies Act, 1956 to hold office upto the date of the Annual General Meeting. The Company has received Notice under Section 257 of the Companies Act, 1956, from members proposing the candidature of Mr. Venkat Devarajan, Mr. Anil Arjun and Mr. Tushar Dhingra respectively for the office of the Director and the matter of their proposed appointment is included in the Notice of ensuing 9th Annual General Meeting of the Company.

During the year under review, Mr. Mahendra Gupta, Mr. Sameer Gupta and Mr. Vikram Kothari resigned from Directorship of your Company with effect from 18th February 2008. The Board of Directors records its appreciation for the valuable services rendered by Mr. Mahendra Gupta, Mr. Sameer Gupta and Mr. Vikram Kothari during their tenure as Directors of the Company.

AUDITORS

The present Auditors of the Company, M/s J. N. Sharma & Co., Chartered Accountants, retire at the ensuing Annual General Meeting and are eligible for reappointment. The Company has received letter from M/s J. N. Sharma & Co., Chartered Accountants to the effect that their reappointment, if made would be within the limits under Section 224(1B) of the Companies Act, 1956 and they are not disqualified for such reappointment. Your Directors therefore recommend their reappointment for the financial year 2008-09 as Statutory Auditors of the Company.

APPOINTMENT OF WHOLETIME COMPANY SECRETARY

The Company is required to appoint a Whole Time Company Secretary in terms of Section 383A (1) of the Companies Act, 1956. All reasonable efforts are being made to appoint a qualified Company Secretary. Pending the appointment of a qualified Company Secretary the services of practicing Company Secretary are being availed for due compliance of the law.

REMUNERATION TO EMPLOYEES

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

PUBLIC DEPOSITS

The Company has not accepted any fixed deposits by way of invitation to the public in terms of provisions of Section 58A of the Companies Act, 1956.

CONSERVATION OF ENERGY, TECHNOLOGY ABSORPTION

Information pursuant to the Companies (Disclosure of particulars in the Report of Board of Directors) Rule, 1988 regarding conservation of energy, technology absorption is not applicable. However, the Company regularly takes steps to conserve energy.

FOREIGN EXCHANGE EARNING AND OUTGO

There were no foreign exchange earnings and outgo during the year.

DIRECTORS RESPONSIBILITY STATEMENT

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

a) in the presentation of the annual accounts, the applicable accounting standard has been followed along with proper explanation relating to material departures;

b) the Directors had selected such accounting policies and applied them consistently and made judgments and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the company at the end of the financial year and of the profit or loss of the Company for that period;

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

d) the Directors had prepared the annual accounts on going concern basis.

ACKNOWLEDGEMENT

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

For and on behalf of the Board

Place : Mumbai	**Mr. Venkat Devarajan**	**Mr. Tushar Dhingra**
Date : 26th May, 2008	Director	Director

AUDITORS' REPORT

TO THE MEMBERS OF RAVE ENTERTAINMENT PRIVATE LIMITED

1. We have audited the attached Balance Sheet of Rave Entertainment Private Limited (the Company) as at March 31, 2008, and the related Profit and Loss Account and Cash Flow Statement for the year ended on that date annexed thereto, which we have signed under reference to this report. These financial statements are the responsibility of the Management of the Company. Our responsibility is to express an opinion on these financial statements based on our audit.
2. We conducted our audit in accordance with the auditing standards generally accepted in India. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by Management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.
3. As required by the Companies (Auditor's Report) Order, 2003 issued by the Central Government of India in terms of sub-section (4A) of Section 227 of The Companies Act, 1956 of India (the Act) and on the basis of such checks of the books and records of the Company as we considered appropriate and according to the information and explanations given to us, we give in the Annexure a statement on the matters specified in paragraphs 4 and 5 of the said Order.
4. Further to our comments in the Annexure referred to in paragraph 3 above, 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) Balance Sheet, Profit and Loss Account and Cash Flow Statement dealt with by this report are in agreement with the books of account;

   (d) In our opinion, the Balance Sheet, Profit and Loss Account and Cash flow Statement dealt with by this report comply with the accounting standards referred to in sub-section (3C) of Section 211 of the Act;

   (e) On the basis of written representations received from the Directors and taken on record by the Board of Directors, none of the Directors is disqualified as on March 31, 2008 from being appointed as a Director in terms of clause (g) of sub-section (1) of Section 274 of the Act;

   (f) In our opinion, and to the best of our information and according to the explanations given to us, the said financial statements, subject to and read together with the Notes thereon and attached thereto, give in the prescribed manner, the information required by the Act, and also give a true and fair view in conformity with the accounting principles generally accepted in India:

      (i) in the case of Balance Sheet, of the state of affairs of the Company as at March 31, 2008.

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

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

For and on behalf of
J N Sharma & Co
Chartered Accountants

Kunal Sharma
Partner
Membership No. 405919

26th May, 2008

ANNEXURE TO AUDITORS' REPORT

[Referred to in paragraph 3 of the Auditors' Report of even date to the Members of Rave Entertainment Private Limited on the financial statements for the year ended March 31, 2008]

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

   (b) The fixed assets of the Company have been physically verified by the Management during the year which, in our opinion, is considered reasonable having regard to the size of the Company and the nature of its assets. As informed to us no discrepancies were noticed between the book records and the physical inventory.

   (c) In our opinion and according to the information and explanations given to us, a substantial part of fixed assets were disposed of by the Company during the year under a Scheme of Arrangement (Demerger) made under Section 391 to 394 of the Companies Act, 1956 duly sanctioned by the Honorable Allahabad High Court. However, in our opinion, such disposal has not affected the going concern status of the Company.
2. (a) The inventory has been physically verified by the Management during the year. In our opinion, the frequency of verification is reasonable.

   (b) In our opinion, the procedures for physical verification of inventory followed by the Management are reasonable and adequate in relation to the size of the Company and the nature of its business.

(c) On the basis of our examination of the inventory records, in our opinion, the Company is maintaining proper records of inventory. The discrepancies noticed on physical verification of inventory as compared to book records were not material.

3. (a) The Company has not granted any loans, secured or unsecured, to companies, firms or other parties covered in the register maintained under Section 301 of the Act.

   (b) The Company has taken an interest free unsecured loan from Adlabs Films Limited, its Holding Company. The maximum amount involved during the year and the year-end balance of such loan aggregated Rs. 32,46,36,924.26.

   (c) In our opinion, the other terms and conditions of this interest free unsecured loan are not prima facie prejudicial to the interest of the Company.

   (d) As informed to us no terms and conditions have been stipulated for the repayment of the principal amount for this interest free unsecured loan.

4. In our opinion, there is an adequate internal control system, commensurate with the size of the Company and the nature of its business, for the purchase of inventory, fixed assets and for the sale of goods and services. Further, on the basis of our examination of the books and records of the Company, and according to the information and explanations given to us, we have neither come across nor have been informed of any instances of major weaknesses in the aforesaid internal control system.

5. (a) In our opinion and according to the information and explanations given to us, the transactions that need to be entered into the register in pursuance of Section 301 of the Act have been so entered.

   (b) In our opinion and according to the information and explanations given to us, the transactions made in pursuance of contracts or arrangements entered into the register in pursuance of Section 301 of the Act, have been made at prices which are reasonable having regard to the prevailing market prices at the relevant time.

6. The Company has not accepted any deposits from the public within the meaning of Sections 58A and 58AA of the Act and the rules framed there under.

7. As explained to us and in view of the present size and nature of the business of the company, it has introduced an integrated internal control cum audit procedure which involves reasonable internal audit of its financial records.

8. As informed by the Management, the Central Government of India has not prescribed the maintenance of cost records under clause (d) of sub-section (1) of Section 209 of the Act for any of the products of the Company.

9. (a) According to the information and explanations given to us and the records of the Company examined by us, in our opinion, the Company is generally regular in depositing the undisputed statutory dues including provident fund, employees' state insurance, income-tax, sales-tax, wealth tax, service tax, customs duty, excise duty and other material statutory dues as applicable with the appropriate authorities.

   (b) As at March 31, 2008, there are no disputed dues which have not been deposited with the respective authorities in respect of income tax, sales tax, wealth tax, service tax, customs duty, excise duty and cess.

10. The Company's accumulated losses as at March 31, 2008 were more than fifty percent of its net worth and it has incurred cash loss in the financial year ended on that date.

11. According to the records of the Company examined by us and the information and explanations given to us, the Company has not defaulted in repayment of dues to any financial institution or bank or debenture holders.

12. The Company has not granted any loans and advances on the basis of security by way of pledge of shares.

13. The provisions of any special statute applicable to chit fund / nidhi / mutual benefit fund/societies are not applicable to the Company.

14. In our opinion, the Company is not a dealer or trader in shares, securities, debentures and other investments.

15. In our opinion, and according to the information and explanations given to us, the Company has not given any guarantee for loans taken by others from banks or financial institutions during the year.

16. In our opinion, the Company has not obtained any term loans that were not applied for the purpose for which those were obtained.

17. On the basis of an overall examination of the Balance Sheet of the Company, in our opinion and according to the information and explanations given to us, there are no funds raised on a short-term basis which have been utilized for long-term investment.

18. The Company has not made any preferential allotment of shares to parties and companies covered in the register maintained under Section 301 of the Act during the year.

19. The Company has not issued any debentures.

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

21. During the course of our examination of the books and records of the Company, carried out in accordance with the generally accepted auditing practices in India, and according to the information and explanations given to us, we have neither come across any instance of fraud by the Company or any material fraud on the Company, either noticed or reported during the year, nor have we been informed of such cases by the Management.

For and on behalf of
J N Sharma & Co
Chartered Accountants

Kunal Sharma
Partner
Membership No. 405919

Mumbai, 26th May, 2008

BALANCE SHEET AS AT 31ST MARCH 2008

	SCHEDULE	31-Mar-08	31-Mar-07
SOURCES OF FUNDS			
Shareholders funds			
Share Capital	1	**30,000,000.00**	30,000,000.00
Reserves and Surplus	2	–	11,126,220.00
		30,000,000.00	41,126,220.00
Loan Funds			
Secured Loans	3	–	86,746,159.00
Unsecured Loans	4	**324,636,924.26**	67,179,021.00
		324,636,924.26	153,925,180.00
Total		**354,636,924.26**	195,051,400.00
APPLICATION OF FUNDS			
Fixed assets	5		
Gross Block		**326,077,498.60**	269,465,821.00
Less : Depreciation		**4,316,091.32**	112,011,272.00
Net Block		**321,761,407.28**	157,454,549.00
Capital Work in Progress		–	–
		321,761,407.28	157,454,549.00
Investments		–	15,000,000.00
Deffered Tax Assets		–	4,428,046.00
Current assets, loans and advances			
Inventories	6	**979,244.59**	2,743,737.00
Sundry Debtors	7	**1,865,253.47**	2,523,972.00
Cash and Bank balances	8	**649,022.08**	17,646,577.00
Loans and Advances	9	**42,323,838.61**	55,260,675.00
		45,817,358.75	78,174,961.00
Current liabilities and provisions			
Current Liabilities	10	**51,211,336.16**	11,032,891.00
Provisions	11	–	48,973,265.00
		51,211,336.16	60,006,156.00
Net Current assets		**(5,393,977.41)**	18,168,805.00
Profit & Loss Account Debit Balance		**38,269,494.39**	–
Total		**354,636,924.26**	195,051,400.00

Significant Accounting Policies and Notes to Accounts 17
Schedules referred to herein above form an
integral part of the Balance Sheet

This is the Balance Sheet referred to in our report of even date.

For and on behalf of

J N Sharma & Co.
Chartered Accountants

Kunal Sharma
Partner
Membership No. 405919

Place : Mumbai
Date : 26th May, 2008

For and on behalf of the Board of Directors

Tushar Dhingra
Director

Venkat Devarajan
Director

Date : 26th May, 2008

PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31ST MARCH 2008

	SCHEDULE	31-Mar-08	31-Mar-07
INCOME			
Income from operations			
Multiplex operations	12	**26,460,204.95**	135,733,965.00
Other Income	13	–	14,609,561.00
		26,460,204.95	150,343,526.00
EXPENDITURES			
Inventory Adjustment		**(908,244.59)**	(234,188.00)
Direct costs	14	**8,448,029.65**	13,023,908.00
Personnel costs	15	**325,485.83**	3,361,424.00
Other operating and general administrative expenses	16	**22,532,669.18**	94,008,125.00
Interest		–	15,756,343.00
Depreciation/Amortisation	5	**4,316,091.32**	25,945,638.00
		34,714,031.39	151,861,250.00
Loss before taxation		**(8,253,826.44)**	(1,517,724.00)
Prior Period Adjustment			1,422,440.00
Less : Provision for taxation:			
- Current		–	7,973,333.00
- Deferred		–	(6,959,650.00)
- Fringe benefit		**15,667.95**	114,000.00
		15,667.95	2,550,123.00
Less : Short Provision of tax of earlier years		–	19,274,134.00
Profit after tax		**(8,269,494.39)**	(23,341,981.00)
Accumulated balance brought forward		**7,556,703.00**	59,037,151.00
Less: On account of demerger of the mall cum multiplex business (Refer Scheme Note 14)		**(37,556,703.00)**	–
		(38,269,494.39)	35,695,170.00
Appropriations			
Transfer to General Reserve		–	3,569,517.00
Proposed Dividend		–	21,000,000.00
Dividend Tax		–	3,568,950.00
Balance Carried to Balance Sheet		**(38,269,494.39)**	7,556,703.00
Basic / diluted earnings per share (In Rupees)		**(2.76)**	(7.78)
Significant Accounting Policies and Notes to Accounts	17		

Schedules referred to herein above form an integral part of the Profit and Loss Account

This is the Balance Sheet referred to in our report of even date.

For and on behalf of

J N Sharma & Co.
Chartered Accountants

Kunal Sharma
Partner
Membership No. 405919

Place : Mumbai
Date : 26th May, 2008

For and on behalf of the Board of Directors

Tushar Dhingra
Director

Venkat Devarajan
Director

Date : 26th May, 2008

CONDENSED CASH FLOW STATEMENT FOR THE PERIOD ENDED 31ST MARCH 2008

(Currency : Indian Rupees)

Particulars	31st March 2008	31st March 2007
Cash flow from operating activities		
Profit for the period before tax	**(8,269,494.39)**	(1,631,724.00)
Adjustments:		
Depreciation / Amortisation	**4,316,091.32**	25,945,638.00
Bad Bebts and Misc Balance being non cash items		2,185,000.00
Operating cash flow before changes in Working Capital	**(3,953,403.07)**	26,498,914.00
Adjustments:		
Decrease/(Increase) in Working Capital		
Sundry debtors	**(1,865,253.47)**	2,273,703.00
Loans and advances	**(42,323,838.61)**	(33,474,003.00)
Inventories	**(979,244.59)**	(409,559.00)
Current liabilities	**51,211,336.16**	16,023,525.00
Net changes in working capital	**6,042,999.49**	(15,586,334.00)
Direct income taxes paid (including fringe benefit tax)	**-**	(20,756,388.00)
Net cash generated from operating activities	**2,089,596.42**	(9,843,808.00)
Cash flow from investing activities		
Purchase of fixed assets	**(326,077,498.60)**	(6,329,456.00)
Proceeds from sale of fixed assets	**-**	
Net cash generated from investing activities	**(326,077,498.60)**	(6,329,456.00)
Cash flow from financing activities		
Unsecured Loan	**324,636,924.26**	31,306,704.00
Secured Loans		(7,251,571.00)
Net cash (used in) financing activities	**324,636,924.26**	24,055,133.00
Net increase / (decrease) in cash and cash equivalents		7,881,869.00
Cash and cash equivalents at the beginning of the period (see Note 1)		9,764,708.00
Cash and cash equivalents at the end of the period (see Note 1)	**649,022.08**	17,646,577.00
Note 1		
Cash and cash equivalents comprise		
Cash on hand	**601,667.00**	830,910.00
Balance with scheduled banks in		
- Current accounts	**-**	653,541.00
- Deposit accounts	**47,355.08**	16,162,126.00
	649,022.08	17,646,577.00

Significant Accounting Policies and Notes to Accounts
Schedule reffered to herein above forms an integral part of the cash flow statement

This is the Balance Sheet referred to in our report of even date.

For and on behalf of
J N Sharma & Co.
Chartered Accountants

Kunal Sharma
Partner
Membership No. 405919

Place : Mumbai
Date : 26th May, 2008

For and on behalf of the Board of Directors

Tushar Dhingra
Director

Venkat Devarajan
Director

Date : 26th May, 2008

SCHEDULES TO THE FINANCIAL STATEMENTS AS AT 31ST MARCH 2008

		31-Mar-08	31-Mar-07
1	**Share capital**		
	Authorised		
	5000000 equity shares of Rs.10/-each	**50,000,000.00**	50,000,000.00
	Issued, subscribed and paid up capital		
	3000000 equity shares of Rs.10/-each fully paid up	**30,000,000.00**	30,000,000.00
	Total	**30,000,000.00**	30,000,000.00
2	**Reserves and surplus**		
	General reserves		
	At the commencement of the year	**3,569,517.00**	3,569,517.00
	Less: On account of demerger of the mall cum multiplex business (Refer Scheme Note 14)	**3,569,517.00**	–
		–	3,569,517.00
	Profit & loss account		
	At the commencement of the year	**–**	59,037,151.00
	Transferred from profit & loss account	**–**	(51,480,448.00)
		–	7,556,703.00
	Total	**–**	11,126,220.00
3	**Secured loans**		
	Term Loan from OBC - Mortgage	**–**	72,995,678.00
	From Banks	**–**	–
	Overdraft Against FDR Rs.160 lacs	**–**	13,750,481.00
	Total	**–**	86,746,159.00
4	**Unsecured loans from others**		
	Adlabs Films Ltd. (Holding Company)	**324,636,924.26**	–
	Directors	**–**	46,207,988.00
	Others	**–**	15,012,775.00
	Security Deposits	**–**	5,958,258.00
	Total	**324,636,924.26**	67,179,021.00

SCHEDULES TO THE FINANCIAL STATEMENTS AS AT 31ST MARCH 2008

5. FIXED ASSETS SCHEDULE AS PER COMPANIES ACT
For the 12 Months ended 31st March 2008
RAVE ENTERTAINMENT PRIVATE LIMITED

Particulars	Gross Block					Depreciation					Net Block	
	As On 01.04.2007	Adjustment On Account of Demerger	Additions During the period	Deduction During the period	As On 31.03.2008	As On 01.04.2007	Adjustment On Account of Demerger	Provided During the period	Assets Sold During the period	As On 31.03.2008	As On 31.03.2008	As On 31.03.2007
Intangible Assets												
Distribution rights	-	-	-	-	-	-	-	-	-	-	-	-
Negative rights	-	-	-	-	-	-	-	-	-	-	-	-
Computer software	-	-	-	-	-	-	-	-	-	-	-	-
Radio Licenses	-	-	-	-	-	-	-	-	-	-	-	-
Copyrights	-	-	-	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-	-	-	-	-
Tangible Assets												-
Leasehold Land	48,741,610.00	48,741,610.00	-	-	-	-	-		-	-	-	48,741,610.00
Building												
Leasehold			93,723,209.13	-	93,723,209.13	-		643,980.67	-	643,980.67	93,079,228.46	-
Freehold	131,630,694.00	131,630,694.00		-	-	54,335,611.00	54,335,611.00			-	-	77,295,083.00
Air Conditioner Plant	25,119,644.00	25,119,644.00	16,252,664.08	-	16,252,664.08	17,634,882.00	17,634,882.00	258,957.93	-	258,957.93	15,993,706.15	7,484,762.00
Electrical Installation	13,682,865.00	13,682,865.00	42,691,305.69	-	42,691,305.69	7,597,318.00	7,597,318.00	620,334.92	-	620,334.92	42,070,970.77	6,085,547.00
Plant & Machinery												
Plant & Machinery	34,169,355.00	34,169,355.00	63,752,731.85		63,752,731.85	23,987,598.00	23,987,598.00	868,910.09	-	868,910.09	62,883,821.76	10,181,757.00
CTM Subtitling Machine	-	-	-	-	-	-	-	-	-	-	-	-
Studio Equipments	-	-	-	-	-	-	-	-	-	-	-	-
Laboratory Equipments	-	-	-	-	-	-	-	-	-	-	-	-
Generator	-	-	-	-	-	-	-	-	-	-	-	-
Storage Tank	-	-	-	-	-	-	-	-	-	-	-	-
Intercom	-	-	-	-	-	-	-	-	-	-	-	-
Water Cooler	-	-	-	-	-	-	-	-	-	-	-	-
Fire Extinguisher			1,858,379.30		1,858,379.30			38,428.85		38,428.85	1,819,950.45	-
Computers	2,698,078.00	2,698,078.00	5,178,402.56		5,178,402.56	2,109,022.00	2,109,022.00	175,268.67		175,268.67	5,003,133.89	589,056.00
Projectors	-	-	-	-	-	-	-	-	-	-	-	-
Time Recorders	-	-	-	-	-	-	-	-	-	-	-	-
Xerox Machine	-	-	-	-	-	-	-	-	-	-	-	-
Fax Machine	-	-	-	-	-	-	-	-	-	-	-	-
Weighing Scale	-	-	-	-	-	-	-	-	-	-	-	-
Elevater	-	-	-	-	-	-	-	-	-	-	-	-
Effluement Treatment Plant	-	-	-	-	-	-	-	-	-	-	-	--
Office Equipments	3,635,877.00	3,635,877.00	3,629,812.81		3,629,812.81	2,245,707.00	2,245,707.00	54,396.30		54,396.30	3,575,416.51	1,390,170.00
Digital Project					-					-	-	-
	40,503,310.00	40,503,310.00	74,419,326.52	-	74,419,326.52	28,342,327.00	28,342,327.00	1,137,003.90	-	1,137,003.90	73,282,322.62	12,160,983.00
Theatrical Equipments			47,879,401.01	-	47,879,401.01			676,479.41	-	676,479.41	47,202,921.60	-
Furniture & Fixture	7,633,236.00	7,633,236.00	51,111,592.18	-	51,111,592.18	3,835,944.00	3,835,944.00	979,334.50	-	979,334.50	50,132,257.69	3,797,292.00
Motor Vehicles	2,154,462.00	2,154,462.00		-	-	265,190.00	265,190.00		-	-	-	1,889,272.00
Total	269,465,821.00	269,465,821.00	326,077,498.61	-	326,077,498.61	112,011,272.00	112,011,272.00	4,316,091.32	-	4,316,091.32	321,761,407.28	157,454,549.00
Previous Year	262,541,308.00		7,958,925.00	1,034,412.00	269,465,821.00	86,452,164.00		25,559,108.00		112,011,272.00	157,454,549.00	164,180,434.00
Capital work in process (Including Capital Advances)												

		31-Mar-08	31-Mar-07
6	**Inventories**		
	Food and beverages	**908,244.59**	2,523,200.00
	Xenon Lamps & Projector Parts & others	**71,000.00**	220,537.00
	Total	**979,244.59**	2,743,737.00
7	**Sundry debtors**		
	Unsecured & considered good		
	Debts outstanding for a period exceeding six months	–	–
	Other debts	**1,865,253.47**	223,972.00
	Total	**1,865,253.47**	2,523,972.00
8	**Cash and bank balances**		
	Cash on hand	**601,667.00**	830,910.00
	Balance with scheduled banks		
	In current accounts	**47,355.08**	653,541.00
	In fixed deposit	–	16,162,126.00
	Total	**649,022.08**	17,646,577.00

SCHEDULES TO THE FINANCIAL STATEMENTS AS AT 31ST MARCH 2008

		31-Mar-08	31-Mar-07
9	**Loans and advances**		
	(Unsecured and considered good)		
	Advance Share Application Money	–	30,000,000.00
	Loans and advances to Distributors	3,633,176.34	–
	Loans and advances to others	8,943,834.39	–
	Advances recoverable in cash or in kind or for value to be received	9,710,450.98	23,479,537.00
	Prepaid expenses	1,634,689.90	1,583,674.00
	Deposits	18,401,687.00	197,464.00
	Total	42,323,838.61	55,260,675.00
10	**Current Liabilities**		
	Sundry Creditors for goods and services:		
	Due to other creditors	90,983.00	–
	Sundry creditors for expenses	16,063,032.55	822,461.00
	Sundry Creditors for Capital Project Expenses	22,258,298.00	–
	Retention Money (Project)	6,639,121.50	–
	Advance payments by customers	38,275.00	–
	Other current liabilities	6,121,626.11	10,210,430.00
	Total	51,211,336.16	11,032,891.00
11	**Provisions**		
	Taxation	–	14,626,905.00
	Proposed dividend	–	21,000,000.00
	Other provisions	–	13,346,360.00
	Total	–	48,973,265.00
12	**Income from multiplex operations**		
	Theatrical exhibition	20,145,037.00	52,899,005.00
	Less: Entertainment tax	–	–
		20,145,037.00	52,899,005.00
	Advertisments/sponsorship revenue	1,406,303.00	42,465,806.00
	Food and beverages	5,468,300.00	40,369,154.00
	Less : VAT / Sales Tax	559,435.05	–
	Total	26,460,204.95	135,733,965.00
13	**Other income (gross of TDS)**		
	Interest income	–	676,468.00
	Parking charges	–	7,384,630.00
	Miscellaneous income	–	6,548,463.00
	Total	–	14,609,561.00
14	**Direct costs**		
	Theatrical exhibition operations:		
	Print Cost	9,167.50	–
	Distributors' Share	5,552,012.98	–
	INR Charges	18,211.00	–
	Show tax	68,940.00	–
	Print expenses [Shuttling charges]	22,255.00	–
	Licence Fees	18,014.00	–
	Cost of food and beverage sold	2,759,429.17	–
	Purchase of Food Production Material	–	7,726,490.00
	Purchase of Traded Goods	–	5,297,418.00
	Total	8,448,029.65	13,023,908.00
15	**Personnel cost**		
	Salaries, wages and bonus	–	2,709,609.00
	Contribution to provident fund	–	124,610.00
	Staff Welfare	325,485.83	527,205.00
	Total	325,485.83	3,361,424.00

SCHEDULES TO THE FINANCIAL STATEMENTS AS AT 31ST MARCH 2008

		31-Mar-08	31-Mar-07
16	**Other operating & general administrative expenses**		
	Advertisement & Marketing	**2,331,788.70**	155,689.00
	Business promotion	**12,285.00**	–
	Contract charges	**676,703.00**	–
	Electricity, power and water charges	**1,828,503.00**	31,950,984.00
	Labour / Housekeeping charges	**1,513,416.00**	7,860,255.00
	Security charges	**514,349.00**	–
	Insurance charges	**80,690.00**	706,951.00
	Bar Licence Fees	–	397,600.00
	Conducting Fees/Rentals	**9,531,961.00**	140,000.00
	CAM charges	**5,049,250.00**	–
	Property Tax	–	967,062.00
	Legal and professional fees	**81,405.00**	5,945,635.00
	Repairs and maintenance		
	Repairs to building	**1,728.00**	5,512,877.00
	Repairs to machinery (Projector Parts)	**31,180.00**	447,112.00
	Repairs to others	**199,454.75**	1,390,299.00
	Computer expenses	**7,950.00**	–
	Travelling and conveyance	**211,824.00**	383,793.00
	Motor car expenses	–	234,138.00
	Postage, Telegram and Telephone	**184,907.11**	406,655.00
	Printing and stationery	**1 41,394.00**	316,652.00
	Commission & Brokerage	**46,111.24**	–
	Food/Beverages Production	–	5,856,117.00
	Entertainment Tax	–	11,388,803.00
	Vat/Sales Tax	–	1,018,134.00
	Distributor share	-	3,446,788.00
	Discount	-	523,895.00
	Bank charges	**56,623.50**	178,500.00
	Other expenses	**31,145.88**	1,844,340.00
	Sundry Balances expenses (w/off)	–	500,000.00
	Bad Debts written off	–	1,665,000.00
	Preliminary Expenses written off	–	74,983.00
	Provision of Bad and Dobtful Debts	–	10,695,863.00
	Total	**22,532,669.18**	94,008,125.00

SCHEDULE 17

NOTES TO ACCOUNTS:

1. **ACCOUNTING POLICIES**

a) **BASIS OF ACCOUNTING :**

These Accounts have been prepared under historical cost convention, from the books of account maintained on accrual basis and comply with the Accounting Standards issued by the Institute of Chartered Accountants of India and referred to in Section 211(3C) of the Companies Act, 1956, of India.

b) **REVENUE RECOGNITION**

Sale of Tickets

Revenue from theatrical exhibition is recognized 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.

Sale of Foods and Beverages

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

Advertisement / Sponsorship Revenue

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

c) **Fixed Assets And Depreciation**

Fixed Assets are stated at cost less accumulated depreciation. Depreciation is provided at the rates and in the manner specified in Schedule XIV to the Companies Act, 1956, on straight line method basis.

d) **Inventories**

Food and Beverages stocks are valued at cost using First-in-First-Out method.

Projection stocks are valued at cost using First-in-First-Out method.

e) **Investments**

Long term investments are stated at cost less permanent diminution in value, if any.

f) **Deferred Taxation**

Deferred tax resulting from timing differences between book and tax profits is accounted for under the liability method, at the current rate of tax to the extent that the timing differences are expected to crystalise/ capable of reversal.

Deferred Tax assets arising on account of carried forward losses and unabsorbed depreciation as per the Income Tax Act, 1961, of India, are recognised only when there is a virtual certainty supported by convincing evidence that such assets will be realised.

As a matter of prudence the deferred tax asset available to the company has not been recognized.

SCHEDULES TO THE FINANCIAL STATEMENTS AS AT 31ST MARCH 2008

		31.03.2008	31.03.2007
2.	(i) Contingent Liabilities not provided for, in respect of :	**Rs.**	Rs.
	a) Claim by a customer against the Company not acknowledged as debt	**nil**	nil
	b) Income Tax Matters disputed by the Company / Tax Authorities	**nil**	nil
	c) Excise Duty	**nil**	nil
	d) Entertainment Tax - In respect of a Multiplex, the company has made an application for availing exemption under the relevant Act retrospectively from the date of commencment of operation of the said Multiplex and the application is still pending.	**7,710,122**	nil
3.	**Commitments**		
	Estimated amount of contract remaining to be executed on capital account and not provided for net of advances	**18,991,022**	nil
4.	**Auditors Remuneration :**		
	As Auditors	**50,000**	22,448
	Tax Audit	**25,000**	nil
		Rs. 75,000	Rs. 22,448

5. Related party disclosure

<u>**Category I : Holding Company (Control Exists)**</u>

Adlabs Films Limited

Transactions	**Category- I**
Rendering Services	4,71,698
Outstanding Balances	
Payable as on 31-3-2008	32,46,36,924
Receivable as on 31-3-2008	4,71,698

6. Additional information pursuant to the other clauses of Part II of Schedule VI to the Companies Act, 1956.

A. QUANTITATIVE DETAILS OF FOOD AND BEVERAGES

Particulars	Opening Stock		Purchase		Sale		Closing Stock	
	Qty.	Value Rs.	Qty.	Value Rs.	Qty.	Value Rs.	Qty.	Value Rs.
Packaged Food Items	NIL	NIL	14,756	116,721	1,211	82,600	12,053	28,691
Bottled Beverages	NIL	NIL	10,656	167,717	18,482	511,555	4,768	69,173
Non packaged Food Items	NIL	NIL	40,409	823,828	26,675	855,210	367	8,505
Non Bottled Beverages	NIL	NIL	195,500	942,737	30,302	1,021,465	122,586	312,533
Others	NIL	NIL	429,110	708,426	43,212	2,997,470	**278,832**	489,343
TOTAL			**690,431**	**2,759,429**	**119,882**	**5,468,300**	**418,606**	**908,244**

		31.03.2008	31.03.2007
		Rs.	**Rs.**
B.	**C.I.F. VALUE OF IMPORTS :**		
	Raw Materials	**Nil**	Nil
C.	**EARNINGS IN FOREIGN EXCHANGE :**	**Nil**	Nil
	F.O.B. Value of Exports		
D.	**EXPENDITURE IN FOREIGN CURRENCY :**		
	Travelling Expenses	**Nil**	Nil
	Commission on Export Sales	**Nil**	Nil
	Subscription Expenses	**Nil**	Nil
	Staff Welfare Expenses	**Nil**	Nil
	Consultancy Fees	**Nil**	Nil
7.	**SMALL SCALE INDUSTRIAL UNDERTAKINGS**	**Nil**	Nil

8. Micro and Medium scale business entities :

There are no Micro, Small and Medium Enterprises, to whom the Company owes dues, which are outstanding for more than 45 days as at 31st March, 2008. This information as required to be disclosed under the Micro, Small and Medium Enterprises Development Act, 2006 has been determined to the extent such parties have been identified on the basis of information available with the Company.

9. Disclosure for operating lease : -

The Company is obligated under non-cancellable leases primarily for multiplex screens which are renewable per terms of thereafter as 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	**31/03/2008**
Amount due within one year from the balance sheet date	41,248,608
Amount due in the period between one year and five years	169,243,644
Amount due after five years	731,029,216
	941,521,468

10. Refer Annexure for additional information pursuant to Part IV of Schedule VI to the Companies Act, 1956.

11. Figures of previous year are regrouped and reclassified to conform with the current year's presentation, wherever necessary. Previous years figures are not strictly comparable with the current year figures as the previous year figures represent the whole year operations whereas in the current year the operations were there for a part of the year.

12. Calculation of earning per share (Face Value Rs. 10/- per share) : -

Particulars	**31/03/2008**	31/03/2007
Net profit after taxes (A) (Rupees)	**(8,269,494)**	(23,341,981)
No. of shares (B)	**3,000,000**	3,000,000
Basic / diluted earning per share (Rupees)	**(2.76)**	(7.78)

SCHEDULES TO THE FINANCIAL STATEMENTS AS AT 31ST MARCH 2008

13. Segment Reporting : -

The company has only one segment.

14. Demerger of Rave Entertainment Private Limited : -

Scheme of Arrangement between Rave Entertainment Private Limited (Company) and Rave Real Estate Private Limited (RREPL) The board of directors of the Company vide resolution dated 4 May 2007, had filed the Scheme of Arrangement between Rave Entertainment Private Limited (Company) and Rave Real Estate Private Limited (the Scheme) with the Hon'ble High Court of Judicature at Allahabad for demerger of mall cum multiplex business of the Company effective from 1 April 2007 in favour of Rave Real Estate Private Limited. The Scheme was approved by the Hon'ble High Court of Judicature at Allahabad vide its order dated 12 December 2007. The approved Scheme was filed with the Registrar of Companies (ROC) as required under section 391 (3) of the Companies Act, 1956 ('the Act') on 29 December 2007. The Scheme inter-alia provides for the following;

- Transfer and vesting of mall cum multiplex business (Demerged undertaking) of the Company into RREPL;

In accordance with the requirements of the Scheme, Demerger of mall cum multiplex business of the Company has been accounted for as follows:

- As per the Scheme, with effect from 1 April 2007, the Appointed Date, all assets and liabilities of Demerged undertaking as at 1 April 2007 have been transferred and vested into RREPL by the Company at their book value.
- RREPL has / will issue and allot to every member of REPL, 7 equity shares of RREPL of Rs.10/- each fully paid for every 5 equity shares held by them in REPL.
- The excess of net assets taken amounting to Rs.4,11,26,220/- has been debited to General Reserve to the extent possible and balance amount is debited to Profit and Loss Account as per the Scheme.

Signatures to Schedules 1 to 18 forming part of the Balance Sheet and Profit and Loss Account.

For and on behalf of

J N Sharma & Co.
Chartered Accountants

Kunal Sharma
Partner
Membership No. 405919

Place : Mumbai
Date : 26th May, 2008

For and on behalf of the Board of Directors

Tushar Dhingra
Director

Venkat Devarajan
Director

Date : 26th May, 2008

BALANCE SHEET ABSTRACT AND COMPANY'S GENERAL BUSINESS PROFILE

I. Registration details

Registration No.	0 2 4 4 7 3	State code	2 0
Balance sheet date	3 1 (Date) 0 3 (Month)		2 0 0 8 (Year)

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

Public Issue	Rights Issue
NIL	NIL
Bonus issue	**Private Placement**
NIL	NIL

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

Total Liabilities	Total Assets
354637	354637

Sources of Funds

Paid up capital	Reserves & surplus
30000	NIL
Secured loans	**Unsecured loans**
NIL	324637

Application of Funds

Net fixed assets	Investments
321761	NIL
Net current assets	**Misc.expenditure**
-5394	NIL
Accumulated Losses	
38269	

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

	Turnover		Total Expenditure
	26460		34714
	Profit/Loss Before Tax		**Profit/Loss after Tax**
-	8254	-	8269

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

	Earning per share in Rs.	Dividend %
-	2.76	NIL

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

Item Code No. (ITC Code): NIL

Product description: EXHIBITION OF FILMS

For and on behalf of the Board of Directors

Tushar Dhingra
Director

Venkat Devarajan
Director

Place : Mumbai
Date : 26th May, 2008

DIRECTORS' REPORT

Your Directors have pleasure in presenting the Third Annual Report and the Audited Accounts for the year ended March 31, 2008.

Financial Results

The highlights of the financial results are as under:

(Rupees)

Particulars	**2007-08**	**2006-07**
Total Income	4,26,32,803	1,90,44,176
Total Expenditure	2,90,49,041	1,98,75,828
Profit/ (Loss) before taxation	1,35,83,762	(8,31,652)
Provision for taxation	46,78,077	–
Net Profit/(Loss) after Tax	89,05,685	(8,31,652)
Balance of profit/(Loss) brought forward from previous year	(8,48,488)	(16,836)
Net Profit/ (Loss) carried to Balance Sheet	80,57,197	(8,48,488)

Dividend

Your Directors have not recommended payment of dividend for the year ended March 31, 2008.

Fixed Deposits

During the year, the Company did not accept any deposits from the public under section 58A of the Companies Act, 1956.

Operations

There were no business operations in the Company during the year under review. The Company had planned to participate in bidding of vacant channel of FM Radio Broadcasting phase II during the year under review. However, the Ministry of Information and Broadcasting postponed the said bidding.

Scheme of amalgamation and arrangement

During the financial year ended March 31, 2007, the Board of Directors of the Company, at their meeting held (i) on April18, 2006 approved the composite scheme of amalgamation and arrangement (the Scheme) between the Company and Adlabs Films Limited (AFL) and (ii) on July 15, 2006 approved amendment to the Scheme. The Scheme was approved by the Hon'ble High Court of Judicature at Bombay vide its order dated September 15, 2006. The Scheme inter-alia provided for the demerger of the radio business of Adlabs Films Limited (AFL), the parent company to the Company effective March 31, 2006.

AFL had also made an application to the Ministry of Information and Broadcasting for vesting radio licenses held by it in the name of the company.

Subsequent to this and on February 14, 2008, the Board of Directors of the Company modified the aforesaid composite Scheme. The modified Scheme inter alia provided that the demerger of the radio business of AFL to the Company effective March 31, 2006, as mentioned in the old scheme be deleted.

The said modified Scheme was approved by the Hon'ble High Court of Judicature at Bombay vide its order dated March 7, 2008 and was filed with the Registrar of Companies under Section 391(3) of the Companies Act, 1956 on March 31, 2008 by the Company.

The financial statements of the Company have been prepared giving effect to the aforesaid order.

Directors

Shri Ashish Karyekar retires by rotation and being eligible offers himself for re-appointment.

Directors' Responsibility Statement

As required under section 217(2AA) of the Companies Act, 1956, the Directors confirm that

(i) in the preparation of the Annual Accounts for the year ended 31st March 2008, the applicable accounting standards had been followed with proper explanations for material departures.

(ii) the Directors had selected such accounting policies and applied them consistently and made judgments and estimates that are reasonable and prudent so as to give true and fair view of the state of affairs of the Company as at 31st March 2008 and of the Profit of the Company for the said period.

(iii) the Directors had 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 frauds and other irregularities; and

(iv) the Directors had prepared the Annual Accounts for the financial year ended 31st March 2008 on a 'going concern' basis.

Auditors

The auditors of the Company M/s S V Doshi & Co., Chartered Accountants, the statutory auditors retire at the conclusion of the ensuing Annual General Meeting and are eligible for re-appointment. They have expressed their willingness to continue as Auditors of the Company. The Company has received a letter from them to the effect that their appointment, if made, would be within the limits prescribed under Section 224(1B) of the Companies Act, 1956. It is accordingly proposed to appoint M/s S V Doshi & Co. as statutory Auditor of the company for the year 2008-09.

Conservation of Energy, Technology Absorption and Foreign Exchange Earnings and Outgo

The disclosure of information on conservation of energy, technology absorption, etc. required to be made in terms of Section 217(1)(e) of the Companies Act, 1956 read with the Companies (Disclosure of Particulars in the Report of the Board of Directors) Rules, 1988, being not applicable, is not furnished .

During the year under review, there were no foreign exchange earnings or foreign exchange outgo.

Personnel

The Company had no employees of the category indicated under Section 217 (2A) of the Companies Act, 1956, read with the Companies (Disclosure of Particulars of Employees) Rules, 1975, as amended from time to time.

Compliance Certificate

As required under Section 383A of the Companies Act 1956, a Compliance Certificate from the Company Secretary in Practice is given in Annexure.

Acknowledgements

Your Directors wish to place on record their appreciation of the support and co-operation received from bankers to the Company, business associates and valued clients to the Company.

On behalf of the Board of Directors

Place : Mumbai	**Abhijit Banerjee**	**Ashish Karyekar**
Date : May 22, 2008	Director	Director

ANNEXURE TO THE DIRECTORS' REPORT

Compliance Certificate from the Practising Company Secretary under section 383A of the Companies Act 1956.

To,
The Members,
RELIANCE UNICOM LIMITED

We have examined the registers, records, books and papers of RELIANCE UNICOM LIMITED as required to be maintained under the Companies Act, 1956 (the Act) and the rules made there under and also the provisions contained in the Memorandum and Articles of Association of the Company for the Financial year ended on 31st March, 2008. To the best of our information and according to the examinations carried out by us and explanations furnished to us by the Company, its Officers and Agents, we certify that in respect of the aforesaid financial year as under :

1. The Company has kept and maintained all registers as stated in Annexure "A" to this certificate, as per the provisions of the Act and the rules made thereunder and all entries therein have been duly recorded.
2. The Company has duly filed the forms and returns as stated in Annexure "B" to this certificate, with the Registrar of Companies, or other authorities within the time prescribed under the Act and the rules made thereunder.
3. The Company is a public limited Company.
4. The Board of Directors duly met nine times on April 2, 2007, April 30, 2007, May 10, 2007, July 10, 2007, July 20, 2007, July 21, 2007, August 3, 2007, December 24, 2007 and February 14, 2008, in respect of which meetings proper notices were given and proceedings were properly recorded and signed in the Minutes Book maintained for the purpose.
5. The company was not required to close its Register of Members or Debenture holders during the financial year.
6. The Annual General Meeting for the financial year ended on March 31, 2007 was held on August 20, 2007 after giving due notice to the members of the company and the resolutions passed thereat were duly recorded in the Minutes Book maintained for the purpose.
7. Two Extraordinary General Meetings was held during the financial period on April 25, 2007 and August 6, 2007. In respect of both these meetings due notice to the members of the company and the resolutions passed there at were duly recorded in the Minutes Book maintained for the purpose.
8. No loans were given to the Directors falling under the preview of Section 295 of the Act.
9. The company has not entered into any contracts attracting provision of Section 297 of the Act.
10. The Company did not enter into any contracts falling within the preview of Section 297 or 299. Hence, no entries were made in the register maintained under section 301 of the Act.
11. As there were no instances falling within the purview of Section 314 of the Act, the Company has not obtained any approvals from the Board of Directors, Members or Central Government.
12. The Company has not issued any duplicate share certificates during the financial year.
13. i) There was allotment of securities during the financial year.
    ii) The company has not declared any dividend for the period. Hence, there is no deposit of any amount in a separate Bank Account.
    iii) The company was not required to post any dividend warrant to any member of the company as no dividend was declared during the financial period.
    iv) The company was not required to transfer the amounts in unpaid dividend account, application money due for refund, matured debentures and the interest accrued thereon, which have remained unclaimed or unpaid for a period of seven years to Investor Education and Protection Fund as the Company has no arrears of dividends nor issued any debentures & has not accepted any deposit.
    v) The Company has duly complied with the requirements of Section 217 of the Act.
14. The Board of Directors of the company is duly constituted. Shri. Tarun Katial was appointed as additional director on July 10, 2007 during the financial period.
15. The Company is a public company and provisions of Section 269 of the Act, with regard to appointment of Managing Director / Whole-time Director / Manager, is not applicable, since the paid up capital of the Company is less than Rs.5 Crore.
16. The Company has not appointed any sole-selling agent during the financial year.
17. The Company was not required to obtain any approvals of the Central Government, Company Law Board, Regional Director, Registrar or such other authorities prescribed under the various provisions of the Act during the financial year.
18. The Directors have disclosed their interest in other Firms / Companies to the Board of Directors pursuant to the provisions of the Act and the rules made thereunder
19. The Company has issued Equity Shares during the financial year.
20. The Company has not bought back Shares during the financial year.
21. There was no redemption of preference shares or debentures during the financial year.
22. There were no transactions necessitating the Company to keep in abeyance the rights to dividend, rights shares and bonus shares pending registration of transfer of shares.
23. The Company has not invited / accepted any deposits including any unsecured loans falling within the purview of Section 58A during the financial year.
24. The borrowings made by the Company during the financial year are within the limits approved by members in terms of Section 293 (1)(d) of the Act.
25. The company has duly adhered to all the provisions of Section 372A of the Act regarding loans and investments made etc.
26. The Company has not altered the provisions of the Memorandum with respect to situation of the Company's Registered Office from one State to another during the year under scrutiny.
27. The Company has not altered the provisions of the Memorandum with respect to the Objects of the Company during the year under scrutiny.
28. The Company has altered the provisions of the Memorandum with respect to the Name of the Company during the year under scrutiny.
29. The Company has altered the provisions of the Memorandum with respect to Share Capital of the Company during the year under scrutiny.
30. The Company has altered its Articles of Association during the financial year.
31. There was / were no prosecution initiated against or show cause notices received by the Company and no fine or penalty or any other punishment was imposed on the Company during the financial year for any offences under the Act.
32. The Company has not received any money as security from its employees during the financial year.
33. As explained to us, the provisions of the Provident Fund and the Rules made thereunder are not applicable to the Company, during the financial year.

Encl :
Annexure "A"
Annexure "B"

For Ashita Kaul & Associates
Practising Company Secretaries

Ashita Kaul
Proprietor
ACS 17756 (CP 6529)

May 22, 2008

ANNEXURE "A"

Registers (under various Sections of the Companies Act, 1956) and other Registers as maintained by the company during the period ended March 31, 2008.

1. Register of Members (Section 150)
2. Register of Contracts (Section 301)
3. Register of Directors (Section 303)
4. Register of Directors' shareholdings (Section 307)
5. Books of Accounts (Section 209)
6. Register & Returns (Section 163)
7. Register of Charges (Section 143)
8. Register of Shares Transfer
9. Board Minutes Books & AGM/EGM Minutes Books
10. Register of Shareholders attendance.
11. Register of Proxies.
12. Register of Transfers.
13. Register of Fixed Assets.

ANNEXURE "B"

Forms and Returns as filed by the Company with Registrar of Companies, Regional Director, Central Government or other authorities during the financial year ending on 31st March 2008.

Sr. No.	FormNo.	RelevantSection	Description	Date of Filing
1	23AC & 23ACA	220(1)	Balance Sheet as on 31.03.2007	06.10.2007
2	20B	159(1)	Annual Return	25.10.2007
3	32	303(2)	Appointment of Director	25.09.2007
4	1A	21	Application for name availability	01.08.2007
5	1B	21	Application to Central Government for change of name	14.08.2007
6	23	21	Registration of resolution and agreements	07.08.2007
7	5	95	Increase in authorized share capital	17.09.2007
8	23	31	Registration of resolution and agreements	03.10.2007
9	2	75(1)	Return of allotment	18.09.2007

For Ashita Kaul & Associates
Practising Company Secretaries

Ashita Kaul
Proprietor
ACS 17756 (CP 6529)

May 22, 2008

AUDITORS' REPORT

TO THE MEMBERS OF
Reliance Unicom Limited
(Formerly known as Big Radio Limited)

1. We have audited the attached balance sheet of **Reliance Unicom Limited** as at 31st March, 2008, the profit & loss account and also the cash flow statement of the Company 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. As required by the Companies (Auditor's Report) Order, 2003 issued by the Central Government of India in terms of sub-section (4A) of Section 227 of the Companies Act, 1956 and on the basis of such checks as we considered appropriate and according to the information and explanations given to us during the course of audit, we enclose in the Annexure a statement on the matters specified in paragraphs 4 & 5 of the said order.
4. Further to our comments in the Annexure referred to in paragraph 3 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 these 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 comply with the Accounting Standards referred to in Section 211(3C) of the Companies Act, 1956, to the extent applicable;
   e. On the basis of written representations received from the directors and taken on record from the Board of Directors, we report that none of the directors is disqualified as on 31/03/08 from being appointed as directors of the Company in terms of clause (g) of sub-section (1) of Section 274 of the Companies Act,1956;
   f. in our opinion and to the best of our information and according to the explanations given to us, the accounts read together with notes thereon, give the information required by the Companies Act, 1956 in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India:
      i) in the case of the balance sheet, of the state of affairs of the Company as at 31st March, 2008;
      ii) in the case of the profit and loss account, of the profit for the year ended on that date; and
      iii) in the case of the cash flow statement, of the cash flows for the year ended on that date.

For S.V. Doshi & Co.
Chartered Accountants

Sunil Doshi
Partner
Membership No.35037

Mumbai, 22 May 2008

ANNEXURE TO THE AUDITORS' REPORT

Statement referred to in paragraph 3 of our report of even date on the accounts of **Reliance Unicom Limited** *(Formerly known as Big Radio Limited)* for the year ended on 31st March, 2008.

1) a) The Company has proper records showing full particulars including quantitative details and situation of fixed assets.
   b) As explained to us, the assets have been physically verified by the management in accordance with the phased programme of verification, which, in our opinion, is reasonable having regard to the size of the Company and the nature of its assets. No material discrepancies were noticed on such verification.
2) a) According to the information and explanations given to us, the Company has granted unsecured advances in the nature of loan to the Holding Company. The maximum amount involved during the year was Rs. 59.84 Crores and the year end balance is Rs. Nil.
   b) In our opinion, the rate of interest and other term and conditions on which loan has been given to the Holding Company is prima facie, not prejudicial to the interest of the Company.
   c) The receipt of principal amount and interest is as stipulated.
   d) According to the information and explanations given to us, the Company has taken unsecured loan from the Holding Company. The maximum amount involved during the year was Rs.60.45 Crores and year end balance of loan taken is Rs.23.49 Crores.
   e) In our opinion, the rate of interest and other term and conditions on which loan has been taken from the Holding Company is prima facie, not prejudicial to the interest of the Company.
   f) The Company is regular in repaying the principal amount as stipulated and has been regular in the payment of interest.
3) In our opinion and according to the information and explanations given to us, there is an adequate internal control system commensurate with the size of the Company and the nature of its business, with regard to the purchases of fixed assets. Further, on the basis of our examination and according to the information and explanations given to us, we have neither come across nor have any information of any instances of major weaknesses in the aforesaid internal control system.
4) The Company has not accepted any deposits from the public.
5) In our opinion, the Company has an internal audit system commensurate with the size and nature of its business.
6) The Company has not raised any term loan during the year.
7) The Company has not made any preferential allotment of shares to parties and companies covered in the register maintained U/s. 301 of the Companies Act, 1956.
8) The Company has not issued any debentures and hence, question of creating security or charge in respect thereof does not arise.
9) The Company has not raised any money by public issues during the year.
10) Based upon the audit procedures performed and according to the information and explanations given to us, no fraud on or by the Company has been noticed or reported during the year.
11) In view of the nature of the activity of the Company, in our opinion, other matters specified in Paragraph 4 of the Order are not applicable to the Company.

For S.V. Doshi & Co.
Chartered Accountants

Sunil Doshi
Partner
Membership No.35037

Mumbai, 22 May 2008

BALANCE SHEET AS AT 31ST MARCH 2008

PARTICULARS	SCH.	31/3/2008 Rupees	31/3/2008 Rupees	31/3/2007 Rupees
SOURCES OF FUNDS				
SHAREHOLDERS' FUNDS:				
Share Capital	1	**10,550,000**		*500,000*
Share Application Money		**-**		*100,500,000*
Reserve and Surplus	2	**98,507,197**		-
			109,057,197	*101,000,000*
LOAN FUNDS:				
Unsecured Loans	3		**234,894,871**	*600,000,000*
DEFERRED TAX LIABILITY				
Depreciation			**15,600**	-
TOTAL			**343,967,668**	*701,000,000*
APPLICATION OF FUNDS				
FIXED ASSETS	4			
Gross block		**103,137**		-
Less :Accumulated depreciation		**15,987**		-
Net block			**87,150**	**-**
CURRENT ASSETS, LOANS AND ADVANCES:				
Cash & Bank Balances	5	**336,327,788**		*689,730,246*
Loans & Advances	6	**15,200,589**		*14,897,006*
		351,528,377		*704,627,252*
Less: CURRENT LIABILITIES & PROVISIONS	7	**7,647,859**		*4,475,740*
NET CURRENT ASSETS			**343,880,518**	*700,151,512*
PROFIT AND LOSS ACCOUNT (As per Account Annexed)			**–**	*848,488*
TOTAL			**343,967,668**	*701,000,000*
NOTES ON ACCOUNTS	8			

As per our Report of Even Date

For S.V. Doshi & Co.
Chartered Accountants

Sunil Doshi
Partner
Mumbai, 22nd May, 2008

For and on behalf of
Board of Directors

Abhijit Banerjee)
) DIRECTORS
)
Tarun Katial)

PROFIT & LOSS ACCOUNT FOR THE YEAR ENDED 31ST MARCH 2008

	SCH.	31.03.2008 Rupees	31.03.2007 Rupees
INCOME			
Interest:			
From Banks [TDS Rs.39,66,332/- (P.Y. Rs. 939,482/-)]		**19,254,036**	4,186,642
From Others [TDS Rs.52,97,628/- (P.Y.Rs. 3,334,031/-)]		**23,378,767**	14,857,534
TOTAL		**42,632,803**	19,044,176
EXPENDITURE			
Professional Fees		**1,250**	11,224
Audit Fees		**410,096**	16,836
Bank & Other Charges		**197,554**	9,903,010
Preliminary Expenditure W/off		**-**	20,100
Interest : Bank		**15,390,411**	9,924,658
Others		**13,033,743**	-
Depreciation		**15,987**	-
TOTAL		**29,049,041**	19,875,828
NET PROFIT / (LOSS) BEFORE TAX		**13,583,762**	(831,652)
Less : Provision for taxation:			
- Current		**4,662,477**	-
- Deferred		**15,600**	-
NET PROFIT / (LOSS) AFTER TAX		**8,905,685**	(831,652)
Add : Balance b/f from Previous Year		**(848,488)**	(16,836)
BALANCE CARRIED TO BALANCE SHEET		**8,057,197**	(848,488)
Earning Per Share (Basic & Diluted)		**4.22**	(8.32)
NOTES ON ACCOUNTS	8		

As per our Report of Even Date

For S.V. Doshi & Co.
Chartered Accountants

Sunil Doshi
Partner
Mumbai, 22nd May, 2008

For and on behalf of
Board of Directors

Abhijit Banerjee)
) DIRECTORS
Tarun Katial)

CASH FLOW FOR THE YEAR ENDED 31ST MARCH 2008

Particulars	31/3/2008 Rs.	31/3/2007 Rs.
Cash flows from operating activities		
Net profit / (loss) before taxes	**13,583,762**	(831,652)
Less: Interest Income from investing activity	**(23,378,767)**	–
Add: Interest Expense	**28,424,154**	9,924,658
Add: Depreciation	**15,987**	–
Operating profit/ (loss) before working capital changes	**18,645,136**	9,093,006
(Increase)/ Decrease in Loans and Advances	**(303,583)**	(14,897,006)
Increase/(Decrease) in Current Liabilities and Provisions	**3,172,119**	–
Cash generated from operations	**21,513,672**	(5,804,000)
Taxes Paid	**(4,662,477)**	–
Net cash from / (used in) operating activities	**16,851,195**	(5,804,000)
Cash flows from investing activities		
Purchase of fixed assets	**(103,137)**	-
	(103,137)	-
Cash flows from financing activities		
Proceeds from Unsecured Loan	**234,894,871**	600,000,000
Repayment Unsecured Loan	**(600,000,000)**	-
Interest Payment on Unsecured Loan	**(28,424,154)**	(5,465,754)
Interest Income	**23,378,767**	–
Net cash used in financing activities	**(370,150,516)**	594,534,246
Net increase in cash and cash equivalents	**(353,402,458)**	588,730,246
Cash and cash equivalents at beginning of the year	**689,730,246**	101,000,000
Cash and cash equivalents at end of the year	**336,327,788**	689,730,246

As per our Report of Even Date

For S.V. Doshi & Co.
Chartered Accountants

Sunil Doshi
Partner
Mumbai, 22nd May, 2008

For and on behalf of
Board of Directors

Abhijit Banerjee)
) DIRECTORS
)
Tarun Katial)

SCHEDULES TO THE FINANCIAL STATEMENTS 31ST MARCH 2008

	31/3/2008 Rupees	31/3/2007 Rupees
SCHEDULE 1: SHARE CAPITAL		
AUTHORISED:		
21,10,000 Equity Shares of Rs.5/- each (50,000 Equity Shares of Rs.10/- each)	**10,550,000**	500,000
ISSUED, SUBSCRIBED AND PAID UP:		
21,10,000 Equity Shares of Rs.5/- each (50,000 Equity Shares of Rs.10/- each)	**10,550,000**	500,000
(wholly owned by Adlabs Films Limited, the holding Company)		
	10,550,000	500,000
SCHEDULE 2: RESERVE AND SURPLUS		
REVENUE RESERVE		
Share Premium Account	**90,450,000**	-
SURPLUS		
Profit & Loss Account	**8,057,197**	-
	98,507,197	**-**
SCHEDULE 3: UNSECURED LOANS		
From Banks	**-**	600,000,000
From Body Corporates	**234,894,871**	-
	234,894,871	600,000,000

SCHEDULE - 4 FIXED ASSETS

PARTICULARS	GROSS BLOCK			DEPRECIATION			NET BLOCK	
	As on 1.04.2007	Additions	As on 31.03.08	As on 1.04.2007	During the year	As on 31.03.08	As on 31.03.08	As on 01.04.07
Data Processing Equipments	-	103,137	103,137	-	15,987	15,987	87,150	-
Total	-	103,137	103,137	-	15,987	15,987	87,150	-
Previous Year	-	-	-	-	-	-	-	

	31/3/2008 Rupees	31/3/2007 Rupees
SCHEDULE 5: CASH & BANK BALANCES		
Balance with Scheduled Banks :		
In Current A/c	**3,021,726**	586,548,906
In Fixed Deposits	**333,306,062**	103,181,340
	336,327,788	689,730,246
SCHEDULE 6: LOANS AND ADVANCES		
(Unsecured, considered good)		
Advance Tax	**13,537,473**	4,273,513
Advance Recoverable in Cash or in Kind	**-**	10,623,493
Interest Accrued but not due	**1,663,116**	-
	15,200,589	14,897,006
SCHEDULE 7: CURRENT LIABILITIES & PROVISIONS		
A. CURRENT LIABILITIES		
Sundry Creditors	**31,936**	-
Other Liabilities	**2,953,446**	4,475,740
	2,985,382	4,475,740
B. PROVISIONS		
For Taxation	**4,662,477**	-
	7,647,859	4,475,740

SCHEDULES TO THE FINANCIAL STATEMENTS 31ST MARCH 2008

SCHEDULE 8: Notes to the Accounts

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES:

   a) ACCOUNTING CONVENTION

   The financial statements are prepared under the historical cost convention and comply in accordance with applicable accounting standards issued by the Institute of Chartered Accountants of India and the relevant provisions of the Companies Act,1956.

   b) REVENUE RECOGNITION

   Interest income is accounted on accrual basis.

2. RELATED PARTY DISCLOSURES

   A. Related Party and their relationship

   a) Holding Company

   Adlabs Films Limited

   b) Fellow Subsidiaries

   Entertainment One (India) Limited

   Adlabs Distributors and Exhibitors Limited

   Mukta Adlabs Digital Exhibition Private Limited

   Synergy Adlabs Media Limited

   Rave Ent. Pvt Ltd

   Runwal Multiplex Pvt. Ltd.

   Adlabs Films Netherlands B.V.

   Adlabs (Mauritius) Ltd.

   Adlabs Films USA Inc.

   Adlabs Films UK Ltd

   HPE/Adlabs L.P.

B. Transaction with Related Party	31/3/2008	31/3/2007
Holding Company - Adlabs Films Limited		
Loan & Advances Given (Rs.)	580,000,000	579,099,990
Loan & Advances Taken (Rs.)	618,519,205	-
Interest Income , net (Rs.)	10,345,024	14,857,534
Outstanding Balance as on 31st March 2008	(234,894,871)	10,623,493

3. EARNING PER SHARE	**31/3/2008**	**31/3/2007**
Net Profit/(Loss) as per Profit and Loss Account (Rs.)	8,905,685	(831,652)
Number of Share (Nos.)*	2,110,000	100,000
EPS - Basic & Diluted (Rs.)	4.22	(8.32)
Face Value of Share (Rs.)	5	5

*50,000 equity shares of Rs. 10 each as reflected in the audited accounts for the period ended March 31, 2007 have been sub-divided into 1,00,000 equity shares of Rs. 5 each effective from April 25, 2007. The previous year's Earnings Per Share has accordingly been restated.

4. In view of the nature of activity of the Company, most of the information required under Para 3, 4C and 4D of Part II of Schedule VI of the Companies Act, 1956 are not applicable.

5. The previous year figures have been regrouped, rearranged or reclassified, wherever necessary.

BALANCE SHEET ABSTRACT AND COMPANY'S GENERAL BUSINESS PROFILE

SCHEDULE 9:

I	**REGISTRATION DETAILS**	
	Registration No.	U64200MH2005PLC158355
	State Code	11
	Balance Sheet date	31/3/08
II	**CAPITAL RAISED DURING THE YEAR (Rs.)**	
	Public Issue	Nil
	Rights Issue	Nil
	Bonus Issue	Nil
	Private Placement	10,050,000
III	**POSITION OF MOBILISATION AND DEVELOPMENT OF FUNDS (Rs.)**	
	Total Liabilities	343,967,668
	Total Assets	343,967,668
	Sources of Funds:	
	Paid up Capital	10,550,000
	Share Application Money	Nil
	Reserves and Surplus	98,507,197
	Secured Loans	Nil
	Unsecured Loans	234,894,871
	Deffered Tax Liability/(Assets)(Net)	15,600
	Application of Funds	
	Net Fixed Assets	87,150
	Investments	Nil
	Net Current Assets	343,880,518
	Misc. Expenditure	Nil
	Accumulated Losses	Nil
IV	**PERFORMANCE OF COMPANY (Rs.)**	
	Turnover (Includes Other Income)	42,632,803
	Total Expenditure	29,049,041
	Profit/(-) Loss Before Tax	13,583,762
	Profit/(-) Loss After Tax	8,905,685
	Earnings Per Share	4.22
	Dividend Rate %	Nil
V	**GENERIC NAMES OF PRINCIPAL PRODUCTS/ SERVICES OF THE COMPANY**	
	Item Code No. (ITC Code)	N. A.
	Prouct Description	Nil

Signatures to Schedule 1 to 9

As per our Report of Even Date

For S.V. Doshi & Co.
Chartered Accountants

For and on behalf of
Board of Directors

Abhijit Banerjee)
) DIRECTORS
)
Tarun Katial)

Sunil Doshi
Partner
Mumbai, 22nd May, 2008

DIRECTORS' REPORT

Dear Shareholders,

Your Board of Directors takes pleasure in presenting Annual Accounts for the nine month period ended 31st March 2008.

FINANCIAL RESULTS

(In Rupees)

Particulars	2007-08 (For 9 months ended 31st March 2008)	2006-07 (For 15 months ended 30th June 2007)
Sales and Other Income	**NIL**	NIL
Profit / (Loss) before Depreciation & Tax	**(781,881)**	(6,742)
Depreciation	**NIL**	NIL
Profit Before Taxation	**(781,881)**	(6,742)
Provision for tax	**NIL**	NIL
Profit / (Loss) after Taxes	**(781,881)**	(6,742)
Balance brought forward from previous	**(6,742)**	(48,59,119)
Less:Transferred pursuant to the demerger of the Digital business of the Company	**NIL**	48,59,119
Profit / (Loss) carried to Balance Sheet	**(788,623)**	(6,742)

The financial results covered and forming part of this report include 9 month period from July 1, 2007 to March 31, 2008 since the accounting year of the Company has been changed from erstwhile accounting year, 1st July to 30th June to 1st July to 31st March.

CHANGE IN THE NAME OF THE COMPANY

Pursuant to the transfer and vesting of the Digital Cinema business of the Company to its parent Company i.e. Adlabs Films Limited, the Company has changed its name from "MUKTA ADLABS DIGITAL EXHIBITION PRIVATE LIMITED" to "ADLABS MULTIPLEXES AND THEATRES PRIVATE LIMITED". The Certificate of name change dated 1st May 2008 has been obtained from the Registrar of Companies, Maharashtra.

SCHEME OF ARRANGEMENT WITH ADLABS FILMS LTD.

The Company had filed modified scheme with the Honourable High Court of Judicature at Bombay for deletion of the clause for demerger of Radio Business of the Company into Reliance Unicom Limited (RUL) pursuant to Board approval vide its resolution dated February 13, 2008 and subsequently the Honourable High Court of Judicature at Bombay has sanctioned the Modified composite Scheme (the Scheme) for the merger of Adlabs Films Limited and Entertainment One (India) Limited (EOIL) and to merge the digital business of Mukta Adlabs Digital Exhibition Private Limited (MADEL) with Adlabs Films Limited on 7th March 2008. Since the Modified Scheme is in principle similar to the old Scheme in respect of the effect to MADEL's digital business, which was already given in the last year's financial Statements, no further adjustment was done in current year's financial statements. The High Court Order for approval to the Modified Scheme was filed with the Registrar of Companies on 31st March 2008, which is the date of giving effect to the Scheme. As such there were no operations in the Company during the current financial year.

SHIFTING OF REGISTERED OFFICE

On 1st April 2008, the Company shifted its Registered Office from Plot No. A-10, New Link Road, Opp. Laxmi Industrial Estate, Andheri (West), Mumbai to Film City Complex, Goregaon (East), Mumbai – 400 065 for better management and control.

SUBSIDIARIES

During the year and upto 31st March 2008, Adlabs Multiplexes and Theatres Private Limited has acquired 89.16% shareholding in Sri Ramakrishna Theatre Limited, a Company owning and operating "Kalpana Theatre" at Udipi and "Gitanjali Theatre" at Kundapur by purchasing 401,242 Equity Shares of Face Value of Rs.10/- each.

With this, Company's business now includes the carrying on of business of exhibition and distribution of feature film and purchase, takeover or otherwise acquisition or formation of any Company carrying on or being any business or transaction which this Company is authorized to carry on or engaged.

From the date of acquisition i.e. on 11th January 2008 till 31st March 2008, this subsidiary has earned a net profit of Rs.138, 022 after providing for depreciation of Rs.29, 081 and provision for taxation and Fringe Benefits Tax aggregating to Rs.85,000 for that period. A sum of Rs.150,000 is transferred to General Reserve Account.

As required under Section 212 of the Companies Act, 1956, the audited statements of accounts, along with report of the Board of Directors and respective Auditors' Report thereon of Sri Ramakrishna Theatre Ltd. for the financial year ended March 31, 2008 are annexed hereto together with the statement relating to the Company's interest therein.

DIVIDEND

The Directors have not recommended any dividend on the equity shares of the Company for the year ended 31st March, 2008.

DIRECTORS

Mr. Venkat Devarajan and Ms. Kirti Desai were appointed as the Additional Directors of the Company with effect from 31st October 2007 pursuant to Section 260 of the Companies Act, 1956 to hold office upto the date of the Annual General Meeting. The Company has received Notices under Section 257 from members proposing the appointment of Shri Venkat Devarajan and Ms. Kirti Desai as Director of the Company.

Mr. Anil Arjun was appointed as the Additional Director of the Company with effect from 17th December 2007 pursuant to Section 260 of the Companies Act, 1956 to hold office upto the date of the Annual General Meeting. The Company has received Notice under Section 257 from a member proposing the appointment of Shri Anil Arjun as Director of the Company.

Mr. Manmohan Shetty and Mr. Kapil Bagla resigned from Directorship of your Company with effect from 31st October 2007 and 30th November 2007 respectively. The Board of Directors records its appreciation of the valuable services rendered by Mr. Manmohan Shetty and Mr. Kapil Bagla during their tenure as Directors of the Company.

AUDITORS

The present Auditors of the Company, M/s Shamit Majmudar Associates, Chartered Accountants, retire at the ensuing Annual General Meeting and are eligible for reappointment. The members are requested to appoint the Auditors for the financial year 2008-2009.

REMUNERATION TO EMPLOYEES

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

PUBLIC DEPOSITS

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

CONSERVATION OF ENERGY, TECHNOLOGY ABSORPTION

Information pursuant to the Companies (Disclosure of particulars in the Report of Board of Directors), Rule 1988, regarding conversation of energy, Technology absorption is not applicable.

FOREIGN EXCHANGE EARNING AND OUTGO

There was no foreign Exchange earning and outgo during the year.

DIRECTORS RESPONSIBILITY STATEMENT

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

a) in the presentation of the annual accounts, the applicable accounting standard has been followed along with proper explanation relating to material departures;

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

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

d) the directors had prepared the annual accounts on going concern basis.

ACKNOWLEDGEMENT

The Directors would like to express their appreciation for the cooperation received from Company's Business Associates and Bankers. The Directors also wish to place on record their appreciation for employees in the organization.

For and on behalf of Board

Venkat Devarajan	**Kirti Desai**
Director	Director

Place : Mumbai

Dated : 27th May 2008

AUDITORS' REPORT

To the Members

Mukta Adlabs Digital Exhibition Pvt. Ltd.

1. We have audited the attached Balance Sheet of Mukta Adlabs Digital Exhibition Pvt. Ltd.(Name changed to Adlabs Multiplexes and Theatres Private Limited . The Certificate of Name Change is dated 1st May 2008) as at 31st March 2008 and the related profit and loss Account for the period 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 have conducted our audit in accordance with auditing standards generally accepted in India. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by the management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.
3. The Companies (Auditor's Report) Order, 2003 as amended and issued by the Central Government of India in terms of sub-section (4A) of section 227 of the Companies Act, 1956, is applicable to the company since it is a subsidiary of a public limited listed company viz. Adlabs Films Limited.
4. Further to our comments in the Annexure referred to in paragraph 3 above:
   (i) we have obtained all the information and explanations, which to the best of our knowledge and belief were necessary for the purpose of our audit;
   (ii) in our opinion, proper books of accounts as required by law have been kept by the Company so far as appears from our examination of such books;
   (iii) the Balance Sheet, Profit and Loss Account dealt with by this report are in agreement with the books of accounts;
   (iv) in our opinion, the Balance Sheet, Profit & Loss Account and cash flow statement dealt with by this report comply with the requirements of the accounting standards referred to in sub-section (3C) of section 211 of the Companies Act, 1956;
   (v) on the basis of the written representation received from the directors as on 31st March 2008, and taken by the Board of Directors, we report that none of the directors is disqualified as on 31st March 2008 from being appointed as a director in terms of clause (g) of sub-section (1) of section 274 of the Companies Act,1956.
   (vi) In our opinion and to the best of our information and according to the explanations given to us, the said accounts read with significant accounting policies and other notes thereon, give the information required by the Companies Act. 1956, in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India:
      (i) in the case of Balance Sheet, of the state of affairs of the Company as at 31st March 2008;
      (ii) in the case of Profit and Loss Account of the loss of the Company for the period ended on that date.

For SHAMIT MAJMUDAR ASSOCIATES
Chartered Accountant

C.A.SHAMIT MAJMUDAR
Proprietor
Membership No. 10595

Place : Mumbai
Dated : 27th May 2008

ANNEXURE TO AUDITORS' REPORT

[Referred to in paragraph (3) thereof]

(i) The nature of the Company's business/activities during the year is such that clauses (i) (ii) (vii) (viii) (x) and (xiii) (xiv) (of paragraph 4 of the Companies (Auditor's Report) order, 2003 are not applicable to the Company for the period ending 31st March 2008.

(ii) There are no loans , secured or unsecured, granted or taken by the company to or from companies, firms or other parties covered in the Register maintained under section 301 of The Companies Act, 1956.

(iii) In our opinion and according to the information and explanations given to us, there are adequate internal control procedures commensurate with the size of the Company and nature of its business,

(iv) In respect of transactions entered in the register maintained in pursuance of section 301 of the Companies Act 1956,
   (a) To the best of our knowledge and belief and according to the information and explanations given to us, transactions that needed to be entered into the register have been so entered.
   (b) According to the information and explanations given to us, there are no transactions/arrangements in excess of Rs 5 lakhs in respect of companies in which directors are interested and prices are reasonable having regard to the prevailing market prices at the relevant time.

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

(vi) According to the information and explanations given to us in respect of statutory and other dues:
   (a) The Company has been generally regular in depositing undisputed statutory dues.
   (b) There are no disputed dues payable by the company.

(vii) According to the information and explanations given to us, the company has not borrowed from any financial institution and bank, and there were no debenture holders during the year.

(viii) According to the information and explanation given to us, the Company has not given any loans and advances on the basis of security by way of pledge of shares, debentures and other securities.

(ix) According to the information and explanations given to us, the Company has not given any guarantee for loans taken by others from bank or financial institution.

(x) To the best of our knowledge and belief and according to the information and explanations given to us, the Company has not taken any term loan during the year.

(xi) According to the records examined by us and the information and explanations given to us, on an overall basis, funds raised on short term basis have, prima facie, not been used during the year for long term investment (fixed assets etc.) and vice versa.

(xii) The Company has not made any preferential allotment during the year.

(xiii) The Company has not issued any Debentures during the year.

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

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

For Shamit Majmudar Associates
Chartered Accountant

C. A. Shamit Majmudar
Proprietor
Membership No. 10595

Place : Mumbai
Dated : 27th May 2008

BALANCE SHEET AS AT 31ST MARCH 2008

	SCHEDULE	Current Period 31-Mar-08 Rupees	Previous period 30-Jun-07 Rupees
SOURCES OF FUNDS			
Shareholder's Funds			
Share Capital	A	500,000	500,000
Reserves and Surplus	B	673,139	673,139
		1,173,139	1,173,139
Loan Funds			
Unsecured Loans	C	43,646,760	–
		44,819,899	1,173,139
APPLICATION OF FUNDS			
Fixed Assets			
Gross Block		–	–
Less : Depreciation		–	–
		–	–
Investments	D	43,979,118	–
Current Assets,Loans & Advances			
Cash and bank balances	E	88,900	–
Loans and advances	F	–	400,000
		88,900	400,000
Less : Current Liabilities			
Liabilities	G	36,742	6,742
Net Current Assets		52,158	393,258
Miscellaneous Expenditure (To the extent not written off or adjusted)	I	–	773,139
Profit & loss account	J	788,623	6,742
		44,819,899	1,173,139
ACCOUNTING POLICIES & NOTES ON ACCOUNTS	H		

The schedule referred to above form an intergral part of the Balance Sheet.

As per our report of even date
For Shamit Majmudar associates
Chartered Accountants

Shamit Majmudar
Proprietor
M.No. 10595

Place : Mumbai
Date : 27th May 2008

For and on behalf of Board of Directors

Venkat Devarajan
Director

Kirti Desai
Director

Date : 27th May 2008

PROFIT & LOSS ACCOUNT FOR THE PERIOD FROM 1ST JULY 2007 TO 31ST MARCH 2008

	Current Period 31-Mar-08 Rupees	Previous period 30-Jun-07 Rupees
INCOME		
Digital exhibition Income	**-**	-
Other Income	**-**	-
	-	-
EXPENDITURE		
Audit fees	**6,742**	6,742
Filing fees	**1,500**	-
Legal & professional fees	**500**	-
Miscellaneous Expenditure W/off.	**773,139**	-
	781,881	6,742
LOSS FOR THE PERIOD	**(781,881)**	(6,742)
Add:Balance brought forward from previous years	**(6,742)**	-
Balance carried to balance sheet	**(788,623)**	(6,742)
Basic Earnings per share (Refer Note 12 to Schedule 'H')	**(157.72)**	(1.34)
Diluted Earnings per share (Refer Note 12 to Schedule 'H')	**(157.72)**	(1.34)

As per our report of even date
For Shamit Majmudar associates
Chartered Accountants

Shamit Majmudar
Proprietor
M.No. 10595

Place : Mumbai
Date : 27th May 2008

For and on behalf of Board of Directors

Venkat Devarajan
Director

Kirti Desai
Director

Date : 27th May 2008

CASH FLOW STATEMENT FOR THE PERIOD ENDED 31ST MARCH 2008

			Current Period 31-Mar-08 Rupees	Previous period 30-Jun-07 Rupees
A	**CASH FLOW FROM OPERATING ACTIVITIES**			
	Net profit before tax & extraordinary items		**(781,881)**	(6,742)
	Adjustment for:			
	Deferred revenue expenditure		**773,139**	0
	Operating profit before working capital changes		**(8,742)**	(6,742)
	Increase /(Decrease) in Sundry Debtors		**0**	10,072,627
	Increase/(Decrease) in trade payable		**30,000**	(52,275,899)
	(Increase)/decrease in Loans & Advances		**400,000**	4,350,216
	Cash generated from operation	(A)	**421,258**	(37,859,798)
B	**CASH FLOW FROM INVESTING ACTIVITIES**			
	Purchase of shares in subsidiary company		**(43,979,118)**	7,500,000
	(Purchase)/Sale of Fixed Assets		**0**	28,798,171
	Net cash used in investing activities	(B)	**(43,979,118)**	36,298,171
C	**CASH FLOW FROM FINANCING ACTIVITIES**			
	Proceeds from Issue of shares		**0**	400,000
	Proceeds from long term borrowings		**43,646,760**	0
	Net cash used for financing activities	(C)	**43,646,760**	400,000
	NET INCREASE/(DECREASE) IN CASH & CASH EQUIVALENT (A+B+C)		**88,900**	(1,161,627)
	Cash & cash equivalents as at the beginning of the period /year		**0**	1,161,627
	Cash & cash equivalents as at the end of the period/year		**88,900**	0

As per our report of even date
For Shamit Majmudar associates
Chartered Accountants

Shamit Majmudar
Proprietor
M.No. 10595

Place : Mumbai
Date : 27th May 2008

For and on behalf of Board of Directors

Venkat Devarajan
Director

Kirti Desai
Director

Date : 27th May 2008

SCHEDULES TO THE FINANCIAL STATEMENTS AS AT 31ST MARCH 2008

	SCHEDULE	**Nine months ended 31-Mar-08 Rupees**	Fifteen months ended 30-Jun-07 Rupees
A.	**SHARE CAPITAL**		
	Authorised		
	10,00,000 equity share of Rs.100/- each	**100,000,000**	100,000,000
	Issued, Subscribed & Paid up Capital		
	5,000 equity share of Rs.100/- each fully paid up	**500,000**	500,000
	(All the shares are held by holding company and its nominees)		
		500,000	500,000
B	**RESERVE & SURPLUS**		
	Capital Reserves		
	At the commencement of the period/year	**673,139**	-
	Add: Additions during the period/year	**-**	673,139
	Less : Utilised during the year	**-**	-
		673,139	673,139
C	**UNSECURED LOANS**		
	Adlabs Films Limited - Holding company	**43,646,760**	-
		43,646,760	-
D	**INVESTMENT**		
	Long term (Non trade, unquoted and at cost)		
	Investment in Shares of subsidiary companies	**-**	-
	Sri Ramakrishna Theatre Limited		
	4,01,242 (2007: Nil) equity shares of Rs.10 each ,fully paid up	**43,979,118**	-
		43,979,118	-
E	**CASH & BANK BALANCES**		
	Cash with scheduled banks-in Current Accounts	**88,900**	-
		88,900	-
F	**LOANS AND ADVANCES**		
	(Unsecured and Considered Good)		
	Advances recoverable in cash & kind or for value to be received		
	(from the holding company Adlabs Films Limited)	**-**	400,000
		-	400,000
G	**LIABILITIES**		
	Sundry creditors for expenses	**36,742**	6,742
	Other liabilities	**-**	-
		36,742	6,742
I	**Miscellaneous Expenses**		
	(to the extent not written off)	**-**	773,139
J	**Profit & Loss Account**	**788,623**	6,742

SCHEDULES TO THE FINANCIAL STATEMENTS AS AT 31ST MARCH 2008

Statement of Significant Accounting Policies and Notes forming part of Accounts.

Schedule " H"

1 Significant Accounting Policies

(a) Basis of Preparation of Accounts

The Financial statement have been prepared under the historical cost convention on the accrual basis of accounting and comply with Accounting Standards issued by the Institute of Chartered Accountants of India and the relevant provision of the Companies Act,1956 and adopted consistently.

The Preparation of financial statement in conformity with Accounting Standards requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent liabilities on the date of the financial statements.

(b) (i) Fixed Assets & Depreciation

Fixed Assets are stated at cost of acquisition including any cost attributable to bring the assets to its working condition for its intended use, less accumulated depreciation. However, there are no Fixed Assets in the Company in the current year.

(ii) Depreciation

The Company provides depreciation on Written Down Value Method (WDV) as per the provisions of Companies Act,1956 and at the rate specified in Schedule XIV of the Companies Act,1956.

(c) Investments

Current investments are carried at lower of cost and fair value. Long term investments are carried at cost . A provision for diminution is made to recognize a decline, other than temporary in the value of long term investments.

(d) Revenue Recognition

Income is recognised as and when accrues.

(e) Transaction in Foreign Currencies

The transactions in Foreign Currency are accounted at the equivalent rupee value on the date of the transaction. There are no such transactions in the current year.

(f) Taxation

The company has made provision for tax as applicable as per the Income Tax Act ,1961

2 Current period figures are not comparable with previous year and the current financials are for a period of 9 months as compared to the previous year financials which are for 15 months, pursuant to the change in accounting year adopted last year.

		Current Period Rs.	Previous Year Rs.
3	**Contingent Liabilities**	**NIL**	NIL
4	**CIF Value of Imports Capital Goods**	**NIL**	NIL
5	**Expenditure In Foreign Currency**	**NIL**	NIL
6	**Auditor's Remuneration (Audit Fees)**	**6,742**	6,742

7 Disclosure of Related Party Transactions under AS 18

Name of party	Relationship	Transaction during the year	Balance	Closing Particulars
Adlabs Films Limited	Holding company	4,00,000	Nil	Advance repaid by holding company
Adlabs Films Limited	Holding company	4,36,46,760	4,36,46,760	Loan given by holding company
Sri Ramakrishna Theatres Limited	Subsidiary company	4,39,79,118	4,39,79,118	Investment in shares of the company

8 The company is engaged in the business of exhibition of films in India , which is considered by management as the only reportable segment as required by AS 17 on Segment reporting.

9 According to the Accounting Standard 22 'Accounting for Taxes on Income' issued by the Institute of Chartered Accountants of India, no deferred tax liability is recognized as there is no timing difference which is likely to be reversed in the future and no deferred tax assets, either for current year or earlier year is recognised.

10 Earning Per Share:

Particulars	31.03.2008	31.03.2007
Net Profit/(Loss) after tax	**(788,623)**	(6,742)
Weighted average number of Shares	**5,000**	5,000
Face value per share	**100**	100
Earning/Loss Per Share(Basic and Diluted)	**(157.72)**	(1.34)

11 The other additional information as required by part II of Schedule VI of the Companies Act is either nil or not applicable.

12 Previous period figures have been regrouped wherever necessary.

As per our report of even date

For Shamit Majmudar associates
Chartered Accountants

Shamit Majmudar
Proprietor
M.No. 10595

Place : Mumbai
Date : 27th May 2008

For and on behalf of Board of Directors

Venkat Devarajan
Director

Kirti Desai
Director

Date : 27th May 2008

MUKTA ADLABS DIGITAL EXHIBITION PRIVATE LIMITED

BALANCE SHEET ABSTRACT AND COMPANY'S GENERAL BUSINESS PROFILE

I. Registration Details

Registration No. 1 4 2 0 4 8 State Code 1 1

Balance Sheet Date 3 1 (Date) 0 3 (Month) 2 0 0 8 (Year)

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

Public Issue	Rights Issue
NIL	NIL
Bonus issue	**Private Placement**
NIL	NIL

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

Total Liabilities	Total Assets
44819	44819

Sources of Funds

Paid up Capital	Reserves & Surplus
500	673
Secured Loans	**Unsecured Loans**
NIL	43646
Deferred Tax Laibility	
NIL	

Application of Funds

Net Fixed Assets	Investments
NIL	43979
Net Current Assets	**Misc.Expenditure**
52	NIL
Accumulated Losses	
788	

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

Turnover	Total Expenditure
NIL	781
Profit/Loss Before Tax	**Profit/Loss after Tax**
-781	-781

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

Earning per share in Rs.	Dividend %
-157.72	NIL

V. Generic Names of Three Principal Products/Services of Company (as per monetary terms)

Item Code No. (ITC Code) NIL

Product Description EXHIBITION OF FILMS

For and on behalf of the Board

Venkat Devarajan
Director

Kirti Desai
Director

Place : Mumbai
Date : 27th May, 2008.

STATEMENT PURSUANT TO SECTION 212 OF THE COMPANIES ACT, 1956 RELATING TO COMPANY'S INTEREST IN THE SUBSIDIARY COMPANIES

(Amount in Indian Rs.)

	Name of the Subsidiary	Financial Year ending of the Subsidiary	Date from which it became subsidiary company	Number of equity shares held	Extent of holding	Net aggregate amount of profit/loss so far as it concerns the members of the holding company's			
						Not dealt with in the holding Company's Accounts		Dealt with in the holding Company's Accounts	
						for the financial year of Subsidiary	for the previous financial years of the Subsidiary Company since it became the Holding Company's Subsidiary	for the financial year of Subsidiary	for the previous financial years of the Subsidiary Company since it became the Holding Company's Subsidiary
1	Sri Ramakrishna Theatre Limited	31.3.2008	11.1.2008	4,01,242 Equity Shares of Rs.10/- each	89.16%	Rs. 123,060/-	NIL	NIL	NIL

For and on behalf of the Board

Venkat Devarajan
Director

Kirti Desai
Director

Place : Mumbai
Date : 27th May, 2008.

DIRECTORS' REPORT

Dear Shareholders,

Your Board of Directors takes pleasure in presenting the 66th Annual report for the year ended 31st March 2008.

FINANCIAL RESULTS:

(Amount in Rupees)

	2008	2007
Income from Operation and other Income	**40,38,518.62**	35,20,541.73
Profit Before Depreciation and Tax	**12,60,358.98**	7,38,591.05
Depreciation	**1,51,595.81**	1,57,675.88
Prior Period Items	**23,726.00**	1,05,000.00
Profit Before Tax	**10,85,037.17**	4,75,915.17
Provision for Tax	**3,65,693.00**	1,68,452.00
Profit After Tax	**7,19,344.17**	3,07,463.17
Profit Brought Forward from Last Year	**4,73,670.51**	4,44,532.34
Appropriations	**1,50,000.00**	2,78,325.00
Balance Carried Forward to Balance Sheet	**10,43,014.68**	4,73,670.51

On 11th January 2008, Mukta Adlabs Digital Exhibitions Private Limited (name change to Adlabs Multiplexes and Theatres Private Limited w.e.f. May 1, 2008) acquired a controlling interest pursuant to acquisition of 88% of the Equity shareholding of your Company. Subsequent to this and as a result of further acquisition of 1.16%, its total shareholding in your Company stood at 89.16% as on 31st March 2008.

OPERATIONS:

For the Financial year ended 31st March 2008 the Company has earned a profit of Rs.7,19,344/- after providing for depreciation of Rs.1,51,596/- and provision for taxation, Deferred tax and tax on Fringe Benefits aggregating to Rs. 3,65,693/-. The Directors do not propose any dividends in view of future expansion programme and requirement of funds for investments. However, a sum of Rs.1,50,000/- is transferred to General Reserve. The Surplus of Rs.10,43,015/- after reckoning the last years' brought forward surplus of Rs. 4,73,671/- is carried forward to the next year.

DIVIDEND:

The Directors have not recommended any dividend on the equity shares of the Company for the year ended 31st March 2008.

DIRECTORS:

In accordance with the provisions of the Companies Act, 1956 and the Articles of Association, Mr. T. Ashok Pai retires by rotation and being eligible, offers himself for reappointment.

Mr. Bala Shetty and Mr. Venkat Devarajan were appointed as Additional Directors of the Company on 11th January 2008 pursuant to Section 260 of the Companies Act, 1956 to hold office upto the date of this Annual General Meeting.

Further, Ms. Kirti Desai was also appointed as Additional Director of the Company on 11th March 2008 pursuant to Section 260 of the Companies Act, 1956 to hold office upto the date of this Annual General Meeting.

The Company has received Notice under section 257 of the Companies Act, 1956 from members proposing the candidature of Mr. Bala Shetty, Ms. Kirti Desai and Mr. Venkat Devarajan respectively for the office of Director.

Mr. U. Ramachandra Kamath, Mr. Ramdas Pai, Mr. U. Giridhar Rao and Mr. A. Giridhar Pai have resigned from the Directorship of your Company with effect from 11th January 2008. The Board places on record its sincere appreciation to the active involvement and support of Mr. U. Ramachandra Kamath, Mr. Ramdas Pai, Mr. U. Giridhar Rao and Mr. A. Giridhar Pai during their tenure in the Company.

Mr. T. Satish Pai and Mr. Harish Shenoy further resigned from Directorship of your Company with effect from 25th January 2008. The Board places on record its sincere appreciation to the active involvement and support of Mr. T. Satish Pai and Mr. Harish Shenoy during their tenure in the Company.

AUDITORS:

Mr. B. Balakrishna Shanbhogue, Chartered Accountant, Auditors of the Company, hold office until the conclusion of the ensuing Annual General Meeting and are eligible for reappointment. The Company has received letter from Mr. B. Balakrishna Shanbhogue, Chartered Accountant, to the effect that their reappointment, if made, would be within the limits under Section 224(1B) of the Companies Act, 1956 and they are not disqualified for such reappointment. Members are requested to appoint Auditors for the financial year 2008-2009.

COMPLIANCE CERTIFICATE:

The Company appointed Mr. Sadananda S. Kamath, Company Secretary for the certificate of compliance under Section 383A (1) of the Companies Act, 1956 for the financial year 2007-2008. The Certificate is attached with the Directors' Report.

REMUNERATION TO EMPLOYEES:

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

PUBLIC DEPOSITS:

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

CONSERVATION OF ENERGY, TECHNOLOGY ABSORPTION:

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

FOREIGN EXCHANGE EARNING AND OUTGO:

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

DIRECTORS RESPONSIBILITY STATEMENT:

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

a) in the presentation of the annual accounts, the applicable accounting standard has been followed alongwith proper explanation relating to material departures;

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

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

d) the directors had prepared the annual accounts on going concern basis.

ACKNOWLEDGEMENT:

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

For and on behalf of Board

Mr. Balakrishna R Shetty
Director

Mr. Venkat Devarajan
Director

Place : Udupi

Date : 27th May 2008.

ANNEXURE TO THE DIRECTORS' REPORT

COMPLIANCE CERTIFICATE

CIN : U09214KA1941PLC001222

To
The Members
Sri Ramakrishna Theatre Limited
Regd. Office: Kalpana Theatre Building
Upendra Bagh,
UDUPI 576 101. (KARNATAKA)

Dear Sirs,

I have examined the Registers, Records, Books and Papers of Sri Ramakrishna Theatre Limited. as required to be maintained under the Companies Act, 1956 (the Act) and the rules made thereunder and also the provisions contained in the Memorandum and Articles of Association of the Company for the financial year ended on 31st March, 2008. In my opinion and to the best of my information and according to the examinations carried out by me and explanations furnished to me by the Company, its officers and agents, I certify that in respect of the aforesaid financial year:

1. The Company has kept and maintained all registers as stated in Annexure 'A' to this certificate, as per the provisions of the Companies Act, 1956 and the rules made thereunder and all entries therein have been duly recorded.
2. The Company has duly filed the forms and returns as stated in Annexure 'B' to this certificate, with the Registrar of Companies, or other authorities within the time prescribed under the Act and the rules made thereunder.
3. The Company, being a public limited Company has the minimum prescribed paid up capital
4. The Board of directors met 5 times on 17th June, 2007, 25th September, 2007, 26th December, 2007, 11th January, 2008 and 11th March, 2008 in respect of which meetings proper notices were given and the proceedings were properly recorded and signed in the Minutes Book maintained for the purpose.
5. The Company has closed its Register of Members on 29th August, 2008 for the purpose of declaration of dividend and holding the 66th Annual General Meeting.
6. The 66th Annual General Meeting for the financial year ended on 31.3.2007 was held on 29th August, 2007 after giving due notice to the members of the Company and the resolutions passed thereat were duly recorded in Minutes Book maintained for the purpose.
7. No Extra Ordinary General meeting was held during the financial year.
8. The Company has not advanced any loans to its directors or persons or firms or companies referred to under Section 295 of the Act.
9. The Company has not entered into any contracts falling within the purview of Section 297 of the Act.
10. The Company has made necessary entries in the register maintained under Section 301 of the Act.
11. As there has not been any instances falling within the purview of Section 314 of the Act, the Company has not obtained any approvals from the Board of Directors, Members or Central Government as the case may be.
12. The Company has issued duplicate Share certificates during the financial year.
13. The Company has:
    i. delivered all the Share Certificates on allotment of securities and on lodgement thereof for transfer, transmission etc. in accordance with the provisions of the Act.
    ii. deposited requisite amount in a separate Bank Account as dividend was declared during the financial year and dividend cheques were posted to all the members within the stipulated time period.
    iii. duly complied with the requirements of Section 217 of the Act.
    iv. duly transferred unclaimed dividends which have remained unclaimed or unpaid for 7 years to Investor Education and Protection Fund and requisite returns have been filed with Registrar of Companies, Bangalore
    v. Company does not have:
    (a) application money due for refund,
    (b) matured deposits,
    (c) no matured debentures and interest accrued thereon which have remained unclaimed or unpaid for 7 years to Investor Education and Protection Fund.
14. The Board of Directors of the Company is duly constituted.
15. The Company has not appointed any Whole-time director during the financial year.
16. The Company has not appointed any sole selling agents during the financial year.
17. The Company was not required to obtain any approval of the Central Government, Company Law Board, Regional Director, /or such authorities prescribed under the various provisions of the Act.
18. The directors have disclosed their interest in other firms/companies to the Board of Directors pursuant to the provisions of the Act and the Rules made there under.
19. The Company has issued 4,00,000 Equity shares of Rs.10/- each at a premium of Rs.60/- per share to the existing equity shareholders on Rights Basis during the financial year.
20. The Company has not bought back any shares during the financial year.
21. There was no redemption of preference shares or debentures during the year.
22. There were no transactions necessitating the Company to keep in abeyance the rights to dividend, rights shares and bonus shares pending registration of transfer of shares.
23. The Company has not invited/accepted any deposits including any unsecured loans falling within the preview of Section 58A during the financial year.
24. The Company has not made any borrowings during the financial year ended 31.3.2008.
25. The Company has not given any loans or advances or given guarantees or provided securities to other bodies corporate and consequently no entries have been made in the register kept for the purpose.
26. The Company has not altered the provisions of the memorandum with respect to situation of the company's registered office from one state to another during the year under scrutiny.
27. The Company has not altered the provisions of the memorandum with respect to the objects of the Company during the year under scrutiny.
28. The Company has not altered the provisions of the memorandum with respect to name of the Company during the year under scrutiny.
29. The Company has altered the provisions of the memorandum with respect to share capital of the Company during the year under scrutiny.
30. The Company has altered its articles of association during the financial year.
31. There were no prosecution initiated against or show cause notices received by the Company during the financial year for offences under the Act.
32. The Company has not received any money as security from its employees during the financial year.
33. The Company has 11 employees at present, therefore, Provisions of PF Act and ESI Act are applicable. The company has duly complied with the provisions of the said Acts.

Sd/-

Place : Manipal,
Date : 27th May, 2008

Name : Sadananda S. Kamath
Company Secretary
C.P.No : ACS-535, C. P. 4477

ANNEXURE-A

Registers as maintained by the Company:

1. Register of Members u/s 150
2. Copy of Annual Returns u/s 159
3. Minutes of Board Meetings/Annual General Meetings/Extra Ordinary General Meetings u/s 193
4. Register of Contracts under Section 301.
5. Register of Directors u/s 303
6. Books of Accounts under Section 209.
7. Register of Directors Shareholdings Pursuant to Section 307 of Companies Act
8. Register of investments under Section 372A of the Act.

ANNEXURE "B"

Forms and Returns as filed by the Company with the Registrar of Companies, during the financial year ended on 31st March 2008.

1. Annual Report containing Directors Report, Auditors Report, Balance Sheet and Profit and Loss Account for the financial year ended 31st March 2007 in Form Nos.23AC and 23ACA vide SRN P09822032 dtd.18.09.2007
2. Annual Returns in Form No.20B u/s 159 vide SRN P09834326 dtd.19.09.2007
3. Form No.32 u/s 303 (2) - Particulars of appointment/ Changes of Directors, vide SRN A17042342 dtd.27.06.2007, SRN A30759179 dtd.29.01.2008, SRN 30841340 dtd.30.01.2008, and SRN 33673385 dtd.13.03.2008.
4. Form 23 for alteration of Memorandum and Articles of Association and issue of Rights shares vide SRN A22477285 dtd.18.09.2007 and SRN A22512248 dtd.19.09.2007
5. Form No.5 for increase in Authorised Capital vide SRN.A23418924 dtd.03.10.2007
6. Form No.2 for allotment of equity shares issued on Rights Basis vide SRN A26814251 dtd.28.11.2007
7. Form No.1INV (statement of amount credited to Investor Education & Protection Fund) vide SRN A25435645 dtd.02.11.2007.

Sd/-

Place : Manipal,
Date : 27th May, 2008

Name : Sadananda S. Kamath
Company Secretary
C.P.No : ACS-535, C. P. 4477

AUDITORS' REPORT

Auditor's Report to the members of
SRI RAMAKRISHNA THEATRE LIMITED, UDUPI.

I have audited the attached Balance Sheet of SRI RAMAKRISHNA THEATRE LIMITED, UDUPI, as on 31st March 2008 and also the Profit and Loss Account for the year ended on that date annexed thereto. These financial statements are the responsibility of the Company's Management. My responsibility is to express an opinion on these financial statements based on my audit.

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

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

Further to my comments in the Annexure referred to above, I report that :

(i) I have obtained all the information and explanations, which to the best of my knowledge and belief were necessary for the purpose of audit;

(ii) In my opinion, proper books of accounts as required by law have been kept by the company so far as appears from my examination of those books.

(iii) The Balance Sheet and Profit & Loss Account dealt with by this report are in agreement with books of account.

(iv) In my opinion, the Balance Sheet and Profit & Loss Account dealt with by this report comply with the accounting standards referred to in sub-section (3C) of section 211 of the Companies Act 1956.

(v) On the basis of written representations received from the directors, I report that all the directors are qualified as on 31st March 2008 for being appointed as a director in terms clause (g) of sub-section (1) of section 274 of the Companies Act 1956

(vi) In my opinion and to the best of my information and according to the explanations given to me, the said accounts read together with the notes thereon and in particular note no.3 to Notes On Accounts give the information required by the Companies Act 1956, in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India;

  (a) In the case of the Balance Sheet, of the state of affairs of the Company as at 31 st March 2008.

  (b) In the case of the Profit & Loss Account, of the PROFIT for the year ended on that date.

B. B. Shanbhogue
B. Com., F.C.A
Chartered Accountant

Place: Mangalore
Date : 27th May 2008.

ANNEXURE TO AUDITORS' REPORT

As required by the Companies (Auditor's Report) Order, 2003, issued by the Company Law Board under Section 227(4A) of the Companies Act 1956, I report as under :

1. The Company had maintained proper records to show particulars including quantitative details and situation of fixed assets from the available record. It is reported by the management that the Company is in process of compiling the record of fixed assets.

2. The Company has not granted or taken any loan from Companies, firms or other parties listed in the register maintained under Section 301 of the Companies Act, 1956 or from the Companies under the same management as defined under Section 370(IB) of the Companies Act, 1956.

3. In my opinion and according to the information and explanations given to me, there is an adequate internal control procedure commensurate with the size of the Company and nature of the business for the purchase of stores, components and other assets.

4. In my opinion and according to the information and explanations given to me, there were no transactions relating to purchase of goods, materials nor sale of goods and services for value aggregating to Rs. 5,00,000/- or more during the period with Firms, Companies and other parties listed in the register maintained under Section 301 of the Companies Act, 1956.

5. The Company has not accepted deposits from the public.

6. The Central Government has not prescribed maintenance of cost records under Section 209(i)(d) of the Companies Act, 1956.

7. The Company is depositing undisputed Public Provident Fund, Employees State Insurance, Income Tax and other Statutory Dues regularly with appropriate authorities.

8. The Company has not defaulted in repayment of dues to a financial institution or bank.

9. The Company has not given any guarantee for loans taken by others from bank or financial institution the terms and conditions whereof are prejudicial to the interest of the Company.

10. The funds raised on short term basis and long term basis have been applied accordingly.

11. The Company has not made any preferential allotment of shares to companies covered in the Register maintained under section 301 of the Act.

12. Based upon the audit procedures performed and as per the information and explanation given by the management, I report that no fraud on or by the company has been noticed or reported during the course of audit.

13. The sub-clauses (ii), (v), (vii), (x), (xii), (xiii), (xiv), (xvi), (xix) and (xx) of clause 4 (A) of the order are not applicable to this Company.

B. B. Shanbhogue
B. Com., F.C.A
Chartered Accountant

Place: Mangalore
Date : 27th May 2008.

SRI RAMAKRISHNA THEATRE LIMITED

BALANCE SHEET AS AT 31ST MARCH 2008

	Schedule No.	As at March 31, 2008 Rupees		As at March 31, 2007 Rupees	
SOURCES OF FUNDS					
Shareholders' Funds					
Share Capital	1	**4,500,000.00**		500,000.00	
Reserves and surplus	2	**29,817,791.68**	**34,317,791.68**	5,231,670.51	5,731,670.51
Loan Funds					
Unsecured Loans	3	–	–	13,055.19	13,055.19
Deferred Tax Liability	4		**6,178.00**		20,485.00
TOTAL			**34,323,969.68**		5,765,210.70
APPLICATION OF FUNDS					
Fixed Assets	5				
Gross Block		**4,111,820.61**		4,050,279.61	
Less : Accumulated Depreciation		**(2,355,105.27)**		(2,218,808.50)	
Net Block			**1,756,715.34**		1,831,471.11
Investments	6		**31,597,640.00**		4,128,129.00
Current Assets, Loans and Advances					
Inventories	7	**7,157.00**		4,885.00	
Cash and Bank Balances	8	**696,572.27**		108,502.47	
Other Current Assets	9	**332,169.51**		123,011.25	
Loans and Advances	10	**513,452.00**		393,907.03	
		1,549,350.78		630,305.75	
Less : Current Liabilities and Provisions					
Current liabilities	11	**203,501.47**		414,719.16	
Provisions	12	**376,234.97**		409,976.00	
		579,736.44		824,695.16	
Net Current Assets			**969,614.34**		(194,389.41)
TOTAL			**34,323,969.68**		5,765,210.70

NOTES TO THE FINANCIAL STATEMENTS 18

Schedules referred to above and notes attached thereto form an integral part of the Balance Sheet.

As per my report of even date

For and on behalf of Board of Directors

B. B. Shanbhogue
Chartered Accountant, B.Com F.C.A.
M.NO. 10336

Balakrishna R. Shetty
Director

Venkat Devarajan
Director

Place : Udupi
Date : 27th May, 2008.

Date : 27th May, 2008.

PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31ST MARCH 2008

	Schedule No.	Year Ended March 31, 2008 Rupees		Year Ended March 31, 2007 Rupees	
INCOME					
Sales and Services	**13**	**3,422,097.00**		2,976,305.00	
Other Income	**14**	**616,421.62**		544,236.73	
			4,038,518.62		3,520,541.73
EXPENDITURE					
Direct Operational Expenses	**15**	**1,610,349.00**		1,530,315.00	
Staff Cost	**16**	**98,983.00**		416,142.00	
Other Expenses	**17**	**1,067,326.06**		826,459.99	
			2,776,658.06		2,772,916.99
PROFIT BEFORE INTEREST, DEPRECIATION AND TAX			**1,261,860.56**		747,624.74
Less : Interest			**1,501.58**		9,033.69
PROFIT BEFORE DEPRECIATION AND TAX			**1,260,358.98**		738,591.05
Less : Depreciation			**151,595.81**		157,675.88
PROFIT BEFORE TAX & PRIOR PERIOD ITEMS			**1,108,763.17**		580,915.17
Less : Prior Period Items					
Roylaties		**-**		105,000.00	
Building Tax		**18,061.00**		-	
Distributable Profit Tax		**5,665.00**	**23,726.00**	-	105,000.00
PROFIT BEFORE TAX			**1,085,037.17**		475,915.17
Less : Provision for Taxation					
- Current Tax		**360,000.00**		165,000.00	
- Deferred Tax		**(14,307.00)**		(16,548.00)	
- Fringe Benefit Tax		**20,000.00**	**365,693.00**	20,000.00	168,452.00
PROFIT AFTER TAX			**719,344.17**		307,463.17
Balance Profit brought forward			**473,670.51**		444,532.34
NET PROFIT AVAILABLE FOR APPROPRIATION			**1,193,014.68**		751,995.51
Less :					
- Proposed Dividend		-		200,000.00	
- Tax on Distributable Profit		-		28,325.00	
- Transfer to General Reserve		**150,000.00**	**150,000.00**	50,000.00	278,325.00
BALANCE CARRIED TO BALANCE SHEET			**1,043,014.68**		473,670.51
Earnings Per Share (Nominal Value per share Rs.10/- each)					
Basic			**5.23**		6.15
Diluted			**5.23**		6.15
NOTES TO THE FINANCIAL STATEMENTS	**18**				

Schedules referred to above and notes attached thereto form an integral part of the Profit and Loss Account

As per my report of even date

For and on behalf of Board of Directors

B. B. Shanbhogue
Chartered Accountant, B.Com F.C.A.
M.NO. 10336

Balakrishna R. Shetty
Director

Venkat Devarajan
Director

Place : Udupi
Date : 27th May, 2008.

Date : 27th May, 2008.

CASH FLOW STATEMENT FOR THE YEAR ENDED 31ST MARCH 2008

		March 31, 2008 Rupees
A.	**Cash flow from operating activities:**	
	Net Profit before Tax	1,108,763.17
	Adjustments for:	
	Depreciation	151,595.81
	Loss on sale of Fixed Assets (Net)	8,338.96
	Operating profit before working capital changes	**1,268,697.94**
	Adjustments for changes in working capital :	
	- (Increase)/Decrease in Other Receivables & Loans & Advances	(328,703.23)
	- (Increase)/Decrease in Inventories	(2,272.00)
	- Increase/(Decrease) in Trade Payables & Provisions	(244,958.72)
	Cash generated from operations	**692,763.99**
	- Taxes (Paid) / Received (Net of Tax Deducted at source)	(380,000.00)
	- Prior Period (Expenses)/Income (Net)	(23,726.00)
	Net cash from operating activities (A)	**289,037.99**
B.	**Cash flow from Investing activities:**	
	Purchase of Fixed Assets	(132,805.00)
	Proceeds from Sale of Fixed Assets	47,626.00
	Purchase of Investments (Deposits with Bank)	(27,469,511.00)
	Net cash used in investing activities (B)	**(27,554,690.00)**
C.	**Cash flow from financing activities:**	
	Proceeds form fresh issue of Share Capital (including Share Premium)	28,000,000.00
	Share Issue Expenses	(133,223.00)
	Repayment of Loan	(13,055.19)
	Net cash used in financing activities (C)	**27,853,721.81**
	Net Increase/(Decrease) in Cash & Cash Equivalents (A) + (B) + (C)	**588,069.80**
	Cash and Cash Equivalents as at 31.03.2006	**108,502.47**
	Cash and cash equivalents as at 31.03.2007	**696,572.27**
	Cash and Cash Equivalents Comprise	
	Cash, Cheques & Drafts (in hand) and Remittances in transit	**7,215.55**
	Balance with Scheduled Banks	**689,356.72**
	Total	**696,572.27**

Notes :

1 The above Cash flow statement has been prepared under indirect method setout in AS-3 issued by the Institute of Chartered Accountants of India.

2 Figures in brackets indicate cash outgo.

As per my report of even date

B. B. Shanbhogue
Chartered Accountant, B.Com F.C.A.
M.NO. 10336

Place : Udupi
Date : 27th May, 2008.

For and on behalf of Board of Directors

Balakrishna R. Shetty
Director

Venkat Devarajan
Director

Date : 27th May, 2008.

SCHEDULES TO THE FINANCIAL STATEMENTS AS AT 31ST MARCH 2008

			As at March 31, 2008 Rupees		As at March 31, 2007 Rupees
1	**SHARE CAPITAL**				
	AUTHORISED				
	7,50,000 Equity Shares of Rs.10/- each		**7,500,000.00**		500,000.00
	ISSUED, SUBSCRIBED & PAID UP				
	4,50,000 (2007 : 50,000) Equity Shares of Rs. 10/- each, fully paid up. (Out of the above 4,01,242 Equity Shares are held by Adlabs Multiplexes and Theatres Pvt Ltd, formerly known as Mukta Adlabs Digital Exhibition Pvt. Ltd., the Holding Company)		**4,500,000.00**		500,000.00
	TOTAL		**4,500,000.00**		500,000.00
2	**RESERVES AND SURPLUS**				
	SECURITIES PREMIUM ACCOUNT				
	At the Commencement of the year		**8,000.00**		8,000.00
	Add: Addition during the year		**24,000,000.00**		–
	Less : Right Issue Expenses		**(133,223.00)**		
			23,874,777.00		8,000.00
	CAPITAL RESERVE		**2,500,000.00**		2,500,000.00
	As per last Balance Sheet				
	GENERAL RESERVE				
	At the Commencement of the year		**2,250,000.00**		2,200,000.00
	Add: Transferred from Profit and Loss Account		**150,000.00**		50,000.00
			2,400,000.00		2,250,000.00
	PROFIT & LOSS ACCOUNT				
	As per annexed Profit and Loss Account		**1,043,014.68**		473,670.51
	TOTAL		**29,817,791.68**		5,231,670.51
3	**UNSECURED LOANS**				
	Others		–		13,055.19
	TOTAL		–		13,055.19
4	**DEFERRED TAX LIABILITY**				
	Deferred Tax Liability Arising on account of timing difference in : - Others	**6,178.00**	**6,178.00**	20,485.00	20,485.00
	TOTAL		**6,178.00**		20,485.00

5 FIXED ASSETS

Particulars	COST				DEPRECIATION / AMORTISATION			NET BLOCK	
	As at 1-Apr-07	Additions	Deductions	As at 31-Mar-08 (A)	As at 1-Apr-07	For the Year	As at 31-Mar-08 (B)	**As at 31-Mar-08 (A-B)**	As at 31-Mar-07
Building	1,534,167	–	–	1,534,167	391,315	25,007	416,322	**1,117,845**	1,142,852
Plant & Machinery	1,674,679	123,855		1,798,534	1,078,891	122,063	1,200,954	**597,580**	595,788
Electrical Fittings & other Accessories	212,849	8,950		221,799	211,661	611	212,272	**9,527**	1,188
Furniture & Fixtures	557,321	–		557,321	521,642	3,915	525,557	**31,763**	35,678
Office Equipments	71,264	–	71,264	–	15,299	–	15,299 (15,299)	**(15,299)** **15,299**	55,965
Grand Total	**4,050,280**	**132,805**	**71,264**	**4,111,821**	**2,218,809**	**151,596**	**2,355,105**	**1,756,715**	**1,831,471**

SCHEDULES TO THE FINANCIAL STATEMENTS AS AT 31ST MARCH 2008

		As at March 31, 2008 Rupees	As at March 31, 2007 Rupees
6	**INVESTMENTS**		
	Current Investments (Non-Trade, Unquoted)		
	- Rural Electrification Corporation Bonds	**2,200,000.00**	2,200,000.00
	- 60 Equity Shares of Manipal Industries Ltd & 200 Equity Shares of Efficient Management Services (P) Ltd at Face Value of Rs. 10/- each, valued at Cost	**2,640.00**	2,640.00
	- Kisan Vikas Patra	**175,000.00**	175,000.00
	- National Saving Certificate	**20,000.00**	20,000.00
	- Fixed Deposit with Banks	**29,200,000.00**	1,730,489.00
	TOTAL	**31,597,640.00**	4,128,129.00
7	**INVENTORIES**		
	Stock of Spares	**7,157.00**	4,885.00
	TOTAL	**7,157.00**	4,885.00
8	**CASH AND BANK BALANCES**		
	i. Cash and Cheques On Hand	**7,215.55**	6,717.85
	ii. Balance With Scheduled Banks		
	- Current Account	**689,356.72**	101,784.62
	TOTAL	**696,572.27**	108,502.47
9	**OTHER CURRENT ASSETS**		
	Interest Accrued	**332,169.51**	123,011.25
	TOTAL	**332,169.51**	123,011.25
10	**LOANS AND ADVANCES**		
	Unsecured & Considered Good Unless Otherwise Stated		
	Advances Recoverable In Cash Or In Kind Or For Value To Be Received	**179,555.00**	213,388.00
	Advance Income Tax	**302,250.00**	147,200.00
	Fringe Benefit Tax Advances	**25,300.00**	32,000.00
	Tax Deducted at Sources	**6,347.00**	1,319.03
	TOTAL	**513,452.00**	393,907.03
11	**CURRENT LIABILITIES**		
	Sundry Creditors for Goods & Services		
	- for Others	–	1,000.00
	Sundry Creditors for Expenses	**117,491.70**	80,226.70
	Deposits	**27,303.00**	277,303.00
	Unclaimed Dividend	**58,706.77**	56,189.46
	TOTAL	**203,501.47**	414,719.16
12	**PROVISIONS**		
	Provision for Income Tax	**356,234.97**	160,577.00
	Provision for Fringe Benefit Tax	**20,000.00**	21,074.00
	Proposed Dividend	–	200,000.00
	Provision for Distributable Profit Tax	–	28,325.00
	TOTAL	**376,234.97**	409,976.00

SCHEDULES TO THE FINANCIAL STATEMENTS AS AT 31ST MARCH 2008

			As at March 31, 2008 Rupees		As at March 31, 2007 Rupees
13	**SALES AND SERVICES**				
	Theatre Share Received		**2,339,497.00**		1,970,179.00
	Theatre Maintenance Charges		**405,645.00**		355,822.00
	Entertainment Tax Collected		**646,720.00**		622,779.00
	Slide Advertisement Charges		**30,235.00**		27,525.00
	TOTAL		**3,422,097.00**		2,976,305.00
14	**OTHER INCOME**				
	Rent Received		**116,830.00**		133,545.00
	Miscellaneous Receipt		**40,202.50**		35,560.19
	Interest Received from Bank & Others		**459,389.12**		375,131.54
	TOTAL		**616,421.62**		544,236.73
15	**DIRECT OPERATIONAL EXPENSES**				
	Establishment Charges		**943,760.00**		906,911.00
	Entertainment Tax		**646,855.00**		622,779.00
	Licence Fees		**19,734.00**		625.00
	TOTAL		**1,610,349.00**		1,530,315.00
16	**STAFF COST**				
	Salaries, Wages, Bonus		**98,983.00**		96,732.00
	Gratuity Paid		–		319,410.00
	TOTAL		**98,983.00**		416,142.00
17	**OTHER EXPENSES**				
	Rent - Premises		**840.00**		10,935.00
	Repairs and Maintenance				
	Machinery	**50,608.00**		11,730.00	
	Buidling	**9,971.00**		6,725.00	
	Others (Spares)	**45,728.00**	**106,307.00**	42,665.00	61,120.00
	Rates & Taxes		**63,875.50**		20,532.00
	Insurance		**6,199.00**		8,553.00
	Electricity Charges		**312,673.55**		292,933.40
	Travelling & Conveyance Expenses		**261,697.00**		275,214.00
	Communication & Postage Expenses		**31,223.00**		29,637.00
	Printing & Stationery Charges		**19,650.00**		18,090.50
	Directors Sitting Fees		**6,500.00**		6,500.00
	Auditors Remuneration		**21,915.00**		21,605.00
	Loss on Sale of Fixed Assets		**8,338.96**		–
	Miscellaneous expenses		**228,107.05**		81,340.09
	TOTAL		**1,067,326.06**		826,459.99

SCHEDULES TO THE FINANCIAL STATEMENTS AS AT 31ST MARCH 2008

SCHEDULE 18:

SIGNIFICANT ACCOUNTING POLICIES & NOTES ON ACCOUNTS :-

1. SIGNIFICANT ACCOUNTING POLICIES:

(i) METHOD OF ACCOUNTING :

The financial statements are prepared under the historical cost and convention and in accordance with the generally accepted accounting principles and requirements of the Companies Act, 1956.

The Company generally follows accrual system of accounting and recognises significant items of income and expenditure on accrual basis except for gratuity payable to employees.

(ii) FIXED ASSETS & DEPRECIATION:

Fixed Assets are stated at cost less accumulated depreciation. Depreciation has been provided using Straight Line method.

(iii) INVESTMENTS:

a) Long-term investments held by the Company are shown at cost. Provision for diminution in value of long-term investments is made only if, such a decline is other than temporary in the opinion of the management.

b) Bonus entitlements are recognised on ex-bonus dates and no cost is attributed to bonus shares.

c) The Company has made short term investment of Rs. 2,85,00,000/- out of share issue money received.

(iv) RETIREMENT BENEFITS:

Retirement benefits in the form of Provident Fund, Superannuation, and Pension Schemes (covered under provident fund), whether in pursuance of any law or otherwise, is accounted on accrual basis and charged to the Profit & Loss Account. Leave encashment provided by the Company is not in the nature of retirement benefit. No Provision has been made in the accounts towards the Gratuity Liability of the Employees of the Company, which works out to Rs. 4,36,620/-. The gratuity shall be paid as and when the claim arises. Non provision for gratuity results in over statement of profit for the year by Rs.75,620/-.

2. **NOTES ON ACCOUNTS** :

1. AUDITORS' REMUNERATION :

Particulars	**Year Ended 31.03.2008 (Rupees)**	Year Ended 31.03.2007 (Rupees)
Audit Fees	**12,000.00**	12,000.00
Fees for Taxation work	**2,500.00**	2,500.00
Certificate fees	**500.00**	500.00
Travelling and out of Pocket Expenses	**2,915.00**	2,605.00
Tax Audit fees	**4,000.00**	4,000.00
Service tax	**–**	–
TOTAL Rs.	**21,915.00**	21,605.00

2. No Provision has been made in the accounts towards the Gratuity Liability of the Employees of the Company, which works out to Rs. 4,36,620/-. The gratuity shall be paid as and when the claim arises. Non provision for gratuity results in over statement of profit for the year by Rs.75,620/- and over statement of Reserves and Surplus by Rs. 4,36,620/-and understatement of liability by like amount.

3. The Company has maintained proper records to show particulars including quantitative details and situation of fixed assets for the preceding two years. The process of compilation of the records of Fixed Assets for earlier years is in progress.

4. The Company has only One Segment of Multiplex Business, and it is the only Business Segment.

5. Earning per Share

Particulars	**31.03.2008**	31.03.2007
Net Profit after Tax	**7,19,344.17**	3,07,463.17
Weighted Average Number of Shares	**1,37,671**	50,000
Earning Per Shares	**5.23**	6.15

6. Deferred Tax Liability of Rs. 6,178/- is arising on account of Timing Difference in the Books value of Fixed Asset as per Income Tax and as per the Financial Statement.

7. Figures for the previous year have been re-grouped and re-classified wherever necessary.

As per my report of even date

B. B. Shanbhogue
Chartered Accountant, B.Com F.C.A.
M.NO. 10336

Place : Udupi
Date : 27th May, 2008.

For and on behalf of Board of Directors

Balakrishna R. Shetty
Director

Venkat Devarajan
Director

Date : 27th May, 2008.

BALANCE SHEET ABSTRACT AND COMPANY'S GENERAL BUSINESS PROFILE

(Rs.in '000)

I. Registration details

Registration no.	0 0 1 2 2 2	State Code	0 8
Balance Sheet date	3 1 0 3 0 8		

II. Capital raised during the Period

	Public Issue	Right Issue
	N I L	4 0 0 0
	Bonus Issue	Private Placements
	N I L	N I L

III Position of Mobilisation and Development of Funds

	Total Liabilities	Total Assets
	3 4 9 0 4	3 4 9 0 4
Source of Funds	Paid up Capital	Reserve & Surplus
	4 5 0 0	2 9 8 1 8
	Share application	Unsecured Loans
	–	–
	Secured loans	
	–	

Application of Funds

	Net Fixed Assets	Investment
	1 7 5 7	3 1 5 9 8
	Net Current Assets	Misc Exp.
	9 7 0	––
	Accumulated losses	
	–	

IV Performance of the company
(Amount in Rs. Thousand)

	Total Revenue	Total Exp.
	4 0 3 9	2 9 5 3
	Profit before Tax	Profit after tax
	1 0 8 5	7 1 9
	Earning per Share (Rs.)	Dividend rate
	5 . 2 3	–
	(annualised)	% (Annualised)

V. Generic Names of Threes

Principal Products/Services of the company (as per monetary terms)

Items code No. (ITC code) N.A

Product Description E X H I B I T I O N O F F I L M S

For and on behalf of Board of Directors

Place : Udupi
Date : 27th May, 2008.

Balakrishna R. Shetty — Director
Venkat Devarajan — Director

DIRECTORS' REPORT

The Director presents his report and financial statements for the year ended 31 March 2008.

Principal Activities

The principal activities of the company continued to be that of the distribution of the Bollywood Films and Sale of Bollywood DVDs.

Review of the Business

The results for the year and the financial position of the company at the Balance Sheet date are as shown in the annexed financial statements.

During the year, the number of films distributed was lower than estimated resulting in lower sales. We anticipate better revenues and profits for the year ended 31 March 2009.

Key Performance Indicators	2008	2007
	£	£
Turnover	**253,161**	1,756,118
Gross Profit/(Loss)	**(26,360)**	176,116
Net Profit Before Tax	**(239,700)**	3,430
Corporation Tax	**1,591**	(1,591)
Profit After Tax	**(238,109)**	1,839
Net Assets	**(226,270)**	11,839

Financial Instruments

The Company's principal financial instruments comprises of bank balances, trade debtors, and the inter company account with its Indian parent. The main purpose of the instruments is to raise funds for the company's operations and to finance the company's cashflow.

Due to trading arrangements with its parent company, there is an inherent exchange risk, but this is managed insofar as possible with the assistance of the parent company.

The company manage its liquidity risk by ensuring that there are sufficient funds to meet payments due to third party creditors.

The company mitigates its exposure to sales risk by agreeing prices with its customers in advance.

Results and Dividends

The results for the year are set out on page 6.

Business Outlook and Future Developments

The Company continues to research the market place and look for new products and services to satisfy demand.

Charitable Donations

The Company did not make any charitable donations during the year.

Directors

The Following directors have held office since 1 April 2007 :

Pooja Shetty	(Resigned 1 December 2007)
Pranab Kapadia	(Resigned 1 December 2007)
Venkat Devarajan	(Appointed 1 December 2007)

Directors' Interest

The directors' interests in the shares of the company were as stated below :

	Ordinary Shares of £1 each	
	31 March 2008	**1 April 2007**
Venkat Devarajan	–	–

The directors do not hold any beneficial interest in the shares of the Company.

Auditors

In accordance with section 385 of the Companies Act 1985, a resolution proposing that Simmons Gainsford LLP, auditors of the company hold the office until the conclusion of the ensuing AGM be passed and are eligible for reappointment. The company to consider the appointment of auditors at its ensuing Annual General Meeting.

Directors' Responsibilities

The director is responsible for preparing the financial statements in accordance with applicable law and regulations.

Company Law requires the director to prepare financial statements for each financial year. Under that Law the director has elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable Law). The financial statements are required by Law to give a true and fair view of the state of affairs of the company and of the profit and loss of the company for that period. In preparing those financial statements, the director is required to

- select suitable accounting policies and then apply them consistently;
- make judgement and estimates that are reasonable and prudent;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The Director is responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the company and enable him to ensure that the financial statements comply with the Companies Act 1985. He is also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Statement of disclosure to auditor

(a) so far as the director is aware, there is no relevent audit information of which the company's auditors are unaware, and

(b) he has taken all the steps that he ought to have taken as a director in order to make himself aware of any relevent audit information and to establish that the company's auditors are aware of that information.

On behalf of the board

Venkat Devarajan

Director

19 May 2008

INDEPENDENT AUDITORS' REPORT

We have audited the financial statements of Adlabs Films (UK) Limited for the year ended 31 March 2008 set out on page 6 to 16. These financial statements have been prepared under the accounting policies set out therein.

This report is made solely to the company's members, as a body, in accordance with Section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of the director and auditors

The directors' responsibilities for preparing the financial statements in accordance with the applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) are set out in the Statement of Directors' Responsibilities.

Our responsibility is to audit the financial statements in accordance with the relevent legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you whether in our opinion the information given in the directors' report is consistent with the financial statements.

In addition we report to you if, in our opinion, the company has not kept proper accounting records, if we have not received all the information and explainations we require for our audit, or if information specified by law regarding director's remuneration and other transactions is not disclosed.

We read the director's report and consider the implication for our report of we become aware of any apparent misstatements within it.

Basis of audit opinion

We conduct our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practice Board. An audit includes examination, on a test basis, of evidence relevent to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the director in the preparation of the financial statements, and of whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which are considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Opinion

In our opinion :

- the financial statements give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the company's affairs as at 31 March 2008 and of its loss for the year then ended;
- the financial statements have been properly prepared in accordance with the Companies Act 1985; and
- the information given in the director's report is consistent with the financial statements.

Simmons Gainsford LLP

19 May 2008

Chartered Accountants
Registered Auditors

7/10 Chandos Street
Cavendish Square
London
W1G 9DQ

BALANCE SHEET AS AT 31ST MARCH 2008

		2008		2007	
	Notes	£	£	£	£
Fixed Assets					
Tangible Assets	5		**2,828**		4,186
Current Assets					
Stocks	6	**7,188**		13,609	
Debtors	7	**68,611**		180,123	
Cash at bank and in hand		**37,465**		75,850	
		113,264		269,582	
Creditors : amounts falling due within one year	8	**(342,362)**		(261,929)	
Net current (liabilities)/assets			**(229,098)**		7,653
Total Assets less Current Liabilities			**(226,270)**		11,839
Capital and reserves					
Called up share capital	9		**10,000**		10,000
Profit and Loss Account	10		**(236,270)**		1,839
Shareholders' Fund	11		**(226,270)**		11,839

Approved by the Board and authorised for issue on **19 May 2008**

Venkat Devarajan
Director

PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31ST MARCH 2008

	Notes	2008 £	2007 £
Turnover	2	**253,161**	1,756,118
Cost of Sales		**(279,521)**	(1,580,002)
Gross (Loss) / Profit		**(26,360)**	176,116
Administrative Expenses		**(213,340)**	(172,686)
(Loss)/Profit on ordinary activities before taxation	3	**(239,700)**	3,430
Tax on (Loss)/Profit on ordinary activities	4	**1,591**	(1,591)
(Loss)/Profit for the year	10	**(238,109)**	1,839

The profit and loss account has been prepared on the basis that all operations are continued operations.

There are no recognised gains and losses other than those passing through profit and loss account.

CASH FLOW STATEMENT FOR THE YEAR ENDED 31ST MARCH 2008

	2008		2007	
	£	£	£	£
Net cash (outflow)/inflow from Operating activities		**(36,819)**		71,431
Taxation		**(1,591)**		–
Capital Expenditure				
Payment to acquire tangible assets	**(50)**		(5,581)	
Net cash outflow for capital expenditure		**(50)**		(5,581)
Net cash (outflow)/inflow before management of liquid resources and financing		**(38,460)**		65,850
Financing				
Issue of ordinary share capital	–		10,000	
Net cash (outflow)/inflow from Financing		–		10,000
(Decrease)/increase in cash in the year		**(38,460)**		75,850

NOTES TO THE CASH FLOW STATEMENT

1 **Reconciliation of operating (loss)/profit to net cash (outflow)/inflow from operating activities**

	2008 £	2007 £
Operating (loss)/profit	**(239,700)**	3,430
Depreciation of tangible assets	**1,408**	1,395
Decrease/(increase) in stocks	**6,421**	(13,609)
Decrease/(increase) in debtors	**113,103**	(180,123)
Increase in creditors within one year	**82,024**	260,338
Net effect of foreign exchange differences	**(75)**	–
Net cash (outflow)/inflow from operating activities	**(36,819)**	71,431

2 **Analysis of net funds**

	1 April 2007 £	Cash Flow £	Other non-cash changes £	31 March 2008 £
Net cash :				
Cash at bank and in hand	75,850	(38,460)	75	37,465
Bank deposits	–	–	–	–
	75,850	(38,460)	75	37,465

3 **Reconciliation of net cashflow to movement in net funds**

	2008 £	2007 £
(Decrease)/increase in cash in the year	**(38,460)**	75,850
Net effect of foreign exchange differences	**75**	–
Movement in net funds in the year	**(38,385)**	75,850
Opening net funds	**75,850**	
Closing net funds	**37,465**	75,850

NOTES TO THE FINANCIAL STATEMENT

1 Accounting Policies

1.1 Accounting convention

The financial statements are prepared under the historical cost convention.

The company is dependent, in the absence of other funding, on the continued financial support of the parent company (Adlabs Films Ltd). On the basis that this support will continue to be made available by the parent company, these financial statements have been prepared on a going concern basis.

1.2 Compliance with accounting standards

The financial statements are prepared in accordance with applicable United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), which have been applied consistently (except as otherwise stated)

1.3 Turnover

Turnover represents amounts receivable for goods and services net of VAT.

1.4 Tangible fixed assets and depreciation.

Tangible fixed assets are stated at cost less depreciation. Depreciation is provided at rates calculated to write off the cost less estimated residual value of each asset over its expected useful life, as follows :

Fixtures, fittings & equipment - 25% Reducing balance.

1.5 Leasing

Rental payable under operating leases are charged against income on a straight line basis over the lease term.

1.6 Stock

Stock is valued at the lower of cost and net realisable value.

1.7 Deferred Taxation

Deferred Taxation is provided in full in respect of taxation deferred by timing differences between the treatment of certain items for taxation and accounting purposes. The deferred tax balance has not been discounted.

No provision for deferred tax has been made for timing differences as the amounts are not considered material.

1.8 Foreign currency translation

Monetary assets and liabilities denominated in foreign currencies are translated into sterling at the rates of exchange ruling at the balance sheet date. Transactions in foreign currencies are recorded at the rate ruling at the date of transaction. All differences are taken to profit and loss account.

2 Turnover

Geographical Market	**2008**	2007
	£	£
UK	**223,380**	1,715,640
EU	**19,250**	24,351
Rest of the world	**10,530**	16,127
	2,53,160	1,756,118

3 Operating (loss)/profit

	2008	2007
	£	£
Operating (loss)/profit is stated after changing :		
Depreciation of Intangible assets	**1,408**	1,395
Operating lease rentals	**10,550**	12,700
Auditors' remuneration	**9,155**	2,000
Remuneration of Auditors for non-audit work	**19,727**	14,875
and after crediting :		
Profit on foreign exchange transactions	**(75)**	–

4 Taxation

	2008	2007
	£	£
UK Corporation tax	–	1,591
Adjustments for prior years	**(1,591)**	–
Current Tax Charge	**(1,591)**	1,591
Factors affecting the tax charge for the year		
(Loss)/Profit on ordinary activities before taxation	**(239,700)**	3,430

(Loss)/Profit on ordinary activities before taxation multiplied by Standard rate of UK corporation tax of 20.00% (2007 - 19.00%)	**(47,940)**	652
Effect of :		
Non deductible expenses	**5,714**	899
Depreciation add back	**1,408**	265
Capital allowances	**(1,124)**	(225)
Adjustments to previous periods	**(1,591)**	–
other tax adjustments	**41,942**	–
	46,349	939
Current Tax Charge	**(1,591)**	1,591

The company has estimated losses of £ 225,330 (2007 - £ nil) available for carry forward against future trading profits.

5 Tangible Fixed Assets

	Fixtures, fittings & equipment £
Cost	
At 1 April 2007	5,581
Additions	50
At 31 March 2008	5,631
Depreciation	
At 1 April 2007	1,395
Charge for the year	1,408
At 31 March 2008	2,803
Net Book Value	
At 31 March 2008	2,828
At 31 March 2007	4,186

6 Stocks

	2008 £	2007 £
Finished goods and goods for resale	**7,188**	13,609

7 Debtors

	2008 £	2007 £
Trade debtors	**55,770**	133,179
Amounts owed by parent undertaking	**–**	43,719
Corporation tax	**1,591**	–
other debtors	**6,926**	–
Prepayments and accrued income	**4,324**	3,225
	68,611	180,123

8 Creditors: amounts falling due within one year

	2008 £	2007 £
Trade creditors	**15,704**	30,558
Amounts owed to parent and fellow subsidiary undertakings	**303,240**	–
Corporation tax	**–**	1,591
other taxes and social security costs	**11,317**	163,988
other creditors	**698**	55,759
Accruals and deferred income	**11,403**	10,033
	342,362	261,929

9 Share Capital

	2008 £	2007 £
Authorised		
1,000,000 Ordinary shares of £ 1 each	**1,000,000**	1,000,000
Alloted, called up and fully paid		
10,000 Ordinary shares of £ 1 each	**10,000**	10,000

10 Statement of movements on profit and loss account

	Profit and Loss Account £
Balance at 1 April 2007	1,839
Loss for the year	(238,109)
Balance at 31 March 2008	(236,270)

11 Reconciliation of movements in shareholders' funds

	2008 £	2007 £
(Loss)/profit for the financial year	**(238,109)**	1,839
Proceeds from issue of shares	–	10,000
Net(depletion in)/ addition to shareholders' funds	**(238,109)**	11,839
Opening shareholders' funds	**11,839**	–
Closing shareholders' funds	**(226,270)**	11,839

12 Financial Commitments

At 31 March 2008 the company was committed to making the following payments under non-cancellable Operating leases in the year to 31 March 2009.

	Land and Building	
	2008	2007
	£	£
Operating Leases which expire :		
Between two and five years	**15,000**	15,000

13 Directors' emoluments

	2008	2007
	£	£
Emoluments for qualifying services	**61,097**	64,167

14 Employees

Number of employees

The average number of employees (including Directors) during the year was :

	2008	2007
	Number	Number
	2	2

Employment costs	**2008**	2007
	£	£
Wages and Salaries	**109,972**	92,500
Social Security costs	**12,963**	10,980
Balance at 31 March 2008	**122,935**	103,480

15 Control

Adlabs Films (UK) Limited is a wholly owned subsidiary of Adlabs Films Limited, a company registered in India

16 Related party transaction

During the period the company purchased Film Prints and DVDs amounting to £ 61,523 (2006 : £240,554) from its parent company, Adlabs Films Limited.

Also during the period company received £133,279 (2006 : £342,255) in respect of reimbursement of advertising and promotional and the film related expenses from its parent company.

During the period a total of £ 152,416 (2006 : £ 1,254,280) in respect of royalty was paid to the parent company.

Included in Other Debtors is an unsecured and interest free loan of £4,000 (2006 : nil) to Pooja Shetty a former director of the company. This was the maximum outstanding amount during the year.

DETAILED TRADING AND PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31ST MARCH 2008

	2008		2007	
	£	£	£	£
Turnover				
Sales		**253,161**		1,756,118
Cost of Sales				
Opening stock of finished goods	**13,609**		–	
Cost of prints of Films	**32,883**		165,461	
Cost of DVD's	**21,023**		82,659	
Licence and tracking expenses	**31,819**		34,445	
Import duty, agents clearance commission and charges	**33,725**		45,432	
Advertising and promotional expenses	**134,513**		287,990	
Reimbursement of advertising, promotion & direct costs.	**(133,279)**		(342,255)	
Royalty paid Film	**116,148**		1,158,703	
Royalty accrued Film	–		65,599	
Royalty paid DVD	**36,268**		95,577	
	286,709		1,593,611	
Closing stock of DVD's	**(7,188)**		(13,609)	
		(279,521)		(1,580,002)
Gross (loss)/profit		**(26,360)**		176,116
Administrative Expenses		**(213,340)**		(172,686)
Operating (loss)/profit		**(239,700)**		3,430

SCHEDULE OF ADMINISTRATIVE EXPENSES

	2008	2007
	£	£
Administrative Expenses		
Wages and Salaries (excl. N.I.)	**48,875**	28,333
Directors' remuneration	**61,097**	64,167
Employer's N.I. contributions	**12,963**	10,980
Rent re operating leases	**10,550**	12,700
Rates	**8,394**	–
Insurance	**2,716**	8,336
Light and heat	**2,813**	–
Cleaning	**902**	–
Repairs and Maintenance	**312**	649
Printing, postage and stationery	**1,567**	4,015
Telephone	**4,892**	2,260
Computer running costs	**1,962**	2,800
Motor running expenses	**4,666**	5,484
Travelling expenses	**1,752**	2,648
Entertainment - allowable	**514**	–
Legal and prof fees	**1,250**	1,031
Bookkeeping charges	**14,175**	900
Consultancy fees	–	7,000
Audit fees	**9,155**	2,000
other non audit fees	**19,727**	14,875
Bank charges	**1,058**	876
Profit/loss on foreign currency	**(75)**	–
Sundry expenses	**1,903**	1,243
Subscriptions	**764**	994
Depreciation on FF & E	**1,408**	1,395
	213,340	172,686

DIRECTORS' REPORT

FOR THE PERIOD ENDED 31 MARCH 2008

The directors present their report and financial statements for the year ended March 31, 2008

Principal activities

The principal activities of the Company include theatrical and non-theatrical distribution of Bollywood motion pictures and exhibition of films.

Review of the Business

The results for the year and the financial position of the Company at the balance Sheet date are as shown in the annexed financial statements. During the year, the number of films distributed was lower than estimated resulting in lower sales . The Company also had its primary focus on expansion of the exhibition business in North America . During the year, the company acquired above 200 screens spread across 28 properties in the North American territory and has incorporated 14 LLC's for the same purpose. The company is in the process of due diligence and compliance of the various legal formalities. The revenues from these properties will start flowing in from FY 2008-09.

In view of the above , the company anticipates better revenues and profits for the year ending 31st March 2009.

Key performance Indicators

	2008 US $	2007 US $
Turnover	**1,054,777**	4,020,666
Gross Profit	**99,395**	329,409
Net Profit/(Loss) before tax	**(372,010)**	3,902
Corporation tax	**(159,176)**	6,000
Profit after tax	**(212,834)**	(2,098)

Results and Dividends

The results for the period are set out on page 2

The Company did not make any charitable donations during the year.

The Company has not declared any dividends during the year.

Directors

The following directors have held office since 1 April 2007

Mr. Anil Arjun (appointed since 15 November 2007)

Mr. Manmohan Shetty (resigned on 30 November 2007)

Auditors

WithumSmith + Brown, a professional corporation, are the auditors of the Company and hold office until the conclusion of the ensuing AGM. They are eligible for reappointment. The Company to consider the appointment of auditors at its ensuing Annual general meeting.

Director's responsibility

The directors are responsible for preparing the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United States Generally Accepted Accounting Practice (United States Accounting Standards and applicable law). The financial statements are required by the law to give a true and fair view of affairs of the company and of the profit or loss of the company for that period. In preparing those financial statement, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgments and estimates that are reasonable and prudent;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the statutory provision. They are also responsible for safeguarding the assets of the company and hence for taking responsible steps for the prevention and detection of fraud and other irregularities.

Statement of disclosure to auditor

(a) so far as the directors are aware, there is no relevant audit information of which the company's auditors are unaware, and

(b) they have taken all the steps that they ought to have taken as directors in order to make themselves aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

Anil Arjun
Director

Date: May 23, 2008

INDEPENDENT AUDITORS' REPORT

To the Stockholder,
Adlabs Films USA, Inc.

We have audited the accompanying consolidated balance sheet of Adlabs Films USA, Inc. and subsidiaries as of March 31, 2008, and the related consolidated statements of operations, changes in stockholder's deficit, and cash flows for the year ended March 31, 2008. 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.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the consolidated 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.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Adlabs Films USA, Inc. and subsidiaries as of March 31, 2008, and the results of their operations and their cash flows for the year ended March 31, 2008 in conformity with accounting principles generally accepted in the United States of America.

Our audit was performed for the purpose of forming an opinion on the basic consolidated financial statements taken as a whole. The accompanying supplementary information included in the Consolidated Schedule of Costs of DVDs and Operating Expenses on page 10 is presented for purposes of additional analysis and is not a required part of the basic consolidated financial statements of the Company. Such information has been subjected to the auditing procedures applied in the audit of the basic consolidated financial statements and, in our opinion, is fairly stated in all material respects in relation to the consolidated financial statements taken as a whole.

WithumSmith + Brown

A Professional Corporation
Certified Public Accountants and Consultants

May 23, 2008

CONSOLIDATED BALANCE SHEET 31ST MARCH 2008

Assets		
Current assets		
Cash and cash equivalents	$	478,939
Accounts receivable, net		118,075
Inventory		95,565
Other current assets		312,371
Total current assets		1,004,950
Property and equipment, net		1,364
Security deposits		52,500
Other assets		1,212,051
		$ 2,270,865
Liabilities and Stockholder's Deficit		
Current liabilities		
Payable to Adlabs Films Ltd	$	2,691
Accounts payable and accrued expenses		155,457
Taxes payable		101,399
Deferred revenues		48,250
Total current liabilities		307,797
Loans from stockholder		2,158,000
Stockholder's deficit		
Common stock, 200 shares authorized, isssued and outstanding with no par value		20,000
Accumulated deficit		(214,932)
Total stockholder's deficit		(194,932)
	$	2,270,865

The Notes to Financial Statements are an integral part of these statements.

CONSOLIDATED STATEMENT OF OPERATIONS YEAR ENDED 31ST MARCH 2008

Revenues		
Theatrical exhibition	$	518,916
DVD sales, net		535,861
Total revenues		1,054,777
Cost of goods sold		
Royalty expenses - theatrical exhibition		359,218
Cost of movie prints		112,500
Royalty expenses - DVD sales		316,774
Cost of DVDs		166,890
Total cost of goods sold		955,382
Gross margin		99,395
Operating expenses		
General and administrative expenses		480,928
Loss from operations		(381,533)
Interest income		9,523
Loss before benefit from income taxes		(372,010)
Benefit from income taxes		(159,176)
Net loss	$	(212,834)

The Notes to Financial Statements are an integral part of these statements.

CONSOLIDATED STATEMENT OF CHANGES IN STOCKHOLDER'S DEFICIT YEAR ENDED 31ST MARCH 2008

		Common Stock		Accumulated Deficit		Total Stockholder's Deficit
Balance, March 31, 2007	$	20,000	$	(2,098)	$	17,902
Net loss		-		(212,834)		(212,834)
Balance, March 31, 2008	$	20,000	$	(214,932)	$	(194,932)

The Notes to Financial Statements are an integral part of these statements.

CONSOLIDATED STATEMENT OF CASH FLOWS YEAR ENDED 31ST MARCH 2008

Cash flows from operating activities		
Net loss	$	(212,834)
Adjustments to reconcile net loss to net cash provided by operating activities:		
Gain on sale of property, plant and equipment		359
Depreciation and amortization		1,352
Cash provided (used) by changes in:		
Accounts receivable		374,434
Inventory		(52,633)
Other current assets		(291,977)
Payable to Adlabs Films Ltd		(910,102)
Accounts payable and accrued expenses		91,647
Taxes payable		101,399
Deferred revenues		(1,500)
Security deposits		(50,000)
Other assets		(1,212,051)
Net cash used by operating activities		(2,161,906)
Cash flows from investing activities		
Proceeds from sale of property and equipment		100
Net cash provided by investing activities		100
Cash flows from financing activities		
Loans from stockholder		2,158,000
Net cash provided by financing activities		2,158,000
Net decrease in cash and cash equivalents		(3,806)
Cash and cash equivalents		
Beginning of year		482,745
End of year	$	478,939

The Notes to Financial Statements are an integral part of these statements.

1. Nature of Business and Summary of Significant Accounting Policies

Nature of Business

Adlabs Films USA, Inc. and Subsidiaries (the "Company") was incorporated under the laws of the state of New Jersey on May 17, 2006, and commenced operations on the same day. The Company is engaged primarily in the business of the distribution of movies and the sale of related DVD products obtained under a sub-license from its parent company, Adlabs Films Ltd (the "Parent"). The Company's products are distributed through a network of independent agents and exhibitors.

Principles of Consolidation

The consolidated financial statements include the operations of Adlabs Films USA, Inc. and its wholly owned subsidiaries, Adlabs Laurel LLC, Adlabs-Falls Church LLC, Adlabs-Sahil LLC, Adlabs Entertainment (DE) LLC, Adlabs-SAR LLC, Adlabs-Entertainment LLC, Adlabs Forum LLC, Adlabs IMC LLC, Adlabs-Heritage LLC, Adlabs Norwalk LLC, Adlabs-Galaxy LLC, Phoenix Adlabs Theatre Management LLC, Adlabs Union LLC, Adlabs Exhibitions LLC, and Adlabs Phoenix LLC. These subsidiaries were formed during the year in anticipation of the Company's expanded business activity into movie exhibition operations. This new business activity will commence operations in fiscal year 2009. These subsidiaries currently have no activity.

Cash and Cash Equivalents

Cash and cash equivalents consist of cash on hand and non-interest bearing bank accounts.

Revenue Recognition

The Company generates revenues from the distribution of films and the sale of DVDs.

The Company recognizes revenue pursuant to the American Institute of Certified Public Accountants Statement of Position Number 00-2 (SOP 00-2), *Accounting by Producers or Distributors of Films*. SOP 00-2 states that revenue from the sale or licensing arrangement of a film should be recognized only when the following conditions have been met: 1) persuasive evidence of a sale exists; 2) the film is complete and has been delivered or is available for immediate and unconditional delivery; 3) the licensing period has begun and the customer can begin to exploit, exhibit, or sell the film; 4) the fee is fixed or determinable; and 5) collection of the fee is reasonably assured.

<u>Royalties</u>

Revenue from the licensing of films is recognized upon meeting all of the recognition requirements of SOP 00-2. The Company collects refundable and non-refundable advance payments for some of its films. Refundable advances are recorded as deferred revenue, until such time that the revenue recognition criteria are met. Non-refundable advances (guaranteed minimum payments) generally meet the recognition criteria, and are recognized into revenue when received.

<u>Sale of digital video disks ("DVDs")</u>

Revenue is recognized as products are shipped and the risk and rights of ownership have passed to the customer provided all the criteria under SOP 00-2 are met. The Company, under certain conditions, permits its customers to return or exchange products. The provision for sales returns is recorded concurrently with revenue recognition.

Receivables and Credit Policies

Accounts receivable are due under normal trade terms. The Company does not charge interest on unpaid balances. Customer account balances with invoices dated over 90 days are considered over due. Credit is granted to substantially all customers.

The carrying amount of the accounts receivable is reduced by a valuation allowance that reflects management's best estimate of the amounts that will not be collected. Management individually reviews all accounts receivable balances that exceed 90 days from the invoice date and based on an assessment of current creditworthiness, estimates the portion, if any, of the balance that will not be collected. Management has determined that an allowance for doubtful accounts of $15,000 is appropriate at March 31, 2008.

Inventory Valuation

Inventory, which consists of DVDs for resale, is valued at the lower of cost or market value, with cost being determined using the FIFO (first in, first out) method.

Property and Equipment

Property and equipment are carried at cost. Depreciation of property and equipment is provided using the straightline method for financial reporting purposes at rates based on the following estimated useful lives.

	Years
Office and computer equipment	3 - 10
Furniture	5 - 7

For federal income tax purposes, depreciation is computed using the modified accelerated cost recovery system. Expenditures for major renewals and betterments that extend the useful lives of property and equipment are capitalized. Expenditures for maintenance and repairs are charged to expense as incurred.

Depreciation expense charged to operations, amounted to $1,352 for the year ended March 31, 2008.

Advertising Costs

Advertising and promotional costs, not reimbursed by the Parent, are expensed during the periods in which the service is rendered. Total advertising and promotional expense amounted to $44,812 for the year ended March 31, 2008.

Deferred Acquisition Costs

Deferred acquisition costs include costs of acquisition of businesses and are deferred until the completion of the acquisition transactions.

Income Taxes

Income tax expense consists of current tax expense and the net change in the deferred tax asset or liability during the year.

Current income taxes

The current income tax expense from operations consists of federal and state income taxes payable by the Company.

Deferred income taxes

Deferred tax assets and liabilities are recognized for the future tax consequences of temporary differences between the carrying values of assets and liabilities and their respective tax bases. Valuation allowances are recorded to reduce deferred tax assets when it is more likely than not that a tax benefit will not be realized.

Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which the temporary differences are expected to be received or settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in the income statement in the period of enactment of the change.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles require management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

2. Concentrations of Credit Risk

For the year ended March 31, 2008, the Company had sales to one customer who accounted for approximately 21% of the total revenues. This one customer represented approximately 13% of the net accounts receivables at March 31, 2008.

The Company periodically maintains cash balances in excess of the FDIC insurance limits in its financial institutions. The Company has had no losses related to these financial institutions.

3. Accounts Receivable

Accounts receivable consisted of the following at March 31, 2008:

Trade receivables	$	138,075
Less: Allowance for doubtful accounts		(15,000)
Less: Allowance for estimated sales returns		(5,000)
	$	118,075

4. Other Assets

Other assets consisted of the following at March 31, 2008:

Earnest money deposits	$	290,833
Deferred income tax assets		161,192
Deferred acquisition related costs		760,026
	$	1,212,051

5. Loans from Stockholder

The loans from stockholder are unsecured loans bearing no interest with no predetermined repayment terms. It is not expected to be repaid within the next twelve months.

6. Related Party Transactions

The Company obtains all of its film licensing, film prints and DVDs from its Parent company pursuant to specific movie related memorandums of understanding ("M.O.U."). The M.O.U. specifies how the Parent will be compensated for the licensing agreements and further indicates that the Parent will reimburse the Company for certain fees paid or accrued in relation to the specific movie. As such, expenditures that are to be reimbursed by the Parent are presented net of the payable to the Parent, and are not included in operating expenses. Fees paid or accrued to the Parent during the year ended March 31, 2008 for royalties, cost of prints, and DVDs amounted to approximately $1,008,000. Reimbursable expenses incurred on behalf of the Parent amounted to approximately $326,000 for the year ended March 31, 2008. The net payable due to the Parent company at March 31, 2008 was $104,089.

7. Income Taxes

The provision for income taxes for the year ended March 31, 2008 consists of the following:

Current federal and state income taxes payable	$	2,016
Deferred federal and state tax benefit		(161,192)
Total income taxes	$	(159,176)

The Company has available at March 31, 2008 approximately $376,000 of net operating loss carry forwards, that may be applied against future taxable income. These losses will expire beginning 2027 for federal income tax purposes. As explained in Note 9, the Company recently commenced its movie exhibition operations by acquiring several theater properties. It is reasonable to anticipate that, with the expanded business operations, the Company would be able to utilize the net operating loss carry forwards, prior to their expiration dates.

Deferred income taxes reflect the net tax effects of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for income tax purposes.

A summary of deferred tax components at March 31, 2008 follows:

Net operating loss carryforwards	$	161,192
Accounts receivable		3,600
Inventory		1,200
Deferred tax asset		165,992
Valuation allowance		(4,800)
Deferred income tax asset, net	$	161,192

8. Commitments and Contingencies

Operating Leases

The Company leases office space and storage facilities on a month-to-month basis.

The Company entered into a lease agreement to rent a movie theater with the intent to exhibit various motion pictures. The most significant obligations under the lease terms are for the repairs and maintenance of the facilities. The Company also entered into a six month lease agreement to rent three movie screens in a theater with the intent to exhibit various motion pictures.

Future minimum lease payments under all non-cancelable operating leases with terms of one year or more are as follows for the years ending March 31:

2009	$	132,000
2010		134,200
2011		140,910
2012		147,956
2013		155,353
Thereafter		833,088
Total minimum lease payments	$	1,543,507

Rent expense amounted to $170,434 for the year ended March 31, 2008.

9. Subsequent Events

During the months of April and May 2008, the Company completed some of the acquisition transactions that were initiated during the year. These transactions, which resulted either in the acquisition of an entire business enterprise or a controlling interest, will allow the Company to expand its movie exhibition operations. As of the date of this report, the Company had concluded acquisitions of controlling interests in Phoenix Adlabs Theatre Management LLC, Adlabs Phoenix LLC, Adlabs-Galaxy LLC, Adlabs Union LLC, Adlabs-Entertainment LLC, Adlabs Norwalk LLC, Adlabs-Falls Church LLC, Adlabs Laurel LLC, and Adlabs-SAR LLC. The aggregate purchase consideration paid or payable in connection with the completed acquisitions amounted to $5,200,000.

Additionally, in April 2008, the Company made an advance in the amount of approximately $2,200,000 to an entity acquired by its Parent company.

CONSOLIDATED SCHEDULE OF COSTS OF DVDS AND OPERATING EXPENSES YEAR ENDED 31ST MARCH 2008

Cost of DVDs		
Beginning DVD inventory	$	42,932
Purchases of DVDs		219,523
Less: ending DVD inventory		(95,565)
Total costs of DVDs	**$**	**166,890**
General and administrative expenses		
Rent	$	170,434
Professional fees		123,947
Payroll		76,985
Advertisements		36,825
Postage and delivery		27,891
Travel and entertainment		8,769
Telephone		8,658
Publicity and promotion		7,987
Outside services		6,500
Payroll taxes		5,545
Office expenses		1,877
Automobile		1,838
Supplies		1,575
Depreciation		1,352
Miscellaneous		531
Business promotion		214
Total general and administrative expenses	**$**	**480,928**

The Notes to Financial Statements are an integral part of these statements.

DIRECTORS' REPORT

The directors have pleasure in submitting their Annual Report which includes the financial statements of the company for the period from 20 March 2008 (date of incorporation) to 31 March 2008.

Principal activities

The company is in the Media and Entertainment industry and has not yet started operation.

Results

The company's loss for the financial period is Rs71,612.

The financial statements for the period ended 31 March 2008 are set out on pages 2 to 10. The auditors' report on these financial statements is on page 1.

Directors

The first directors of the company are:-

Mr Devarajan Venkat

Mr Pouba Veerasamy

None of the directors received emoluments from the company during the period.

Directors' service contracts

There are no service contracts between the company and its directors.

Donations

No donations were made by the company during the period.

Auditors

The fees paid to the auditors for audit is as follows:

	2008
	Rs.
Audit services	**20,000**

Messrs Kemp Chatteris Deloitte, who have accepted to continue in office, will be automatically reappointed at the Annual Meeting.

Approved by the Board of Directors on **13 MAY 2008**

Mr Devarajan Venkat)
) **Directors**
Mr Pouba Veerasamy)

INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF ADLABS (MAURITIUS) LTD.

This report is made solely to the company's shareholders, as a body, in accordance with Section 205 of the Mauritius Companies Act 2001. Our audit work has been undertaken so that we might state to the company's shareholders those matters we are required to state to them in an auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's shareholders as a body, for our audit work, for this report, or for the opinions we have formed.

Report on the Financial Statements

We have audited the financial statements of Adlabs (Mauritius) Ltd on pages 2 to 10 which comprise the balance sheet as at 31 March 2008 and the income statement, statement of changes in equity and cash flow statement for the period then ended and a summary of significant accounting policies and other explanatory notes.

Directors' responsibilities for the financial statements

The directors are responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards and in compliance with the requirements of the Mauritius Companies Act 2001 and the Financial Reporting Act 2004. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditors' responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements on pages 2 to 10 give a true and fair view of the financial position of the company as at 31 March 2008, and of its financial performance and cash flows for the period then ended in accordance with International Financial Reporting Standards and comply with the requirements of the Mauritius Companies Act 2001 and the Financial Reporting Act 2004.

Emphasis of matter - Going concern

Without qualifying our opinion, we draw attention to note 11 in the financial statements which indicates that, at 31 March 2008, the company had shareholder's deficit and net current liabilities of Rs70,612. The financial statements have been prepared on a going concern basis, the validity of which depends upon continued availability of debt facilities and funds being made available by the main shareholder. The financial statements do not include any adjustments that would result from non-availability of finance.

Report on other legal requirements

In accordance with the requirements of the Mauritius Companies Act 2001, we report as follows:

- we have no relationship with, or interests in, the company other than in our capacities as auditors;
- we have obtained all information and explanations that we have required; and
- in our opinion, proper accounting records have been kept by the company as far as appears from our examination of those records.

KEMP CHATTERIS DELOITTE

Chartered Accountants

13 MAY 2008

BALANCE SHEET AT 31ST MARCH 2008

** ('Rs.' denotes Mauritian Rupee)

	Note	2008 Rs.**
ASSETS		
Current assets		
Amount due by holding company	5	**1,000**
TOTAL ASSETS		**1,000**
FINANCED BY:		
Capital and reserves		
Stated capital	7	**1,000**
Profit and loss account		**(71,612)**
Shareholder's deficit		**(70,612)**
Current liabilities		
Other payables	6	**71,612**
TOTAL EQUITIES AND LIABILITIES		**1,000**

Approved by the Board of Directors on **13 MAY 2008**

Mr Devarajan Venkat)
)
) **DIRECTORS**
Mr Pouba Veerasamy)

INCOME STATEMENT

FOR THE PERIOD FROM 20 MARCH 2008 (DATE OF INCORPORATION) TO 31 MARCH 2008

	2008 Rs.
GENERAL AND ADMINISTRATIVE EXPENSES	**(71,612)**
LOSS FOR THE PERIOD	**(71,612)**

STATEMENT OF CHANGES IN EQUITY

FOR THE PERIOD FROM 20 MARCH 2008 (DATE OF INCORPORATION) TO 31 MARCH 2008

	Stated capital Rs	Profit and Loss account Rs	Total Rs
Issue of stated capital	1,000	-	1,000
Loss for the period	-	(71,612)	(71,612)
Balance at 31 March 2008	1,000	(71,612)	(70,612)

CASH FLOW STATEMENT

FOR THE PERIOD FROM 20 MARCH 2008 (DATE OF INCORPORATION) TO 31 MARCH 2008

	2008 Rs.
Operating activities	
Loss for the period	**(71,612)**
Operating loss before working capital changes	**(71,612)**
Amount due by holding company	**(1,000)**
Other payables	**71,612**
CASH USED IN OPERATING ACTIVITIES	**(1,000)**
CASH FLOWS FROM FINANCING ACTIVITIES	
Issue of stated capital	**1,000**
NET CASH GENERATED FROM FINANCING ACTIVITIES	**1,000**
CASH AND CASH EQUIVALENTS AT END OF PERIOD	**-**

NOTES TO THE FINANCIAL STATEMENTS

FOR THE PERIOD FROM 20 MARCH 2008 (DATE OF INCORPORATION) TO 31 MARCH 2008

1. **INCORPORATION AND ACTIVITIES**

The company was incorporated in Mauritius on 20 March 2008 as a private company limited by shares. Its registered office is c/o Financial Consulting Associates Limited , 2nd Floor, Cerné House, La Chaussée, Port Louis.

The company is in the Media and Entertainment industry and has not yet started operation.

2. **ADOPTION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRS)**

The company has adopted all of the new and revised Standards and Interpretations issued by the International Accounting Standards Board ("IASB") and the International Financial Reporting Interpretations Committee ("IFRIC") of the IASB that are relevant to its operations and effective for accounting period beginning on 1 January 2007.

At the date of authorisation of these financial statements, the following Standards and Interpretations were in issue but not yet effective:

IAS 1 Presentation of Financial Statements - *Comprehensive revision including requiring a statement of comprehensive income*

IAS 1 Presentation of Financial Statements - *Amendments relating to disclosure of puttable instruments and obligations arising on liquidation*

IAS 23 Amendments to IAS 23: *Capitalisation of Borrowing costs*

IAS 27 Consolidate and Separate Financial Statements - *Consequential amendments arising from amendments to IFRS 3*

IAS 28 Investments in Associates - *Consequential amendments arising from amendments to IFRS 3*

IAS 32 Financial Instruments: Presentation - *Amendments relating to puttable instruments and obligations arising on liquidation*

IFRS 2 Share-Based Payment - *Amendment relating to vesting conditions and cancellations*

IFRS 3 Business Combinations - *Comprehensive revision on applying the acquisition method*

IFRS 8 *Operating segments*

IFRIC 11 *Group and Share Treasury Transactions*

IFRIC 12 *Service Concession Arrangements*

IFRIC 13 *Customer Loyalty Programme*

IFRIC 14 IAS 19 - *The limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction*

The directors anticipate that the adoption of these Standards and Interpretations in future periods will have no material impact on the financial statements of the company.

3. **ACCOUNTING POLICIES**

The principal accounting policies adopted by the company are as follows:

(a) Basis of preparation

The financial statements are prepared under the historical cost convention and in accordance with International Financial Reporting Standards.

(b) Revenue recognition

Sales are recognised upon issuance of invoices.

(c) Deferred taxation

Deferred taxation is provided on the comprehensive basis using the liability method.

Deferred tax liabilities are recognised on all temporary differences arising between the tax bases of assets and liabilities and their carrying values for financial reporting purposes.

NOTES TO THE FINANCIAL STATEMENTS

Deferred tax assets are recognised for all deductible temporary differences to the extent that it is possible that taxable profit will be available against which the deductible temporary differences can be utilised.

(d) Financial instruments

Financial assets and liabilities are recognised on the balance sheet when the company has become party to the contractual provisions of the financial instruments.

Financial instruments are initially measured at cost, which includes transaction costs. Subsequent to initial recognition these instruments are measured as set out below:-

(i) *Accounts receivable*

Accounts receivable originated by the company are stated at cost less provision for doubtful debts. An estimate of doubtful debts is made based on a review of all outstanding amounts at balance sheet date. Debts are written off during the period in which they are identified.

(ii) *Cash and cash equivalents*

Cash and cash equivalents are measured at fair value, based on the relevant exchange rates at balance sheet date.

(iii) *Accounts payable*

Accounts payable are stated at amortised cost.

(e) Impairment

At each balance sheet date, the company reviews the carrying amounts of its assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss, if any, and the carrying amount of the asset is reduced to its recoverable amount.

(f) Related parties

For the purposes of these financial statements, parties are considered to be related to the company if they have the ability, directly or indirectly, to control the company or exercise significant influence over the company, are subject to common control. Related parties may be individual or other entities.

(g) Provision

A provision is recognised when there is a present obligation (legal or constructive) as a result of a past event, and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation. Provision is reviewed at each balance sheet date and adjusted to reflect the current best estimate.

4. ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

The preparation of financial statements in accordance with IFRS requires the directors and management to exercise judgement in the process of applying the accounting policies. It also requires the use of accounting estimates and assumptions that may affect the reported amounts and disclosures in the financial statements. Judgements and estimates are continuously evaluated and are based on historical experience and other factors, including expectations and assumptions concerning future events that are believed to be reasonable under the circumstances. The actual results could, by definition therefore, often differ from the related accounting estimates.

Where applicable, the notes to the financial statements set out areas where management has applied a higher degree of judgement that have a significant effect on the amounts recognised in the financial statements, or estimations and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

5 AMOUNT DUE BY HOLDING COMPANY

The amount due by the holding company is unsecured, interest free with no fixed terms of repayment.

6. OTHER PAYABLES

	2008 Rs.
Accruals	**71,612**

7. STATED CAPITAL

Issued	
1,000 ordinary shares of no par value	**1,000**

8. RELATED PARTY TRANSACTIONS

The company is making the following disclosures in respect of related party transactions and balances:

Outstanding balances

Amount due by holding company	**1,000**

9. FINANCIAL INSTRUMENTS

In its ordinary operations, the company is exposed to various financial risks such as capital risk, interest rate risks, credit risks and liquidity risks. The company has devised on a central basis a set of specific policies for managing these exposures.

Capital risk management

The company manages its capital to ensure that the company will be able to continue as a going concern while maximising the return to stakeholders through the optimisation of the debt and equity balance.

NOTES TO THE FINANCIAL STATEMENTS

The capital structure of the company consists of equity comprising issued capital and retained earnings.

Significant accounting policies

Details of the significant accounting policies and methods adopted, including the criteria for recognition, the basis of measurement and the basis on which income and expenses are recognised, in respect of each class of financial asset, financial liability and equity instrument are disclosed in note 3 to the financial statements

Categories of financial instruments

	2008 Rs.
Financial assets	
Amount due by holding company	**1,000**
Financial liabilities	
Other payables	**71,612**

Fair values

Except where stated elsewhere, the carrying amounts of the company's financial assets and financial liabilities approximate their fair values due to the short-term nature of the balances involved.

Currency risk

The company is not exposed to currency risk because all the company's financial assets and financial liabilities are denominated in Mauritian Rupees, the company's reporting currency.

10. **HOLDING COMPANY**

The directors regard Adlabs Films Limited, incorporated in India, as its holding company.

11. **BASIS OF PREPARING THE FINANCIAL STATEMENTS**

At 31 March 2008, the company had shareholder's deficit and net current liabilities of Rs70,612. The financial statements have been prepared on a going concern basis based on the above, on the assumption that facilities shall not be recalled by providers of finance and that funds shall be made available by the main shareholder who has undertaken to provide financial and other support to the company for the foreseeable future to enable it to continue its operations. The directors consider it appropriate to prepare the financial statements on that basis.

APPENDIX I

GENERAL AND ADMINISTRATIVE EXPENSES

FOR THE PERIOD FROM 20 MARCH 2008 (DATE OF INCORPORATION) TO 31 MARCH 2008

		2008 Rs.
GENERAL AND ADMINISTRATIVE EXPENSES		
Professional fees		**46,232**
Audit fees		**23,000**
Incorporation expenses		**2,380**
	Rs	**71,612**

DIRECTORS' REPORT

The Directors herewith submit the annual accounts of Adlabs Films Netherlands B.V. ("the Company") for the financial period from February 8, 2008 to March 31, 2008.

During the year under review the Company recorded a net loss of EUR 30,426 details of which are set out in the attached profit and loss account.

No dividends have been paid by the Company or declared by the shareholder during the year.

No major change in activities is expected to occur in the forthcoming financial year, which may significantly affect the operations of the Company, other than acquisition of subsidiaries.

Amsterdam,
April 9, 2008

IMFC Management B.V.
Managing Director A

Mr. Anil Arjun
Managing Director B

AUDITORS' REPORT

To: The Board of Directors and Shareholders of Adlabs Films Netherlands B.V.

Report on the financial statements

We have audited the accompanying financial statements for the period from 8 February 2008 to 31 March 2008 of Adlabs Films Netherlands B.V., Amsterdam, which comprise the balance sheet as at 31 March 2008, the profit and loss account for the period then ended and the notes.

Management's responsibility

Management is responsible for the preparation and fair presentation of the financial statements and for the preparation of the management board report, both in accordance with Part 9 of Book 2 of the Netherlands Civil Code. This responsibilty includes : designing, implementing and maintaining internal control relevent to the preparation and fair presentation of the financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's responsibility

Our responsibility is to express an opinion on the financial statements based on our audit. We conducted our audit in accordance with Dutch Law. This Law requires that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevent to the entity's preparation and fair presentation of the financial statement in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements give a true and fair view of the financial position of Adlabs Films Netherlands B.V. as at 31 March 2008, and of its result for the period then ended in accordance with Part 9 Book 2 of Dutch Civil Code.

Emphasis of matter

We draw attention to note 8 of the financial statements which indicates that the company incurred a net loss of EUR 30,426 during the period ended 31 March 2008, and, as of that date, the company's current liabilities exceeded its total assets by EUR 12,426. As outlined in note 3 to the financial statements, the parent company has confirmed its intention to provide continued financial support to the company. Our opinion is not qualified in respect of this matter.

Amsterdam, 9 April 2008

HLB Schippers Beheer B.V.

P.M. Belfroid RA

ADLABS FILMS NETHERLANDS B.V., AMSTERDAM

BALANCE SHEET AS AT MARCH 31, 2008

(before appropriation of results)

(in Euros)	Notes	March 31, 2008	February 8, 2008
Current assets			
Prepayment	**5**	**622,837**	0
Cash at banks	**6**	**71,505**	18,000
		694,342	18,000
Current liabilities			
Current account shareholder		**200**	0
Loans payable	**7**	**700,000**	0
Accounts payable		**6,568**	0
		706,768	0
Total assets less total liabilities		**(12,426)**	18,000
Shareholders' equity (deficit)	**8**		
Issued share capital		**18,000**	18,000
Net loss for the period		**(30,426)**	0
		(12,426)	18,000

The accompanying notes form part of these accounts

PROFIT AND LOSS ACCOUNT FOR THE PERIOD FROM FEBRUARY 8, 2008 TO MARCH 31, 2008

(in Euros)	February 8, 2008 to March 31, 2008
Other financial income and (expenses)	
Foreign exchange difference	(18,162)
	(18,162)
General and administrative expenses	
Professional fees	(11,457)
Other expenses	(459)
Bank charges	(348)
	(12,264)
Result before taxation	**(30,426)**
Corporate tax expense	0
Net loss for the period	**(30,426)**

The accompanying notes form part of these accounts

NOTES TO THE FINANCIAL STATEMENTS

1 Group affiliation and principal activities

Adlabs Films Netherlands B.V. ("the Company"), a corporation with limited liability, having its statutory seat in Amsterdam, The Netherlands, has been incorporated on February 8, 2008.

The principal activity of the Company is the holding of investments in group companies. Its parent company is Adlabs Films Limited with statutory seat in Mumbai 65, Maharashtra, India.

The first financial book year is from February 8, 2008 to March 31, 2008.

2 Basis of presentation

The accompanying accounts have been prepared under the historical cost convention in accordance with generally accepted accounting principles in The Netherlands, and are in compliance with the provisions of the Netherlands Civil Code, Book 2, Title 9.

3 Going concern

The Company is in a deficit position. However, the Company's shareholder, Adlabs Films Limited, confirmed its intention to provide continued financial support to the Company. Therefore these financial statements have been prepared on a going concern basis.

NOTES TO THE FINANCIAL STATEMENTS

4 Significant accounting policies

a Foreign currencies

Assets and liabilities, other than investments and equity, denominated in foreign currencies are translated into Euros at the rates of exchange prevailing at the balance sheet date. Transactions in foreign currencies are converted into Euros at the rates of exchange in effect on the date of the transaction. Resulting exchange differences are accounted for in the profit and loss account.

b Other assets and liabilities

All other assets and liabilities, unless otherwise disclosed, are shown at the value at which they were incurred.

c Taxation

Taxation has been calculated on the basis of the applicable corporate income tax rate in The Netherlands.

5 **Prepayment** *(in Euros)*	**March 31, 2008**	**February 8, 2008**
First instalment representing 10% of the Consideration for the future acquisition of the Business from Star Screen Cinemas SDN, BHD in Malaysia, in accordance with the instruction received from Adlabs Films Limited.	622,837	0
	622,837	**0**

6 **Cash at Banks** *(in Euros)*	**March 31, 2008**	**February 8, 2008**
Current account at Fortis Bank N.V.	71,505	18,000
	71,505	**18,000**

There are no restrictions on the availability of cash at banks.

7 **Loans payable** *(in Euros)*	**March 31, 2008**	**February 8, 2008**
Non-interest bearing advance from shareholder which is due on demand.	700,000	0
	700,000	**0**

8 **Shareholders' equity (deficit)** *(in Euros)*	**Issued share capital**	**Net loss for the period**	**Total**
Opening balance	18,000	0	**18,000**
Net loss for the period	0	(30,426)	**(30,426)**
Closing balance	**18,000**	**(30,426)**	**(12,426)**

The Company has an authorized share capital of EUR 90,000 divided into 900 shares of EUR 100 each.
At year end a total of 180 shares have been issued and fully paid up.

9 Employees

During the period no persons were employed within the Company.

10 Directors

The Company has two directors who did not receive any remuneration for activities performed in that capacity.

SUPPLEMENTARY INFORMATION

1 Proposed Appropriation of Results

Subject to the provision under Dutch law that no dividends can be declared until all losses have been recovered, profits are at the disposal of the Annual General Meeting of Shareholders in accordance with the Company's Articles of Incorporation.

The management proposes not to declare a dividend and to add the net loss for the period to the accumulated deficit. This proposal has not been reflected in the accompanying annual accounts.

2 Post Balance Sheet Events

No matters or circumstances of importance have arisen since the end of the financial period which have significantly affect or may significantly affect the operations of the Company, the results of those operations or the affairs of the Company.

FINANCIAL HIGHLIGHTS

BRIEFS ON INCOME

For Year Ending	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	2,703.54	761.54	1,054.63	858.56	753.43	740.72	569.12
Other Income	538.53	737.68	49.90	16.99	35.63	39.82	40.74
PBDIT	1,570.97	2,015.59	484.00	393.24	336.37	321.60	208.38
PBDT	1,438.07	1,971.42	475.13	377.41	322.90	311.13	198.64
PBT	403.91	1,041.55	386.36	322.86	278.08	268.62	160.78
Tax	55.14	188.21	123.30	116.17	101.66	102.09	57.40
Profit after tax(PAT)	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	39,800,750	39,800,750	21,500,750	21,500,750	21,500,750	21,500,750
EPS (Basic) Rs.	10.90	20.95	8.33	9.61	8.21	7.75	4.81
EPS (Diluted) Rs.	9.53	17.65	8.02	9.61	8.21	7.75	4.81

BRIEFS ON SOURCES AND APPLICATION OF FUNDS

As on	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**
Gross Block	7,949.93	3,022.30	1,079.88	853.49	800.62	719.09	698.62
Net Block	5,239.03	1,786.04	781.30	639.03	634.31	597.60	619.58
Capital WIP	3,094.45	1,613.41	2,279.90	61.81	11.33	20.06	9.31
Investments	2441.99	816.52	4,424.07	130.22	133.41	0.50	–
Inventory	19.18	16.15	13.03	9.35	6.12	7.17	8.31
Receivables	1,476.74	603.87	447.57	362.58	320.42	284.69	234.36
Other Current Assets	5,873.67	6,041.47	1,849.73	831.52	564.12	552.83	463.50
Misc. Expenditure	–	–	–	0.59	11.53	21.63	32.40
Total	**18,145.06**	**6,0877.46**	**9,795.61**	**2,035.12**	**1,681.24**	**1,484.49**	**1367.45**
Liabilities	**Rs mn**	**Rs mn**	**Rs mn**	**Rs mn**	**Rs mn**	**Rs mn**	**Rs mn**
Equity Share Capital	230.63	199.00	199.00	107.50	107.50	107.50	107.50
Reserves	6,550.21	2,912.85	3,186.78	1,065.53	940.93	825.29	707.27
Total Debt	9,226.85	5,834.17	4,651.05	241.46	143.05	116.09	150.50
Deferred Tax Liability	–	128.62	70.41	78.28	68.57	52.37	35.37
Creditors and Acceptances	1,653.47	662.91	187.96	182.90	156.41	164.72	219.43
Other current liab/provisions	483.90	1,539.91	1,500.40	359.44	264.78	218.51	147.38
Balance Sheet Total	**18,145.06**	**10,877.46**	**9,795.61**	**2,035.12**	**1,681.24**	**1,484.49**	**1367.45**

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 21st Annual General Meeting of the Company held at Rangsharda Natyamandir, K.C. Marg, Bandra Reclamation, Bandra (West), Mumbai 400050 on Thursday, 7th August, 2008 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/Proxyholder 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 21st Annual General Meeting of the Company to be held on Thursday, the 7th August, 2008 at 3.00 p.m. or at any adjournment thereof.

Affix Re. 1 Revenue Stamp

Signed this __________ day of __________ 2008. 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.