



MUKTA ARTS LTD

ANNUAL REPORT

**For the year ended
March 31, 2010**

BOARD OF DIRECTORS

Mr. Subhash Ghai, Chairman & Managing Director

Mr. Parvez A. Farooqui, Executive Director

Mr. Rahul Puri, Executive Director

Mr. Anil Harish

Mr. Vijay Choraria

Mr. Pradeep Guha

Company Secretary & Compliance Officer

Mr. Ravi B Poplai

Auditors

M/s Shamit Majmudar Associates

Internal Auditors

M/s BDO Consulting Pvt. Ltd.

Bankers

HDFC Bank Limited

Kotak Mahindra Bank Limited

Registrar & Transfer Agents

Link Intime India Private Limited

C-13, Pannalal Silk Mills Compound

L.B.S. Marg, Bhandup (W)

Mumbai – 400 078

Registered Office

Mukta House,

Behind Whistling Woods Institute,

Filmcity Complex, Goregaon (East),

Mumbai- 400065

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MUKTA ARTS LIMITED

PERFORMANCE

Performance at a glance

Rupees in millions

	Year ended 31st March 2010	Year ended 31st March 2009	Year ended 31st March 2008	Year ended 31st March 2007	Year ended 31st March 2006
Realisation from productions, distribution & exhibition	886.33	1,651.04	1,094.66	965.21	374.80
Equipment Hire Income	2.50	7.30	12.07	2.22	25.09
Other Income	53.34	19.16	24.93	49.12	36.12
TOTAL INCOME	942.17	1,677.50	1,131.66	1,016.55	436.01
Profit/(Loss) before Interest, Depreciation and Tax	(174.96)	89.27	166.41	167.04	(27.15)
Depreciation	18.65	18.89	17.64	22.64	29.98
Interest	48.58	9.60	0.43	0.63	0.60
Profit/(Loss) before Tax	(242.19)	60.78	148.34	143.77	(57.73)
Profit/(Loss) after Tax	(242.44)	41.01	130.30	137.16	(56.46)
Dividend	-	22.58	45.16	45.16	-
Dividend Rate	-	20%	40%	40%	-
Gross Fixed Assets	473.12	407.89	-	313.31	369.84
Net Fixed Assets	258.19	211.62	187.10	157.09	184.06
Total Assets	1,429.63	1,547.59	1,402.21	1,279.66	1,195.53
Equity Share Capital	112.92	112.92	112.92	112.92	112.92
Reserves and Surplus	910.53	1,152.97	1,138.38	1,060.92	975.25
Net Worth	1,023.45	1,265.89	1,251.30	1,173.83	1,088.17
Earnings per Share (EPS)					
<i>In Rupees</i>					
EPS Basic	(10.74)	1.82	5.77	6.07	-
EPS Adjusted to Rs. 5	(10.74)	1.82	5.77	6.07	-

CHAIRMAN STATEMENT 2010

Dear Shareholders,

One of the biggest challenges in business is to get an organization to respond quickly to the changing business environment.

It was only a few years ago that everybody was rushing into film production in a big way as there were several corporate buyers, venturing to purchase rights of movies. High acquisition costs of film rights made production attractive but also resulted in production costs artificially going up particularly those with big star cast as demand outstripped supply. Movies with big stars was a panacea for quick returns and corporates wanting to show healthy top lines were signing up movies with big stars hoping to cash in on the hype. The consequence of this “gold rush” was star prices going through the roof, margins rapidly turning negative and as was inevitable when corporate pulled out, the production sector crashed.

Mukta Arts was among the first companies to foresee the rapidly changing scenario and was quickly able to rework existing projects and shelve projects unviable in the changed scenario. Companies that had invested heavily in production and paid up hefty signing amounts at prices that were meant to yield table profits took big hits or were not able to find buyers at rational prices. Mukta’s quick response clubbed with its internal strength of movie distribution enabled it to change direction mid-stream with minimal collateral damage.

The focus of Mukta in the interim phase shifted to exhibition and distribution which though a low margin business was a low risk business. This is not to say that Mukta Arts is diluting its production strength. It has always been my vision and hope that production should be built on the strength of good stories and scripts, supported by good performances and innovative marketing. Good performers in well scripted movies are the future stars. I myself have been responsible for good actors turning into stars. However the challenge has always been to encash on the brand value of the star having contributed in making them into big brand names. There is no simple solution and answer to this. It is hardly surprising that many industry families launch their own family members to keep the brand value within the family or work closely with a few select stars. I myself have attempted to break away from this mould so that actors are launched on their inherent strength and work their way to stardom. It was with this thought that I launched Whistling Woods International (WWI) and I foresee that WWI would germinate a large talent pool creating a much wider base of stars to help the production sector move into script led success rather than star led hits. I am experimenting with this thought and have launched the first movie with talent primarily from WWI. The movie “Paschim Express” is expected to be released next year.

We have seen a similar over pricing phenomenon in the exhibition sector where costs of construction of multiplexes or leasing shells for multiplexes have been so high that they are struggling to break even. High real estate prices resulting in high ticket prices, stiff competition in residential catchment areas among multiplexes and lack of content that can attract or push clients into theatres is resulting in occupancy levels of just around 30%.

We spot an opportunity for miniplexes in cities where good theatres are non-existent. We had pioneered digital projection systems in India and seeing these in place with satellite delivery systems, the dream of movies reaching tier two and three cities simultaneously with A centres has become a reality. Mukta Arts is setting out to convert single screens in some cities into single/multiple screens and converting them into a comfortable viewing chain of low cost miniplexes or set up multiplexes in new malls. The concept of Mukta Arts Cinemas has already taken off the ground and we have already signed up with malls at Bhopal, Ahmedabad and Baroda. We hope to tie-up for 20 more theatres in the next two years and use them to build up our distribution and exhibition strength. We hope to convert this into a significant business opportunity.

I am confident that our Company will emerge as one of the leaders in Media and Entertainment. Already in terms of Media and Entertainment education the Company is a market leader in India. Two significant tie-ups have established the leadership of WWIL even further. The first is a tie-up with Central Board of Secondary Education (CBSE) introducing media education at the 11th and 12th standard level. While the pilot project has started this year with about 15 CBSE schools and over 300 students primarily in Mumbai, Pune and Delhi, by next year this is expected to expand to most CBSE schools.

The second tie-up is with Centum Learning Limited (a Bharti Airtel associate company) whereby WWI has designed the curriculum for media and entertainment in all its education centres. In the first phase this covers cities of Pune, Delhi, Mohali, Mumbai and Hyderabad and by next year is expected to include 15 new centres. WWIL is not only currently advising Centum on this segment of education but is also hand holding and giving a part of the training at its campus. These new verticals alongwith the current MBA project which WWIL runs with Manipal Universal ensures WWI’s presence in media education in schools, colleges and post production extending its sphere of activity beyond its Film City complex. Education is recognized as a fast growing opportunity and we feel that we are ahead of the curve and can encash on this opportunity in years to come. WWIL expects to show profits in 2011.

The third convocation of WWI was held recently where Shri Shammi Kapoor and Shri Gulzar were conferred Lifetime Achievement Awards and a keynote address were presented by Shekhar Kapur to the students. This was also the occasion where the first batch of MBA (M&E) students entered the industry.

I thank you the shareholders in continuing to have faith in my leadership and assure you that the Company which has not shown good results this year is poised to show good results in years to come.



Subhash Ghai

MUKTA ARTS LIMITED

MANAGEMENT DISCUSSION AND ANALYSIS

Industry Performance:

The Entertainment industry grew at a marginal 2% as indicated in PWC's research report and while some sectors of the industry have shown healthy growths sectors such as print, film and OOH have shown negative growth with film sector showing -11% growth as against the GDP growth which is estimated to be between 8-9%.

Developments that have occurred during the year which are likely to affect the industry positively or negatively include

- (a) While growth in the multiplexes continues growth rates have slowed down.
- (b) There is almost a total collapse in the home video market. In an effort to reduce video sell through rates to match the street prices of the pirates, video as a territory for producers has been killed.
- (c) Physical formats in music has virtually collapsed and the primary business continues to be in the download and mobile CRBT segment.
- (d) Producers are under pressure to recover almost their entire production costs primarily from the theatrical market and satellite rights. This has brought down margins and made production a risky proposition.
- (e) Internet downloads have not taken off significantly but streaming has taken off in a big way. Its monetization in any significant way is yet to happen given the ad driven revenue model with too many intermediaries.
- (f) The DTH market is growing well and seems to be on track and may become a major competitor to cable in years to come. HD channels on DTH will further spurt the growth.
- (g) The emergence of 3G on the horizon gives hope for increased content use and monetization in the mobile space.
- (h) FM radio continues to be stable, however further licensing has got delayed significantly.
- (i) IPL has made cricket into a major entertainment event and despite the various controversies surrounding the IPL it has remained and will continue to be the single largest happening in sports entertainment space.
- (j) The entry of Hollywood Studios in the production space has not made any waves as the early entrants have not had good pay offs.

Company Performance:

The Company slowed down in its production sector and released only two movies which were in the pipeline "Paying Guest" directed by Paritosh Painter starring Shreyas Talpade, Jaaved Jafferri, Aashish Chowdhary, Vatsal Sheth, Celina Jaitley, Neha Dhupia, Riya Sen, Sayali Bhagat and others and "Right Yaaa Wrong" directed by Neeraj Pathak starring Sunny Deol, Irrfan Khan, Eesha Koppikhar, Konkona Sen, Sanjay Singh, Deepal Shaw and others. Owing to the collapse of the buyers, Mukta Arts had to risk releasing both the movies itself. Neither of the two movies performed very well at the Box Office, "Paying Guest" had an average run and "Right Yaaa Wrong" despite getting good critical acclaim was overrun by the IPL which took place at the time of release. This resulted in the Company having significant losses during the year. The losses were also high as the Company amortised the entire cost of the movies at release, despite the fact that some of the rights would be sold in subsequent years.

The movies in the pipeline include "Hello Darling" (releasing on 27th August) and "Paschim Express" which uses fresh talent from WWIL. This is a bold new experiment using talent from the pool generated by WWIL and if this succeeds we hope to scale this up in a big way. The other movies in the pipeline is the Bengali movie "Nauka Dubi" directed by Rituparno Ghosh which is now complete and we expect to release it in the forthcoming year which is also the 150th Birth Anniversary of Rabindranath Tagore, since the movie is based on one of his stories. Company has signed well known Director, Mr. Priyadarshan to direct one of its forthcoming films.

Distribution and Exhibition:

The Company's distribution and exhibition business did reasonably well during the year. Among the movies distributed during the year were "Acid Factory", "All the Best", "Athithi Tum Kab Jaoge", "Aa Dekhe Zara", "Avatar", "District-9", "Jail", "Ishqiya", "My Name is Khan", "Shaapit", "Teen Patti", "X-Man Origins" etc.

The Company had withdrawn from exhibition booking after its tie-up as PVR ended. The Company has thereafter tied up with Reliance Big Cinemas and is currently booking for all their theatres in addition to several other exhibitors in Delhi, UP and Punjab.

The Company has also taken an initiative in signing up for a few theatres in new Malls in A class cities as also in tier two and three cities in an effort to convert them into low cost multiplexes and plans to expand rapidly in this space. They would have digital screenings, comfortable seating, air cooled / air conditioned and computerized booking.

The Company has completed the Audeus and Communication Centre complex. A major portion of the Audeus complex has been leased out to NDTV Imagine now taken over by Turner International, a Viacom company. A major portion of the Communication Centre has been leased out to Reliance Media Works Ltd. Mukta Arts offices have moved to the top floor of the Communication Centre which is now called as Mukta House. Some portion of the Audeus complex and Mukta House are yet to be leased out and we hope to lease it out soon.

Whistling Woods International Limited:

During the year WWIL showed good growth and its student community continued to increase. WWIL has virtually become a most visited spot for those interested in Bollywood and the Film City.

Among the important guests that visited WWIL include the Premier of Bermuda Ewart Brown and the US Under Secretary Ms. Judith McHale, Consul General of the US-Paul Folmsbee and the Consul General of the Netherlands- Ms. Marieke Littel.

During the year, films of Whistling Woods International students were sent to various Film Festivals including the PIFF 2010. An animation film made by WWI students won the Best Film Award at the PIFF Students competitive section and MIFF 2010.

The Mumbai International Children's Film Festival and IberMumbai were conducted at the WWI campus.

In another significant development WWIL has tied up with the CBSE and Centum Learning Limited (a Bharti Airtel associate company). The tie-ups are based on WWI developing curriculum and programmes in Media and Entertainment studies for CBSE 11th and 12th standard and for Graduates and Post Graduates for Centum Learning. Part of the training will be done at WWIL.

MUKTA ARTS LIMITED

NOTICE

Notice is hereby given that the **28th Annual General Meeting** of Mukta Arts Limited will be held on **Thursday, the 30th day of September, 2010 at 4.00 p.m.** at the Whistling Woods Institute Auditorium, Dada Saheb Phalke Chitra Nagari, Goregaon (E), Mumbai- 400 065 to transact the following business:

Ordinary Business:

1. To receive, consider, and adopt the audited Profit and Loss Account of the Company for the year ended 31st March, 2010 and the Balance Sheet as at that date together with the Director's Report and Auditor's Report thereon.
2. To re-appoint Mr. Pradeep Guha, as Director who retires by rotation and, being eligible, offers himself for reappointment.
3. To re-appoint Mr. Rahul Puri, as Director who retires by rotation and, being eligible, offers himself for reappointment.
4. To consider and if thought fit, to pass with or without modification(s), the following resolution as an Ordinary Resolution:

"RESOLVED THAT pursuant to the provisions of Section 224 and other applicable provisions, if any, of the Companies Act, 1956, M/s. BSR & Co, Chartered Accountants, be and are hereby appointed as the Statutory Auditors of the Company to hold office from the conclusion of this Annual General Meeting until the conclusion of the next Annual General Meeting of the Company in place of M/s. Shamit Majmudar Associates, Chartered Accountants, the retiring Auditors of the Company, who have expressed their unwillingness to be re-appointed as Statutory Auditors of the Company on their retirement at this Annual General Meeting.

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

Special Business:

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

"RESOLVED THAT subject to the approval of the members in the General Meeting and subject to the provisions of Sections 198, 269, 309, 310, 311 and Schedule XIII of the Companies Act, 1956 and other applicable provisions if any and subject to the approval of the Central Government, if required, the approval is hereby given to the re-appointment of Mr. Parvez A. Farooqui as Whole time Director (to be designated as Executive Director) of the Company for the period of three years w.e.f 1st April 2010 on such terms and conditions as are contained in the draft agreement to be entered into between the company and Mr. Parvez A. Farooqui, a copy of which as placed before the meeting and duly initialled by the Chairman for the sake of identification be and is hereby approved."

RESOLVED FURTHER THAT, Mr. Vijay Choraria, Director of the Company be and is hereby authorized to sign the Agreement as approved above on behalf of the Company and the Common Seal of the Company be affixed thereon in his presence."

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

"RESOLVED THAT subject to the approval of the members in the General Meeting and subject to the provisions of Sections 198, 269, 309, 310, 311 and Schedule XIII of the Companies Act, 1956 and other applicable provisions if any and subject to the approval of the Central Government, if required, the approval is hereby given to the re-appointment of Mr. Subhash Ghai as Managing Director of the Company for the period of three years w.e.f 1st April, 2011 on such terms and conditions as are contained in the draft agreement to be entered into between the company and Mr. Subhash Ghai, a copy of which as placed before the meeting and duly initialled by the Chairman for the sake of identification be and is hereby approved.

RESOLVED FURTHER THAT Mr. Vijay Choraria, Director of the Company be and is hereby authorised to sign the Agreement as approved above on behalf of the Company and the Common Seal of the Company be affixed thereon in his presence."

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

"RESOLVED THAT subject to the approval of the members in the General Meeting and subject to the provisions of Sections 198, 269, 309, 310, 311 and Schedule XIII of the Companies Act, 1956 and other applicable provisions if any and subject to the approval of the Central Government, if required, the approval is hereby given to the re-appointment of Mr. Rahul Puri as Whole time Director (to be designated as Executive Director) of the Company for the period of three years w.e.f 23rd October, 2010 on such terms and conditions as are contained in the draft agreement to be entered into between the company and Mr. Rahul Puri, a copy of which as placed before the meeting and duly initialled by the Chairman for the sake of identification be and is hereby approved."

RESOLVED FURTHER THAT, Mr. Vijay Choraria, Director of the Company be and is hereby authorized to sign the Agreement as approved above on behalf of the Company and the Common Seal of the Company be affixed thereon in his presence."

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

“RESOLVED THAT in accordance with Section 314 of the Companies Act, 1956 and other applicable provisions, if any, and subject to the approval of the members in the General Meeting of the company, approval is hereby given to appoint Mr. Sajid Farooqui, a relative of Mr. Subhash Ghai, Chairman and Managing Director and Mr. Parvez Farooqui, Director of the company as Assistant Manager, administration with effect from 1st April, 2010 in accordance with the draft agreement placed before the meeting and initialled by the Chairman for the sake of identification.”

Registered Office:

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

By Order of the Board

Ravi. B. Poplai
Company Secretary

Place: Mumbai

Date: 12th August, 2010

NOTES:

1. A MEMBER ENTITLED TO ATTEND AND VOTE AT THE MEETING IS ENTITLED TO APPOINT A PROXY / PROXIES INSTEAD OF HIMSELF AND THE PROXY NEED NOT BE A MEMBER OF THE COMPANY. THE PROXY FORMS, TO BE EFFECTIVE SHOULD BE DEPOSITED AT THE REGISTERED OFFICE OF THE COMPANY NOT LATER THAN 48 HOURS BEFORE THE COMMENCEMENT OF THE MEETING.
2. The Register of Members and Share Transfer Books of the Company will remain closed from **Thursday, the 23rd September, 2010 to Thursday, the 30th September, 2010 (both days inclusive)**.
3. Members seeking any information or clarification on the Accounts are requested to send in written queries to the Company, at least seven days before the date of the meeting. Replies to such written queries received, will be provided only at the meeting.
4. Members/proxies should bring the Attendance Slip sent herewith, duly filled in, along with the Annual Report for attending the meeting.
5. Dividends pertaining to Financial Years 2002-03 will be transferred to Investor Education and Protection Fund, in pursuance to Section 205A to Section 205C of Companies Act, 1956.
6. Dividends pertaining to Financial Years 2003-04, 2006-07, 2007-08 and 2008-09 which remain unclaimed for a period of seven years will be transferred to Investor Education and Protection Fund, in pursuance to Section 205A to Section 205C of Companies Act, 1956. The actual dates on which the transfers will be made are provided in the Corporate Governance Report for reference. Members who have, till date, not encashed their dividend warrants for these years are advised to claim the dividend from the Investor Services Department at the Registered Office of the Company at the earliest.

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

Registered Office:

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

By Order of the Board

Ravi. B. Poplai
Company Secretary

Place: Mumbai

Date: 12th August, 2010

MUKTA ARTS LIMITED

ANNEXURE TO NOTICE

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

Item No. 4

Appointment of Statutory Auditors.

M/s. Shamit Majmudar Associates, Chartered Accountants, Mumbai, the present auditors who retire at this Annual General Meeting have informed the Company that they do not wish to seek re-appointment as Statutory Auditors of the Company at the forthcoming Annual General Meeting.

Based on the recommendation of the Audit Committee, the Board of Directors proposes the appointment of M/s. BSR & Co., Chartered Accountant, as the Statutory Auditors of the Company in place of M/s. Shamit Majmudar Associates, Chartered Accountants, the retiring Auditors of the Company, from the conclusion of this Annual General Meeting till the conclusion of the next Annual General Meeting.

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

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

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

Item No. 5

Re-appointment of Mr. Parvez A. Farooqui as Executive Director for a period of 3 years and fixation of remuneration payable to him.

Mr. Parvez A. Farooqui was appointed as Executive Director on 01.04.2000 for a term of 5 years on the terms and conditions mentioned in the agreement entered into between Mr. Parvez A. Farooqui and the Company which was duly approved by the Shareholders of the Company at Extra Ordinary General Meeting held on 08.03.2000. He was reappointed for another five years on 01.04.2005 at the Annual General Meeting held on 29th September, 2005.

The Remuneration Committee in its meeting held on 25th March, 2010 had recommended his re-appointment on the terms and conditions contained in the agreement to be entered into between the Company and Mr. Parvez A. Farooqui. Accordingly remuneration committee proposed re-appointment of Mr. Parvez A. Farooqui as Executive Director of the Company for a period of 3 years commencing from 1st April, 2010.

The Main terms of the said agreement are as under:-

SALARY:

Rs. 1,00,000/- per month with the liberty to the Board to review and increase the same from time to time upto a maximum of Rs. 2,50,000/- per month during the tenure of this contract

PERQUISITES:

In addition to the aforesaid salary, the Executive Director shall be entitled to the following perquisites:

- a) Fully furnished residential accommodation. Where no accommodation is provided by the Company, suitable house rent allowance in lieu thereof may be paid. The expenses on furnishings, gas, electricity, water and other utilities shall be borne by the Company.
- b) Reimbursement of all medical expenses incurred for self and family.
- c) Leave Travel assistance for self and family as per Company rules.
- d) Fees of maximum of two clubs, which will include admission and life membership fees.
- e) Personal accident insurance, premium whereof does not exceed Rs. 25,000/- per annum.
- f) A car with driver for official purpose.
- g) Telephones (including Mobile phones), fax and other communication facilities at residence for official purpose. All personal usage will be charged to his account.
- h) Contribution to Provident Fund, Superannuation Fund or Annuity Fund to the extent these either singly or put together are not taxable under the Income Tax Act, 1961.
- i) Gratuity at rate not exceeding half a month's salary for each completed year of service, and

- j) Leave at the rate of one month for every eleven month's of service. Leave not availed of may be encashed.
- k) Education Allowance for the education of his children not exceeding Rs. 25000/- per annum per child.
- l) Exgratia – One month basic per annum

Family for the above purpose means wife, dependent children and dependent parents of the Executive Director

For the purpose of computation of the ceiling on remuneration, the following prerequisites shall not be included.

Gratuity at the rate not exceeding half a month's salary for each completed year of service and encashment of leave at the end of the tenure.

None of the Directors of the Company except, Mr. Subhash Ghai may be deemed to be concerned or interested in this resolution.

A copy of the agreement entered into between the Company and Mr. Parvez A. Farooqui will be available for inspection at the Registered Office of the Company during business hours and will also be available at the meeting.

The other information as required under Schedule XIII (B) (iv) is as follows.

I GENERAL INFORMATION

- 1. Nature of Industry : Production and Exhibition of Films
- 2. Date of Commencement : 07/09/1982
- 3. Financial Performance based on Given indicators : As per financial statements annexed
- 4. Export performance and net foreign Exchange collaborations : Rs.1,976,542 for 2009-2010
- 5. Foreign investments of Collaborations, if any : NIL

II INFORMATION ABOUT THE APPOINTEE:

- 1. Background details : B com
- 2. Past Remuneration : Rs. 1,911,491 for 2009-2010
- 3. Recognition or awards : NIL
- 4. Job Profile : Incharge of overall Finance and Administration
- 5. Remuneration Proposed : As contained in Agreement
- 6. Comparative remuneration profile with respect to Industry etc. : NA
- 7. Pecuniary Relationship directly or indirectly with the Company : NIL
- 8. Relationship with managerial Personnel, if any : Brother-in-law of Chairman and Managing Director, Mr. Subhash Ghai

III OTHER INFORMATION

- 1. Reason of Loss or inadequate Profit : Insufficient revenues for films released during the year
- 2. Steps Taken or proposed to be Taken for improvement : Budgets for future films rationalized. Additional Sources of income streamlined.
- 3. Expected increase in productivity and profits in measurable terms : Not quantifiable

IV DISCLOSURE

- 1. Remuneration package : Necessary information given in explanatory statement
- 2. Disclosure in Corporate Governance if any : Necessary information given

Item No.6

Re-appointment of Mr. Subhash Ghai as Managing Director:

Mr. Subhash Ghai was reappointed as Chairman Cum Managing Director on 01.04.2008 on the terms and condition mentioned in the agreement entered into between Mr. Subhash Ghai and the Company which was duly approved by the Shareholders of the Company at Annual General Meeting held on 20th September, 2008.

Now it is proposed to reappoint Mr. Subhash Ghai as the Chairman and Managing Director of the Company for a period of 3 years commencing from 1st April, 2011. The Remuneration Committee in its meeting held on 2nd August, 2010 had recommended his appointment on the terms and conditions contained in the agreement to be entered into between the Company and Mr. Subhash Ghai.

MUKTA ARTS LIMITED

The Main terms of the said agreement are as under:-

COMMISSION

Commission payable to him shall be decided by the Board of Directors based on net profits of the Company each year subject to condition that the aggregate remuneration of Managing Director shall not exceed 5% of net profits of the Company, in accordance with section 198, 309 and Schedule XIII of the Companies Act, 1956.

MINIMUM REMUNERATION

In the event of loss or inadequacy of profits in any financial year during the currency of his tenure as Managing Director, the payment of salary, perquisites and other allowances shall be restricted to the terms specified in section II of part II of Schedule XIII of the Companies Act, 1956 as minimum remuneration as outlined below:

SALARY:

Rs. 2,50,000/- per month with the liberty to the Board to review and increase the same from time to time upto a maximum of Rs. 3,50,000/- per month during the tenure of this contract

PERQUISITES:

In addition to the aforesaid salary, the Managing Director shall be entitled to the following perquisites:

- a) Fully furnished residential accommodation. Where no accommodation is provided by the Company, suitable house rent allowance in lieu thereof may be paid. The expenses on furnishings, gas, electricity, water and other utilities shall be borne by the Company.
- b) Reimbursement of all medical expenses incurred for self and family.
- c) Leave Travel assistance for self and family as per Company rules.
- d) Fees of maximum of two clubs, which will include admission and life membership fees.
- e) Personal accident insurance, premium whereof does not exceed Rs. 25,000/- per annum.
- f) A car with driver for official purpose.
- g) Telephones (including Mobile phones), fax and other communication facilities at residence for official purpose. All personal usage will be charged to his account.
- h) Gratuity at rate not exceeding half a month's salary for each completed year of service, and
- i) Leave at the rate of one month for every eleven month's of service. Leave not availed of may be encashed.
- j) Education Allowance for the education of his children not exceeding Rs. 25000/- per annum per child.
- k) Exgratia – One month basic per annum

Family for the above purpose means wife, dependent children and dependent parents of the Managing Director

For the purpose of computation of the ceiling on remuneration, the following perquisites shall not be included.

Gratuity at the rate not exceeding half a month's salary for each completed year of service and encashment of leave at the end of the tenure.

None of the Directors of the Company except, Mr. Rahul Puri and Mr. Parvez A. Farooqui may be deemed to be concerned or interested in this resolution.

A draft of the agreement to be entered into between the Company and Mr. Subhash Ghai will be available for inspection at the Registered Office of the Company during business hours and will also be available at the meeting.

The other information as required under Schedule XIII (B) (iv) is as follows.

I GENERAL INFORMATION

- | | |
|---|---------------------------------------|
| 1. Nature of Industry | : Production and entertainment |
| 2. Date of Commencement | : 07/09/1982 |
| 3. Financial Performance based on Given indicators | : As per Financial Statements annexed |
| 4. Export performance and net foreign Exchange collaborations | : Rs. 1,976,542 for 2009-2010 |
| 5. Foreign investments of Collaborations, if any | : NIL |

II INFORMATION ABOUT THE APPOINTEE:

1. Background details : B. Com, Diploma in cinema from FTII, Pune.
2. Past Remuneration : Rs.15,234,145 for 2009-2010
3. Recognition or awards : Has won many awards as Film Director and Producer
4. Job Profile : Filmmaking
5. Remuneration Proposed : As contained in Agreement
6. Comparative remuneration profile with respect to Industry etc. : NA
7. Pecuniary Relationship directly or indirectly with the Company : NIL
8. Relationship with managerial Personnel, if any : Brother-in-law of Parvez Farooqui-Executive Director and Father-in-law of Mr. Rahul Puri-Executive Director

III OTHER INFORMATION

1. Reason of Loss or inadequate Profit : Insufficient revenues from films released during the year
2. Steps Taken or proposed to be Taken for improvement : Budgets for future films rationalized. Additional Sources of income streamlined
3. Expected increase in Productivity and profits in measurable terms : Not quantifiable

IV DISCLOSURE

1. Remuneration package : Necessary information given in explanatory statement
2. Disclosure in Corporate Governance if any : Necessary information given

Item No. 7:

Re-appointment of Mr. Rahul Puri as Executive Director for a period of 3 years and fixation of remuneration payable to him.

Mr. Rahul Puri was appointed as Executive Director on 23rd October, 2007 for a term of 3 years on the terms and conditions mentioned in the agreement entered into between Mr. Rahul Puri and the Company which was duly approved by the Shareholders of the Company at Annual General Meeting held on 20th September, 2008.

The Remuneration Committee in its meeting held on 2nd August, 2010 had recommended his re-appointment on the terms and conditions contained in the agreement to be entered into between the Company and Mr. Rahul Puri. Accordingly remuneration committee proposed re-appointment of Mr. Rahul Puri as Executive Director of the Company for a period of 3 years commencing from 23rd October, 2010.

The Main terms of the said agreement are as under:-

SALARY:

Rs. 1,00,000/- per month with the liberty to the Board to review and increase the same from time to time upto a maximum of Rs. 2,50,000/- per month during the tenure of this contract

PERQUISITES:

In addition to the aforesaid salary, the Executive Director shall be entitled to the following perquisites:

- a) Fully furnished residential accommodation. Where no accommodation is provided by the Company, suitable house rent allowance in lieu thereof may be paid. The expenses on furnishings, gas, electricity, water and other utilities shall be borne by the Company.
- b) Reimbursement of all medical expenses incurred for self and family.
- c) Leave Travel assistance for self and family as per Company rules.
- d) Fees of maximum of two clubs, which will include admission and life membership fees.
- e) Personal accident insurance, premium whereof does not exceed Rs. 25,000/- per annum.
- f) A car with driver for official purpose.
- g) Telephones (including Mobile phones), fax and other communication facilities at residence for official purpose. All personal usage will be charged to his account.
- h) Contribution to Provident Fund, Superannuation Fund or Annuity Fund to the extent these either singly or put together are not taxable under the Income Tax Act, 1961.
- i) Gratuity at rate not exceeding half a month's salary for each completed year of service, and
- j) Leave at the rate of one month for every eleven month's of service. Leave not availed of may be encashed.
- k) Education Allowance for the education of his children not exceeding Rs. 25000/- per annum per child.

MUKTA ARTS LIMITED

I) Exgratia – One month basic per annum

Family for the above purpose means wife, dependent children and dependent parents of the Executive Director

For the purpose of computation of the ceiling on remuneration, the following prerequisites shall not be included.

Gratuity at the rate not exceeding half a month's salary for each completed year of service and encashment of leave at the end of the tenure.

None of the Directors of the Company except, Mr. Subhash Ghai may be deemed to be concerned or interested in this resolution.

A draft of the agreement to be entered into between the Company and Mr. Rahul Puri will be available for inspection at the Registered Office of the Company during business hours and will also be available at the meeting.

The other information as required under Schedule XIII (B) (iv) is as follows.

I GENERAL INFORMATION

- | | |
|---|---------------------------------------|
| 1. Nature of Industry | : Production and entertainment |
| 2. Date of Commencement | : 07/09/1982 |
| 3. Financial Performance based on Given indicators | : As per financial Statements annexed |
| 4. Export performance and net foreign Exchange collaborations | : Rs. 1,976,542 for 2009-2010 |
| 5. Foreign investments of Collaborations, if any | : NIL |

II INFORMATION ABOUT THE APPOINTEE:

- | | |
|---|--|
| 1. Background details | : Graduate of Kings College London |
| 2. Past Remuneration | : Rs. 1,918,844 for 2009-2010 |
| 3. Recognition or awards | : NIL |
| 4. Job Profile | : Incharge of overall Business Development and administration |
| 5. Remuneration Proposed | : As contained in Agreement |
| 6. Comparative remuneration profile with respect to Industry etc. | : NA |
| 7. Pecuniary Relationship directly or indirectly with the Company | : NIL |
| 8. Relationship with managerial Personnel, if any | : Son-in-law of Chairman and Managing Director, Mr. Subhash Ghai |

III OTHER INFORMATION

- | | |
|--|---|
| 1. Reason of Loss or inadequate Profit | : Insufficient revenues from films released during the year |
| 2. Steps Taken or proposed to be Taken for improvement | : Budgets for future films rationalized. Additional Sources of income streamlined |
| 3. Expected increase in Productivity and profits in measurable terms | : Not quantifiable |

IV DISCLOSURE

- | | |
|--|--|
| 1. Remuneration package | : Necessary information given in explanatory statement |
| 2. Disclosure in Corporate Governance if any | : Necessary information given |

Item No. 8:

Appointment of Mr. Sajid Farooqui as Assistant Manager- Administration:

The Board of Directors of our Company in its meeting held on 29th April, 2010 has appointed Mr. Sajid Farooqui as a Assistant Manager, Administration or in such other capacity as the company and/ or its group entity reasonably requires. He will be responsible for execution of various tasks / assignment given by the Company from time to time.

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

Your directors recommend the resolution for adoption.

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

Brief Profile of Mr. Pradeep Guha, who retires by rotation and is eligible for re-appointment.

Pradeep Guha as Managing Director of Culture Company and Consultant to 9X Entertainment, is a media and entertainment consultant.

Pradeep Guha has recently finished a very successful three-and-a-half year stint as the CEO of India's largest satellite broadcasting network, Zee Entertainment Enterprises Ltd. During his tenure Zee has reclaimed its erstwhile position of prominence in the Indian television arena, that too amidst the heightened atmosphere of keen competition and a vastly different economic and regulatory environment. While at Zee, Pradeep also helped the company set up their first foray into print in 2005. Daily News and Analysis (DNA) is a premier English news daily that Zee's promoters launched in partnership with the Dainik Bhaskar Group. After seeing the Zee race ahead by leaps and bounds both in shareholder value as well as ratings and revenue, Pradeep bid Zee adieu in July 2008 to chart new media territories.

In his previous avatar Pradeep has been associated with the print medium for 29 years and was President of The Times of India Group, as well as on its Board of Directors. Since joining the company in the mid-70s he has seen The Times and the country through rapid changes and their impact on the evolving reader and advertiser. In the process India's most reputed newspaper The Times of India, had experienced a chrysalis, both as a product and as a brand.

Pradeep is also associated with many bodies in the field of advertising, marketing and media. He is a past President of the Indian Newspaper Society, ex-Chairman of the National Readership Studies Council, past President of the Advertising Club Bombay and the first Chairman of the Broadcast Audience Research Council. Pradeep's contribution in showcasing India's advertising to the World began with his initiative to get India empanelled at the Cannes Advertising Festival as the first representative of the Festival in India. Seven years ago, he helmed the conceptualization, organization and execution of Asia's largest biennial advertising Congress, AdAsia 2003 that was held in Jaipur, India. He is also the Vice Chairman of Steering Committee of Adfest, Pattaya, Thailand. He is a past President of the India Chapter of the International Advertising Association and currently the Vice-President and Area Director of International Advertising Association, Asia Pacific region.

As an Executive Committee Member of the Advertising Council of India (India's apex body representing advertising interests) Pradeep is the official representative to the Asian Federation of Advertising Associations and is the current Chairman of the Federation. He is also an Advisory Committee member of the Institute of Intellectual Property Studies.

Pradeep's many board affiliations include Raymond Ltd. (India's leading textiles and garment manufacturer), Mukta Arts, a leading film production company listed on the Bombay Stock Exchange, Puravankara Projects Ltd. (leading developers of commercial & residential properties), Future Media, an OOH media Company that specialises in creating media opportunities at retail point of purchase outlets and Whistling Woods International, India's largest training institute for film, television and other creative arts. Apart from this Pradeep is also a member of the Advisory Council Boards of Nexus India Capital Advisors (a leading venture capital financing company), Komli Media Inc. (the leading ad network from India that provides products and services for digital advertisers and publishers), Vdopia Inc. (the world's fastest growing premium video advertising network and technology provider for targeting the most responsive and affluent audiences across devices), Amagi Technologies Pvt. Ltd. (that focuses on providing split run advertising on television platform to targeted markets) and Biguine India (one of the most premium and successful chain of beauty salon and spa in the world).

Brief Profile of Mr. Rahul Puri, who retires by rotation and is eligible for re-appointment.

Rahul Puri, born in Neath, UK, a Graduate of Kings College London, has spent almost 3 years at UBS Warburg in London in corporate finance working on international transactions worth up to US\$ 10 billion. These included the merger of Publicis with Saachi and Saachi and the IPO of Dentsu Advertising in Japan. After moving to Mumbai in 2002, he joined Ambit Corporate Finance and soon after Nimbus Communications. In 2003, he joined Mukta Arts Limited as Vice President- Finance and Strategy and has been involved in the development of the company and the production and release of numerous films.

By Order of the Board

Place: Mumbai
Date: 12th August, 2010

Ravi B Poplai
Company Secretary

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

MUKTA ARTS LIMITED

DIRECTORS' REPORT

To the Members,

Your Directors take pleasure in presenting the Twenty-Eighth Annual Report and Audited Statement of Accounts of the Company for the Accounting year ended 31st March, 2010:

Financial Results

(Figures in millions)

Particulars	Year ending 31.03.2010 (Rs.)	Year ending 31.03.2009 (Rs.)
Profit/(Loss) before interest, depreciation & tax	(174.96)	89.27
Less: Interest	48.58	9.60
Profit/(Loss) after interest, before depreciation & tax	(223.54)	79.67
Less: Depreciation	18.65	18.89
Profit/(Loss) before tax	(242.19)	60.78
Less: Provision for taxation	-	19.00
Fringe Benefit Tax	-	.88
Deferred Tax Liability/(Asset)	0.25	(0.11)
Profit/(Loss) available for appropriation	(242.44)	41.01
Less: Interim Dividend	-	22.58
Tax on Interim Dividend	-	3.84
Profit/(Loss) for the year	(242.44)	14.59
Add: Balance brought forward	116.37	106.78
Profit/(Loss) Carried forward to Balance Sheet	(126.07)	116.37

Company's Performance

During the year the total revenues of the Company were placed at Rs. 942,175,412 as compared to Rs 1,677,501,284 of last year.

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

New Initiatives

Mukta Arts Ltd has acquired balance 49% shares of Coruscant Tec Private Limited and as on date the company holds 100% shares of the said company making it a fully owned subsidiary company.

Mukta Arts Limited has actively entered into exhibition business and has tied up with malls at Bhopal, Ahmedabad, Baroda to develop, maintain and run multiplexes at their properties. Discussion is also going on for few more properties for developing and reviewing multiplexes.

Share Capital

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

Directors

Mr. Pradeep Guha and Mr. Rahul Puri, Directors, retire by rotation at the ensuing Annual General Meeting and being eligible offer themselves for reappointment. The requisite particulars in respect of director seeking re-appointment are given in Annexure I.

Auditor's Report and Certificate

The Company's explanation to the Auditors' observation in their Report have been detailed in Note Nos 2 (f) to 2 (g) in the notes forming part of Accounts contained in Schedule "P" which forms part of the Annual Report. The Practicing Company Secretary have certified the Company's Compliance of the requirements of Corporate Governance in terms of Clause 49 of the Listing Agreement and the same is enclosed as an Annexure to the Report on Corporate Governance.

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

- The Directors confirm that:in the preparation of the annual accounts, the applicable accounting standards have been followed along with proper explanation relating to material departures;
- the Directors had selected such accounting policies and applied them consistently and made judgments and estimates that are reasonable and prudent so as to give true and fair view of the state of affairs of the Company at the end of the financial year and of the loss of the company for the year;

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

Auditors

M/s Shamit Majmudar Associates Chartered Accountants retire at the ensuing Annual General Meeting. M/s Shamit Majmudar Associates have however expressed their unwillingness to continue as Auditors for next year. Hence the company has approached M/s BSR & Co, Chartered Accountants who have given their consent to act as Statutory Auditors of the Company. Shareholders are requested to appoint the Auditors by passing appropriate resolution. The Directors appreciate the services rendered by M/s Shamit Majmudar Associates since the inception of the Company and thank them for their dedicated services.

Statutory Disclosures

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

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

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

A cash flow statement for the year ended 31.03.2010 is included with the Accounts.

Corporate Governance

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

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

Conservation of Energy and Technology Absorption

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

Fixed Deposits

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

Social Commitments

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

Acknowledgements

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

Your Directors thank especially all employees of the Company for their dedicated services to the Company.

On Behalf of the Board of Directors

Place: Mumbai
Date: 12th August, 2010

Subhash Ghai
Chairman & Managing Director

MUKTA ARTS LIMITED

ANNEXURES TO DIRECTORS' REPORT

Annexure-I

PARTICULARS ABOUT DIRECTORS SEEKING RE-APPOINTMENT

Name	Qualification	Age	Area of expertise	Directorship of other Companies
Mr. Pradeep Guha	BA, AAPM	58 years	Media	Public Limited Companies
				1. The Indian Newspaper Society
				2. India Chapter of International Advertising Association
				3. Puravankara Projects Limited
				4. Future Media (I) Limited
				5. Raymond Limited

Name	Qualification	Age	Area of expertise	Directorship of other Companies
Mr. Rahul Puri	Graduate of Kings College London	33 years	Business Development, Administration and Finance	Public Limited Companies
				1. Mukta Telemedia Limited

Annexure-II

Information as per Section 217 (2A) of the Companies Act, 1956 read with the Companies (Particulars of Employees) Rules, 1975 and forming part of the Directors' Report:

Name	Designation	Qualification	Age	Date of Joining	Experience	Gross Remuneration (Rs.)	Previous Employment
Subhash Ghai	Chairman & Managing Director	B.Com, Diploma in Cinema from FTII, Pune	67 years	07.09.1982	41 years	1,52,34,145	Promoter of the Company
Sanjay Ghai	Chief Operating Officer	BA	44 years	11.02.2003	22 years	29,14,755	Mukta Shakti Combines

Notes:

Remuneration includes salary and other allowances.

CORPORATE INFORMATION

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

Company Secretary and Compliance Officer

Mr. Ravi B Poplai

Auditors

M/s Shamit Majmudar Associates
Chartered Accountants

Registered Office

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

Audit Committee

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

Remuneration Committee

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

Shareholders / Investors Grievances Committee:

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

Share Transfer Committee

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

Bankers

HDFC Bank Limited
Kotak Mahindra Bank Limited

Registrar & Transfer Agents

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

MUKTA ARTS LIMITED

CORPORATE GOVERNANCE

We at Mukta Arts Limited view Corporate Governance as following best Corporate Governance Practices maintaining transparency and disseminating maximum information to stakeholders. The Company has belief in principles and attributes of Corporate Governance practices for enhancing shareholders wealth. In addition, we give below the information on areas covered under Corporate Governance section under clause 49 of the Listing Agreement.

COMPANY'S PHILOSOPHY ON CODE OF GOVERNANCE

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

COMPOSITION OF BOARD

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

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

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

BOARD MEETINGS AND ATTENDANCE

Four Board meetings were held during the year ended 31st March, 2010. Agenda for the Board meetings is sent to the Directors sufficiently in advance to allow them to examine and interact on the issues involved. Also the senior Executives of the Company are invited to make presentation from time to time.

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

The dates on which meetings were held are as follows:

S. No.	Date of Meeting	Board Strength	No. of Directors Present
1	29.04.2009	6	4
2	31.07.2009	6	4
3	27.10.2009	6	4
4	28.01.2010	6	5

ATTENDANCE OF EACH DIRECTOR AT THE BOARD MEETINGS AND LAST ANNUAL GENERAL MEETING (AGM) AND THE NUMBER OF COMPANIES AND COMMITTEES WHERE HE IS DIRECTOR / MEMBER AS ON 31.03.2010

Directors	No. of Board Meetings Attended during the period	Attendance at the last AGM held on 26.09.2009	No. of Directorship in other Boards as on 31.03.2010 *	No. of Memberships in other Board Committees held in other Companies **	
				Chairman	Member
	For whole year			Chairman	Member
Mr. Subhash Ghai	4	Yes	3	Nil	1
Mr. Rahul Puri	4	Yes	1	Nil	Nil
Mr. Parvez A. Farooqui	4	Yes	2	Nil	Nil
Mr. Anil Harish	1	No	14	5	9
Mr. Vijay Choraria	2	Yes	10	5	8
Mr. Pradeep Guha	2	No	4	NIL	NIL

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

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

COMMITTEES OF DIRECTORS

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

AUDIT COMMITTEE

To provide assistance to the Board of Directors of the Company the Audit Committee was constituted. It consists of Chairman and two other members. The Chairman of the Audit Committee is independent Non-Executive Director. The Audit Committee provides direction to and oversees the Audit and Risk Management functions, reviews the financial accounts, interacts with statutory auditors and reviews matters of special interest.

COMPOSITION, NAME OF MEMBERS, CHAIRMAN AND OTHERS DETAILS

Mr. Vijay Choraria Chairman

Mr. Pradeep Guha Member

Mr. Parvez A. Farooqui Member

Mr. Anil Harish has resigned from the audit Committee in the Board Meeting of the Company held on 29th April, 2010 and Mr. Pradeep Guha has been appointed in place of Mr. Anil Harish.

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

Meetings & attendance during the year

Members	Meetings held during the tenure of the Directors	Meetings Attended
Mr. Vijay Choraria	4	3
Mr. Anil Harish	4	1
Mr. Parvez A. Farooqui	4	4

REMUNERATION COMMITTEE

The Committee comprises of following Directors

Mr. Anil Harish Chairman

Mr. Vijay Choraria Member

Mr. Parvez A. Farooqui Member

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

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

Meetings & attendance during the year

Members	Meetings held during the tenure of the Directors	Meetings Attended
Mr. Vijay Choraria	2	2
Mr. Anil Harish	2	2
Mr. Parvez A. Farooqui	2	2

DETAILS OF REMUNERATION TO EXECUTIVE DIRECTORS

Particulars	Mr. Subhash Ghai Chairman & Managing Director	Mr. Parvez A. Farooqui Executive Director	Mr. Rahul Puri Executive Director
Salary	13,000,000	1,756,000	1,756,000
Employers Contribution to Provident Fund	-	144,000	144,000
Perquisites	2,234,145	11,491	18,844
Total	15,234,145	1,911,491	1,918,844

MUKTA ARTS LIMITED

DETAILS OF SERVICE CONTRACT

Names	Period of Contract	Dates of Appointment
Mr. Subhash Ghai	3 Years	1 st April, 2008
Mr. Parvez A. Farooqui	3 Years	1 st April, 2010
Mr. Rahul Puri	3 Years	23 rd October, 2007

DETAILS OF REMUNERATION TO NON-EXECUTIVE DIRECTORS

Names	Sitting fees (Rs.)	Salary & perquisites (Rs.)	Commission (Rs.)	Total (Rs.)
Mr. Anil Harish	5,000	Nil	Nil	5,000
Mr. Vijay Choraria	10,000	Nil	Nil	10,000
Mr. Pradeep Guha	10,000	NIL	Nil	10,000
TOTAL				25,000

EQUITY SHARES OF MUKTA ARTS LIMITED HELD BY DIRECTORS AS ON 31ST MARCH, 2010

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

SHAREHOLDERS / INVESTOR GRIEVANCE COMMITTEE

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

COMPOSITION, NAME OF MEMBERS AND CHAIRMAN

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

MEETINGS AND ATTENDANCE DURING THE YEAR

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

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

NO. OF COMPLAINTS PENDING WITH THE COMPANY

The Company and its Registrar & Transfer Agents M/s Link Intime India Private Limited received 3 letters / complaints during the financial year ended 31st March, 2010 and all were replied to the satisfaction of the shareholders.

SHARE TRANSFER COMMITTEE

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

COMPOSITION, NAME OF MEMBERS AND CHAIRMAN

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

MEETINGS AND ATTENDANCE DURING THE YEAR

Members	Meetings held during the tenure of the Director	Meetings Attended
Mr. Parvez A. Farooqui	1	1
Mr. Vijay Choraria	1	1
Mr. Pradeep Guha	1	1

GENERAL BODY MEETINGS

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

Description of Meeting	Location	Date	Time
27 th AGM	Whistling Woods Institution's Auditorium Dada Saheb Phalke Chitra Nagari Goregaon (E), Mumbai-400 065	26.09.2009	4.00 P.M
26 th AGM*	Whistling Woods Institution's Auditorium Dada Saheb Phalke Chitra Nagari Goregaon (E), Mumbai-400 065	20.09.2008	4.00 P.M.
25 th AGM**	Whistling Woods Institution's Auditorium Dada Saheb Phalke Chitra Nagari Goregaon (E), Mumbai-400 065	29.09.2007	4.00 P.M.

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

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

** In the 25th AGM the following special resolutions were passed

1. Allotment of Company's Equity Shares to the Employees of the Company.
2. Reappointment of Mr. Siraj A. Farooqui as Chief Operating Officer (Production & Studio) from 01.04.2007.

DISCLOSURES

- 1) The Company has entered into certain transactions with Directors and / or companies in which the Directors or the Management or their relatives, etc., have interest. However, these transactions are of routine nature and do not have any potential conflict with the interest of the Company at large.
- 2) Neither has any non-compliance with any of the legal provisions of law been made by the Company nor any penalty or stricture imposed by the Stock Exchanges or SEBI or any other statutory authority, on matters related to the capital markets, during the last 3 years.

RISK MANAGEMENT

The Company appreciates that the Film Industry is prone to the vagaries of varying likes and dislikes of viewing public. To mitigate such risks, an attempt is being made not only to produce large number of Films covering wider spectrum of viewership but also in different languages. The Company is also widening its distribution network in the market to expand its reach. Whistling Woods Institute, the Film and Television Institute promoted by the Company's subsidiary Whistling Woods International Limited, had commenced its operations from 18th July 2006. This endeavour will help in sourcing and grooming pool of talent for the Company's projects in future.

CEO/ CFO CERTIFICATION

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

CERTIFICATE ON CORPORATE GOVERNANCE

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

MEANS OF COMMUNICATION

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

MUKTA ARTS LIMITED

SHAREHOLDERS' INFORMATION

- A. Annual General Meeting: 28th Annual General Meeting**
Date: 30th September, 2010
Time: 4.00 P.M.
Venue: Whistling Woods Auditorium,
Whistling Woods Institute
Dada Saheb Phalke Chitra Nagari
Goregaon (E),
Mumbai – 400 065
- B. Financial Calendar:**
Financial Year 1st April to 31st March
Adoption of Quarterly Results
I st Quarter Within 45 days after the end of June 2010
II nd Quarter Within 45 days after the end of September 2010
III rd Quarter Within 45 days after the end of December 2010
IV th Quarter Within 45 days after the end of March 2011
- C. Date of Book Closure:** 23rd September, 2010 to 30th September, 2010 (both days inclusive)
- D. Registered Office:** Mukta House, Behind Whistling Woods Institute Filmcity Complex,
Goregaon (East), Mumbai – 400 065
- E. Listing on Stock Exchanges:**
Bombay Stock Exchange Limited
Phiroze Jeejeebhoy Towers,
Dalal Street,
Mumbai – 400 001
Tel: + 91 – 22 – 2265 5581
Fax: + 91 – 22 – 2272 3719 / 2272 2039

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

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

The Listing fees for the year 2010–11 have already been paid to all the Stock Exchanges where the Company's shares are listed.

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

National Stock Exchange of India Ltd
Symbol: MUKTAARTS
Calcutta Stock Exchange Association Ltd.
Scrip Code – 23922

G. Market Price Data

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

Month	BSE			NSE		
	Highest Rate (Rs.)	Lowest Rate (Rs.)	Average Volume Traded (Nos.)	Highest Rate (Rs.)	Lowest Rate (Rs.)	Average Volume Traded (Nos.)
April	48.90	33.05	60235	48.00	34.00	51721
May	55.40	38.00	107174	57.50	37.10	97685
June	74.00	47.55	255703	75.70	46.60	234102
July	50.70	42.20	22718	50.00	43.00	18603
August	57.25	43.50	34643	57.30	43.10	42233
September	64.80	51.60	42051	64.00	51.60	57950
October	54.95	46.00	30312	54.00	45.60	21199
November	51.00	42.40	25276	50.90	42.65	46283
December	58.45	45.20	75675.5	58.65	46.25	46366
January	80.00	53.70	266811	80.00	53.95	369273
February	61.75	50.65	23630	62.70	50.20	32615
March	75.00	51.00	192398	76.45	51.50	214408

H. Address of Registrars and Transfer Agents

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

I. Share Transfer System

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

J. Distribution of Shareholding as on 31st March, 2010

Shareholding of Nominal Value (Rs)	No. of Shareholders	% of Total Shareholders	Share Amount (Rs.)	% of Total Share Amount
Range				
1 - 5000	5519	93.3052	4478775	3.9668
5001 - 10000	150	2.5359	1154835	1.0228
10001 - 20000	85	1.4370	1240540	1.0987
20001 - 30000	40	0.6762	1005745	0.8908
30001 - 40000	16	0.2705	575990	0.5102
40001 - 50000	19	0.3212	881495	0.7807
50001 - 100000	35	0.5917	2469925	2.1876
100001 and above	51	0.8622	101098695	89.5424
TOTAL	5915	100.0000	112906000	100.0000

K. Dematerialization of Shares

As on 31st March, 2010, 22558557 shares were dematerialised, which is 99.90% of total paid up capital.

L. Company's Branches/Locations

Registered and Corporate Office

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

Premises Owned and Leased

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

MUKTA ARTS LIMITED

“Audeus”

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

Other Locations

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

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

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

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

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

M. Address for correspondence

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

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

N NOMINATION FACILITY

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

O UNCLAIMED DIVIDEND

As conveyed in the corporate Governance Report for the previous year, the unpaid Dividends in respect of 2002-03 will be transferred to Investor Education Fund on or after 5th September, 2010. Dividends pertaining to the Financial Years 2003-04 to 2008-09 which remain unclaimed for a period of seven years will be transferred to Investor Education and Protection Fund (IEPF) in due course. To enable the members to claim their Dividend before its transfer to the above fund the proposed dates are given below:

Dividend Reference	Date of Declaration	Due Date for transfer to IEPF
Final Dividend 2004	29-07-2004	28-07-2011
Interim Dividend 2007	14-03-2007	13-03-2014
Interim Dividend 2008	14-04-2008	13-04-2015
Interim Dividend 2009	29-04-2009	28-04-2016

P GOVERNANCE OF SUBSIDIARIES

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

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

TO THE MEMBERS OF MUKTA ARTS LIMITED

We have examined the compliance of the conditions of Corporate Governance by Mukta Arts Limited for the year ended on March 31, 2010, as stipulated in clause 49 of the Listing Agreement of the said Company with the Stock Exchanges.

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

In our opinion and to the best of our information and according to the explanations given to us, and the representations made by the Directors and the Management, we certify that the Company has complied with the conditions of Corporate Governance as stipulated in the above mentioned Listing Agreement.

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

For K. C. NEVATIA & ASSOCIATES
COMPANY SECRETARIES

Place: Mumbai
Date: 12th August, 2010

K. C. NEVATIA
Proprietor
FCS 3963 C.P: 2348

MUKTA ARTS LIMITED

CEO/CFO CERTIFICATION

I Parvez A. Farooqui, Executive Director certify that:

- (a) I have reviewed the stand alone and Consolidated financial results and the cash flow statement of Mukta Arts Limited (the Company) for the year and that to the best of my knowledge and belief:
 - (i) these statements do not contain any materially untrue statement or omit any material fact or contain statements that might be misleading;
 - (ii) these statements together present a true and fair view of the company's affairs and are in compliance with existing accounting standards, applicable laws and regulations.
- (b) There are, to the best of my knowledge and belief, no transactions entered into by the company during the year which are fraudulent, illegal or violative of the company's code of conduct.
- (c) I accept responsibility for establishing and maintaining internal controls for financial reporting and that I have evaluated the effectiveness of the internal control systems of the company pertaining to financial reporting and I have disclosed to the auditors and the Audit Committee, deficiencies in the design or operation of internal controls, if any, of which I am aware and the steps I have taken or propose to take to rectify these deficiencies.
- (d) I have indicated to the auditors and the Audit committee.
 - (i) significant changes in internal control over financial reporting during the year;
 - (ii) significant changes in accounting policies during the year and that the same have been disclosed in the notes to the financial statements; and
 - iii) instances of significant fraud of which I become aware and the involvement therein, if any, of the management or an employee having a significant role in the company's internal control system over financial reporting.

**For and on behalf of
Mukta Arts Limited**

Place: Mumbai
Date: 12th August, 2010

Parvez A. Farooqui
Executive Director

AUDITORS' REPORT

To the Members

1. We have audited the attached Balance Sheet of **Mukta Arts Ltd.** as at 31st March 2010 and the related Profit and Loss Account and the Cash Flow Statement for the year ended on that date annexed thereto. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.
2. We have conducted our audit in accordance with auditing standards generally accepted in India. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.
3. As required by the Companies (Auditor's Report) Order, 2003 issued by the Central Government of India in terms of sub-section (4A) of Section 227 of the Companies Act, 1956, we give in the Annexure a statement on the matters specified in paragraphs 4 and 5 of the said Order.
4. *As more explained in Note no. 2(f) in schedule "P" to the financial statements, the Company has disputed dues in respect of Service Tax is Rs 2.12 millions out of which Rs 0.88 millions has not been paid since the matter is pending before CESTAT.*
5. *As more explained in Note no. 2(g) in schedule "P" to the financial statements, the managerial remuneration paid to the Chairman is in excess of the limits prescribed under Section 198 of the Act. The Company has made an application to the Central Government seeking post-fact approval, which is awaited.*
6. Further to our comments in the Annexure referred to in paragraph 3 above:
 - (i) we have obtained all the information and explanations, which to the best of our knowledge and belief were necessary for the purposes of our audit;
 - (ii) in our opinion, proper books of account as required by law have been kept by the Company so far as appears from our examination of such books;
 - (iii) the Balance Sheet, Profit and Loss Account and Cash Flow Statement dealt with by this report are in agreement with the books of account;
 - (iv) in our opinion, the Balance Sheet, Profit and Loss Account and Cash Flow Statement dealt with by this report comply with the requirements of the Accounting Standards referred to in sub-section (3C) of Section 211 of the Companies Act, 1956;
 - (v) on the basis of the written representations received from the directors as on 31st March, 2010, and taken on record by the Board of Directors, we report that none of the directors is disqualified as on 31st March, 2010 from being appointed as a director in terms of clause (g) of sub-section (1) of Section 274 of the Companies Act, 1956.
7. In our opinion and to the best of our information and according to the explanations given to us, the said accounts read with significant accounting policies and other notes thereon, give the information required by the Companies Act, 1956, in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India:
 - (i) in the case of the Balance Sheet, of the state of affairs of the Company as at 31st March, 2010;
 - (ii) in the case of Profit and Loss Account of the Loss of the Company for the year ended on that date, and
 - (iii) in the case of Cash Flow Statement, of the cash flows for the year ended on that date.

For SHAMIT MAJMUDAR ASSOCIATES
Firm Registration No. 109881 W
Chartered Accountants

Place: Mumbai
Dated: 12th August, 2010

SHAMIT MAJMUDAR
Proprietor
Membership No. F-010595

MUKTA ARTS LIMITED

ANNEXURE TO THE AUDITORS' REPORT

[Referred to in paragraph (3) thereof]

- (i) The nature of the Company's business/ activities during the year is such that clauses (viii) and (xiii) of paragraph 4 of the Companies (Auditor's Report) order, 2003 are not applicable to the Company for the year ending 31st March 2010.
- (ii) In respect of fixed assets:
 - (a) The Company has maintained proper records showing full particulars including quantitative details and situation of fixed assets.
 - (b) The fixed assets of the company have been physically verified by the management at the end of the year and we are informed that no discrepancies between book records and the physical inventory have been noticed.
 - (c) In our opinion and according to the information and explanations given to us, the Company has not made any substantial disposals during the year.
- (iii) In respect of inventories:
 - (a) As explained to us, inventories were physically verified during the year by the management at reasonable intervals.
 - (b) In our opinion and according to the information and explanations given to us, the procedures of physical verification of inventories followed by the management were reasonable and adequate in relation to the size of the Company and the nature of its activity during the year.
 - (c) In our opinion and according to the information and explanations given to us, the Company has maintained proper records of its inventories and no material discrepancies were noticed on physical verification.
- (iv) In respect of loans, secured or unsecured, granted or taken by the Company to or from companies, firms or other parties covered in the register maintained under section 301 of The Companies Act, 1956:

According to the information and explanations given to us the Company has given unsecured loan to a Subsidiary Company, the maximum outstanding balance during the year was Rs. 280.3 millions and the outstanding balance as on 31st March 2010 is Rs. 265.00 millions. The outstanding interest on unsecured loan as on 31.03.2010 is Rs. 20.53 millions. The same is not overdue and the rate of interest and other terms and conditions of loan is in our opinion not *prima facie* prejudicial to the interest of the Company. Apart from the above, the Company has neither granted nor taken any loans, secured or unsecured, to or from companies, firms or other parties covered in the register maintained under section 301 of The Companies Act, 1956.
- (v) In our opinion and according to the information and explanations given to us, there are adequate internal control procedures commensurate with the size of the Company and nature of its business, for purchase of inventory and fixed assets. There are no sales of goods.
- (vi) 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 transactions/arrangements in excess of Rs 0.50 millions in respect of subsidiary companies in which directors are interested and prices are reasonable having regard to the prevailing market prices at the relevant time.
- (vii) The Company has not accepted any deposits from the public to which the provisions of Section 58A and section 58AA of the Companies Act, 1956 and the Companies (Acceptance of Deposits) Rules 1975, are applicable.
- (viii) In our opinion, the Company has an adequate internal audit system commensurate with the size and the nature of its business.
- (ix) 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, including Provident Fund, Employees' State Insurance, Income Tax, Sales Tax, Wealth Tax, Customs Duty, Cess and any other statutory dues with the appropriate authorities during the year. There were no undisputed amount of outstanding statutory dues as at 31st March 2010 for more than six months from the date they became payable.
 - (b) *Disputed dues in respect of Service Tax is Rs 2.12 millions out of which Rs 0.88 millions has not been paid since the matter is pending before CESTAT. (kindly refer Note no. 2(f) in schedule P)*
 - (c) *The managerial remuneration paid to the Chairman is in excess of the limits prescribed under Section 198 of the Act. The Company has made an application to the Central Government seeking post-fact approval, which is awaited. (kindly refer Note no. 2(g) in schedule P)*

- (x) The Company has no accumulated losses as at the end of the year. The Company has incurred cash losses during the financial year, however there were no cash losses during the previous year.
- (xi) According to the information and explanations given to us, the Company was not liable to repay any dues to any financial institution and bank, and there were no debenture holders during the year.
- (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.
- (xiii) The company is not a chit fund or a nidhi / mutual benefit fund / society. Therefore, the provisions of clause 4(xiii) of the companies (Auditor's Report) Order, 2003 are not applicable to the company.
- (xiv) According to the information and explanations given to us and on the basis of our examination of the Company's records we are of the opinion that the Company is maintaining adequate records regarding transactions in it's trading activities in the units of Mutual Funds (Debt Schemes) and timely entries have been made in these records. The investments have been held by the Company in it's own name.
- (xv) According to the information and explanations given to us, the Company has given guarantee for loans taken by subsidiary Whistling Woods International Limited from Punjab National Bank during the previous year.
- (xvi) To the best of our knowledge and belief and according to the information and explanations given to us, the Company has taken term loan during the year and was used for the purpose for which the loan was taken.
- (xvii) According to the cash flow statement and other 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.
- (xviii) The Company has not made any preferential allotment during the year.
- (xix) The Company has not issued any debentures during the year.
- (xx) The Company has not raised any money by public issues during the year.
- (xxi) 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
Firm Registration No. 109881 W
Chartered Accountants

Place: Mumbai
Dated: 12th August, 2010

SHAMIT MAJMUDAR
Proprietor
Membership No. F-010595

MUKTA ARTS LIMITED

BALANCE SHEET AS AT 31ST MARCH, 2010

	SCHEDULE	Current Year 31.03.2010 Amount in Rs.	Previous Year 31.03.2009 Amount in Rs.
SOURCES OF FUNDS			
Shareholders' Fund			
Share Capital	A	112,917,500	112,917,500
Reserves & Surplus	B	910,528,367	1,152,972,059
Loan Funds			
Secured / Unsecured Loans	C	406,185,893	281,698,843
TOTAL		1,429,631,760	1,547,588,402
APPLICATION OF FUNDS			
Fixed Assets			
Gross Block	D	371,887,239	353,397,563
Less : Depreciation		214,924,059	196,271,531
Net Block without WIP		156,963,180	157,126,032
Add : Capital Work in Progress		101,230,547	54,489,477
Net Block		258,193,727	211,615,509
Investments	E	710,594,682	682,252,295
Deferred Tax Asset/(Liability)		(9,502,281)	(9,244,513)
Current Assets, Loans & Advances			
Inventories	F	137,713,629	298,425,040
Debtors	G	212,852,114	176,452,387
Cash & Bank Balances	H	41,890,142	36,972,908
Loans, Advances & Deposits	I	593,369,102	528,197,758
		985,824,988	1,040,048,092
Less : Current Liabilities & Provisions	J	515,479,350	382,213,941
Net Current Assets		470,345,638	657,834,152
Miscellaneous Expenditure		-	5,130,958
(to the extent not written off)			
TOTAL		1,429,631,760	1,547,588,402
Statement of Significant Accounting Policies and Notes forming part of Accounts	P		

As per our report of even date

For SHAMIT MAJMUDAR ASSOCIATES
Firm Registration No. 109881 W
Chartered Accountants

SHAMIT MAJMUDAR
Proprietor
Membership No. F-010595

Place : Mumbai
Date : 12th August 2010

For and on behalf of the Board

SUBHASH GHAI
Chairman & Managing Director

RAHUL PURI
Executive Director

ANIL HARISH
Director

RAVI POPLAI
Company Secretary

PARVEZ A. FAROOQUI
Executive Director

VIJAY CHORARIA
Director

PRADEEP GUHA
Director

PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31ST MARCH, 2010

	SCHEDULE	Current Year 31.03.2010 Amount in Rs.	Previous Year 31.03.2009 Amount in Rs.
INCOME			
Realisation from Productions, Distribution & Exhibition	K	886,326,316	1,651,041,121
Equipment Hire Income		2,504,416	7,298,363
Other Income	L	53,344,681	19,161,800
		942,175,412	1,677,501,284
EXPENDITURE			
Cost of Production, Distribution & Exhibition	M	1,020,483,122	1,484,337,691
Administrative and other expenses	N	140,080,591	108,091,357
Depreciation		18,652,528	18,887,340
Preliminary Expenses Written off		5,130,958	5,130,956
		1,184,347,199	1,616,447,344
Profit/(Loss) Before Extraordinary, Non Recurring and Prior Period items		(242,171,787)	61,053,940
Less: Extraordinary, Non Recurring & Prior Period Exp.	O	14,136	275,485
Profit/(Loss) Before Tax		(242,185,922)	60,778,455
Less : a) Provision for Taxation		-	19,000,000
b) Fringe Benefit Tax		-	875,000
c) Deferred Tax Liability/(Asset)		257,768	(110,522)
Profit/(Loss) after Tax		(242,443,690)	41,013,977
Add : Balance brought forward from last year		116,372,145	106,777,043
Profit available for Appropriation		(126,071,547)	147,791,020
Appropriations			
Transfer to General Reserve		-	5,000,000
Interim Dividend paid during the year		-	22,581,200
Tax on Interim Dividend		-	3,837,675
Balance carried forward		(126,071,547)	116,372,145
Statement of Significant Accounting Policies and Notes forming part of Accounts	P		

As per our report of even date

For and on behalf of the Board

For SHAMIT MAJMUDAR ASSOCIATES
Firm Registration No. 109881 W
Chartered Accountants

SUBHASH GHAI
Chairman & Managing Director

PARVEZ A. FAROOQUI
Executive Director

SHAMIT MAJMUDAR
Proprietor
Membership No. F-010595

RAHUL PURI
Executive Director

VIJAY CHORARIA
Director

ANIL HARISH
Director

PRADEEP GUHA
Director

Place : Mumbai
Date : 12th August 2010

RAVI POPLAI
Company Secretary

MUKTA ARTS LIMITED

CASH FLOW STATEMENT FOR THE YEAR ENDED 31ST MARCH, 2010

	Current Year 31.03.2010 Amount in Rs.	Previous Year 31.03.2009 Amount in Rs.
A. CASH FROM OPERATING ACTIVITIES		
Net Profit/(Loss) before tax and extraordinary items :	(242,171,787)	61,053,940
Adjustments for :		
Depreciation	18,652,528	18,887,340
Interest, dividend, etc., received	(30,901,635)	(18,468,965)
Miscellaneous expenditure written off	5,130,958	5,130,956
(Profit)/Loss on sale of fixed assets	(171,079)	(101,053)
Provision for Dimunation of LIC Mutual fund	158,550	162,691
Operating profit before working capital changes	(249,302,465)	66,664,909
Adjustments for :		
(Increase)/ Decrease in Inventories	160,711,410	(9,693,029)
(Increase)/ Decrease in Receivables	(36,399,727)	(3,854,366)
(Increase)/ Decrease in Loans and advances	(49,494,978)	5,799,584
Increase/(Decrease) in Trade Creditors	73,243,679	(82,529,291)
Inc./ (Dec.) in Other current liabilities and provisions	42,723,384	(49,324,728)
Cash generated from/(used in) operations	(58,518,697)	(72,936,921)
Direct Taxes paid	(15,676,366)	(55,377,073)
Prior period adjustments	(14,136)	(275,485)
Cash flow before extraordinary items	(74,209,198)	(128,589,478)
Extraordinary items :		
Net Cash Generated from/(used in) Operating Activities	(74,209,198)	(128,589,478)
B. CASH FLOW FROM INVESTING ACTIVITIES		
Purchases of fixed assets	(51,702,837)	(53,586,318)
Sale/disposal of fixed assets	3,941,522	10,284,518
(Additions to)/Redemption of investments	(28,500,936)	2,086,059
Interest, dividend, etc. received	30,901,635	18,468,965
Net cash generated from/(used in) investing activities	(45,360,617)	(22,746,776)
C. CASH FLOW FROM FINANCING ACTIVITIES		
Loans borrowed (net)	124,487,050	130,786,293
Dividend paid	-	(22,581,200)
Tax on Dividend paid	-	(3,837,675)
Net cash recovered from/(used in) financing activities	124,487,050	104,367,418
Net increase/(decrease) in cash and cash equivalents (A+B+C)	4,917,234	(46,968,837)
Cash and cash equivalents (opening)	36,972,908	83,941,746
Cash and cash equivalents (closing)	41,890,142	36,972,908

As per our report of even date

For and on behalf of the Board

For SHAMIT MAJMUDAR ASSOCIATES
Firm Registration No. 109881 W
Chartered Accountants

SUBHASH GHAI
Chairman & Managing Director

PARVEZ A. FAROOQUI
Executive Director

SHAMIT MAJMUDAR
Proprietor
Membership No. F-010595

RAHUL PURI
Executive Director

VIJAY CHORARIA
Director

ANIL HARISH
Director

PRADEEP GUHA
Director

RAVI POPLAI
Company Secretary

SCHEDULES FORMING PART OF THE ACCOUNTS

SCHEDULE A

Share Capital

Authorised Share Capital

24,000,000 Equity Shares of Rs. 5/- each
(Previous year 24,000,000 Equity Shares of Rs. 5/- each)

Issued, Subscribed & Paid-up Capital

22,581,200 Equity Shares of Rs.5/- each
(Previous year 22,581,200 Equity Shares of
of Rs 5/- each out of which 16,490,000 shares were
allotted as fully paid up by way of Bonus Shares by
capitalisation of reserves)

Add:- Forfeited shares (Amount originally paid up)

SCHEDULE B

Reserves & Surplus

Share Premium

General Reserve

Balance as per last balance sheet

Add : Transfer during the year

Balance as per Profit & Loss account

SCHEDULE C

Secured & Unsecured Loans

From banks against finance of cars

From LIC against Keyman Insurance Policies

Other Secured Loan from Banks

Unsecured Loan

SCHEDULE D

Fixed Assets

(Amount in Rs.)

Particulars	GROSS BLOCK				DEPRECIATION				NET BLOCK	
	As on 01.04.2009	Additions during the year	Ded./Adj. during the year	Total as on 31.03.2010	Depreciation upto 31.03.2009	Additions during the year	Ded./Adj. during the year	Total Depreciation upto 31.03.2010	As on 31.03.2010	As on 31.03.2009
Block 'A'										
Ownership Premises	113,198,679	355,000	250	113,553,429	25,488,486	1,068,767	-	26,557,253	86,996,176	88,730,373
Block 'B'										
Plant & Machinery	183,951,732	764,269	-	184,716,001	131,388,365	10,585,030	-	141,973,395	42,742,606	52,547,991
Block 'C'										
Motor Vehicles & Others	30,229,679	15,284,767	1,709,367	43,805,079	20,826,453	4,646,360	334,286	25,807,099	17,997,980	8,383,046
Block 'D'										
Furniture Fixture & Office Equipments	22,898,063	258,775	-	23,156,838	16,103,728	961,764	-	17,065,492	6,091,346	6,809,711
Block 'E'										
Computer Software	619,410	3,536,482	-	4,155,892	619,410	925,339	-	1,544,749	2,611,143	-
Intangible Assets										
Exhibition Rights	2,500,000	-	-	2,500,000	1,845,089	130,982	-	1,976,071	523,929	654,911
TOTAL	353,397,563	20,199,293	1,709,617	371,887,239	196,271,531	18,318,242	334,286	214,924,059	156,963,180	157,126,032
Previous Year	334,595,873	21,165,988	2,364,298	353,397,563	177,384,191	18,640,146	247,194	196,271,531	157,126,032	157,211,682
Capital WIP	54,489,477	48,001,896	2,060,826	101,230,547	-	-	-	-	101,230,547	54,489,477
	407,887,040	69,001,189	3,770,443	473,117,786	196,271,531	18,318,242	334,286	214,924,059	258,193,727	211,615,509

MUKTA ARTS LIMITED

SCHEDULES FORMING PART OF ACCOUNTS

	Current Year 31.03.2010 Amount in Rs.	Previous Year 31.03.2009 Amount in Rs.
SCHEDULE E		
Investments		
A UNITS OF MUTUAL FUNDS - QUOTED		
Units of LIC Mutual Fund :	19,854,638	19,913,211
LICMF Floating Rate Fund - Growth Plan (No. of Units 1,940,405.682, Previous year 1,946,170.838)		
	19,854,638	19,913,211
Less: Provision for Dimutation of LIC Mutual fund	158,550	162,691
	19,696,088	19,750,520
(NAV of LIC Mutual Fund as on 31.03.2010 is Rs 19,696,088) (NAV of LIC Mutual Fund as on 31.03.2009 is Rs 19,750,520)	(A) 19,696,088	19,750,520
B INTER CORPORATE DEPOSITS (UNQUOTED)		
With Companies	(B) 313,528,586	285,132,017
(Includes loan to a subsidiary Rs 265,000,000 Previous year Rs.218,500,000)		
C LONG TERM INVESTMENTS IN EQUITY SHARES		
In wholly owned subsidiaries (Unquoted)		
Equity Shares of Connect.1 Ltd.	594,000	594,000
(594 shares of Rs.1000/- each, Previous year 594 shares)		
Equity Shares of Whistling Woods International Ltd.	169,997,000	169,997,000
(169,997 shares of Rs 1000/- each, Previous year 169,997 shares)		
Equity Shares of Mukta Tele Media Ltd.	499,600	499,600
(4,996 shares of Rs.100/- each, Previous year 4,996 shares)		
8% RC Preference Shares of Whistling Woods International Ltd.	200,000,000	200,000,000
(200,000 Preference Shares of Rs 1000/- each, Previous year 200,000)		
Equity Shares of Coruscant Tec Pvt Ltd.	2,500,000	2,500,000
(10,000 Shares, Previous year 5,100 Shares)		
Others (Unquoted)		
Shares of Bashiron Co. Op. Hsg. Society Ltd	500	500
(10 Shares of Rs. 50/- each, Previous year - 10 shares)		
Shares of Bait-Ush-Sharaf Co. Op. Hsg.Society. Ltd.	750	500
(15 Shares of Rs. 50/- each, Previous year - 10 shares)		
Equity Shares of Indiasound Ltd.	3,778,158	3,778,158
(7,500,000 Equity Shares of 0.1 Pence each, Previous year 7,500,000 Equity Shares)		
	(C) 377,370,008	377,369,758
TOTAL (A + B+ C)	710,594,682	682,252,295

SCHEDULES FORMING PART OF ACCOUNTS

	Current Year 31.03.2010 Amount in Rs.	Previous Year 31.03.2009 Amount in Rs.
SCHEDULE F		
Inventories		
Rights of Films (Exhibition, Distribution & other commercial rights including Copyrights)	3,550,000	3,550,000
Work In Progress		
- Under production films	133,499,453	294,841,616
- Others	156,759	33,424
- Stock of Materials	507,418	-
	<u>137,713,629</u>	<u>298,425,040</u>
SCHEDULE G		
Sundry Debtors (Unsecured)		
a) Debts outstanding for a period exceeding six months		
- Considered good	59,799,285	58,624,884
- Considered doubtful	715,838	1,526,438
b) Other Debts Considered good		
- Considered good	153,052,829	117,827,503
Less : Provision for doubtful debts	715,838	1,526,438
	<u>212,852,114</u>	<u>176,452,387</u>
SCHEDULE H		
Cash & Bank balances		
Cash in Hand	975,607	432,493
With Scheduled Banks:		
In Current Accounts	13,783,379	8,296,196
(Includes Nil in EEFC account, Previous year Rs.167,085)		
Fixed Deposit with Scheduled Banks	27,131,156	28,244,219
	<u>41,890,142</u>	<u>36,972,908</u>
SCHEDULE I		
Loans & Advances		
Advances recoverable in cash or in kind or for value to be received	245,133,178	180,212,270
(Includes Rs 30,169,209 from Subsidiary Companies Previous year Rs 21,555,226)		
(Includes Rs 19,925,000 from a trust in which one of the Directors is Trustee, Previous year Rs 20,500,000)		
Advance Taxes and other payments	301,116,050	285,439,684

MUKTA ARTS LIMITED

SCHEDULES FORMING PART OF ACCOUNTS

	Current Year 31.03.2010 Amount in Rs.	Previous Year 31.03.2009 Amount in Rs.
Advances to Staff	1,284,500	1,307,500
Deposits {Including Rs.300,000 to a firm of which Managing Director is proprietor, Previous year Rs.300,000} (Includes Rs 35,880,000 to Subsidiary Companies Previous year Rs 36,285,000)	45,835,374	61,238,304
	593,369,102	528,197,758
SCHEDULE J		
Current Liabilities & Provisions:		
Sundry Creditors for goods and services rendered	165,580,001	92,336,323
Provision for Taxation	131,688,078	133,214,516
Advances towards films and other services	72,497,416	28,131,386
Other Current Liabilities & Bank Overdraft	144,845,618	127,547,272
Unclaimed Dividend	868,236	984,444
	515,479,350	382,213,941
SCHEDULE K		
Realisation from Production, Distribution & Exhibition		
Recovery from New Productions	79,000,275	628,068,073
Recovery from Distribution & Exhibition	784,135,232	981,600,494
Recovery from old films	23,190,808	41,372,554
	886,326,316	1,651,041,121
SCHEDULE L		
Other Income		
Interest	30,060,209	16,388,245
Other Income	4,112,185	591,782
Income- Keyman Insurance Policy	9,500,000	-
Rent and Amenities Charges	8,659,781	-
Profit on Sale of Assets	171,079	101,053
Dividend / Income from Units of Mutual Funds	841,426	2,080,720
	53,344,681	19,161,800
SCHEDULE M		
Cost of Production, Distribution & Exhibition		
Cost of New Productions	262,939,068	451,067,401
Expenses of Distribution & Exhibition	753,704,113	1,024,235,433
Expenses of old films	3,839,942	9,034,857
	1,020,483,122	1,484,337,691

SCHEDULES FORMING PART OF THE ACCOUNTS

	Current Year 31.03.2010 Amount in Rs.	Previous Year 31.03.2009 Amount in Rs.
SCHEDULE N		
Administrative and Other Expenses		
Personnel Expenses (Including Directors Remuneration of Rs 19,064,480 Previous year - Rs.19,464,728)	38,888,869	45,532,047
Repairs & Maintenance : Buildings	910,349	2,311,387
Machinery	399,257	1,431,527
Others	166,794	176,759
Printing & Stationery	826,769	1,064,505
Telephone & Trunkcalls	1,733,482	2,099,263
Insurance	721,763	763,265
Brokerage & Commission	2,183,855	594,280
Electricity Charges	1,005,532	842,630
Rent	15,295,697	13,320,951
Travelling Expenses	2,891,343	1,176,358
Auditors Remuneration	1,987,966	1,952,663
Professional Expenses	7,032,272	4,930,149
Legal Expenses	579,515	2,870,214
Interest	48,575,645	9,601,158
Bank Charges	2,534,823	2,550,187
Rates & Taxes	1,831,295	3,287,247
Bad Debts -Written off	593,466	1,047,341
Publicity Expenses	1,499,545	1,339,339
Motor Car Expenses	2,140,381	3,833,753
Miscellaneous Expenses	8,281,972	7,366,334
	140,080,591	108,091,357
SCHEDULE O		
Extraordinary, Non Recurring & Prior Period Exp.		
Prior Period Expenses	14,136	275,485
	14,136	275,485

MUKTA ARTS LIMITED

SCHEDULE "P"

Statement of Significant Accounting Policies and Notes forming Part of Accounts

1 Significant Accounting Policies

(a) Basis of Preparation of Accounts

The financial statements have been prepared under the historical cost convention, in accordance with Accounting Standards issued by the Institute of Chartered Accountants of India and the provisions of the Companies Act, 1956, as adopted consistently by the Company. All income and expenditure having a material bearing on the financial statements are recognised on accrual basis.

The preparation of financial statements in conformity with Accounting Standards requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of financial statements, and the reported amounts of revenues and expenses during the year.

(b) (i) Fixed Assets

Fixed Assets are stated at cost of acquisition including the attributable costs to bring the assets to their working condition. Exhibition Rights (Intangible assets) are recorded at the consideration paid for acquisition.

(ii) Depreciation

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

(iii) Capital work in progress

Capital work in progress is shown in Asset Schedule, however pending completion of project no depreciation is provided on the same.

(c) Investments

Investments in the units of Mutual Funds are stated at lower of 'Cost' or 'Net Asset Value' at the end of the financial year and where ever the net asset value is less than the cost the same is treated as diminution and provided for in the accounts. Other investments are stated at cost.

Holding of investments in subsidiaries and Associate Companies are of strategic importance to the Company and therefore the company does not consider it necessary to provide decrease in the book value of such investments, till such relationship continues with the investee Company.

(d) Inventories

Inventories of under production films and serials are valued at actual amount spent, which includes amount paid, bills settled and advance paid for which bills are awaited. The residual value of old films are valued at Nil as total cost of production is charged to revenue at the time of first release of such film. Other inventories are stated at cost.

(e) Transactions in Foreign Currencies

Transactions in Foreign Currencies are accounted at standard exchange rates. Current assets and current liabilities in foreign currencies are realigned with rates ruling on Balance Sheet date. Any gain/loss arising on realignment or realisation is charged to the Profit and Loss Account.

(f) Revenue recognition

(i) Recovery of old films are recognised at Gross overflows and royalties earned. Sales/Realisations are recognised on despatch of softwares to the respective parties.

(ii) Interest Income is accounted on accrual basis.

(iii) Dividend income is accounted for when right to receive is established.

(g) Miscellaneous Expenditure

Share issue expenses are amortised over a period of 10 years.

(h) Retirement benefits

(i) Defined Contribution Plan:-

The Company makes contribution towards provident fund to a defined contribution retirement benefit plan for qualifying employees. Both the employee and the Company make monthly contribution equal to a specified percentage of the covered employee's salary.

(ii) Defined Benefit Plan:-

The Company has covered its gratuity liability by a Group Gratuity Policy named "Employee Group Gratuity Scheme" issued by LIC of India. Under this plan, employee at retirement is eligible for benefit, which will be equal to 15 days salary for each completed year of service. Thus, it is a defined benefit plan and the aforesaid insurance policy is the plan asset.

(ii) **Employee Benefits:-**

Short Term employee benefits are recognised as an expense at the undiscounted amount in the Profit and Loss account of the year in which the related service is rendered.

Post employment and other long term employee benefits are recognised as an expense in the Profit and Loss account for the year in which the employee has rendered services.

In respect of employees stock options, the excess of fair price on the date of grant over the exercise price is recognised as deferred compensation cost amortised over vesting period.

(i) **Intangible Assets**

Intangible Assets are stated at cost of acquisition less accumulated amortisation.

(j) **Leased Assets**

Operating Leases : Rentals are expensed with reference to lease terms and other considerations.

(k) **Impairment of Assets**

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

2 Contingent Liabilities

a Claims against the company not acknowledged as Debts

Nil

Nil

b Guarantees given by Bank on behalf of the company

57,766,927

75,743,508

c Letters of Credit given by bank on behalf of the company

Nil

Nil

d Estimated amount of contracts remaining to be executed on Capital Account & not provided for (net of advance)

Nil

Nil

e Legal suits filed against the company (having monetary implication)

Nil

Nil

f Department of Service Tax has levied service tax of Rs 2.12 million on sponsorship fees received for various films treating the Company as an 'Advertising Agency'. Further the department had issued show cause notice proposing to levy Rs 2.02 millions service tax on a similar issue.

Against the levy of Rs 2.12 million, the Company filed appeal before the Commissioner of Central Excise (Appeals) and subsequently before Honorable Tribunal, claiming that the provisions of Service Tax Act is not applicable in this matter.

The Company has paid Rs 1.24 millions under protest and the same is shown as 'advance recoverable in cash or kind' since the matter is pending before the CESTAT and based on legal opinion sought, the management is of the opinion that the Company will have no liability on this account and that no provision is necessary.

g Managerial remuneration paid to the Chairman is in excess of the limits prescribed under Section 198 of the Act.

The Company has made an application to the Central Government seeking post-fact approval, which is awaited.

h The Company has given a Corporate guarantee for Term Loans taken by its subsidiary Whistling Woods International Limited from Punjab National Bank.

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

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

MUKTA ARTS LIMITED

4 Business segment-wise Report (as per the reporting requirements of AS-17)

(Rs in millions)

	Current Year	Previous Year
a. Revenue		
Software Division	886.33	1,651.04
Equipment Division	2.50	7.30
Others	53.34	19.16
TOTAL	942.18	1,677.50
b. Results		
Software Division	(134.16)	166.70
Equipment Division	2.61	(7.28)
Others	53.34	19.16
TOTAL	(78.21)	178.58
c. Capital Employed		
Software Division	407.79	567.79
Equipment Division	138.28	148.47
	Current Year	Previous Year
	Rupees	Rupees
5 Earnings in Foreign Exchange		
Realisation from Films & Music (Exploitation of Rights)	1,976,542	882,023
	1,976,542	882,023
6 Expenditure in Foreign Currency		
Travelling	566,425	197,213
For Films *	-	5,936,083
Publicity / Others	422,160	704,096
	988,585	6,837,392
(*) Expenses include expenditure incurred on overseas locations toward travelling, lodging, boarding & location hire etc.		
7 Auditors Remuneration :		
Statutory Audit Fees	600,000	600,000
Tax Audit Fees	200,000	200,000
For Taxation matters	325,000	325,000
For Other Services	125,000	125,000
Reimbursement of Expenses	132,500	132,500
	1,382,500	1,382,500
8 Managerial Remuneration u/s 198 of the Companies Act, paid or payable during the year :		
Salary	16,512,000	16,512,000
Contribution to Provident Fund	288,000	288,000
Perquisites	2,264,480	2,664,728
	19,064,480	19,464,728

9 a) Fixed deposits with scheduled banks include interest accrued (net of taxes) upto 31.03.10 Rs 1.52 million (Previous year Rs 2.17 million). Fixed deposits of Rs 27.13 million (Previous Year Rs 27.92 million) are pledged as security against bank guarantees given for the Company.

b) Lien has been marked on Investments to the extent of 1,913,720 units, previous year 1,913,720 units of LIC MF Floating Rate Fund - Dividend Re-investment Plan in favour of Punjab National Bank against bank guarantees given for the Company.

10 Taxes on Income

- (a) Current Tax - Provision for Income Tax is determined in accordance with the provisions of Income Tax Act, 1961
- (b) Deferred Tax Position - For the purpose of quantifying deferred tax amount as on Balance Sheet date deferred tax is recognised on timing differences being difference between the taxable income and accounting income that originate in one period and are capable of reversal in one or more subsequent periods. Deferred Tax Liability till balance sheet date amounts to Rs 9,502,281 (Previous year Deferred Tax Liability Rs 9,244,513) .

11 Related Party Transaction

- (A) The list of related parties and nature of their relationship is furnished below:

Companies under the same management-

Whistling Woods International Ltd.	84.99% - subsidiary
Connect.1 Limited	99% - subsidiary
Mukta Tele Media Ltd.	99.92% - subsidiary
Coruscant Tec Pvt. Ltd.	100% - subsidiary
Mukta Tele Arts Pvt. Ltd.	CMD is director

Firms-

Mukta Arts	Proprietary firm of CMD
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Trusts-

MAL Employees Welfare Trust	Executive Director is settler and One of the Directors is Trustee
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Directors of the company-

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

Relatives of Directors-

Mr. Ashok Ghai	Brother of CMD
Mr. Siraj Farooqui	Brother of Executive Director
Mr. Sameer Farooqui	Brother of Executive Director
Mr. Sajid Farooqui	Brother of Executive Director

- (B) Transactions with and outstanding balances of related parties are furnished below.

(Amount in Rupees)

	Volume of transactions during the year					Outstanding Balance 31.03.2010
	Subsidiaries	Associates	Key Management personnel	Relatives of key management personnel	Total	
Purchase & Other Services						
Connect.1 Ltd.	240,000	-	-	-	240,000	-
Mukta Arts	-	60,000	-	-	60,000	-
Interest Recoveries						
Whistling Woods International Ltd.	22,812,472	-	-	-	22,812,472	20,531,225
Receiving of Services						
Ashok Ghai	-	-	-	1,800,000	1,800,000	-
Payment of Salaries						
Siraj Farooqui	-	-	-	1,900,000	1,900,000	-
Sameer Farooqui	-	-	-	377,480	377,480	-
Sajid Farooqui	-	-	-	426,140	426,140	-
Investments						
8% RCPS of Whistling Woods International Ltd.	-	-	-	-	-	200,000,000
Shares of Whistling Woods International Ltd.	-	-	-	-	-	169,997,000
Shares of Connect.1 Ltd.	-	-	-	-	-	594,000
Shares of Mukta Tele Media Ltd.	-	-	-	-	-	499,600
Shares of Coruscant Tec Pvt Ltd	-	-	-	-	-	2,500,000

MUKTA ARTS LIMITED

Volume of transactions during the year						
	Subsidiaries	Associates	Key Management personnel	Relatives of key management personnel	Total	Outstanding Balance 31.03.2010
Loans Given						
Whistling Woods International Ltd.	46,500,000	-			46,500,000	265,000,000
Interest Recoverable						
Whistling Woods International Ltd.	20,531,225	-			20,531,225	20,531,225
Advances Recoverable						
MAL Employees Welfare Trust	-	575,000	-	-	575,000	19,925,000
Mukta Tele Media Ltd.	-	-	-	-	-	6,637,984
Coruscant Tec Pvt. Ltd	2,040,000	-	-	-	2,040,000	3,000,000
Managerial Remuneration						
Subhash Ghai	-	-	15,234,145	-	15,234,145	-
Parvez A. Farooqui	-	-	1,911,491	-	1,911,491	-
Rahul Puri	-	-	1,918,844	-	1,918,844	-
Deposits for Premises taken on lease or otherwise						
Connect.1 Ltd.	225,000	-	-	-	225,000	2,325,000
Mukta Arts	-	-	-	-	-	300,000
Subhash Ghai	50,000	-	-	-	50,000	-
Muka Tele Media Ltd.	180,000	-	-	-	180,000	3,555,000
Whistling Woods International Ltd.	-	-	-	-	-	30,000,000

Note: The company has paid to it's Non-executive Directors, the sitting fees @ Rs.5,000/- per Board-meeting attended.

- 12 (a) There were no amounts payable to Small Scale Industrial Undertaking on the Balance Sheet date.
 (b) The Company has no Suppliers under the Micro, Small and Medium Enterprises Development Act, 2006 and hence disclosures, if any, relating to amounts unpaid as at the year end together with interest paid / payable as required under the said Act are not applicable.

- 13 Current Investments bought and sold during the year

		No. of units
LIC MF FLOATING RATE FUND	Sold	88,661.80

- 14 Previous year figures have been regrouped wherever necessary.

As per our report of even date

For and on behalf of the Board

For SHAMIT MAJMUDAR ASSOCIATES

Firm Registration No. 109881 W
Chartered Accountants

SHAMIT MAJMUDAR

Proprietor
Membership No. F-010595

Place : Mumbai
Date : 12th August 2010

SUBHASH GHAI

Chairman & Managing Director

RAHUL PURI

Executive Director

ANIL HARISH

Director

RAVI POPLAI

Company Secretary

PARVEZ A. FAROOQUI

Executive Director

VIJAY CHORARIA

Director

PRADEEP GUHA

Director

BALANCE SHEET ABSTRACT AND COMPANY'S GENERAL BUSINESS PROFILE

I. REGISTRATION DETAILS

Registration No. L92110MH1982PLC028180 State Code: 011

Balance Sheet Date : 31.03.2010

II. CAPITAL RAISED (AMOUNTS IN RS. THOUSANDS)

Public Issue : Nil Bonus Issue: Nil

Rights Issue : Nil Private Placement : Nil

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

Total Liabilities 1429632 Total Assets 1429632

SOURCES OF FUNDS

Paid-up Capital 112918 Reserves & Surplus 910528

Secured Loans 386186 Unsecured Loans 20000

APPLICATION OF FUNDS

Net Fixed Assets 258193 Investments 710595

Net Current Assets 470346 Misc. Expenditure 0

Deffered Tax Assets (9502)

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

Turnover 942175 Total Expenditure 1184361

Profit /Loss before tax (242186) Profit /Loss after tax (242444)

Earning per Share - Rs (10.74) Dividend rate % -

V. GENERIC NAMES OF PRINCIPAL PRODUCTS / SERVICES OF COMPANY

Item Code No.: Not Applicable

Product Description: SOFTWARE PRODUCTION, DISTRUBUTION & EQUIPMENT HIRE

MUKTA ARTS LIMITED

STATEMENT PURSUANT to SECTION 212 of the COMPANIES ACT, 1956 RELATING to SUBSIDIARY COMPANIES

1	Name of the Company	Whistling Woods International Ltd.	Connect.1 Limited (Formerly known as Mukta Arts International Ltd.)	Mukta Tele Media Ltd.	Coruscant Tec Pvt. Limited
2	Financial Year of the Subsidiary Company	31 March, 2010	31 March, 2010	31 March, 2010	31 March, 2010
3	Holding Company's Interest				
	Number of shares	169,997	594	4996	10000
		(Equity shares of Rs.1000/- fully paid up)	(Equity Shares of Rs 1,000/-each fully paid-up)	(Equity Shares of Rs 100/- each fully paid-up)	(Equity Shares of Rs 10/- each fully paid-up)
4	Extent of shareholding	84.99%	99.00%	99.92%	100%
5	The Net aggregate of Profit / Loss of the Company for the financial year, so far as it concerns the members of Mukta Arts Ltd.	Accounts of Whistling Woods International Ltd. are annexed	Accounts of Connect.1 Limited (Formerly known as Mukta Arts International Ltd.) are annexed	Accounts of Mukta Tele Media Ltd. are annexed	Accounts of Coruscant Tec Pvt. Ltd. are annexed
6	Net Aggregate of Profit / Loss of the Company for the previous year, so far as it concerns the members of Mukta Arts Ltd.	Accounts of Whistling Woods International Ltd. are annexed	Accounts of Connect.1 Limited (Formerly known as Mukta Arts International Ltd.) are annexed	Accounts of Mukta Tele Media Ltd. are annexed	Accounts of Coruscant Tec Pvt. Ltd. are annexed

For and on behalf of the board

SUBHASH GHAI
Chairman & Managing Director

PARVEZ A. FAROOQUI
Executive Director

RAHUL PURI
Executive Director

VIJAY CHORARIA
Director

ANIL HARISH
Director

PRADEEP GUHA
Director

RAVI POPLAI
Company Secretary

Place : Mumbai
Date : 12th August 2010

Auditors' report to the Board of Directors of Mukta Arts Limited on the Consolidated Financial Statement of Mukta Arts Limited and its Subsidiaries

1. We have examined the attached consolidated Balance Sheet of Mukta Arts Ltd. (the company) and its subsidiaries as at 31st March, 2010 the consolidated Profit and Loss Account for the year ended on that date annexed thereto, and the consolidated cash flow statement for the year ended on that date, which we have signed under reference to this report. These consolidated financial statements are the responsibility of the management of Mukta Arts Limited .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 financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

2. In respect of financial statements of Whistling Woods International Limited. We did not carry out the audit. The financial statements have been audited by other auditor whose report has been furnished to us and our opinion in so far as it relates to the amount included of the subsidiary is solely based on the report of the other auditor.
3. We report that the consolidated financial statements have been prepared by the Company in accordance with the requirements of Accounting Standard (AS) 21, Consolidated Financial Statements, issued by the Institute of Chartered Accountants of India and on the basis of the separate audited financial statements of Mukta Arts Limited and its Subsidiaries included in the consolidated financial statements.
4. On the basis of the information and explanations given to us and on consideration of the separate audit reports on individual audited financial statements of Mukta Arts Limited and its Subsidiaries, in our opinion, the consolidated financial statements together with the notes thereon and attached thereto 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 consolidated state of affairs of Mukta Arts Limited and its Subsidiaries as at 31st March 2010 ;
 - (b) in the case of the consolidated profit and loss account, of the consolidated results of operations of Mukta Arts Limited and its Subsidiaries for the year ended on that date ;
 - (c) in the case of the consolidated cash flow statement, of the consolidated cash flows of Mukta Arts Limited and its subsidiaries for the year ended on that date .

For SHAMIT MAJMUDAR ASSOCIATES

Firm Registration No. 109881 W
Chartered Accountants

Place: Mumbai
Dated: 12th August 2010

SHAMIT MAJMUDAR
Proprietor
Membership No. F-010595

MUKTA ARTS LIMITED

CONSOLIDATED BALANCE SHEET OF MUKTA ARTS LTD AND ITS SUBSIDIARIES AS AT 31ST MARCH-2010

	SCHEDULE	Current Year 31.03.2010 Amount in Rs.	Previous Year 31.03.2009 Amount in Rs.
SOURCES OF FUNDS			
Shareholders' Fund			
Share Capital	A	112,917,500	112,917,500
Minority Interest		30,009,330	30,010,810
Reserves & Surplus	B	473,356,100	779,722,606
Loan Funds			
Secured / Unsecured Loans	C	450,829,338	356,554,456
TOTAL		1,067,112,268	1,279,205,373
APPLICATION OF FUNDS			
Fixed Assets			
D			
Gross Block		1,053,092,764	1,032,254,070
Less : Depreciation		488,552,239	417,174,517
Net Block without WIP		564,540,525	615,079,553
Add : Capital Work in Progress		102,696,416	55,955,346
Net Block		667,236,942	671,034,899
Investments	E	72,004,582	90,162,195
Deferred Tax Asset/(Liability)		(9,502,281)	(9,244,513)
Current Assets, Loans & Advances			
Inventories	F	141,449,037	302,160,447
Debtors	G	218,030,277	181,043,747
Cash & Bank Balances	H	44,779,688	37,443,079
Loans, Advances & Deposits	I	547,799,562	488,260,315
		952,058,564	1,008,907,588
Less : Current Liabilities & Provisions	J	614,716,868	487,091,655
Net Current Assets		337,341,696	521,815,933
Miscellaneous Expenditure		31,330	5,436,859
(to the extent not written off)			
TOTAL		1,067,112,268	1,279,205,373
Statement of Significant Accounting Policies and Notes forming part of Accounts	P		

As per our report of even date

For SHAMIT MAJMUDAR ASSOCIATES
Firm Registration No. 109881 W
Chartered Accountants

SHAMIT MAJMUDAR
Proprietor
Membership No. 010595

Place : Mumbai
Date : 12th August 2010

For and on behalf of the board

SUBHASH GHAI
Chairman & Managing Director

RAHUL PURI
Executive Director

ANIL HARISH
Director

RAVI POPLAI
Company Secretary

PARVEZ A. FAROOQUI
Executive Director

PRADEEP GUHA
Director

VIJAY CHORARIA
Director

CONSOLIDATED PROFIT & LOSS ACCOUNT OF MUKTA ARTS LTD AND ITS SUBSIDIARIES FOR THE YEAR ENDED 31ST MARCH, 2010

	SCHEDULE	Current Year 31.03.2010 Amount in Rs.	Previous Year 31.03.2009 Amount in Rs.
INCOME			
Realisation from Productions, Distribution & Exhibition	K	886,326,316	1,651,041,121
Equipment Hire Income		2,504,416	7,298,363
Fees from Students		177,613,102	162,671,566
Other Income	L	69,803,227	29,847,897
		<u>1,136,247,061</u>	<u>1,850,858,947</u>
EXPENDITURE			
Cost of Production, Distribution & Exhibition	M	1,020,483,122	1,484,337,691
Administrative and other expenses	N	341,500,087	309,021,852
Depreciation		74,514,264	89,209,689
Preliminary Expenses Written off		5,457,561	5,303,688
		<u>1,441,955,035</u>	<u>1,887,872,920</u>
Profit/(Loss) Before Extraordinary, Non Recurring and Prior Period items		(305,707,973)	(37,013,974)
Less: Extraordinary, Non Recurring and Prior Period items	O	374,965	370,537
Profit/(Loss) Before Tax		(306,082,938)	(37,384,511)
Less : a) Provision for Taxation		25,800	19,031,000
b) Fringe Benefit Tax		-	1,393,622
c) Deferred Tax Liability/(Asset)		257,768	(110,522)
Profit/(Loss) after Tax		(306,366,506)	(57,698,611)
Add : Balance brought forward from last year		(256,877,308)	(167,759,822)
Profit available for Appropriation		(563,243,814)	(225,458,433)
Appropriations			
Transfer to General Reserve		-	5,000,000
Interim Dividend paid during the year		-	22,581,200
Tax on Interim Dividend		-	3,837,675
Balance carried forward		(563,243,814)	(256,877,308)
Statement of Significant Accounting Policies and Notes forming part of Accounts	P		

As per our report of even date

For SHAMIT MAJMUDAR ASSOCIATES
Firm Registration No. 109881 W
Chartered Accountants

SHAMIT MAJMUDAR
Proprietor
Membership No. 010595

Place : Mumbai
Date : 12th August 2010

For and on behalf of the board

SUBHASH GHAI
Chairman & Managing Director

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Company Secretary

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Executive Director

PRADEEP GUHA
Director

VIJAY CHORARIA
Director

MUKTA ARTS LIMITED

CONSOLIDATED CASHFLOW STATEMENT OF MUKTA ARTS LIMITED AND ITS SUBSIDIARIES FOR THE YEAR ENDED 31ST MARCH, 2010

	Current Year 31.03.2010 Amount in Rs.	Previous Year 31.03.2009 Amount in Rs.
A. CASH FROM OPERATING ACTIVITIES		
Net Profit before tax and extraordinary items :	(305,707,973)	(37,013,974)
Adjustments for :		
Depreciation	74,514,264	89,209,689
Interest, dividend, etc., received	(30,903,894)	(18,496,451)
Miscellaneous expenditure written off	5,457,561	5,303,688
(Profit)/Loss on sale of fixed assets	(171,079)	(101,053)
Provision for Dimunation of Investment	158,550	162,691
Operating profit before working capital changes	(256,652,571)	39,064,590
Adjustments for :		
(Increase)/ Decrease in Inventories	160,711,410	(9,693,030)
(Increase)/ Decrease in Receivables	(36,986,530)	2,171,716
(Increase)/ Decrease in Loans and advances	(40,773,691)	14,862,752
Increase/(Decrease) in Trade Creditors	69,021,667	(124,218,348)
Inc./ (Dec.) in Other current liabilities and provisions	58,603,546	(29,310,172)
Cash generated from/(used in) operations	(46,076,169)	(107,122,492)
Direct taxes paid	(18,765,556)	(58,739,413)
Prior period adjustments	(374,965)	(370,537)
Cash flow before extraordinary items	(65,216,690)	(166,232,442)
Extraordinary items :		
Net Cash Generated from/(used in) Operating Activities	(65,216,690)	(166,232,442)
B. CASH FLOW FROM INVESTING ACTIVITIES		
Purchases of fixed assets	(78,960,222)	(81,624,334)
Sale/disposal of fixed assets	8,177,131	10,183,714
(Additions to)/Redemption of investments	18,157,614	47,053,979
Interest, dividend, etc. received	30,903,894	18,496,451
Net cash generated from/(used in) investing activities	(21,721,583)	(5,890,190)
C. CASH FLOW FROM FINANCING ACTIVITIES		
Loans borrowed (net)	94,274,882	99,271,531
Dividend paid	-	(22,581,200)
Tax on Dividend paid	-	(3,837,675)
Net cash recovered from/(used in) financing activities	94,274,882	72,852,656
Net increase in cash and cash equivalents (A+B+C)	7,336,609	(99,269,975)
Cash and cash equivalents (opening)	37,443,079	136,713,054
Cash and cash equivalents (closing)	44,779,688	37,443,079

As per our report of even date

For SHAMIT MAJMUDAR ASSOCIATES
Firm Registration No. 109881 W
Chartered Accountants

SHAMIT MAJMUDAR
Proprietor
Membership No. 010595

Place : Mumbai
Date : 12th August 2010

For and on behalf of the board

SUBHASH GHAI
Chairman & Managing Director

RAHUL PURI
Executive Director

ANIL HARISH
Director

RAVI POPLAI
Company Secretary

PARVEZ A. FAROOQUI
Executive Director

PRADEEP GUHA
Director

VIJAY CHORARIA
Director

SCHEDULES TO THE CONSOLIDATED FINANCIAL STATEMENTS

	Current Year 31.03.2010 Amount in Rs.	Previous Year 31.03.2009 Amount in Rs.
SCHEDULE A		
Share Capital		
Authorised Share Capital		
24,000,000 Equity Shares of Rs. 5/- each	120,000,000	120,000,000
(Previous year 24,000,000 Equity Shares of Rs. 5/- each)		
Issued, Subscribed & Paid-up Capital		
22,581,200 Equity Shares of Rs.5/- each	112,906,000	112,906,000
(Previous year 22,581,200 Equity Shares of Rs 5/- each out of which 16,490,000 shares were allotted as fully paid up by way of Bonus Shares by capitalisation of reserves)		
Add:- Forfeited shares	11,500	11,500
(Amount originally paid up)		
	112,917,500	112,917,500
SCHEDULE B		
Reserves & Surplus		
Share Premium	973,360,000	973,360,000
General Reserve		
Balance as per last balance sheet	63,239,914	
Add : Transfer during the year	-	
	63,239,914	63,239,914
Balance as per Profit & Loss account	(563,243,814)	(256,877,308)
	473,356,100	779,722,606
SCHEDULE C		
Secured / Unsecured Loans		
From banks against finance of cars	10,192,733	2,003,371
From LIC against Keyman Insurance Policy of CMD	234,586,880	198,020,500
Term Loan from Banks	186,049,725	120,790,823
Unsecured Loan	20,000,000	35,739,762
	450,829,338	356,554,456

MUKTA ARTS LIMITED

SCHEDULES TO THE CONSOLIDATED FINANCIAL STATEMENTS

SCHEDULE D Fixed Assets

Particulars	GROSS BLOCK			DEPRECIATION			NET BLOCK			
	As on 01.04.2009	Additions during the year	Ded./Adj. during the year	Total as on 31.03.2010	Depreciation upto 31.03.2009	Additions during the year	Ded./Adj during the year	Total Depreciation upto 31.03.2010	As on 31.03.2010	As on 31.03.2009
Block 'A' Leasehold Land*	30,000,000	-	-	30,000,000	-	-	-	-	30,000,000	30,000,000
Block 'B' Ownership Premises	126,475,229	355,000	250	126,829,979	28,614,684	1,525,276	-	30,139,960	96,690,019	97,860,545
Temporary Shed	666,964	-	-	666,964	666,964	-	-	666,964	-	-
Institute Building	276,956,442	358,248	-	277,314,690	35,291,578	12,097,565	-	47,389,143	229,925,547	241,664,864
Block 'C' Plant & Machinery	232,293,024	764,269	-	233,057,293	146,550,776	15,182,073	-	161,732,849	71,324,444	85,742,248
Electrical Installation	25,267,694	1,576,305	-	26,843,999	8,169,886	2,542,302	-	10,712,188	16,131,811	17,097,808
Cinematography Equip.	107,707,997	393,477	-	108,101,474	42,824,933	13,101,935	-	55,926,868	52,174,606	64,883,064
Block 'D' Motor Vehicles & Others	32,746,178	15,284,767	1,709,367	46,321,578	22,739,945	5,118,489	334,286	28,192,720	18,128,858	10,006,233
Block 'E' Furniture Fixture & Office Equipments	62,741,518	422,738	4,406,688	58,757,568	39,429,097	4,837,189	3,136,543	41,129,743	17,627,825	23,312,421
Block 'F' Computer Software Computer & IT Equip.	123,332,740	6,936,620	-	130,269,360	82,149,799	18,159,129	-	100,308,928	29,960,432	41,182,941
Block 'G' Library	5,917,928	917,091	-	6,835,019	5,917,928	917,091	-	6,835,019	-	-
Intangible Asset Exhibition Rights	2,500,000	-	-	2,500,000	1,845,089	130,982	-	1,976,071	523,929	654,911
Intellectual Property Right	5,546,359	-	-	5,546,359	2,706,623	567,947	-	3,274,570	2,271,789	2,839,736
	1,032,254,070	27,008,515	6,116,305	1,053,146,280	417,174,517	74,179,978	3,470,829	488,285,023	564,759,260	615,079,553
Capital Work-in-progress Capital WIP - Buildings and expenses capitalised	54,489,477	48,801,896	2,060,826	101,230,547	-	-	-	-	101,230,547	54,489,477
Capital Work in Progress	-	-	-	-	-	-	-	-	-	1,465,869
TOTAL	1,086,743,547	75,810,411	8,177,131	1,154,376,827	417,174,517	74,179,978	3,470,829	488,285,023	665,989,807	671,034,899
Previous Year	1,030,997,364	126,393,311	651,991	1,030,997,364	327,964,827	103,568,779	130,427	327,964,827	708,476,796	708,476,796

* The Company has perpetual right to use the land, and hence the same is not amortised.

SCHEDULES TO THE CONSOLIDATED FINANCIAL STATEMENTS

	Current Year 31.03.2010 Amount in Rs.	Previous Year 31.03.2009 Amount in Rs.
SCHEDULE E		
Investments		
A UNITS OF MUTUAL FUNDS - QUOTED		
Units of LIC Mutual Fund :	19,854,638	19,913,211
LICMF Floating Rate Fund - Growth Plan (No. of Units 1,940,405.682, Previous year 1,946,170.838)	<u>19,854,638</u>	<u>19,913,211</u>
Less: Provision for Dimunation of LIC Mutual fund	158,550	162,691
	19,696,088	19,750,520
(NAV of LIC Mutual Fund as on 31.03.2010 is Rs 19,696,088)		
(NAV of LIC Mutual Fund as on 31.03.2009 is Rs 19,750,520)	(A) 19,696,088	19,750,520
B INTER CORPORATE DEPOSITS (UNQUOTED)		
With Companies	(B) 48,528,586	66,632,017
C LONG TERM INVESTMENTS IN EQUITY SHARES		
In wholly owned subsidiaries (Unquoted)		
Shares of Bashiron Co. Op. Hsg. Society Ltd	500	500
(10 Shares of Rs. 50/- each, Previous year - 10 shares)		
Shares of Bait-Ush-Sharaf Co. Op. Hsg.Society. Ltd.	1,250	1,000
(25 Shares of Rs. 50/- each, Previous year - 20 shares)		
Equity Shares of Indiasound Ltd.	3,778,158	3,778,158
(7,500,000 Equity Shares of 0.1 Pence each, Previous year 7,500,000 Equity Shares)		
	(C) 3,779,908	3,779,658
TOTAL (A + B+ C)	<u>72,004,582</u>	<u>90,162,195</u>
SCHEDULE F		
Inventories		
Rights of Films (Exhibition, Distribution & other commercial rights including Copyrights)	3,750,000	3,750,000
Work In Progress		
- Under production films	137,034,860	298,377,023
- Stock of Materials /Others	664,177	33,424
	<u>141,449,037</u>	<u>302,160,447</u>

MUKTA ARTS LIMITED

SCHEDULES TO THE CONSOLIDATED FINANCIAL STATEMENTS

	Current Year 31.03.2010 Amount in Rs.	Previous Year 31.03.2009 Amount in Rs.
SCHEDULE G		
Sundry Debtors (Unsecured)		
a) Debts outstanding for a period exceeding six months		
- considered good	60,946,273	59,399,269
- considered doubtful	3,175,130	2,507,018
b) Other Debts Considered good		
- considered good	157,084,004	121,644,478
	221,205,407	183,550,766
Less: Provision for doubtful debts	3,175,130	2,507,018
	218,030,277	181,043,747
SCHEDULE H		
Cash & Bank balances		
Cash in Hand	1,004,699	486,219
With Scheduled Banks:		
In Current Accounts	16,118,832	8,687,641
(Includes Rs. Nil in EEFC account, Previous year Rs.167,085)		
Fixed Deposit with Scheduled Banks	27,656,156	28,269,219
	44,779,688	37,443,079
SCHEDULE I		
Loans & Advances		
Advances recoverable in cash or in kind or for value to be received	218,174,140	162,072,859
(Includes Rs 19,925,000 from a trust in which one of the Directors is Trustee, Previous year Rs 20,500,000)		
Advance Taxes and other payments	314,767,968	296,002,412
Advances to Staff	1,284,500	1,307,500
Deposits	13,572,954	28,877,544
{Including Rs.300,000 to a firm of which Managing Director is proprietor, Previous year Rs.300,000}		
	547,799,562	488,260,315
SCHEDULE J		
Current Liabilities & Provisions:		
Sundry Creditors for goods and services rendered	257,025,580	188,003,913
Provision for Taxation	134,684,296	136,139,598
Advances towards films and other services	222,138,756	161,963,700
Unclaimed Dividend	868,236	984,444
	614,716,868	487,091,655

SCHEDULES TO THE CONSOLIDATED FINANCIAL STATEMENTS

	Current Year 31.03.2010 Amount in Rs.	Previous Year 31.03.2009 Amount in Rs.
SCHEDULE K		
Realisation from Production, Distribution & Exhibition		
Recovery from New Productions	79,000,275	628,068,073
Recovery from Distribution & Exhibition	784,135,232	981,600,494
Recovery from old films	23,190,808	41,372,554
	<u>886,326,316</u>	<u>1,651,041,121</u>
SCHEDULE L		
Other Income		
Interest	30,062,468	16,415,731
Other Income	19,848,473	11,250,393
Income- Keyman Insurance Policy	9,500,000	-
Rent and Amenities Charges	9,379,781	-
Profit on Sale of Assets	171,079	101,053
Dividend / Income from Units of Mutual Funds	841,426	2,080,720
	<u>69,803,227</u>	<u>29,847,897</u>
SCHEDULE M		
Cost of Production, Distribution & Exhibition		
Cost of New Productions	262,939,068	451,067,401
Expenses of Distribution & Exhibition	753,704,113	1,024,235,433
Expenses of old films	3,839,942	9,034,857
	<u>1,020,483,122</u>	<u>1,484,337,691</u>
SCHEDULE N		
Administrative and Other Expenses		
Personnel Expenses (Including Directors Remuneration of Rs 21,205,670 Previous year - Rs. 21,618,892)	68,931,880	72,000,741
Repairs & Maintenance : Buildings	9,316,226	10,268,097
Machinery	653,257	3,124,857
Others	170,704	187,210
Printing & Stationery	2,880,473	3,619,801
Telephone & Trunkcalls	4,457,209	5,727,377
Insurance	1,415,630	1,615,984
Brokerage & Commission	2,183,855	638,424
Electricity Charges	18,511,501	17,452,253
Rent	25,327,356	27,056,309
Travelling Expenses	7,916,702	5,634,371
Auditors Remuneration	2,432,337	2,356,949
Professional Expenses	52,493,641	45,710,447
Legal Expenses	579,515	2,870,214
Interest	79,894,091	38,582,255
Bank Charges	2,646,859	2,584,936
Rates & Taxes	6,863,729	12,963,306
Bad Debts -Written off	1,516,674	1,127,065
Publicity Expenses	15,268,330	12,984,694
Motor Car Expenses	3,086,513	4,581,539
Miscellaneous Expenses	34,953,605	37,935,023
	<u>341,500,087</u>	<u>309,021,852</u>
SCHEDULE O		
Extraordinary, Non Recurring & Prior Period Exp.		
Prior Period Expenses	374,965	370,537
	<u>374,965</u>	<u>370,537</u>

MUKTA ARTS LIMITED

SCHEDULES TO THE CONSOLIDATED FINANCIAL STATEMENTS

SCHEDULE "P"

Statement of Significant Accounting Policies and Notes forming Part of Consolidated Accounts

1 Significant Accounting Policies

(a) Basis of Preparation of Accounts

The financial statements have been prepared under the historical cost convention, in accordance with Accounting Standards issued by the Institute of Chartered Accountants of India and the provisions of the Companies Act, 1956, as adopted consistently by the Company. All income and expenditure having a material bearing on the financial statements are recognised on accrual basis.

The preparation of financial statements in conformity with Accounting Standards requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of financial statements, and the reported amounts of revenues and expenses during the year.

(b) Principles of consolidation

The consolidated financial statements relate to Mukta Arts Limited ("The Company") and its subsidiaries. The consolidated financial statements have been prepared on the following basis:

1. The financial statements of the 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 (other than those allocated to particular films & serials), after eliminating intra-group balances and intra-group transactions.
2. The consolidated financial statements have been prepared using uniform accounting policies for like transactions and other events in similar circumstances and are presented to the extent possible, in the same manner as Company's separate financial statements.

(c) The Subsidiaries considered in the consolidated financial statement are :

	<u>% voting power as on 31.03.10</u>	<u>% voting power as on 31.03.09</u>
Connect.1 Limited (Formerly known as Mukta Arts International Limited)	99.00	99.00
Whistling Woods International Limited	84.99	84.99
Mukta Tele Media Limited	99.92	99.92
Coruscant Tec Pvt. Limited	100.00	51.00

2 Other Significant Accounting Policies

These are set out in the notes to the financial statements under significant of Accounting Policies of the financial statements of the company and its Subsidiaries.

3. Contingent Liabilities

	<u>Current Year Rupees</u>	<u>Previous Year Rupees</u>
a Claims against the company not acknowledged as Debts-	Nil	Nil
b Guarantees given by Bank on behalf of the company	57,766,927	75,743,508
c Letters of Credit given by bank on behalf of the company	Nil	Nil
d Estimated amount of contracts remaining to be executed on Capital Account and not provided for (net of advances)		
(i) Whistling Woods International Ltd.	Nil	1,999,012
e Legal suits filed against the company (having monetary implication)	Nil	Nil

- f Department of Service Tax had levied service tax of Rs 2.12 million on sponsorship fees received for various films treating the Company as an 'Advertising Agency'. Further the department had issued show cause notice proposing to levy Rs 2.02 millions service tax on a similar issue. Against the levy of Rs 2.12 million, the Company filed appeal before the Commissioner of Central Excise (Appeals) and subsequently before Honorable Tribunal, claiming that the provisions of Service Tax Act is not applicable in this matter. The Company had paid Rs 1.24 millions under protest and the same is shown as 'advance recoverable in cash or kind' since the matter is pending before the CESTAT and based on legal opinion sought, the management is of the opinion that the Company will have no liability on this account and that no provision is necessary.
- g The Company has given a Corporate guarantee for Term Loans taken by its subsidiary Whistling Woods International Limited from Punjab National Bank.

h Matters in respect of Whistling Woods International Ltd. Income Tax

i) Assessment year 2003-04

There are certain additions made in the assessment and department have raised a demand of Rs 2,913,501 (including interest Rs 651,159). Aggrieved by the assessment order, the Company had filed an appeal before CIT (Appeal), which has been upheld. Subsequently, the Company has preferred an appeal with the Income Tax Appellate Tribunal on the above order, which has been dismissed on 18 June 2010. The Assessing officer has also levied penalty of Rs 2,500,000. The Company is currently evaluating its options and the management is of the opinion that at this stage no provision is required.

ii) Assessment year 2004-05

Certain additions were made in the assessment and the department has raised a demand of Rs 3,478,871 (including interest Rs 738,005). Aggrieved by the assessment order, the Company had filed an appeal before CIT (Appeal), which has been upheld. Subsequently, the Company has preferred an appeal with the Income Tax Appellate Tribunal on the above order which has been dismissed on 18 June 2010. The Assessing officer has also levied penalty of Rs 3,000,000. The Company is currently evaluating its options and the management is of the opinion that at this stage no provision is required.

iii) Assessment year 2005-06

Certain additions are made in the assessment and a demand of Rs 524,063 (including interest Rs 106,950) has been raised. Aggrieved by the assessment order, the Company has filed an appeal before the CIT (Appeal), which has been upheld. The Company has preferred an appeal with the Income Tax Appellate Tribunal on the above order. The Company's management is of the opinion that at this stage no provision is required.

iv) Assessment year 2006-07

Certain additions/disallowances are made in the assessment and a demand of Rs 207,903 (including interest of Rs 66,593) has been raised. Aggrieved by the assessment order, the Company has filed an appeal before the CIT (Appeal). The Company's management is of the opinion that at this stage no provision is required.

Others

Public Interest Litigation ('PIL') has been filed by Mr. Abdul Hamid Patel & Others alleging that the Maharashtra Film Stage and Cultural Development Corporation Limited (MFSCDCL) has not followed proper procedure while allotting the 20 acre land to the Company. The PIL is admitted and pending before the High Court. However, no injunction/interim relief was granted to the petitioners. In the opinion of the management, the Company has a good chance of winning the case. In the year 1973-74, the Government of Maharashtra ('GOM'), as per the scheme, invited applications of plots for development of film industry infrastructure in film city at Goregaon (East), Mumbai. Many applications were received and M/s PDR Videotronics (India) Private Limited ('PDR') was one of the applicant. The GOM issued a letter to PDR for allotment of one hectare of land. Thereafter, MFSCDCL was formed for development of film city and as per the recommendation of Godbole Committee, the above scheme was scrapped. However, before scrapping of the scheme, PDR filed a suit in the High Court demanding specific performance of the scheme. The High Court admitted the suit and same is still pending. Meanwhile, PDR took out a notice of motion saying that MFSCDCL is carrying out the activities on the allotted land thereby affecting their rights. Since the MFSCDCL didn't argue the High Court granted the injunction in favour of PDR. Thereafter in the year 2003, the contempt petition was filed by PDR alleging that the construction work is being carried out on the said allotted land in violation of injunction. However, subsequently the contempt petition was disposed off by the High Court. PDR took out another notice of motion on the same issue. The High Court refused to grant any relief to PDR and directed that the notice of motion be clubbed with the original suit of PDR against MFSCDCL and same suit to be expedited. With a view to peacefully resolve the issue, the Company has offered to earmark one hectare of land out of the available free land for a possible assignment to PDR, in case the final decision of the High Court is in the favour of PDR. In the opinion of the management the Company has a good chance of winning the case. Arrears of dividend on RCPS (Redeemable Cumulative Preference Shares) excluding dividend distribution tax not provided Rs 47,123,287 (2009: Rs 31,123,287)

MUKTA ARTS LIMITED

4 Business segment-wise Report (as per the reporting requirements of AS-17)

(Rs in millions)

	Current Year	Previous Year
a. Revenue		
Software Division	886.33	1,651.04
Equipment Division	2.50	7.30
Fees from students	177.61	162.67
Others	69.80	29.85
TOTAL	1,136.25	1,850.86
b. Results		
Software Division	(134.16)	166.70
Equipment Division	2.61	(7.28)
Fees from students	177.61	162.67
Others	69.80	29.85
TOTAL	115.86	351.95
c. Capital Employed		
Software Division	406.67	556.07
Equipment Division	138.28	148.48
Fees from students	14.09	106.28

5 Related Party Transaction

(A) The list of related parties and nature of their relationship is furnished below:

Companies under the same management-

Whistling Woods International Ltd.	84.99% - subsidiary
Connect.1 Limited	99% - subsidiary
Mukta Tele Media Ltd.	99.92% - subsidiary
Coruscant Tec Pvt. Limited	100% - subsidiary
Mukta Tele Arts Pvt. Ltd.	CMD is director

Firms-

Mukta Arts	Proprietary firm of CMD
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Trusts-

MAL Employees Welfare Trust	Executive Director is settler & One of the Directors is Trustee
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Directors of the company-

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

Relatives of Directors-

Mr. Ashok Ghai	Brother of CMD
Mr. Siraj Farooqui	Brother of Executive Director
Mr. Sameer Farooqui	Brother of Executive Director
Mr. Sajid Farooqui	Brother of Executive Director

(B) Transactions with and outstanding balances of related parties are furnished below.

	Volume of transactions during the year				Outstanding Balance 31.03.2010
	Associates	Key management Personnel	Relatives of key management personnel	Total	
	Rs.	Rs.	Rs.	Rs.	Rs.
Receiving of services					
Ashok Ghai	-	-	1,800,000	1,800,000	-
Payment of Salaries					
Siraj Farooqui	-	-	1,900,000	1,900,000	-
Sameer Farooqui	-	-	377,480	377,480	-
Sajid Farooqui	-	-	426,140	426,140	-
Advances recoverable					
MAL Employees Welfare Trust	575,000	-	-	575,000	19,925,000
Managerial Remuneration					
Subhash Ghai	-	15,234,145	-	15,234,145	-
Parvez A. Farooqui	-	1,911,491	-	1,911,491	-
Rahul Puri	-	1,918,844	-	1,918,844	-
Meghna Ghai Puri	-	2,141,190	-	2,141,190	-
Deposits for Premises taken on lease or otherwise					
Mukta Arts	-	-	-	-	300,000
Subhash Ghai	50,000	-	-	50,000	-

6 Calculation of Minority Interest

	Current Year	Previous Year
a) Whistling Woods International Ltd. Paid up value of 15.0015% shares Less: 15.0015% of Preliminary Expenses	30,003,000 - <u>30,003,000</u>	30,003,000 46,167 <u>29,956,833</u>
b) Mukta Tele Media Ltd. Paid up value of 0.08% shares Less: 0.08% of Preliminary Expenses	400 35 <u>365</u>	400 35 <u>365</u>
c) Connect.1 Limited (Formerly known as Mukta Arts International Limited) Paid up value of 1% shares Less: 1% of Preliminary Expenses	6,000 35 <u>5,965</u>	6,000 35 <u>5,965</u>
d) Coruscant Tec Pvt. Limited Paid up value of 49% shares Less: 49% of Preliminary Expenses Total Minority Interest	- - <u>30,009,330</u>	49,000 1,352 <u>30,010,810</u>

7 The consolidated financial statements have been prepared in accordance with the Accounting Standard (AS-21) "Consolidated Financial Statements" issued by the Institute of Chartered Accountants of India, except for those income and expenses allocated to particular films.

8 Previous year figures have been regrouped wherever necessary.

As per our report of even date

For and on behalf of the board

For SHAMIT MAJMUDAR ASSOCIATES
Firm Registration No. 109881 W
Chartered Accountants

SUBHASH GHAI
Chairman & Managing Director

PARVEZ A. FAROOQUI
Executive Director

RAHUL PURI
Executive Director

PRADEEP GUHA
Director

SHAMIT MAJMUDAR
Proprietor
Membership No. 010595

ANIL HARISH
Director

VIJAY CHORARIA
Director

Place : Mumbai
Date : 12th August 2010

RAVI POPLAI
Company Secretary

DIRECTORS' REPORT

Dear Members of
Whistling Woods International Ltd,

Your Directors take pleasure in presenting the Ninth Annual Report and the Audited Statement of Accounts for the Accounting year ended 31st March 2010.

Operations

The institute operated Successfully this year. The institute held its Convocation on 17th July 2010 in which 140 successful students were awarded Diplomas.

The Gross Block of Fixed Assets of the Company as on 31.3.2010 excluding capital work in progress was placed at Rs 672,935,537 as compared to previous year figures of Rs 670,619,846. The Capital Work in progress as on 31st March 2010 is Rs 1,465,869.

During the year the Company recorded an income of Rs 192,129,346 and the total loss after tax is Rs 62,408,439. The expense includes a significant amount of Rs 55,544,919 as depreciation.

Share Capital

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

Directors

1. Mr. Subhash Ghai retires by rotation at the ensuing Annual General Meeting and being eligible offers himself for reappointment.
2. Mr. Manmohan Shetty retires by rotation at the ensuing Annual General Meeting and being eligible offers himself for reappointment.

Auditor's Report

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

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

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

The Directors confirm that:

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

Auditors and Auditors Report:

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



Statutory Disclosures

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

Particulars regarding Foreign Exchange earnings and outgo required under Section 217 (1) (e) of the Companies Act, 1956 and Companies (Disclosure of Particulars in the report of the Board of Directors) Rules, 1988 are given in Schedule 28 & 29 (Statement of Significant Accounting Policies and Notes forming Part of Accounts) of this report.

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

Acknowledgements

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

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

On behalf of the Board of Directors

Place: Mumbai
Dated: 10th August, 2010

Subhash Ghai
Chairman

ANNEXURE – I

ANNEXURE TO DIRECTORS' REPORT

Information as per Section 217 (2A) of the Companies Act, 1956 read with the Companies (Particulars of Employees) Rules, 1975 and forming part of the Director's Report:

Name	Designation	Qualification	Age	Date of Joining	Experience	Gross Remuneration	Previous Employment
John Jerome Lee	Dean	Masters in Fine Arts, Brooks Institute, Santa Barbara.	63 Years	08-09-2008	33 Years	2,469,486	CEO of icommunications Dynamics, LLC.

Notes:

Remuneration includes salary and other allowances.

AUDITORS' REPORT

To the Members of
Whistling Woods International Limited

We have audited the attached Balance Sheet of **Whistling Woods International Limited** ('the Company') as at 31 March 2010 and the related Profit and Loss Account and Cash Flow Statement for the year ended on that date, annexed thereto. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

1. As required by the Companies (Auditor's Report) Order, 2003 ('the Order'), issued by the Central Government of India in terms of sub-section (4A) of Section 227 of the Companies Act, 1956 ('the Act'), we enclose in the Annexure, a statement on the matters specified in paragraphs 4 and 5 of the said Order.
2. *As more fully explained in Schedule 21.1 to the financial statements, the Company has disputed the demand from Income-tax authorities aggregating to Rs 12.62 million (including interest Rs 1.56 million and penalty Rs 5.50 million) for the financial years ended 31 March 2003 (assessment year 2003-04), 31 March 2004 (assessment year 2004-05), 31 March 2005 (assessment year 2005-06) and 31 March 2006 (assessment year 2006-07). In this regard, the Company had filed an appeal with the Income Tax Appellate Tribunal and the appeal for the financial years ended 31 March 2003 (assessment year 2003-04) and 31 March 2004 (assessment year 2004-05) has been dismissed on 18 June 2010. No provision has been made in the financial statements in this regard. Had the Company accrued for this liability, the loss for the year and the debit balance in profit and loss account at year end would have been higher by Rs 12.62 million.*
3. *As more fully explained in Schedule 22 to the financial statements, the managerial remuneration paid to the whole time director is in excess of the limits prescribed under Section 198 of the Act. The Company has made an application to the Central Government seeking post-fact approval, which is awaited.*
4. Further to our comments in the Annexure referred to above, we report that:
 - a. we have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit;
 - b. in our opinion, proper books of account as required by law has been kept by the Company so far as appears from our examination of 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 dealt with by this report comply with the Accounting Standards referred to in sub-section (3C) of Section 211 of the Companies Act, 1956;
 - e. on the basis of written representations received from the directors of the Company as at 31 March 2010, and taken on record by the Board of Directors, we report that none of the directors is disqualified as on 31 March 2010 from being appointed as a director in terms of clause (g) of sub-section (1) of Section 274 of the Act; and
 - f. in our opinion and to the best of our information and according to the explanations given to us, *subject to the effect of adjustments, if any, on the loss for the year and reserves as at 31 March 2010, that may arise from the matters stated in paragraph 2 & 3 above*, the said financial statements 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 31 March 2010;
 - (ii) in the case of the Profit and Loss Account, of the loss of the Company for the year ended on that date; and
 - (iii) in case of the Cash Flow Statement, of the cash flows of the Company for the year ended on that date.

For **BSR & Co.**
Chartered Accountants
Firm's Registration No: 101248W

Akeel Master
Partner
Membership No: 046768

Place: Mumbai
Date : 10th August 2010



ANNEXURE TO AUDITORS' REPORT - 31 MARCH 2010

(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 noticed on such verification.
- (c) Fixed assets disposed off during the year were not substantial, and therefore, do not affect the going concern assumption.
- ii) The Company is a service company, primarily rendering training related to films, television and media industry to students. Accordingly, it does not hold any physical inventories. Thus, paragraph 4(ii) of the Order is not applicable.
- iii) (a) The Company has not granted any loans to companies/ firms/ other parties covered in the register maintained under Section 301 of the Act.
- (b) The Company has taken loans from a company covered in register maintained under Section 301 of the Act. The maximum amount outstanding during the year was Rs 280.30 million and the year end balance of such loans was Rs 265.00 million.
- (c) In our opinion, the rate of interest and other terms and conditions on which loans have been taken from a company listed in the register maintained under Section 301 of the Act are not prima facie prejudicial to the interest of the Company.
- (d) In case of loans taken from a company listed in the register maintained under Section 301 of the Act, no specific terms of repayment have been specified and, according to the information and explanation given to us, payment of interest and repayments are being made regularly as and when demanded.
- iv) In our opinion and according to the information and explanation given to us, there is an adequate internal control system commensurate with the size of the Company and the nature of its business with regard to sale of services, However controls over purchase and recording of fixed assets need to be further strengthened. The Company's nature of operations does not involve purchase of inventory and sale of goods.
- v) (a) In our opinion and according to the information and explanations given to us, the particulars of contracts or arrangements referred to in Section 301 of the Act have been entered in the register required to be maintained under that section.
- (b) In our opinion and according to the information and explanations given to us, the transactions made in pursuance of contracts and arrangements referred to in (a) above and exceeding the value of Rs 5 lakhs with a party during the year are for the Company's specialised requirements for which suitable alternative sources are not available to obtain comparable quotations. However, on the basis of information and explanations provided, the same appear reasonable. Also refer paragraph (iii) above.
- vi) The Company has not accepted any deposit from the public.
- vii) In our opinion, the Company has an internal audit system commensurate with its size and the nature of its business.
- viii) The Central Government has not prescribed the maintenance of cost records under Section 209(1)(d) of the Act for any of the services rendered by the Company.
- (ix) (a) According to the information and explanations given to us and on the basis of our examination of records of the Company, amounts deducted /accrued in the books of accounts in respect of undisputed statutory dues including Provident fund, Income tax, Sales tax/ VAT, Service tax, Customs duty and other material statutory dues have been generally regularly deposited during the year by the Company with appropriate authorities. As explained to us, the Company did not have any dues on account of Investor Education and Protection Fund, Employees' State Insurance, Excise duty and Wealth tax.

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

According to the information and explanations given to us, no undisputed amounts payable in respect of Provident fund, Income tax, Sales tax/ VAT, Service tax, Custom duty and other material statutory dues were in arrears as at 31 March 2010 for a period of more than six months from the date they became payable.

WHISTLING WOODS INTERNATIONAL LIMITED

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

Nature of the Statute	Nature of the Dues	Amount (including interest)	Period to which the amount relates (Assessment Year)	Forum for which the dispute is pending as at year end
Income tax Act, 1961	Assessment dues	974,691	2003-04	Income Tax Appellate Tribunal*
	Penalty	2,500,000	2003-04	Income Tax Appellate Tribunal
	Assessment dues	1,159,460	2004-05	Income Tax Appellate Tribunal*
	Penalty	3,000,000	2004-05	Income Tax Appellate Tribunal
	Assessment dues	106,950	2005-06	Income Tax Appellate Tribunal
	Assessment dues	98,903	2006-07	Income Tax Appellate Tribunal

* The Company's appeal vide order dated 18 June 2010 was dismissed.

- x) *The Company has accumulated losses at the end of the financial year exceeding 100% of its net worth. The company has incurred cash losses in the current financial year and in the immediately preceding financial year.*
- xi) In our opinion and according to the information and explanation given to us, the Company has not defaulted in repayment of dues to its banker; however, there have been instances of delays in payment of principal amount which are subsequently paid. The Company did not have any outstanding debentures or dues to any financial institutions during the year.

Nature of default	Principal amount	Due date	Date of payment	Delayed days
Principal	7,500,000	07 June 2009	22 July 2009	45
Loan amount	7,500,000	07 December 2009	24 December 2009	17

- xii) The Company has not granted any loans and advances on the basis of security by way of pledge of shares, debentures or other securities.
- xiii) In our opinion and according to the information and explanations given to us, the Company is not a chit fund or nidhi/ mutual benefit fund/ society.
- xiv) According to the information and explanations given to us, the Company is not dealing or trading in shares, securities, debentures and other investments.
- xv) According to the information and explanations given to us, the Company has not given any guarantees for loans taken by others from banks or financial institutions.
- xvi) In our opinion and according to the information and explanations given to us, the term loans taken by the Company have been applied for the purpose for which they are raised.
- xvii) According to the information and explanations given to us and on an overall examination of the Balance sheet of the Company, we are of the opinion that the funds raised on short term basis aggregating to Rs 386.79 million have been used to finance fixed assets and the debit balance in the profit and loss account of the Company.
- xviii) The Company has not made any preferential allotment of shares to companies/firms/parties covered in the register maintained under section 301 of the act.
- xix) The Company did not have any outstanding debentures during the year
- xx) The Company has not raised any money by public issues during the year.
- xxi) According to the information and explanations given to us, no fraud on or by the Company has been noticed or reported during the course of our audit.

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

Place: Mumbai
Date: 10th August 2010

Akeel Master
Partner
Membership No: 046768



BALANCE SHEET AS AT 31 MARCH 2010

	<i>Schedule</i>	Current Year 31.03.2010 Amount in Rs.	Previous Year 31.03.2009 Amount in Rs.
SOURCES OF FUNDS			
Shareholders' funds			
Share capital	3	400,000,000	400,000,000
Loan funds			
Secured loans	4	44,643,445	74,733,551
Unsecured loans	5	265,000,000	218,500,000
		709,643,445	693,233,551
APPLICATION OF FUNDS			
Fixed assets			
Gross block	6	672,935,537	670,619,844
Accumulated depreciation/amortisation		271,185,313	218,776,937
Net block		401,750,224	451,842,907
Add: Capital work in progress (including capital advances)		1,465,869	1,465,869
		403,216,093	453,308,776
Deferred tax asset (net)	7	-	-
Current assets, loans and advances			
Sundry debtors	8	4,663,270	4,173,353
Cash and bank balances	9	2,597,281	361,428
Loans and advances	10	19,938,507	17,505,909
		27,199,058	22,040,690
Less: Current liabilities and provisions			
Current liabilities	11	146,134,950	145,423,806
Provisions	12	2,856,918	2,811,582
Net current assets		(121,792,810)	(126,194,698)
Miscellaneous expenditure (to the extent not written off or adjusted)	13	-	307,750
Profit and loss account		428,220,162	365,811,723
		709,643,445	693,233,551
Significant accounting policies	2		
Notes to the accounts	20-34		

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

As per our report attached

For and on behalf of the Board

For **B S R & CO.**

Firm's Registration No: 101248W

Chartered Accountants

SUBHASH GHAI

Chairman

MEGHNA GHAI PURI

Director

AKEEL MASTER

Partner

Membership No: 046768

MANMOHAN SHETTY

Director

NIVEDITA NAMBIAR

Company Secretary

Place: Mumbai

Date: 10th August, 2010

WHISTLING WOODS INTERNATIONAL LIMITED

PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31 MARCH 2010

	<i>Schedule</i>	Current Year 31.03.2010 Amount in Rs.	Previous Year 31.03.2009 Amount in Rs.
Income			
Fees from students	14	177,613,102	162,671,566
Hire Charges		12,987,338	5,313,322
Other income	15	1,528,906	4,548,723
		<u>192,129,346</u>	<u>172,533,611</u>
Expenditure			
Personnel costs	16	27,334,113	25,390,727
Operating and administrative expenses	17	139,867,554	144,811,145
Depreciation/amortisation	6	55,544,919	69,998,689
Finance charges	18	31,430,370	29,011,725
		<u>254,176,956</u>	<u>269,212,286</u>
(Loss) before tax and prior period expenses		(62,047,610)	(96,678,675)
Prior period expenses	19	360,829	95,052
(Loss) before tax		(62,408,439)	(96,773,727)
Less : Provision for tax			
Fringe benefits tax		-	518,622
(Loss) after tax		(62,408,439)	(97,292,349)
Accumulated balance brought forward		<u>(365,811,723)</u>	<u>(268,519,374)</u>
Balance carried forward to balance sheet		(428,220,162)	(365,811,723)
Earnings per share of face value of Rupees 1,000 each	32	(312.04)	(486.46)
Significant accounting policies	2		
Notes to the accounts	20-34		

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

As per our report attached

For and on behalf of the Board

For **B S R & CO.**

Firm's Registration No: 101248W
Chartered Accountants

SUBHASH GHAI
Chairman

MEGHNA GHAI PURI
Director

AKEEL MASTER

Partner
Membership No: 046768

MANMOHAN SHETTY
Director

NIVEDITA NAMBIAR
Company Secretary

Place: Mumbai
Date: 10th August, 2010



CASH FLOW STATEMENT FOR THE YEAR ENDED 31 MARCH 2010

	Current Year 31.03.2010 Amount in Rs.	Previous Year 31.03.2009 Amount in Rs.
Cash flows from operating activities		
Net (loss) before tax	(62,408,439)	(96,773,727)
Adjustments:		
Depreciation / amortisation for the year	55,544,919	69,998,689
Preliminary expenses written-off	307,750	153,877
Finance charges	31,430,370	29,011,725
Loss on sale / discarding of assets (net)	717,415	-
Provisions written back	(47,727)	-
Bad debts written off	923,208	-
Provision for doubtful debts	-	96,433
Interest income	(2,259)	(3,775)
Operating profit before working capital changes	26,465,237	2,483,222
Working capital changes		
(Increase) / decrease in sundry debtors	(1,365,399)	6,347,656
(Increase) / decrease in loans and advances	(526,723)	3,785,773
(Decrease) / increase in current liabilities	(5,678,370)	19,212,441
Increase in provisions	45,336	(1,479,838)
Cash generated from operations	18,940,081	30,349,255
Taxes paid (net of refund) (including fringe benefits tax)	(1,905,874)	(3,313,714)
Net cash generated from operating activities (A)	17,034,207	27,035,541
Cash flows from investing activities		
Purchase of fixed assets	(6,722,379)	(18,246,429)
Proceeds from sale of fixed assets	552,730	-
Interest received	2,259	3,775
Net cash generated / (used) in investing activities (B)	(6,167,390)	(18,242,654)
Cash flows from financing activities		
Unsecured loans received	105,800,000	92,000,000
Secured loans repaid	(30,090,106)	(30,611,266)
Unsecured loans repaid	(59,300,000)	(50,000,000)
Financial charges	(25,040,858)	(25,699,963)
Net cash generated/ (used) from financing activities (C)	(8,630,964)	(14,311,229)
Net increase / (decrease) in cash and cash equivalents (A+B+C)	2,235,853	(5,518,342)
Cash and cash equivalents at the beginning of the year	361,428	5,879,770
Cash and cash equivalents at the end of the year	2,597,281	361,428
The Company follows indirect method as prescribed in AS-3 Cash Flow Statements.		
Note:		
Cash and cash equivalents at the year end comprises:		
Cash on hand	14,611	39,167
Balances with scheduled banks		
- in current account	2,057,670	297,261
- in term deposit account	525,000	25,000
	2,597,281	361,428

As per our report attached

For and on behalf of the Board

For **BSR & CO.**

Firm's Registration No: 101248W
Chartered Accountants

SUBHASH GHAI
Chairman

MEGHNA GHAI PURI
Director

AKEEL MASTER
Partner

Membership No: 046768

MANMOHAN SHETTY
Director

NIVEDITA NAMBIAR
Company Secretary

Place: Mumbai

Date: 10th August, 2010

SCHEDULES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2010

1. Background

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

2. Summary of significant accounting policies

2.1 Basis of preparation of financial statements

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

2.2 Use of estimates

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

2.3 Going concern

The Company has accumulated losses exceeding 50% of its equity as at 31 March 2010. However, these financial statements have been prepared on a going concern basis as the Company's management believes that, based on the projected operating plans and the operating and financial support from its principal shareholder, the Company will be able to operate as a going concern in the foreseeable future. These financial statements do not include any adjustments relating to the recoverability and classification of the carrying amounts of assets or to the amounts and classification of liabilities that may be necessary if the entity is unable to continue as a going concern.

2.4 Fixed assets and depreciation

Tangible assets

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

Intangible assets

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

IPR in course curriculum consists of expenses incurred on internal development of course curriculum. The courseware has been submitted to Registrar of Copyrights for registration.

Depreciation /amortisation

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

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

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

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



SCHEDULES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2010

2. Summary of significant accounting policies (*Continued*)

2.5 Impairment

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

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

2.6 Retirement benefits

(a) Defined contribution plan

The Company makes contribution towards provident fund to a defined contribution retirement benefit plan for qualifying employees. Both the employee and the Company make monthly contribution equal to a specified percentage of the covered employee's salary. The monthly contributions payable to the Provident fund are charged to the profit and loss account as incurred.

(b) Defined benefit plans

The Company provides for gratuity using the Projected Unit Credit Method, with actuarial valuations being carried out at each balance sheet date. Actuarial gains and losses are recognized in the profit and loss account in the period in which they occur. Past service cost is recognized immediately to the extent that the benefits are already vested, and otherwise is amortised on a straight-line basis over the average period until the benefits become vested.

The retirement benefit obligation recognized in the balance sheet represents the present value of the defined benefit obligation as adjusted for unrecognized past service cost, and as reduced by the fair value of scheme assets. Any asset resulting from the calculation is limited to the present value of available refunds and reductions in future contributions to the scheme. The gratuity plan is managed by LIC to which contributions are made by the Company.

(c) Short-term employee benefits

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

(d) Other Long term employee benefits

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

2.7 Revenue recognition

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

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

Revenue from hire of premises and equipments is recognized over the period of hire. Interest income is recognized on a time proportion basis.

2.8 Foreign currency transactions

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

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

SCHEDULES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2010

2.9 Taxes on income

Income tax expense comprises of current tax expense, fringe benefits tax and deferred tax expense or credit
Current taxes

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

Deferred taxes

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

Fringe benefits tax

Provision for Fringe Benefits Tax was made on the basis of the applicable rates on the taxable value of eligible expenses of the Company as prescribed under the Income-tax Act, 1961 till 31 March 2009 on the basis of applicability.

2.10 Provisions and contingencies

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

2.11 Earnings per share ('EPS')

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

2.12 Borrowing costs

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

2.13 Leases

Lease payments under operating lease are recognised as an expense in the statement of profit and loss account on a straight line basis over the lease term.



SCHEDULES TO THE FINANCIAL STATEMENTS AS AT 31 MARCH 2010

	Current Year 31.03.2010 Amount in Rs.	Previous Year 31.03.2009 Amount in Rs.
3. Share capital		
Authorised		
200,000 (2009: 200,000) equity shares of Rupees 1,000 each	200,000,000	200,000,000
200,000 (2009: 200,000) 8% redeemable cumulative preference shares of Rupees 1,000 each	200,000,000	200,000,000
	400,000,000	400,000,000
Issued , subscribed and paid-up		
200,000 (2009: 200,000) equity shares of Rupees 1,000 each, fully paid-up	200,000,000	200,000,000
200,000 (2009: 200,000) 8% redeemable cumulative preference shares of Rupees 1,000 each, fully paid-up	200,000,000	200,000,000
	400,000,000	400,000,000
Of the above:		
(a) 30,000 (2009: 30,000) equity shares have been allotted as fully paid-up, pursuant to a contract without payment being received in cash.		
(b) 169,997 (2009: 169,997) equity shares are held by Mukta Arts Limited, the holding company.		
(c) 200,000 (2009:200,000) 8% redeemable cumulative preference shares are held by Mukta Arts Limited, the holding company.		
These preference shares were issued on 27 August 2007 and may be redeemed at par at any time on or after 21 June 2012 and on prior to 21 June 2027.		
4. Secured loans		
Term loan from bank	44,643,445	74,643,445
(Secured against hypothecation of building and machinery, the term loans are repayable in 16 quarterly installments, commencing on 7 December 2007. The amount repayable within one year is Rs. 30 million (2009 : Rs. 30 million).		
Vehicle finance loan	-	90,106
(Secured against hypothecation of related vehicles)		
The amount repayable within one year is Rs Nil (2009: Rs 90,710)		
	44,643,445	74,733,551
5. Unsecured loans		
Borrowings from holding company - Mukta Arts Limited	265,000,000	218,500,000
(No terms of repayment have been specified)		
	265,000,000	218,500,000

SCHEDULES TO THE FINANCIAL STATEMENTS AS AT 31 MARCH 2010

(Currency: Indian rupees)

6. Fixed assets

Description	Gross block			Accumulated depreciation/ amortisation			Net block		
	As at 1 April 2009	Additions during the year	Deductions	As at 31 March 2010	As at 1 April 2009	Depreciation on assets sold/ discarded	Charge for the year	As at 31 March 2010	As at 31 March 2009
Tangible assets									
Leasehold land #	30,000,000	-	-	30,000,000	-	-	-	30,000,000	30,000,000
Ownership premises	4,064,607	-	-	4,064,607	1,028,397	-	151,811	2,884,399	3,036,210
Institute building	276,956,442	358,248	-	277,314,690	35,291,578	-	12,097,565	47,389,143	229,925,547
Temporary shed	666,964	-	-	666,964	666,964	-	-	666,964	-
Plant and machinery	48,458,669	-	-	48,458,669	15,427,199	-	4,597,043	20,024,242	28,434,427
Motor vehicles	3,737,087	-	-	3,737,087	1,913,492	-	472,129	2,385,621	1,351,466
Furniture and fixtures	35,236,978	77,120	4,385,600	30,928,498	21,626,345	3,136,543	3,540,726	22,030,528	8,897,970
Office equipment	3,819,925	-	21,088	3,798,837	1,488,360	-	322,580	1,810,940	1,987,897
Electrical installation	25,267,694	1,576,305	-	26,843,999	8,169,886	-	2,542,302	10,712,188	16,131,811
Cinematography equipment	107,707,997	393,477	-	108,101,474	42,824,933	-	13,101,935	55,926,868	64,883,064
Computers and accessories and IT equipment	111,731,486	2,170,120	-	113,901,606	74,776,332	-	15,153,767	89,930,099	23,971,507
Intangible assets									
Computer Softwares and IT Softwares	11,507,712	1,230,018	-	12,737,730	6,938,900	-	2,080,023	9,018,923	4,568,812
Intellectual property rights (Course curriculum)	5,546,359	-	-	5,546,359	2,706,623	-	567,947	3,274,570	2,271,787
Library of books	5,917,926	917,091	-	6,835,017	5,917,928	-	917,091	6,835,019	-
Total	670,619,846	6,722,379	4,406,688	672,935,537	218,776,937	3,136,543	55,544,919	401,750,224	451,842,907
2009	658,378,264	12,241,582	-	670,619,846	148,778,247	-	69,998,690	218,776,937	509,600,015
Capital work in progress (including capital advances)								1,465,869	1,465,869

Note :

The Company has perpetual right to use the land and hence the same is not amortised.



SCHEDULES TO THE FINANCIAL STATEMENTS AS AT 31 MARCH 2010

	Current Year 31.03.2010 Amount in Rs.	Previous Year 31.03.2009 Amount in Rs.
7. Deferred tax assets(net)		
<i>Deferred tax liabilities</i>		
Arising on account of timing difference in:		
Depreciation/ amortisation	5,252,128	5,732,224
<i>Deferred tax assets</i>		
Arising on account of timing difference in:		
Section 43B disallowances	857,795	833,569
Unabsorbed depreciation as per Income tax Act, 1961	4,394,333	4,898,655
	<u>-</u>	<u>-</u>
Deferred tax assets on account of unabsorbed depreciation and business loss has been recognised only to the extent of the deferred tax liability, as this amount is considered to be virtually certain of realisation.		
8. Sundry debtors		
<i>Unsecured</i>		
Debts outstanding for a period exceeding six months		
- considered good	946,153	774,386
- considered doubtful	932,854	980,580
Other debts, considered good	3,717,117	3,398,967
	<u>5,596,124</u>	<u>5,153,933</u>
Less: Provision for doubtful debts	932,854	980,580
	<u>4,663,270</u>	<u>4,173,353</u>
9. Cash and bank balances		
Cash in hand	14,611	39,167
Balances with scheduled banks		
- in current account	2,057,670	297,261
- in term deposit account	525,000	25,000
	<u>2,597,281</u>	<u>361,428</u>
10. Loans and advances		
(Unsecured and considered good)		
Advances recoverable in cash or in kind or for value to be received	3,210,171	674,650
Service tax credit receivable	3,765,973	2,733,886
Deposits	3,616,760	3,923,760
Advance tax and tax deducted at source	8,219,981	9,047,991
Fringe benefits-tax	1,125,622	1,125,622
	<u>19,938,507</u>	<u>17,505,909</u>

Amounts recoverable from Companies under the same management

Name of the Company: Mukta Arts Limited

Advances recoverable include balances recoverable from company under the same management Rs Nil (2009: Rs Nil). Maximum amount due at any time during the year Rs 972,793 (2009: Rs 993,187).

SCHEDULES TO THE FINANCIAL STATEMENTS AS AT 31 MARCH 2010

	Current Year 31.03.2010 Amount in Rs.	Previous Year 31.03.2009 Amount in Rs.
11. Current liabilities		
Sundry creditors for goods and services (Refer schedule No 27)	30,102,302	29,515,967
Unearned revenue	33,318,750	38,420,312
Deposit received	30,000,000	30,000,000
Deposit from students	27,977,850	27,680,685
Interest accrued but not due on unsecured loans	20,531,225	13,957,242
Interest accrued but not due on secured loans	517,300	701,771
Other liabilities	3,687,523	5,147,831
	<u>146,134,950</u>	<u>145,423,808</u>
12. Provisions		
Fringe benefits-tax	1,795,722	1,795,722
Gratuity	129,198	-
Leave encashment	931,998	1,015,860
	<u>2,856,918</u>	<u>2,811,582</u>
13. Miscellaneous expenditure (to the extent not written off or adjusted)	-	307,750
	<u>-</u>	<u>307,750</u>
14. Fees from students		
Admission fees/acceptance fees	26,500,000	34,600,000
Tuition fees	141,974,860	115,530,683
Sale of prospectus/application forms /re-examination fees	456,945	720,283
Facilitaion charges recovered from students	8,681,297	11,820,600
	<u>177,613,102</u>	<u>162,671,566</u>
15. Other income		
Interest (tax deducted at source Rs nil (2009 : Rs nil)	2,259	3,775
Miscellaneous income	1,526,647	4,544,948
	<u>1,528,906</u>	<u>9,862,045</u>
16. Personnel expenses		
Salaries, bonus and allowances	24,942,717	23,334,406
Gratuity	136,488	(500,250)
Leave encashment	131,654	521,853
Contributions to provident and other funds	885,885	1,116,157
Staff welfare expenses	1,237,369	918,561
	<u>27,334,113</u>	<u>25,390,727</u>



SCHEDULES TO THE FINANCIAL STATEMENTS AS AT 31 MARCH 2010

	Current Year 31.03.2010 Amount in Rs.	Previous Year 31.03.2009 Amount in Rs.
17. Operating and administrative expenses		
Rent	10,031,659	13,735,358
Travelling and conveyance	5,007,935	4,446,207
Telephone	2,683,940	3,616,916
Electricity expenses	17,505,969	16,609,623
Repairs and maintenance- building	8,405,877	7,956,710
Printing and stationery	2,052,699	2,555,184
Legal and professional fees (includes expenses of earlier years Rs nil ,(2009 : 920,000))	45,251,863	40,127,500
Insurance	693,867	852,719
Courier and postage	165,836	179,161
Advertisement and publicity expenses	13,768,785	11,645,355
Laptop and other course material purchased or written off	254,000	1,693,330
Motor car expenses	946,132	747,786
Auditors' remuneration (Refer schedule 31)	425,620	386,050
Rates and taxes (includes expenses of earlier years Rs nil, 2009: Rs 737,667))	5,032,434	9,676,059
Security charges	5,426,574	5,415,832
Sets/student practicals	14,941,061	14,280,159
Capital work-in progress written off	-	4,295,255
Preliminary expenses written off	307,750	153,877
Scholarships awards	3,174,241	2,429,687
Bad debts written off	923,208	79,724
Provision for doubtful debts	-	96,433
Convocation ceremony	507,577	1,809,898
Prizes	230,000	251,650
Loss on sale of assets	717,415	-
Brokerage & Commission	76,105	-
Miscellaneous expenses	1,337,007	1,770,672
	139,867,554	144,811,145
18. Finance charges		
Interest		
On term loans from banks	8,504,730	10,898,909
On term loans from others	22,813,076	18,046,603
	31,317,806	28,945,512
On other loans for vehicles	640	33,961
	31,318,446	28,979,473
Financial expenses		
Loan processing charges and other bank charges	111,924	32,252
	31,430,370	29,011,725
19. Prior period expenses		
Miscellaneous expenses	8,653	61,945
Film festival expenses	-	2,380
Insurance	271,443	30,727
Professional Fees	33,083	-
Repairs & Maintenance	47,650	-
	360,829	95,052

20. Capital commitments

The estimated amount of contracts (net of capital advance) remaining to be executed on capital account and not provided for at 31 March 2010 aggregate Rs NIL (2009: Rs 1,999,012).

21. Contingencies

Income tax

- Assessment year 2003-04

There are certain additions made in the assessment and department have raised a demand of Rs 2,913,501 (including interest Rs 651,159). Aggrieved by the assessment order, the Company had filed an appeal before CIT (Appeal), which has been upheld. Subsequently, the Company has preferred an appeal with the Income Tax Appellate Tribunal on the above order, which has been dismissed on 18 June 2010. The Assessing officer has also levied penalty of Rs 2,500,000. The Company is currently evaluating its options and the management is of the opinion that at this stage no provision is required.

- Assessment year 2004-05

Certain additions were made in the assessment and the department has raised a demand of Rs 3,478,871 (including interest Rs 738,005). Aggrieved by the assessment order, the Company had filed an appeal before CIT (Appeal), which has been upheld. Subsequently, the Company has preferred an appeal with the Income Tax Appellate Tribunal on the above order which has been dismissed on 18 June 2010. The Assessing officer has also levied penalty of Rs 3,000,000. The Company is currently evaluating its options and the management is of the opinion that at this stage no provision is required.

- Assessment year 2005-06

Certain additions are made in the assessment and a demand of Rs 524,063 (including interest Rs 106,950) has been raised. Aggrieved by the assessment order, the Company has filed an appeal before the CIT (Appeal), which has been upheld. The Company has preferred an appeal with the Income Tax Appellate Tribunal on the above order. The Company's management is of the opinion that at this stage no provision is required.

- Assessment year 2006-07

Certain additions/disallowances are made in the assessment and a demand of Rs 207,903 (including interest of Rs 66,593) has been raised. Aggrieved by the assessment order, the Company has filed an appeal before the CIT (Appeal). The Company's management is of the opinion that at this stage no provision is required.

Others

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

In the year 1973-74, the Government of Maharashtra ('GOM'), as per the scheme, invited applications of plots for development of film industry infrastructure in film city at Goregaon (East), Mumbai. Many applications were received and M/s PDR Videotronics (India) Private Limited ('PDR') was one of the applicant. The GOM issued a letter to PDR for allotment of one hectare of land. Thereafter, MFSCDCL was formed for development of film city and as per the recommendation of Godbole Committee, the above scheme was scrapped. However, before scrapping of the scheme, PDR filed a suit in the High Court demanding specific performance of the scheme. The High Court admitted the suit and same is still pending. Meanwhile, PDR took out a notice of motion saying that MFSCDCL is carrying out the activities on the allotted land thereby affecting their rights. Since the MFSCDCL didn't argue the High Court granted the injunction in favour of PDR. Thereafter in the year 2003, the contempt petition was filed by PDR alleging that the construction work is being carried out on the said allotted land in violation of injunction. However, subsequently the contempt petition was disposed off by the High Court. PDR took out another notice of motion on the same issue. The High Court refused to grant any relief to PDR and directed that the notice of motion be clubbed with the original suit of PDR against MFSCDCL and same suit to be expedited. With a view to peacefully resolve the issue, the Company has offered to earmark one hectare of land out of the available free land for a possible assignment to PDR, in case the final decision of the High Court is in the favour of PDR. In the opinion of the management the Company has a good chance of winning the case.

Arrears of dividend on RCPS (Redeemable Cumulative Preference Shares) excluding dividend distribution tax not provided Rs 47,123,287 (2009: Rs 31,123,287).



22. Managerial remuneration

	Current Year	Previous Year
Salaries, bonus and allowances	1,756,000	1,756,000
Contribution to provident and other fund	144,000	144,000
Perquisites	241,190	254,164
Total	2,141,190	2,154,164

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

The Company is in the process of seeking the necessary approval of the Central Government for remuneration paid to whole time director designated as 'President' for the defaulted repayment of two principal loan amounts which has been subsequently paid.

23. Related party disclosures

(A) Related parties and their relationship:

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

(B) Transactions with related parties

Particulars	Holding Company	Key managerial personnel	Total
Loan received	105,800,000	-	105,800,000
	(92,000,000)	(-)	(92,000,000)
Repayment of loan	59,300,000	-	59,300,000
	(50,000,000)	(-)	(50,000,000)
Advance received/ reimbursement of exp	1,146,172	-	1,146,172
	(1,253,081)	(-)	(1,253,081)
Interest on loan	22,813,076	-	22,813,076
	(18,046,603)	(-)	(18,046,603)
Security Deposit refunded	-	-	-
Remuneration paid (Refer Schedule 22)	-	2,141,190	2,141,190
	(-)	(2,154,164)	(2,154,164)
Corporate guarantees given on behalf of the Company	120,000,000	-	120,000,000
	(120,000,000)	-	(120,000,000)
Issue of RCPS	-	-	-
	(-)	-	(-)

(C) Balances with related parties:

Particulars	Holding Company	Key managerial personnel	Total
Unsecured Loan	265,000,000	-	265,000,000
	(218,500,000)	(-)	(218,500,000)
Interest accrued but not due	20,531,225	-	20,531,225
	(13,957,242)	(-)	(13,957,242)
Deposit	30,000,000	-	30,000,000
	(30,000,000)	-	(30,000,000)

Note: - Previous Year Figures are given within brackets.

24. The Company is engaged in imparting training in various skills related to films, television and media field which is the primary business segment. The Company does not have any exports. The Company has only one reportable business segment, which is imparting training in various skills related to films, television and media and only one reportable geographical segment which is India. Accordingly, the segment information as required by the Accounting Standard 17 on Segment Reporting has not been separately disclosed.
25. The Company is not obligated under non-cancellable leases primarily for premises. Lease rent of Rs.10, 031,659 (2009 Rs 13,735,358) has been included under 'Rent' in Profit and account. Of the above the non cancellable portion is Rs nil (2009: Rs 4,798,463)

WHISTLING WOODS INTERNATIONAL LIMITED

26. Disclosures in respect of the defined benefit plans

Gratuity plan

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

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

Particulars	Current Year 31.03.2010 Amount in Rs.	Previous Year 31.03.2009 Amount in Rs.
Change in present value of obligations		
Obligations at beginning of the year	891,067	791,500
Service cost	294,969	282,968
Interest cost	79,242	82,827
Actuarial (gain)/loss	(294,203)	(258,440)
Past service cost	136,176	-
Benefits paid	(26,646)	-
Obligations at the end of the period	1,080,605	891,067
Change in plan assets		
Fair value of plans assets at beginning of the year,	898,357	-
Expected return on plan assets	74,577	-
Actuarial (gain)/loss	5,119	-
Contributions by employer	-	906,145
Benefits paid	(26,646)	(7,788)
Fair value of plans assets at end of the period	951,407	898,357
Actual return on plan assets		
Expected return on plan assets	74,577	-
Actuarial gain / (loss) on plan assets	5,119	-
Actual return on plan assets	79,696	-
Reconciliation of present value of the obligation and the fair value of plan assets		
Present value of the defined benefit obligations at the end of the year	1,080,605	891,067
Fair value of plan assets at the end of year	(951,407)	(898,357)
Present value of unfunded obligation	-	-
Funded status being amount of (liability)/asset recognized in the balance sheet	129,198	(7290)
Gratuity cost for the year		
Service cost	294,969	282,968
Interest cost	79,242	82,827
Expected return on plan assets	(74,577)	-
Actuarial (gain)/loss	(299,322)	(258,440)
Past service cost	136,176	-
Net gratuity cost	136,488	107,355
Actuarial assumptions		
Mortality Table (LIC)		
Discount rate	7.50%	8.30%
Expected rate of return on plan assets (per annum)	8.30%	-
Rate of escalation in salary (per annum)	6.00%	6.00%



Other disclosures

	Year ended 31 March 2010	Year ended 31 March 2009	Year ended 31 March 2008
Present value of defined benefit obligation	1,080,605	891,067	791,500
Fair value of plan assets	(951,407)	(898,357)	-
(Deficit) / Surplus of the plan	129,198	(7,290)	(791,500)
Experience adjustments on defined benefit obligation [loss / (gain)]	(96,707)	(375,862)	-
Experience adjustments on fair value of plan assets [(loss) / gain]	5,119	-	-

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

28. Expenditure in foreign currency

Particulars

	Current Year 31.03.2010 Amount in Rs.	Previous Year 31.03.2009 Amount in Rs.
Travelling expenses	287,766	1,341,408
Storage and health expenses	-	12,177
Professional fees	1,042,628	269,899
Salary (paid to Dean)	-	649,334
Recruitment Charges	-	7,457

29. Earnings in foreign currency

Tuition fees	5,049,592	72,18,760
Fees for short course	2,096,444	9,28,189
Application form fees	30,884	59,677
Reimbursement of expenses	36,541	3,90,550

30. CIF value of imports

Capital goods	-	966,006
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31. Auditors' remuneration (including service tax)

Statutory audit fees	425,620	3,86,050
Total	425,620	3,86,050

32. Earnings per share ('EPS')

a) Net loss attributable to equity shareholders	(62,408,440)	(97,292,349)
b) Weighted average number of shares outstanding during the year	200,000	200,000
Basic and diluted earning per share of Rs 1,000 each	(312.04)	(486.46)

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

34. Previous year's figures

Prior year's figures have been regrouped or reclassified in order to conform to the current year's presentation.

As per our report attached

For and on behalf of the Board

For **B S R & CO.**

Firm's Registration No: 101248W
Chartered Accountants

SUBHASH GHAI
Chairman

MEGHNA GHAI PURI
Director

AKEEL MASTER

Partner
Membership No: 046768

MANMOHAN SHETTY
Director

NIVEDITA NAMBIAR
Company Secretary

Place: Mumbai
Date: 10th August, 2010

WHISTLING WOODS INTERNATIONAL LIMITED

BALANCE SHEET ABSTRACT AND COMPANY'S GENERAL BUSINESS PROFILE

I. Registration Details

Registration No.	U32141MH2001PTCI303	State Code:	011
Balance Sheet Date :	31.03.2010		

II. Capital Raised Amounts in Rs. Thousands

Public Issue :	-	Bonus Issue:	-
Rights Issue :	-	Private Placement :	-

III. Position of Mobilisation and Deployment of Funds (Amounts in Rs. Thousands)

Total Liabilities	858,635,313	Total Assets	858,635,313
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Sources of Funds

Paid-up Capital	400,000,000	Loans	309,643,445
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Application of Funds

Net Fixed Assets	403,216,093	Net Current Assets	(121,792,810)
Accumulated losses	428,220,162	Misc. Expenditure	-

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

Turnover / Other income	192,129,346	Total Expenditure	25,4537,785
Profit /Loss before tax	(62,408,439)	Profit /Loss after tax	(62,408,439)
Earning per Share - Rs	(312.04)	Dividend rate %	

V. Generic Names of Principal Products / Services of Company

Item Code No. :	Not Applicable
Product / Services: Description	Education, research and training institute

DIRECTORS' REPORT

To the Members,

Your Directors take pleasure in presenting the Tenth Annual Report and the Audited Accounts of the Company for the Accounting Year ended 31st March 2010.

Operations

The Income to the tune of Rs. 2,40,000 has been earned during the year. The Company has a profit of Rs. 48,610 after provision for tax during the year. The Directors are hopeful of increasing the profitability of the Company.

Directors

Mr.Parvez A. Farooqui retires by rotation at the ensuing Annual General Meeting and being eligible offers himself for reappointment.

Share Capital

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

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

The Directors confirm that:

- i) in the preparation of the annual accounts, the applicable accounting standards have been followed along with proper explanation relating to material departures;
- ii) the directors had selected such accounting policies & applied them consistently and made judgements and estimates that are reasonable and prudent so as to give true & fair view of the state of affairs of the company at the end of the financial year and of the profit of the company for the year;
- iii) the directors had taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of this Act for safeguarding the assets of the company and for preventing and detecting fraud and other irregularities;
- iv) the annual accounts are prepared on a going concern basis;

Auditors

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

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

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

There has been no foreign exchange outgo and earnings.

Other Statutory Information

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

Acknowledgements

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

Registered Office:

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

Place: Mumbai

Date: 10th August, 2010

On Behalf of Board of Directors

Subhash Ghai
Chairman

CONNECT.1 LIMITED

(Formerly Mukta Arts International Limited)

AUDITORS REPORT

To the Members

1. We have audited the attached Balance Sheet of **Connect.1 Limited** (Formerly known as Mukta Arts International Ltd). as at 31st March 2010 and the related Profit and Loss Account and the Cash Flow Statement for the year ended on that date, which we have signed under reference to this report. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.
2. We have conducted our audit in accordance with auditing standards generally accepted in India. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.
3. As required by the Companies (Auditor's Report) Order, 2003 issued by the Central Government of India in terms of sub-section (4A) of Section 227 of the Companies Act, 1956, we give in the Annexure a statement on the matters specified in paragraphs 4 and 5 of the said Order.
4. Further to our comments in the Annexure referred to in paragraph 3 above:
 - (i) we have obtained all the information and explanations, which to the best of our knowledge and belief were necessary for the purposes of our audit;
 - (ii) in our opinion, proper books of account as required by law have been kept by the Company so far as appears from our examination of such books;
 - (iii) the Balance Sheet, Profit and Loss Account and Cash Flow Statement dealt with by this report are in agreement with the books of account;
 - (iv) in our opinion, the Balance Sheet, Profit and Loss Account and Cash Flow Statement dealt with by this report comply with the requirements of the Accounting Standards referred to in sub-section (3C) of Section 211 of the Companies Act, 1956;
 - (v) on the basis of the written representations received from the directors as on 31st March, 2010, and taken on record by the Board of Directors, we report that none of the directors is disqualified as on 31st March, 2010 from being appointed as a director in terms of clause (g) of sub-section (1) of Section 274 of the Companies Act, 1956.
5. In our opinion and to the best of our information and according to the explanations given to us, the said accounts read with significant accounting policies and other notes thereon, give the information required by the Companies Act, 1956, in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India:
 - (i) in the case of the Balance Sheet, of the state of affairs of the Company as at 31st March, 2010;
 - (ii) in the case of Profit and Loss Account of the profit of the Company for the year ended on that date, and
 - (iii) in the case of Cash Flow Statement, of the cash flows for the year ended on that date.

For **SHAMIT MAJMUDAR ASSOCIATES**
Firm Registration No. 109881 W
Chartered Accountants

SHAMIT MAJMUDAR
Proprietor
Membership No. F-010595

Place: Mumbai
Dated: 10th August, 2010

ANNEXURE TO THE AUDITORS' REPORT

[Referred to in paragraph (3) thereof]

- (i) The nature of the Company's business/ activities during the year is such that clauses (ii), (vii), (viii), (x), (xi), (xii), (xiii), (xiv), (xv), (xvi), (xvii), (xviii), (xix) & (xx) of paragraph 4 of the Companies (Auditor's Report) order, 2003 are not applicable to the Company for the year ended.
- (ii) In respect of fixed assets:
 - (a) The Company has maintained proper records showing full particulars including quantitative details and situation of fixed assets.
 - (b) The fixed assets of the company have been physically verified by the management at the end of the year and we are informed that no discrepancies between book records and the physical inventory have been noticed.
 - (c) In our opinion and according to the information and explanations given to us, the Company has not made any disposals during the year.
- (iii) In respect of loans, secured or unsecured, granted or taken by the Company to or from companies, firms or other parties covered in the register maintained under section 301 of The Companies Act, 1956:

According to the information and explanations given to us the Company has neither granted nor taken any loans, secured or unsecured, to or from companies, firms or other parties covered in the register maintained under section 301 of The Companies Act, 1956.
- (iv) In our opinion and according to the information and explanations given to us, there are adequate internal control procedures commensurate with the size of the Company and nature of its business, for purchase of fixed assets. There are no purchase of inventories and no sale of goods.
- (v) In respect of transactions entered in the register maintained in pursuance of section 301 of the Companies Act 1956:

To the best of our knowledge and belief and according to the information and explanations given to us, transactions that needed to be entered into the register have been so entered.
- (vi) The Company has not accepted any deposits from the public to which the provisions of Section 58A and section 58AA of the Companies Act, 1956 and the Companies (Acceptance of Deposits) Rules 1975, are applicable.
- (vii) According to the information and explanations given to us in respect of statutory and other dues there were no undisputed amount payable in respect of Income Tax, Wealth Tax, Sales Tax, Customs Duty and Excise Duty outstanding as at 31st March, 2010 for more than six months from the date they became payable.
- (viii) The Company has no accumulated losses as at the end of the year. The Company has not incurred losses during the financial year and the previous year.
- (ix) To the best of our knowledge and belief and according to the information and explanations given to us, no fraud on or by the Company was noticed or reported during the year.

For **SHAMIT MAJMUDAR ASSOCIATES**
Firm Registration No. 109881 W
Chartered Accountants

Place: Mumbai
Dated: 10th August, 2010

SHAMIT MAJMUDAR
Proprietor
Membership No. F-010595

CONNECT.1 LIMITED

(Formerly Mukta Arts International Limited)

BALANCE SHEET AS AT 31ST MARCH 2010

	SCHEDULE	Current Year 31.03.2010 Rupees	Previous Year 31.03.2009 Rupees
SOURCES OF FUNDS			
Shareholders' Fund			
Share Capital	A	600,000	600,000
Profit & Loss Account		227,071	178,461
TOTAL		827,071	778,461
APPLICATION OF FUNDS			
Fixed Assets			
Gross Block	B	3,931,700	3,931,700
Less: Depreciation		1,162,412	1,016,660
		2,769,288	2,915,040
Investments			
	C	250	250
Current Assets, Loans & Advances			
Cash & Bank Balance	D	249,053	78,431
Debtors & Advances	E	249,798	416,358
		498,851	494,789
Less : Current Liabilities & Provisions	F	2,441,318	2,635,118
Net Current Assets		(1,942,467)	(2,140,329)
Miscellaneous Expenditure	G	-	3,500
TOTAL		827,071	778,461
Statement of Significant Accounting Policies and Notes forming part of accounts	I		

PROFIT & LOSS ACCOUNT FOR THE YEAR ENDED 31ST MARCH 2010

	SCHEDULE	Current Year 31.03.2010 Rupees	Previous Year 31.03.2009 Rupees
Income			
Rental Income		240,000	240,000
Interest Income		-	23,711
		240,000	263,711
Expenditure			
Administration and other expenses	H	16,338	16,491
Depreciation	B	145,752	153,436
Preliminary Expenses Written off		3,500	3,500
		165,590	173,427
Profit/(Loss) before Taxation		74,410	90,284
Less: Provision for Tax		25,800	31,000
Profit/(Loss) after Tax		48,610	59,284
Add: Balance brought forward from last year		178,461	119,177
Balance Carried to Balance Sheet		227,071	178,461
Statement of Significant Accounting Policies and Notes forming part of accounts	I		

As per our report of even date

For SHAMIT MAJMUDAR ASSOCIATESFirm Registration No. 109881 W
Chartered Accountants**SHAMIT MAJMUDAR**Proprietor
Membership No. F-010595
Place : Mumbai
Date : 10th August, 2010

For and on behalf of the board

SUBHASH GHAI

Chairman

PARVEZ A. FAROOQUI

Director

MEGHNA GHAI PURI

Director

CASH FLOW STATEMENT FOR THE YEAR ENDED 31ST MARCH 2010

	Current Year 31.03.2010 (Rupees)	Previous Year 31.03.2009 (Rupees)
A. CASH FROM OPERATING ACTIVITIES		
Net Profit before tax and extraordinary items :	48,610	59,284
Adjustments for :		
Depreciation	145,752	153,436
Interest, dividend, etc., received	-	(23,711)
Miscellaneous expenditure written off	3,500	3,500
Operating profit before working capital changes	197,862	192,509
Adjustments for :		
(Increase)/ Decrease in Sundry Debtors	190,560	(190,560)
Increase/(Decrease) in Trade Creditors	5,400	(2,650)
Inc./ (Dec.) in Other current liabilities and provisions	(199,200)	(719,000)
Cash generated from/(used in) operations	194,622	(719,701)
Direct Taxes paid	(24,000)	(53,490)
Cash flow before extraordinary items	170,622	(773,191)
Net Cash Generated from/(used in) Operating Activities	170,622	(773,191)
B. CASH FLOW FROM INVESTING ACTIVITIES		
(Addition to)/ Redemption of Investments	-	555,699
Interest, dividend, etc., received	-	23,711
Net cash generated from/(used in) investing activities	-	579,410
Net increase/(decrease) in cash and cash equivalents	170,622	(193,781)
(A+B)		
Cash and cash equivalents (opening)	78,431	271,962
Cash and cash equivalents (closing)	249,053	78,431

As per our report of even date

For SHAMIT MAJMUDAR ASSOCIATES
Firm Registration No. 109881 W
Chartered Accountants

SHAMIT MAJMUDAR
Proprietor
Membership No. F-010595
Place : Mumbai
Date : 10th August, 2010

For and on behalf of the board

SUBHASH GHAI
Chairman

PARVEZ A. FAROOQUI
Director

MEGHNA GHAI PURI
Director

CONNECT.1 LIMITED

(Formerly Mukta Arts International Limited)

SCHEDULES FORMING PARTS OF ACCOUNTS**SCHEDULE - A****SHARE CAPITAL****Authorised Capital**

5,000 Equity Share of Rs 1,000/- each

(Previous year 5,000 equity shares of Rs 1,000/- each)

Issued, subscribed & paid up

600 Equity Shares of Rs 1,000/- each

(Previous year 600 equity shares of Rs 1,000/- each)

Current Year 31.03.2010 Rupees	Previous Year 31.03.2009 Rupees
5,000,000	5,000,000
600,000	600,000
600,000	600,000

SCHEDULE - B**Fixed Assets**

(Amount in Rs.)

Particulars	GROSS BLOCK				DEPRECIATION			NET BLOCK	
	As on 01.04.2009	Additions during the year	Deletions during the year	Total as on 31.03.2010	Depreciation as on 31.03.2009	Depreciation for the year	Total Depreciation upto 31.03.2010	As on 31.03.2010	As on 31.03.2009
Block 'A'									
Ownership Premises	3,931,700	-	-	3,931,700	1,016,700	145,752	1,162,412	2,769,288	2,915,040
TOTAL	3,931,700	-	-	3,931,700	3,931,700	145,752	1,162,412	2,769,288	2,915,040
Previous year	3,931,950	-	250	3,931,700	863,224	153,436	1,016,660	2,915,040	3,068,726

SCHEDULE - C**Investments**

Shares -Bait-Ush Saraf C.H. S. Ltd

250	250
250	250

SCHEDULES FORMING PARTS OF ACCOUNTS

	Current Year 31.03.2010 Rupees	Previous Year 31.03.2009 Rupees
SCHEDULE - D		
Cash & Bank Balances		
Cash in hand	7,404	7,914
With Scheduled Bank (in current account)	241,649	70,517
	249,053	78,431
SCHEDULE - E		
Debtors & Advances		
Sundry Debtors	-	190,560
Advance Taxes & Other Payments	249,798	225,798
	249,798	416,358
SCHEDULE - F		
Current Liabilities & Provision		
Sundry Creditors- Annexure-1	12,018	6,618
Deposits	2,325,000	2,550,000
Provision for Income Tax	104,300	78,500
	2,441,318	2,635,118
SCHEDULE - G		
Miscellaneous Expenditure		
Preliminary Expenses (to the extent not written off)	-	3,500
	-	3,500
SCHEDULE - H		
Administration and other expenses		
Audit Fees	6,618	6,618
Professional Fees	2,010	500
Bank Charges	-	1,153
Filing Fees	510	1,020
Society Charges	7,200	7,200
	16,338	16,491

CONNECT.1 LIMITED

(Formerly Mukta Arts International Limited)

SCHEDULE "I"

Statement of Significant Accounting Policies and Notes forming Part of Accounts

1 Significant Accounting Policies

(a) Basis of Preparation of Accounts

The financial statements have been prepared under the historical cost convention, in accordance with Accounting Standards issued by the Institute of Chartered Accountants of India and the provisions of the Companies Act, 1956, as adopted consistently by the Company. All income and expenditure having a material bearing on the financial statements are recognised on accrual basis.

The preparation of financial statements in conformity with the Accounting Standards require management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of financial statements, and the reported amounts of expenses during the year.

(b) (i) Fixed Assets

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

(ii) Depreciation

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

(c) Revenue recognition

Interest Income and Rental Income are accounted on accrual basis.

(d) Preliminary Expenses

Preliminary Expenses are amortised over a period of 10 Years

(e) Impairment of Assets

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

(f) There are no intangible assets.

2 Employee Benefit Plans

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

3 Related Party Transaction

Mukta Arts Limited	99.00% - Holding Company
Deposits Payable as on 31-03-2010	Rs. 23,25,000/-

4 Contingent Liabilities

Current Year	Previous Year
Nil	Nil

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

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

6 Auditors Remuneration :

Statutory Audit Fees

Current Year Rupees	Previous Year Rupees
6,618	6,618

As per our report of even date

For SHAMIT MAJMUDAR ASSOCIATES

Firm Registration No. 109881 W
Chartered Accountants

SHAMIT MAJMUDAR

Proprietor
Membership No. F-010595
Place : Mumbai
Date : 10th August, 2010

For and on behalf of the board

SUBHASH GHAI

Chairman

PARVEZ A. FAROOQUI

Director

MEGHNA GHAI PURI

Director

BALANCE SHEET ABSTRACT AND COMPANY'S GENERAL BUSINESS PROFILE

I. REGISTRATION DETAILS

Registration No.	U92110MH2000PLC124018	State Code:	011
Balance Sheet Date :	31.03.2010		

II. CAPITAL RAISED (AMOUNTS IN RS. THOUSANDS)

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

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

Total Liabilities	827	Total Assets	827
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SOURCES OF FUNDS

Paid-up Capital	600	Reserves & Surplus	227
Secured Loans	Nil	Unsecured Loans	Nil

APPLICATION OF FUNDS

Net Fixed Assets	2,769	Investments	0
Net Current Assets	(1,942)	Misc. Expenditure	-

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

Turnover	240	Total Expenditure	166
Profit /Loss before tax	74	Profit /Loss after tax	49
Earning per Share - Rs	81.02	Dividend rate %	Nil

V. GENERIC NAMES OF PRINCIPAL PRODUCTS / SERVICES OF COMPANY

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

DIRECTORS' REPORT

To the Members,

Your Directors take pleasure in presenting the Seventh Annual Report and the Audited Accounts of the Company for the Accounting year ended 31st March 2010.

Operations

The Company's object is to take up production of tele-serials, management of event shows and entertainment software. The Rental Income to the tune of Rs. 4,80,000 has been earned during the year. The result for the year show a net Profit of Rs. 2,70,208.

Share Capital

The Capital remains the same during the year under review.

Directors

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

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

The Directors confirm that:

- i) in the preparation of the annual accounts, the applicable accounting standards have been followed along with proper explanation relating to material departures;
- ii) the directors had selected such accounting policies & applied them consistently and made judgments and estimates that are reasonable and prudent so as to give true & fair view of the state of affairs of the company at the end of the financial year and of the loss of the company for the year;
- iii) the directors had taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of this Act for safeguarding the assets of the company and for preventing and detecting fraud and other irregularities;

Auditors

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

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

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

There has been no foreign exchange outgo and earnings.

Other Statutory Information

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

Acknowledgements

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

Registered Office:

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

Place: Mumbai
Date: 10th August, 2010

By Order of Board of Directors

Parvez A. Farooqui
Chairman

AUDITORS REPORT

To the Members

1. We have audited the attached Balance Sheet of **Mukta Tele Media Ltd.** as at 31st March 2010 and related the Profit and Loss Account and Cash Flow Statement for the year ended on that date, which we have signed under reference to this report. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.
2. We have conducted our audit in accordance with auditing standards generally accepted in India. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.
3. As required by the Companies (Auditor's Report) Order, 2003 issued by the Central Government of India in terms of sub-section (4A) of Section 227 of the Companies Act, 1956, we give in the Annexure a statement on the matters specified in paragraphs 4 and 5 of the said Order.
4. Further to our comments in the Annexure referred to in paragraph 3 above:
 - (i) we have obtained all the information and explanations, which to the best of our knowledge and belief were necessary for the purposes of our audit;
 - (ii) in our opinion, proper books of account as required by law have been kept by the Company so far as appears from our examination of such books;
 - (iii) the Balance Sheet, Profit and Loss Account and Cash Flow Statement dealt with by this report are in agreement with the books of account;
 - (iv) in our opinion, the Balance Sheet, Profit and Loss Account and Cash Flow Statement dealt with by this report comply with the requirements of the Accounting Standards referred to in sub-section (3C) of Section 211 of the Companies Act, 1956;
 - (v) on the basis of the written representations received from the directors as on 31st March, 2010, and taken on record by the Board of Directors, we report that none of the directors is disqualified as on 31st March, 2010 from being appointed as a director in terms of clause (g) of sub-section (1) of Section 274 of the Companies Act, 1956.
5. In our opinion and to the best of our information and according to the explanations given to us, the said accounts read with significant accounting policies and other notes thereon, give the information required by the Companies Act, 1956, in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India:
 - (i) in the case of the Balance Sheet, of the state of affairs of the Company as at 31st March, 2010;
 - (ii) in the case of Profit and Loss Account of the Profit of the Company for the year ended on that date, and
 - (iii) in the case of Cash Flow Statement, of the cash flows for the year ended on that date.

For SHAMIT MAJMUDAR ASSOCIATES
Firm Registration No. 109881 W
Chartered Accountants

Place: Mumbai
Dated: 10th August, 2010

SHAMIT MAJMUDAR
Proprietor
Membership No. F-010595

ANNEXURE TO THE AUDITORS' REPORT

[Referred to in paragraph (3) thereof]

- (i) The nature of the Company's business/ activities during the year is such that clauses (vii), (viii), (xi), (xii), (xiii), (xiv), (xv), (xvi), (xvii), (xviii), (xix) & (xx) of paragraph 4 of the Companies (Auditor's Report) order, 2003 are not applicable to the Company for the year ended.
- (ii) In respect of fixed assets:
 - (a) The Company has maintained proper records showing full particulars including quantitative details and situation of fixed assets.
 - (b) The fixed assets of the company have been physically verified by the management at the end of the year and we are informed that no discrepancies between book records and the physical inventory have been noticed.
 - (c) In our opinion and according to the information and explanations given to us, the Company has not made any disposals during the year.
- (iii) In respect of inventories:
 - (a) As explained to us, inventories were physically verified during the year by the management at reasonable intervals.
 - (b) In our opinion and according to the information and explanations given to us, the procedures of physical verification of inventories followed by the management were reasonable and adequate in relation to the size of the Company and the nature of its activity during the year.
 - (c) In our opinion and according to the information and explanations given to us, the Company has maintained proper records of its inventories and no material discrepancies were noticed on physical verification.
- (iv) In respect of loans, secured or unsecured, granted or taken by the Company to or from companies, firms or other parties covered in the register maintained under section 301 of The Companies Act, 1956:

According to the information and explanations given to us the Company has neither granted nor taken any loans, secured or unsecured, to or from companies, firms or other parties covered in the register maintained under section 301 of The Companies Act, 1956.
- (v) In our opinion and according to the information and explanations given to us, there are adequate internal control procedures commensurate with the size of the Company and nature of its business, for purchase of inventory and fixed assets. There is no sale of goods.
- (vi) In respect of transactions entered in the register maintained in pursuance of section 301 of the Companies Act 1956:

To the best of our knowledge and belief and according to the information and explanations given to us, transactions that needed to be entered into the register have been so entered.
- (vii) The Company has not accepted any deposits from the public to which the provisions of Section 58A and section 58AA of the Companies Act, 1956 and the Companies (Acceptance of Deposits) Rules 1975, are applicable.
- (viii) According to the information and explanations given to us in respect of statutory and other dues there were no undisputed amount payable in respect of Income Tax, Wealth Tax, Sales Tax, Customs Duty and Excise Duty outstanding as at 31st March, 2010 for more than six months from the date they became payable.
- (ix) The Company has accumulated losses at the beginning of the year. The Company has not incurred loss during the year. The accumulated losses have exceeded the entire net worth of the Company.
- (x) To the best of our knowledge and belief and according to the information and explanations given to us, no fraud on or by the Company was noticed or reported during the year.

For SHAMIT MAJMUDAR ASSOCIATES
Firm Registration No. 109881 W
Chartered Accountants

Place: Mumbai
Dated: 10th August 2010

SHAMIT MAJMUDAR
Proprietor
Membership No. F-0105955

BALANCE SHEET AS AT 31ST MARCH 2010

	SCHEDULE	Current Year 31.03.2010 Amount in Rs.	Previous Year 31.03.2009 Amount in Rs.
SOURCES OF FUNDS			
Shareholders' Fund			
Share Capital	A	500,000	500,000
TOTAL		500,000	500,000
APPLICATION OF FUNDS			
Fixed Assets			
Gross Block	B	4,304,963	4,304,963
Less: Depreciation		1,270,808	1,109,389
		3,034,155	3,195,574
Investments			
	C	250	250
Current Assets, Loans & Advances			
Inventories	D	3,735,407	3,735,407
Deposits & Advance Tax Paid	E	139,700	50,920
Cash and Bank Balances	F	11,017	28,602
		3,886,124	3,814,929
Current Liabilities & Provisions			
	G	10,210,102	10,585,199
Net Current Assets			
		(6,323,978)	(6,770,270)
Balance as per Profit & Loss account		3,760,243	4,030,451
Preliminary Expenses (to the extent not written off)		29,330	43,995
TOTAL		500,000	500,000
Statement of Significant Accounting Policies and Notes forming part of accounts	H		

As per our report of even date

For and on behalf of the Board

For SHAMIT MAJMUDAR ASSOCIATESFirm Registration No. 109881 W
Chartered Accountants**SHAMIT MAJMUDAR**Proprietor
Membership No. 010595

Place : Mumbai

Date : 10th August, 2010**PARVEZ A. FAROOQUI**

Chairman

RAHUL PURI

Director

MEGHNA GHAI PURI

Director

PROFIT & LOSS ACCOUNT FOR THE YEAR ENDED 31ST MARCH 2010

	SCHEDULE	Current Year 31.03.2010 Amount in Rs.	Previous Year 31.03.2009 Amount in Rs.
INCOME			
Rental Income		480,000	121,000
Total		480,000	121,000
EXPENDITURE			
Administration and other Expenses	H	33,708	72,648
Depreciation		161,419	170,224
Preliminary Expenses written Off		14,665	14,665
Total		209,792	257,537
Profit(Loss) after tax		270,208	(136,537)
Add: Balance brought forward from last year		(4,030,451)	(3,893,914)
Balance carried to Balance Sheet		(3,760,243)	(4,030,451)
Statement of Significant Accounting Policies and Notes forming part of accounts	I		

As per our report of even date

For and on behalf of the Board

For SHAMIT MAJMUDAR ASSOCIATESFirm Registration No. 109881 W
Chartered Accountants**SHAMIT MAJMUDAR**Proprietor
Membership No. 010595Place : Mumbai
Date : 10th August, 2010**PARVEZ A. FAROOQUI**

Chairman

RAHUL PURI

Director

MEGHNA GHAI PURI

Director

CASH FLOW STATEMENT FOR THE YEAR ENDED 31ST MARCH 2010

	Current Year 31.03.2010 Amount in Rs.	Previous Year 31.03.2009 Amount in Rs.
A. CASH FROM OPERATING ACTIVITIES		
Net Profit / (Loss) before tax and extraordinary items :	270,208	(136,537)
Adjustments for :		
Depreciation	161,419	170,224
Miscellaneous expenditure written off	14,665	14,665
Operating profit before working capital changes	446,292	48,352
Adjustments for :		
(Increase)/ Decrease in Inventories	-	-
(Increase)/ Decrease in Loans and advances	(88,780)	(50,440)
Increase/(Decrease) in Trade Creditors	9,450	868
Inc./ (Dec.) in Other current liabilities and provisions	(384,547)	(60,453)
Cash generated from/(used in) operations	(17,585)	(61,673)
Net Cash Generated from/(used in) Operating Activities	(17,585)	(61,673)
B. CASH FLOW FROM INVESTING ACTIVITIES		
Net cash generated from/(used in) investing activities	-	-
C. CASH FLOW FROM FINANCING ACTIVITIES		
Net cash recovered from/(used in) financing activities	-	-
Net increase/(decrease) in cash and cash equivalents (A+B+C)	(17,585)	(61,673)
Cash and cash equivalents (opening)	28,602	90,275
Cash and cash equivalents (closing)	11,017	28,602

As per our report of even date

For and on behalf of the Board

For SHAMIT MAJMUDAR ASSOCIATESFirm Registration No. 109881 W
Chartered Accountants**SHAMIT MAJMUDAR**Proprietor
Membership No. 010595

Place : Mumbai

Date : 10th August, 2010**PARVEZ A. FAROOQUI**

Chairman

RAHUL PURI

Director

MEGHNA GHAI PURI

Director

SCHEDULES FORMING PARTS OF ACCOUNTS

SCHEDULE - A

Share Capital

Authorised Share Capital

50,000 Equity Shares of Rs.100/- each

(Previous year 50,000 Equity Shares of Rs.100/- each)

Issued , subscribed & paid up Capital

5,000 Equity Shares of Rs. 100/- fully paid-up

(Previous year 5,000 Equity Shares of Rs.100/- fully paid-up)

	Current Year 31.03.2010 Rupees	Previous Year 31.03.2009 Rupees
	5,000,000	5,000,000
	500,000	500,000
	500,000	500,000

SCHEDULE B

Fixed Assets

(Amount in Rs.)

Particulars	GROSS BLOCK			DEPRECIATION			NET BLOCK	
	As on 01.04.2009	Additions during the year	Total as on 31.03.2010	Depreciation as on 31.03.2009	Depreciation for the year	Total Depreciation upto 31.03.2010	As on 31.03.2010	As on 31.03.2009
Block 'A'								
Ownership Premises	4,260,063	-	4,260,063	1,081,142	158,946	1,240,088	3,019,975	3,178,921
Block 'B'								
Furniture & Fixture	10,800	-	10,800	7,066	676	7,742	3,058	3,734
Block 'C'								
Mobile Handset	5,000	-	5,000	5,000	-	5,000	-	-
Air Conditioners	29,100	-	29,100	16,181	1,797	17,978	11,122	12,919
TOTAL	4,304,963	-	4,304,963	1,109,389	161,419	1,270,808	3,034,155	3,195,574
Previous year	4,304,963	-	4,304,963	939,165	170,224	1,109,389	3,195,574	3,365,798

SCHEDULE - C

Investments (Unquoted)

Shares of Bait-Ush-Sharaf Co. Op. Hsg. Society Ltd.
(5 shares of Rs 50 each , Previous year 5 shares)

	Current Year 31.03.2010 Rupees	Previous Year 31.03.2009 Rupees
	250	250
	250	250

SCHEDULES FORMING PARTS OF ACCOUNTS

	Current Year 31.03.2010 Rupees	Previous Year 31.03.2009 Rupees
SCHEDULE - D		
Inventories		
Remake Rights of Films	200,000	200,000
Under Production T.V.Serials	3,535,407	3,535,407
	<u>3,735,407</u>	<u>3,735,407</u>
SCHEDULE - E		
Deposits & Other Current Assets		
Reliance Energy Limited	820	480
Sundry Debtors	40,000	-
Prepaid Expenses	-	1,000
Advance Tax Paid	98,880	49,440
	<u>139,700</u>	<u>50,920</u>
SCHEDULE - F		
Cash & Bank Balances		
Cash in hand	5,127	5,157
With Scheduled Banks:		
In Current Account	5,890	23,445
	<u>11,017</u>	<u>28,602</u>
SCHEDULE - G		
Current Liability & Provisions		
Amount due (to Holding Company)	10,192,984	10,372,984
Sundry Creditors for goods and services rendered	17,118	7,668
Rent Received in Advance	-	200,000
Duties & Taxes	-	4,547
	<u>10,210,102</u>	<u>10,585,199</u>
SCHEDULE - H		
Administrative Expenses		
Auditors Remuneration	6,618	6,618
Professional Fees	2,010	1,000
Brokerage & Commission	-	44,144
Subscription Charges	10,000	5,500
Society Charges	14,000	14,000
Bank Charges	50	60
Rates & Taxes	-	-
Filing Fees	1,030	1,326
	<u>33,708</u>	<u>72,648</u>

SCHEDULE I**Statement of Significant Accounting Policies and Notes forming Part of Accounts****1 Significant Accounting Policies****(a) Basis of Preparation of Accounts**

The financial statements have been prepared under the historical cost convention, in accordance with Accounting Standards issued by the Institute of Chartered Accountants of India and the provisions of the Companies Act, 1956, as adopted consistently by the Company. All income and expenditure having a material bearing on the financial statements are recognised on accrual basis.

The preparation of financial statements in conformity with the Accounting Standards require management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of financial statements, and the reported amounts of expenses during the year.

(b) (i) Fixed Assets

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

(ii) Depreciation

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

(c) Inventories

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

(d) Revenue recognition

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

(e) Preliminary Expenses

Preliminary Expenses are amortised over a period of 10 Years

(f) Impairment of Assets

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

(g) There are no intangible assets.**(h) No provision of MAT required as there are carry forward Depreciations and Losses.****2 Employee Benefit Plans**

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

3 Related Party Transaction**Mukta Arts Limited****99.92% - Holding Company**

Advances Payable as on 31-03-2010

Rs. 66,37,984/-

Deposits Payable as on 31-03-2010

Rs. 35,55,000/-

	Current Year	Previous Year
4 Contingent Liabilities	Nil	Nil
5 The Company's accumulated losses as at 31st March 2010 far exceeds its paid-up capital and reserves as at that date. Since the Directors are looking for right opportunity to explore the similar line of business activity, the Directors consider that it is appropriate to prepare the financial statements on going concern basis.		
6 (a) There were no amounts payable to Small Scale Industrial Undertaking on the Balance Sheet date.		
(b) The Company has no Suppliers under the Micro, Small and Medium Enterprises Development Act, 2006 and hence disclosures, if any, relating to amounts unpaid as at the year end together with interest paid / payable as required under the said Act are not applicable.		
7 Additional information required to be given pursuant to Part II of Schedule VI to the Companies Act, 1956 is as follows:		
The Company is in the business of production of software which is not subject to any licence and as such information regarding consumption of Raw Materials, Production and sales is not applicable.		
Further the nature of business of the Company is such that the installed capacity is not applicable.		
8 Auditors Remuneration :		
	Current Year	Previous Year
	Rupees	Rupees
Statutory Audit Fees	6,618	6,618

9 Previous year figures have been regrouped wherever necessary.

As per our report of even date

For and on behalf of the Board

For SHAMIT MAJMUDAR ASSOCIATES

Firm Registration No. 109881 W
Chartered Accountants

PARVEZ A. FAROOQUI
Chairman

SHAMIT MAJMUDAR

Proprietor
Membership No. 010595

RAHUL PURI
Director

Place : Mumbai
Date : 10th August, 2010

MEGHNA GHAI PURI
Director

BALANCE SHEET ABSTRACT AND COMPANY'S GENERAL BUSINESS PROFILE**I. REGISTRATION DETAILS**

Registration No. U92100MH2002PLC137312 State Code: 011

Balance Sheet Date : 31.03.2010

II. CAPITAL RAISED (AMOUNTS IN RS. THOUSANDS)

Public Issue : Nil Bonus Issue: Nil

Rights Issue : Nil Private Placement : Nil

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

Total Liabilities 500 Total Assets 500

SOURCES OF FUNDS

Paid-up Capital 500 Reserves & Surplus -

Secured Loans - Unsecured Loans -

APPLICATION OF FUNDS

Net Fixed Assets 3,034 Investments -

Net Current Assets (6,323) Misc. Expenditure 29

Accumulated Losses 3,760

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

Turnover 480 Total Expenditure 210

Profit /Loss before tax 270 Profit /Loss after tax 270

Earning per Share - Rs 54.04 Dividend rate % Nil

V. GENERIC NAMES OF PRINCIPAL PRODUCTS / SERVICES OF COMPANY

Item Code No. : Not Applicable

Product Description: PRODUCTION OF TELEVISION SOFTWARE

DIRECTORS' REPORT

To the Members,

Your Directors take pleasure in presenting the Seventh Annual Report and the Audited Accounts of the Company for the Accounting Year ended 31st March 2010.

Operations

The Income to the tune of Rs. 1,222,303/- has been earned during the year. The Company has incurred loss of Rs. 1,833,196/- during the year. The Directors are hopeful of achieving better results in the years to come.

Share Capital

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

During the year Mukta Arts Ltd. had acquired balance 49% shares of the company and as on date Mukta Arts Limited holds 100% shares of the company making it a fully owned subsidiary of Mukta Arts Limited.

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

The Directors confirm that:

- i) in the preparation of the annual accounts, the applicable accounting standards have been followed along with proper explanation relating to material departures;
- ii) the directors had selected such accounting policies & applied them consistently and made judgements and estimates that are reasonable and prudent so as to give true & fair view of the state of affairs of the company at the end of the financial year and of the loss of the company for the year;
- iii) the directors had taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of this Act for safeguarding the assets of the company and for preventing and detecting fraud and other irregularities;
- iv) the annual accounts are prepared on a going concern basis;

Auditors

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

Directors

Mr. Ajay Adisheshan and Mr. Probir Roy resigned from the post of directorship on 28th July, 2009.

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

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

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

Other Statutory Information

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

Acknowledgements

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

Registered Office:

Mukta House,
Behind Whistling Woods Institute
Filmcity Complex,
Goregaon (East),
Mumbai- 400 065
Place: Mumbai
Date: 10th August, 2010

By Order of Board of Directors

Subhash Ghai
Chairman

AUDITORS REPORT

To the Members

1. We have audited the attached Balance Sheet of **Coruscant Tec Pvt. Limited** as at 31st March 2010 and related the Profit and Loss Account and Cash Flow Statement for the year ended on that date, which we have signed under reference to this report. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.
2. We have conducted our audit in accordance with auditing standards generally accepted in India. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.
3. As required by the Companies (Auditor's Report) Order, 2003 issued by the Central Government of India in terms of sub-section (4A) of Section 227 of the Companies Act, 1956, we give in the Annexure a statement on the matters specified in paragraphs 4 and 5 of the said Order.
4. *Employee Benefit plans- AS 15 is not followed. (kindly refer Note no.4 in schedule I)*
5. Further to our comments in the Annexure referred to above:
 - (i) we have obtained all the information and explanations, which to the best of our knowledge and belief were necessary for the purposes of our audit;
 - (ii) in our opinion, proper books of account as required by law have been kept by the Company so far as appears from our examination of such books;
 - (iii) the Balance Sheet, Profit and Loss Account and Cash Flow Statement dealt with by this report are in agreement with the books of account;
 - (iv) in our opinion, the Balance Sheet, Profit and Loss Account and Cash Flow Statement dealt with by this report comply with the requirements of the Accounting Standards referred to in sub-section (3C) of Section 211 of the Companies Act, 1956;
 - (v) on the basis of the written representations received from the directors as on 31st March, 2010, and taken on record by the Board of Directors, we report that none of the directors is disqualified as on 31st March, 2010 from being appointed as a director in terms of clause (g) of sub-section (1) of Section 274 of the Companies Act, 1956.
6. In our opinion and to the best of our information and according to the explanations given to us, subject to our comments in paragraph 4 above, the said accounts read with significant accounting policies and other notes thereon, give the information required by the Companies Act, 1956, in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India:
 - (i) in the case of the Balance Sheet, of the state of affairs of the Company as at 31st March, 2010;
 - (ii) in the case of Profit and Loss Account of the *Loss* of the Company for the year ended on that date, and
 - (iii) in the case of Cash Flow Statement, of the cash flows for the year ended on that date.

For SHAMIT MAJMUDAR ASSOCIATES
Firm Registration No. 109881 W
Chartered Accountants

Place: Mumbai
Dated: 10th August, 2010

SHAMIT MAJMUDAR
Proprietor
Membership No. F-010595

ANNEXURE TO THE AUDITORS' REPORT

[Referred to in paragraph (3) thereof]

- (i) The nature of the Company's business/ activities during the year is such that clauses (vii), (viii), (xi), (xii), (xiii), (xiv), (xv), (xvi), (xvii), (xviii), (xix) & (xx) of paragraph 4 of the Companies (Auditor's Report) order, 2003 are not applicable to the Company for the year ended.
- (ii) In respect of fixed assets:
 - (a) The Company has maintained proper records showing full particulars including quantitative details and situation of fixed assets.
 - (b) The fixed assets of the company have been physically verified by the management at the end of the year and we are informed that no discrepancies between book records and the physical inventory have been noticed.
 - (c) In our opinion and according to the information and explanations given to us, the Company has not made any disposals during the year.
- (iii) In respect of inventories:

There are no inventories at the end of year.
- (iv) In respect of loans, secured or unsecured, granted or taken by the Company to or from companies, firms or other parties covered in the register maintained under section 301 of The Companies Act, 1956:

According to the information and explanations given to us the Company has neither granted nor taken any loans, secured or unsecured, to or from companies, firms or other parties covered in the register maintained under section 301 of The Companies Act, 1956.
- (v) In our opinion and according to the information and explanations given to us, there are adequate internal control procedures commensurate with the size of the Company and nature of its business, for purchase of inventory and fixed assets. There is no sale of goods.
- (vi) In respect of transactions entered in the register maintained in pursuance of section 301 of the Companies Act 1956:

To the best of our knowledge and belief and according to the information and explanations given to us, transactions that needed to be entered into the register have been so entered.
- (vii) The Company has not accepted any deposits from the public to which the provisions of Section 58A and section 58AA of the Companies Act, 1956 and the Companies (Acceptance of Deposits) Rules 1975, are applicable.
- (viii) According to the information and explanations given to us in respect of statutory and other dues there were no undisputed amount payable in respect of Income Tax, Wealth Tax, Sales Tax, Customs Duty and Excise Duty outstanding as at 31st March, 2010 for more than six months from the date they became payable.
- (ix) The Company has accumulated losses at the end of the year. The Company has incurred loss during the year. The accumulated losses have exceeded the entire net worth of the Company.
- (x) To the best of our knowledge and belief and according to the information and explanations given to us, no fraud on or by the Company was noticed or reported during the year.

For SHAMIT MAJMUDAR ASSOCIATES
Firm Registration No. 109881 W
Chartered Accountants

Place: Mumbai
Dated: 10th August, 2010

SHAMIT MAJMUDAR
Proprietor
Membership No. F-010595

BALANCE SHEET AS AT 31ST MARCH 2010

	SCHEDULE	Current Year 31.03.2010 Rupees	Previous Year 31.03.2009 Rupees
SOURCES OF FUNDS			
Shareholders' Fund			
Share Capital	A	100,000	100,000
TOTAL		100,000	100,000
APPLICABLE OF FUNDS			
Fixed Assets			
Gross Block	B	86,843	-
Less: Depreciation		9,646	-
Net Block		77,197	-
Current Assets, Loans & Advances			
Sundry Debtors	C	474,893	227,448
Cash & Bank Balance	D	32,194	1,709
Loans & Advances	E	191,664	120,156
		698,751	349,314
Less : Current Liabilities & Provisions	F	3,643,440	1,384,299
Net Current Assets		(2,944,689)	(1,034,985)
Miscellaneous Expenditure	G	2,070	2,760
Profit & Loss Account		2,965,422	1,132,225
TOTAL		100,000	100,000
Statement of Significant Accounting Policies and Notes forming part of accounts	I		

As per our report of even date

For and on behalf of the Board

For SHAMIT MAJMUDAR ASSOCIATESFirm Registration No. 109881 W
Chartered Accountants**SHAMIT MAJMUDAR**Proprietor
Membership No. F-010595Place : Mumbai
Dated: 10th August, 2010**SUBHASH GHAI**

Director

PARVEZ A. FAROOQUI

Director

RAHUL PURI

Director

PROFIT & LOSS ACCOUNT FOR THE YEAR ENDED 31ST MARCH 2010

	SCHEDULE	Current Year 31.03.2010 Rupees	Previous Year 31.03.2009 Rupees
Income			
Sales		1,217,196	405,754
Other Income		5,107	33,587
		<u>1,222,303</u>	<u>439,341</u>
Employees Cost		2,708,898	1,077,967
Administration and other expenses	H	336,265	703,670
Preliminary Expenses Written off		690	690
Depreciation	B	9,646	-
		<u>3,055,499</u>	<u>1,782,327</u>
Profit/(Loss) before Taxation		(1,833,196)	(1,342,986)
Less: Provision for Taxation		-	-
Profit/(Loss) after Tax		<u>(1,833,196)</u>	<u>(1,342,986)</u>
Add: Balance brought forward from last year		(1,132,225)	210,761
Balance Carried to Balance Sheet		<u>(2,965,421)</u>	<u>(1,132,225)</u>
Statement of Significant Accounting Policies and Notes forming part of accounts	I		

As per our report of even date

For and on behalf of the Board

For SHAMIT MAJMUDAR ASSOCIATESFirm Registration No. 109881 W
Chartered Accountants**SHAMIT MAJMUDAR**Proprietor
Membership No. F-010595Place : Mumbai
Dated: 10th August, 2010**SUBHASH GHAI**

Director

PARVEZ A. FAROOQUI

Director

RAHUL PURI

Director

CASH FLOW STATEMENT FOR THE YEAR ENDED 31ST MARCH 2010

	Current Year 31.03.2010 Amount in Rs.	Previous Year 31.03.2009 Amount in Rs.
A. CASH FROM OPERATING ACTIVITIES		
Net Profit / (Loss) before tax and extraordinary items :	(1,833,196)	(1,342,986)
Adjustments for :		
Depreciation	9,646	-
Miscellaneous expenditure written off	690	690
Operating profit before working capital changes	(1,822,859)	(1,342,296)
Adjustments for :		
(Increase)/ Decrease in Fixed Assets	(86,843)	-
(Increase)/ Decrease in Receivables	(247,445)	515,339
(Increase)/ Decrease in Loans and advances	(71,508)	244,908
Increase/(Decrease) in Trade Creditors	(18,800)	36,341
Inc./ (Dec.) in Other current liabilities and provisions	2,277,941	545,460
Cash generated from/(used in) operations	30,485	(248)
Net Cash Generated from/(used in) Operating Activities	30,485	(248)
B. CASH FLOW FROM INVESTING ACTIVITIES		
Net cash generated from/(used in) investing activities	-	-
C. CASH FLOW FROM FINANCING ACTIVITIES		
Net cash recovered from/(used in) financing activities	-	-
Net increase/(decrease) in cash and cash equivalents	30,485	(248)
(A+B+C)		
Cash and cash equivalents (opening)	1,709	1,957
Cash and cash equivalents (closing)	32,194	1,709

As per our report of even date

For and on behalf of the Board

For SHAMIT MAJMUDAR ASSOCIATESFirm Registration No. 109881 W
Chartered Accountants**SHAMIT MAJMUDAR**Proprietor
Membership No. F-010595

Place : Mumbai

Dated: 10th August, 2010**SUBHASH GHAI**

Director

PARVEZ A. FAROOQUI

Director

RAHUL PURI

Director

SCHEDULES FORMING PARTS OF ACCOUNTS

	Current Year 31.03.2010 Rupees	Previous Year 31.03.2009 Rupees
SCHEDULE - A		
SHARE CAPITAL		
Authorised Capital		
1,00,000 Equity Share of Rs 10/- each	1,000,000	1,000,000
Issued, subscribed & paid up	100,000	100,000
10,000 Equity Shares of Rs 10/- each		
Total	100,000	100,000

SCHEDULE B**Fixed Assets**

(Amount in Rs.)

Particulars	GROSS BLOCK			DEPRECIATION			NET BLOCK	
	As on 01.04.2009	Additions during the year	Total as on 31.03.2010	Depreciation as on 31.03.2009	Depreciation for the year	Total Depreciation upto 31.03.2010	As on 31.03.2010	As on 31.03.2009
Block 'A'								
Office Equipments	-	86,843	86,843	-	9,646	9,646	77,197	-
TOTAL	-	86,843	86,843	-	9,646	9,646	77,197	-

SCHEDULE - C**Sundry Debtors**

a) Debts outstanding for a period exceeding six months

- Considered good

200,835

98,026

b) Other Debts Considered good

274,058

129,422

- Considered good

474,893

227,448

SCHEDULE - D**Cash & Bank Balances**

Cash in hand

1,950

1,487

With Scheduled Bank (in current account)

30,244

222

32,194

1,709

SCHEDULE - E**Loans & Advances**

Advances recoverable in cash or in kind

-

6,279

Advance Taxes -Income Tax & FBT

191,664

113,877

191,664

120,156

SCHEDULE - F**Current Liabilities & Provision**

Sundry Creditors

17,541

36,341

Bank Balance (credit) due to issue of cheques

-

189,393

Other Liabilities

590,899

163,564

Amount due to holding Co.

3,000,000

960,000

Provision for Taxation

35,000

35,000

3,643,440

1,384,299

SCHEDULE - G**Miscellaneous Expenditure**Preliminary Expenses to the extent not
written off or adjusted

2,070

2,760

2,070

2,760

SCHEDULE - H**Administration and other expenses**

Bank Charges

112

1,344

Interest & Finance Charges

-

1,624

Office Maintenance

3,910

10,451

Postage, Telegram & Filing Fees

33,741

6,395

Printing & Stationery

1,005

112

Professional Charges

205,486

651,298

Computer Expenses

25,500

-

Travelling & Conveyance

17,423

11,806

Telephone Expenses

39,787

11,198

Download Charges

3,786

4,441

Audit Fees

5,515

5,000

336,265

703,670

SCHEDULE I**Statement of Significant Accounting Policies and Notes forming Part of Accounts****1 Significant Accounting Policies****Basis of Preparation of Accounts**

The financial statements have been prepared under the historical cost convention, in accordance with Accounting Standards issued by the Institute of Chartered Accountants of India and the provisions of the Companies Act, 1956, as adopted consistently by the Company. All income and expenditure having a material bearing on the financial statements are recognised on accrual basis.

The preparation of financial statements in conformity with the Accounting Standards require management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of financial statements, and the reported amounts of expenses during the year.

2 Contingent Liabilities

<u>Current Year</u>	<u>Previous Year</u>
Nil	Nil

3 Taxes on income

Deferred tax assets and liabilities are recognized for the future tax consequences attributable to timing differences that result between the profits offered for income taxes and the profits as per the financial statements.

Deferred tax not provided as there is huge losses during the year.

4 Employee Benefit Plans

There are no confirmed employees in the employment of the Company, hence there are no benefit plans defined or cost to be accounted in account during the year.

5 Impairment of Assets

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

6 Preliminary Expenses

Preliminary Expenses are amortised over a period of 10 Years

7 Revenue recognition

Sales/Realisations are recognised on accrual basis.

8 Related Party Transaction

Mukta Arts Limited **100% - Holding Company**

Advances Payable as on 31-03-2010 Rs. 30,00,000/-

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

(b) The Company has not received any intimation from "Suppliers" regarding their status under the Micro, Small and Medium Enterprises Development Act, 2006 and hence disclosures, if any, relating to amounts unpaid as at the year end together with interest paid / payable as required under the said Act have not been given.

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

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

Further the nature of business of the Company is such that the installed capacity is not applicable.

11 Transaction in Foreign Currency

	Current Year 31.03.2010	Previous Year 31.03.2009
Receipts	Nil	9,220,857
Payments	Nil	9,802,191

12 Auditors Remuneration :

Statutory Audit Fees	5,515	5,000
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13 Previous year figures have been regrouped wherever necessary.

As per our report of even date

For and on behalf of the Board

For SHAMIT MAJMUDAR ASSOCIATES

Firm Registration No. 109881 W
Chartered Accountants

SHAMIT MAJMUDAR

Proprietor
Membership No. F-010595

Place : Mumbai
Dated: 10th August, 2010

SUBHASH GHAI
Director

PARVEZ A. FAROOQUI
Director

RAHUL PURI
Director

BALANCE SHEET ABSTRACT AND COMPANY'S GENERAL BUSINESS PROFILE**I. REGISTRATION DETAILS**

Registration No.	U72200MH2003PTC193963	State Code:	011
Balance Sheet Date :	31.03.2010		

II. CAPITAL RAISED (AMOUNTS IN RS. THOUSANDS)

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

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

Total Liabilities	100	Total Assets	100
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SOURCES OF FUNDS

Paid-up Capital	100	Reserves & Surplus	Nil
Secured Loans	Nil	Unsecured Loans	-

APPLICATION OF FUNDS

Net Fixed Assets	77	Investments	-
Net Current Assets	(2,945)	Misc. Expenditure	2
Accumulated Losses	2,965		

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

Turnover	1,222	Total Expenditure	3,055
Profit /Loss before tax	(1,833)	Profit /Loss after tax	(1,833)
Earning per Share - Rs	(183.32)	Dividend rate %	Nil

V. GENERIC NAMES OF PRINCIPAL PRODUCTS / SERVICES OF COMPANY

Item Code No. :	Not Applicable
Product / Services: Description	Development of Contents



MUKTA ARTS LIMITED

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

ATTENDANCE SLIP

I hereby record my presence at the 28th Annual General Meeting of the Company at Whistling Woods Institute Auditorium, Dada Saheb Phalke Chitranagari, Goregaon (East), Mumbai- 400065 on Thursday, the 30th of September, 2010 at 4.00 p.m.

Member's / Beneficial Owner's Name (In block letters): _____

Folio No. / Beneficiary Account No.: _____

Signature of the Member/ Beneficial Owner: _____

Proxy / Authorised Representative _____

Note: Shareholder/Proxy holder wishing to attend the Meeting must bring the Attendance Slip to the Meeting and hand it over at the entrance of the Meeting venue duly signed.



MUKTA ARTS LIMITED

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

PROXY FORM

I/We _____

of _____

being a Member(s)/ Beneficial Owner(s) of the above named Company hereby appoint

of _____

or failing whom _____

of _____

as my /our Proxy to attend and vote for me/us and on my/our behalf at the **28th Annual General Meeting** of Mukta Arts Limited to be held on Thursday, the 30th September, 2010 at 4.00 p.m. at Whistling Woods Institute Auditorium, Dada Saheb Phalke Chitranagari, Goregaon (East), Mumbai- 400065 and at any adjournment(s) thereof.

Signed this day 2010

Folio No. / Beneficiary Account No. : _____

Signature of the Member / Beneficial Owner: _____

Affix
Revenue
Stamp

Note: This Proxy form must reach the Registered Office of the Company not less than 48 hours before the time of holding the meeting.



MUKTA ARTS LIMITED

Registered Office

Mukta House, Behind Whistling Woods Institute, Filmcity Complex,
Goregaon (East), Mumbai - 400 065.
Tel.: +91 22 3091 6250 Fax : + 91 22 3091 6251
www.muktaarts.com