



What we hope to achieve

Mission

- Cosmo will seek global market leadership.
- Development & growth in Oriented and Thermal Films.
- We will continue to create a winning culture, operating in the highest standards of ethics and values.
- We will strive for excellence in customer service, quality and R&D.

Vision

To become the most preferred brand for packaging and laminating solutions globally.



What drives us

Core Values

Customer orientation

We always remember that customers have choices, and we will do whatever it takes to develop long term relations with them. Our customers always come first, and we strive to exceed their expectations from the point of quality and service.

People

Our people are our most important asset. We treat all equally and with respect.

Innovation

We encourage innovation in every facet of our business activity and are not afraid of taking manageable risks. We take pride in developing cost effective innovative packaging and laminating solutions for our customers.

Fair business practices

We act fairly and ethically with all the stakeholders. We promote transparency, and adhere to the best corporate governance practices.

Contents

Directors' Profile	6
Management Team	7
Five Year Trends	9
Achievements in 2008-09	13
Directors' Report	14
Management Discussion & Analysis	19
Corporate Governance Report	20
Corporate Social Responsibility	33
Auditors' Report	34
Accounts of Cosmo Films Ltd.	38
Accounts of Cosmo Films, Inc.	61
Auditors' Report on Consolidated Accounts	69
Consolidated Accounts of Cosmo Films Ltd.	70



Corporate information

Registered office

30, Community Centre, Saket, New Delhi 110 017
Tel: +91 (011) 26863968, 26863969
Fax: +91 (011) 26868093, 41664813
E-mail: murali@cosmofilms.com
www.cosmofilms.com

Plants Aurangabad

Plant I

J-4, MIDC Industrial Area,
Chikalthana, Aurangabad 431 210
Tel: +91 (0240) 2485894

Plant II

B-14/8-9, MIDC Industrial Area
Waluj, Aurangabad 431 136
Tel: +91 (0240) 2554611, 2554612 / 13 / 14
Fax: +91 (0240) 2554416, 2556275
E-mail: gopi@cosmofilms.com

Plant III (EOU)

B-21, MIDC Industrial Area, Aurangabad 431 136
Tel: +91 (0240) 2551888, 2553353 / 54

Vadodara

Vermardi Road, Village Navi Jihardi, Near Inox
Off. N.H. Road, Taluka: Karjan, Distt. Vadodara 391 240
Tel.: +91 (02666) 231097, 234635
Fax: +91(02666) 232961

Panchmahals

Plot No. 359-B, Baska Village
Taluka: Halol, Distt: Panchmahals, Gujarat
Tel: +91 (02676) 247021, 247128

Netherlands

Mercuriusstraat 9,
6468 ES Kerkrade, The Netherlands
Tel: 31 45 535 7676, Fax: 31 45 535 7878

Hagerstown

560 Western Maryland Parkway
Hagerstown, Maryland 21740
Tel: (301) 791-5746

Korea

Hwa Seung GBC Co. Ltd.
98-18, Shin Hang Ri Doon Po Myun,
Asan City, Choong Nam 336-873
Republic of Korea
Tel: 82-41-531-1830, Fax: 82-41-531-1831
E-mail: thomas.lee@gbccommercial.com

State offices

Delhi

30, Community Centre, Saket
New Delhi 110 017
Tel: +91 (011) 26863968, 26863969, 41664812 / 17
Fax: +91 (011) 26868093, 41664813
E-mail: murali@cosmofilms.com

Mumbai

303, 3rd Floor, Gokul Arcade 'A' Wing
Opp. Hong Kong Bank, Subhash Road
Vile Parle (East), Mumbai 400 057
Tel: +91 (022) 28261195, 28261197
Fax: +91 (022) 28261201
E-mail: shruti.keskar@cosmofilms.com

Hyderabad

1405 / B, 14th Floor, Babu Khan Estate
Basheerbagh, Hyderabad 500 001
Tel: +91 (040) 23297620, 23297622
Fax: +91 (040) 23297622
E-mail: kcp@cosmofilms.com

Subsidiaries

Asia / Pacific

Singapore

Cosmo Films (Singapore) Pte. Ltd.
47 Ayer Rajah Crescent
#05-08/17, Singapore 139947
Tel: 65-6776-0195 Ext 31, Fax: 65-6779-1041
E-mail: kskwan@gbcasia.com.sg

Korea

Hwa Seung GBC Co. Ltd. (80% Subsidiary)
98-18, Shin Hang Ri Doon Po Myun,
Asan City, Choong Nam 336-873
Republic of Korea
Tel: 82-41-531-1830, Fax: 82-41-531-1831
E-mail: thomas.lee@gbccommercial.com

Japan

CF (Global) Holdings G.K.
Yamatane-nai Tokyo-Danchisoko
6-2-11 Iriya, Adachi-ku,
Tokyo 121-0836, Japan
Tel: 81-3-5837-1805, Fax: 81-3-5837-1807
E-mail: thomas.lee@gbccommercial.com

Mauritius

CF Global Holdings Limited
Regd. Office: 3rd floor, DHL Building,
Sir Virgil Naz Street, Port Louis, Mauritius

CF (Mauritius) Holdings Limited

Regd. Office: 3rd floor, DHL Building,
Sir Virgil Naz Street, Port Louis, Mauritius

Europe

Netherlands

Cosmo Films (Netherlands) Cooperatief U.A.
Regd. Office: Kabelweg 37, 1014BA,
Amsterdam, Netherlands

CF (Netherlands) Holdings Limited B.V.

Regd. Office: Kabelweg 37, 1014BA,
Amsterdam, Netherlands
E-mail: thei.westhovens@gbccommercial.com

USA

Cosmo Films, Inc.
1400 Johnson Way, Suite D,
New Castle, Delaware 19720 USA.
Tel: +302-328-7780, Fax: +302-295-9945
E-mail: dterhune@cosmo-films.com

Branches

UAE

Cosmo Films Ltd.
Executive Suite Z1-62, Postbox 121285
Sharjah Airport International Free Zone
Sharjah, UAE

Other branches

- UK
- Italy
- Spain
- France
- Germany



Directors' profile

Director in executive capacity

Ashok Jaipuria
Chairman & Managing Director

Directors in non-executive capacity

H K Agrawal (Independent)
B.E. & MBA (IIM),
Management Consultant

Dr. Surinder Kapur (Independent)
Ph.D. in Mechanical Engineering,
Chairman, Sona Koyo Steering Systems Limited.

Rajeev Gupta (Independent)
B.E. & MBA,
Managing Director, Carlyle India Advisors Pvt. Ltd.

Hasmukh Shah (Independent)
Industry Management (Polymer)

Badri Agarwal
Chartered Accountant

R Vasudevan (Independent)
B.A. (Hons.) Economics, M.A. (Economics & Statistics),
MPA (Development Economics) Harvard University, USA

Suresh Mathur (Independent)
Chartered Accountant

Management team

Ashok Jaipuria
Chairman & Managing Director

S Sundarram
President

A K Jain
Chief Financial Officer

Upal Roy
Chief Strategy Officer

A G Deshpande
Vice President - Business Development

Avinash Kulkarni
Vice President – Manufacturing

Janardan Gupta
General Manager – Commercial

Sanjay Chincholikar
General Manager - Marketing (Domestic)

R K Gupta
General Manager - Finance & Accounts

S C Maity
General Manager - Manufacturing

A K Pathak
General Manager - Manufacturing

Dr. S Mishra
General Manager - Marketing (Exports)

Asim Khamrai
General Manager - R & D

N R More
General Manager – Maintenance

S Anand
Head – HR

Parvinder S Arora
Company Secretary

Auditors

M/s B K Shroff & Co.

Bankers & financial institutions

Landes Bank Baden-Wurttemberg
IDBI Bank Ltd.
ICICI Bank Ltd.
HSBC Bank Plc
Export Import Bank of India

Union Bank of India
State Bank of India
ING Vysya Bank Ltd.
HDFC Bank Ltd.

Snapshot of our facilities



New 8.2 Meter Line - Karjan (Vadodara)



New Manufacturing Plant - Karjan (Vadodara)



Manufacturing Facility - Aurangabad



Manufacturing Facility - Netherlands



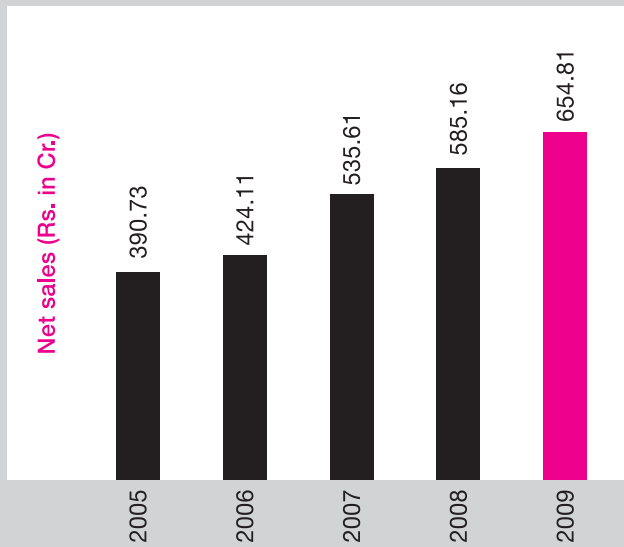
Manufacturing Facility - Korea



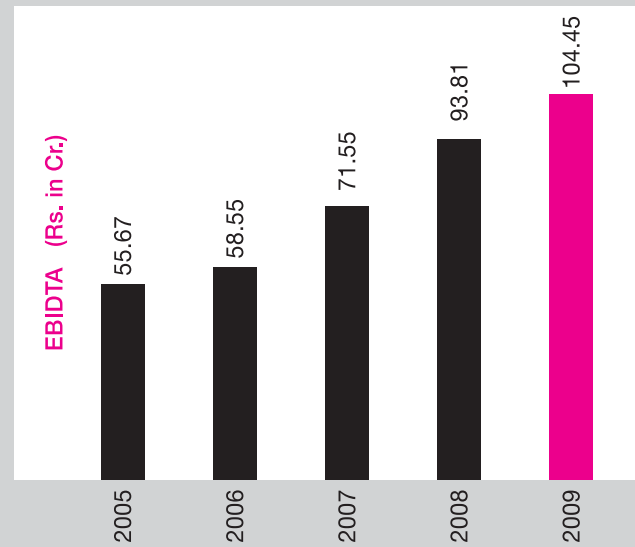
Manufacturing Facility - Hagerstown

Five year trends

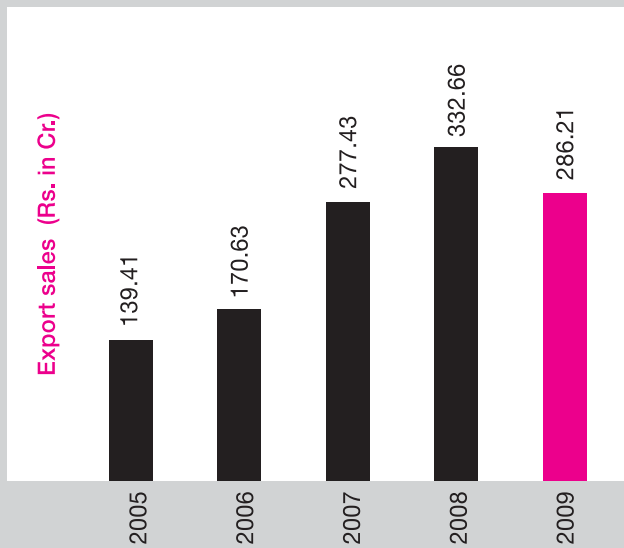
Net sales* 654.81



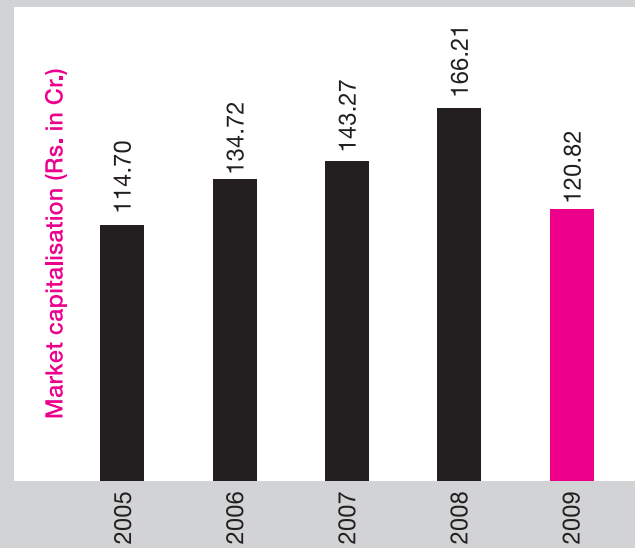
EBIDTA* 104.45



Export sales* 286.21



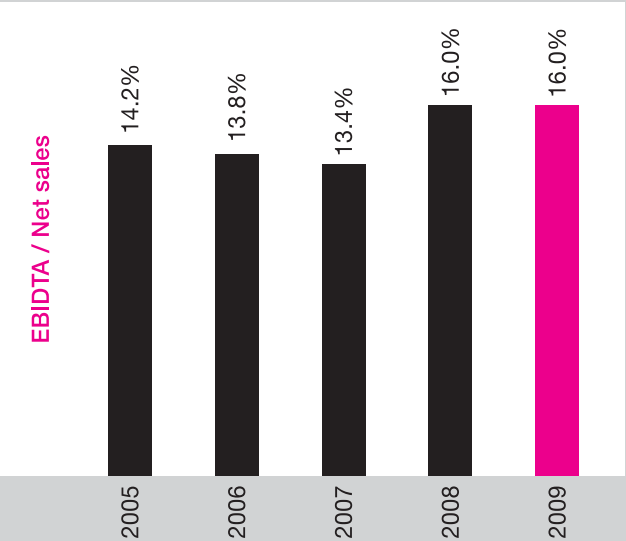
Market capitalisation* 120.82



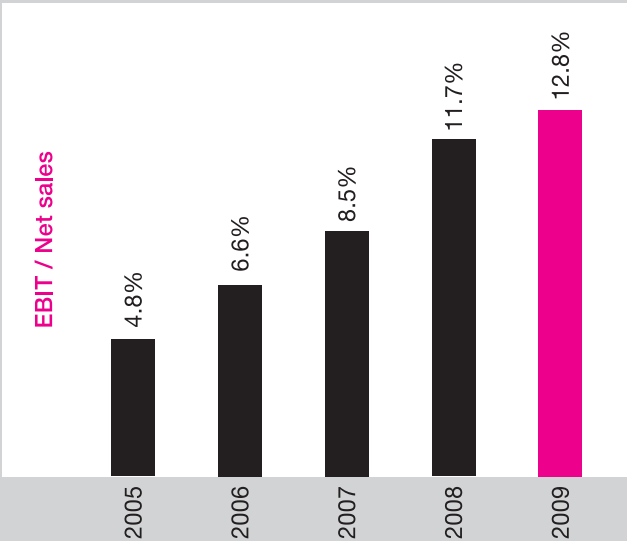
*Amount in Rs. crores
Graphs not to scale

Financial performance ratios

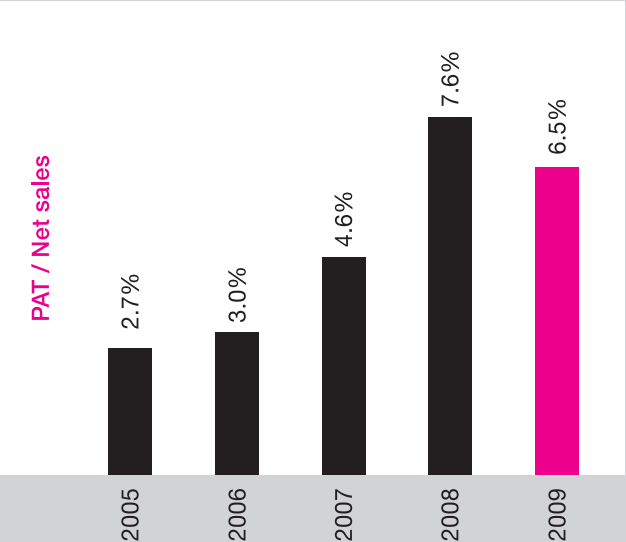
EBIDTA / Net sales 16.0%



EBIT / Net sales 12.8%



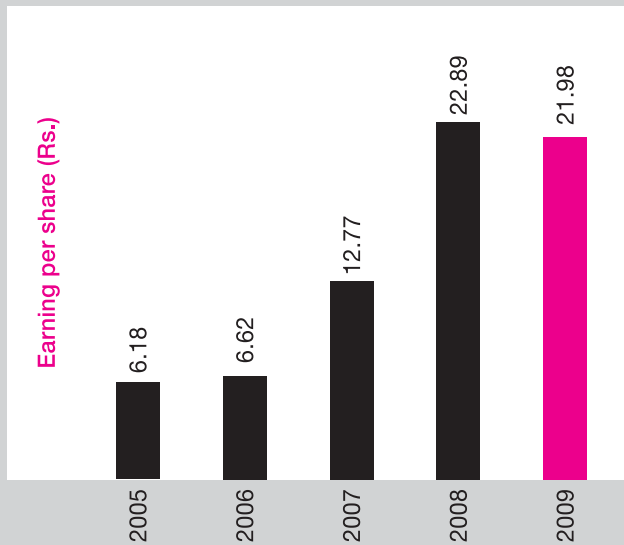
PAT / Net sales 6.5%



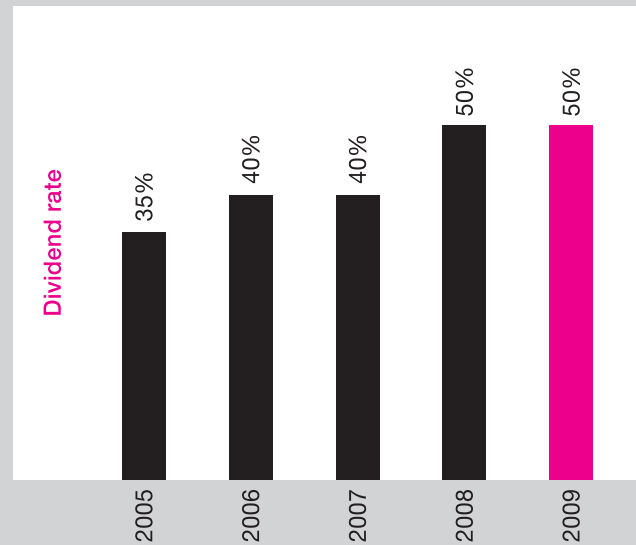
Graphs not to scale

Per share ratios

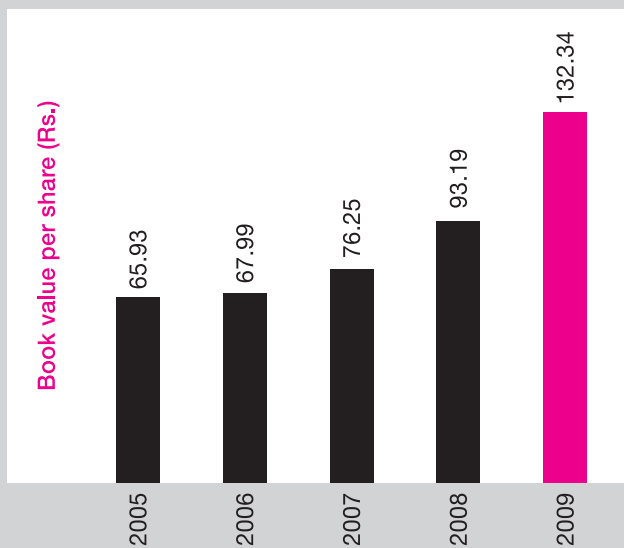
Earning per share **21.98**



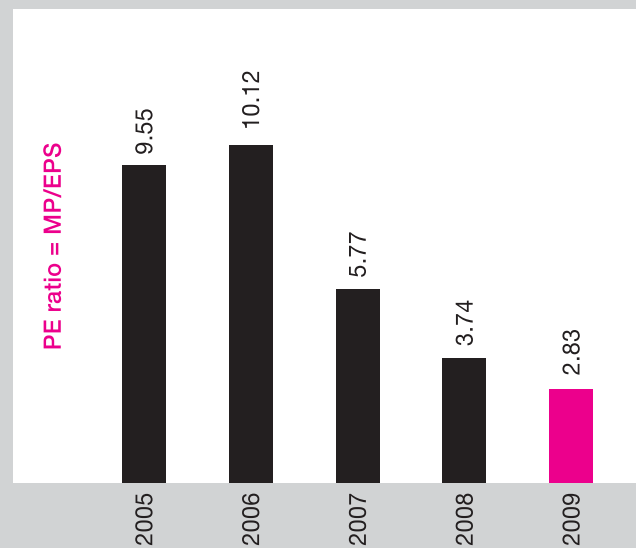
Dividend rate **50%**



Book value per share **132.34**



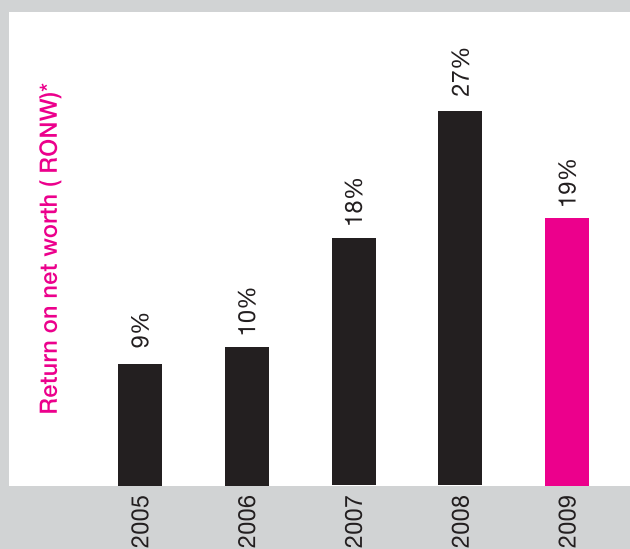
PE ratio = MP/EPS **2.83**



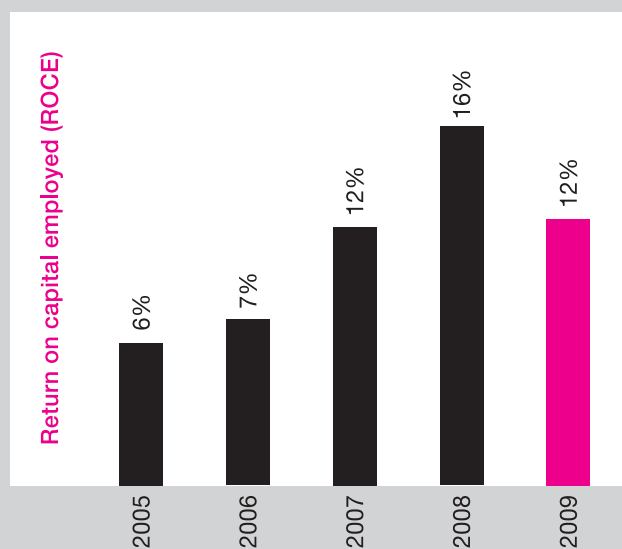
Graphs not to scale

Balance sheet ratios

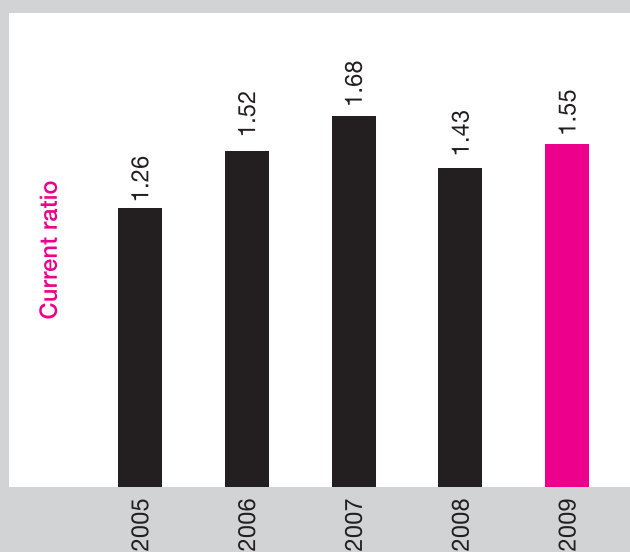
Return on net worth (RONW)* 19%



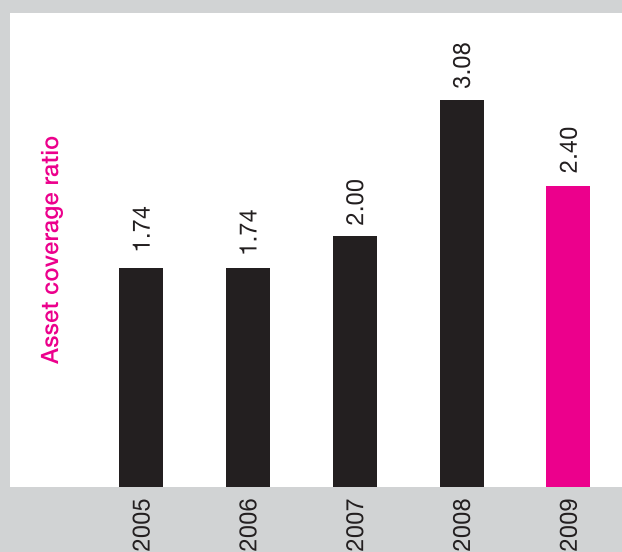
Return on capital employed (ROCE) 12%



Current ratio 1.55



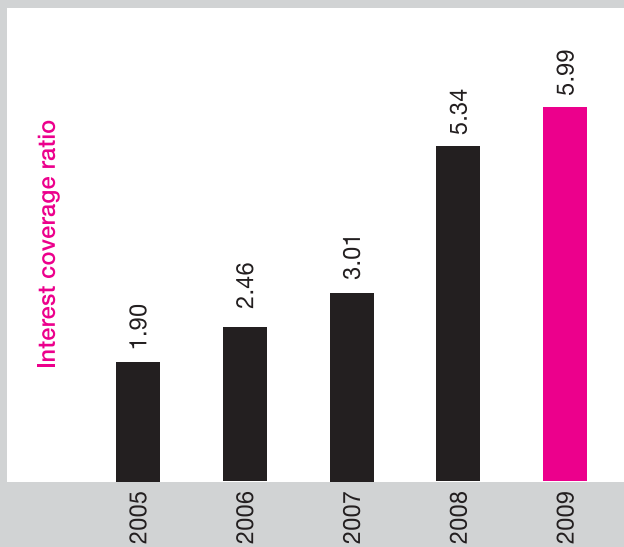
Asset coverage ratio 2.40



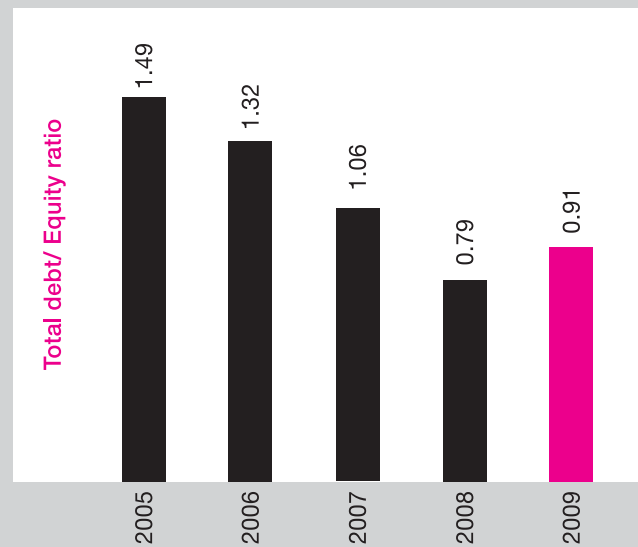
* Net worth excludes deferred tax liability
Graphs not to scale

Balance sheet ratios

Interest coverage ratio **5.99**



Total debt/ Equity ratio **0.91**



Graphs not to scale

What we achieved in 2008-09

Commissioning of new 8.2 meter BOPP line at Vadodara with production capacity of 35000 tonnes per annum.

Agreement for acquisition of GBC Commercial Print Finishing Business from ACCO brands, USA.

Highest ever net sales of Rs. 654.81 crores and EBIDTA of Rs. 104.45 crores.



Directors' report

Your directors present the 32nd Annual Report and the audited accounts for the year ended 31st March, 2009.

(Rs. in crores)

FINANCIAL RESULTS	2008-09	2007-08
Net Sales	654.81	585.16
Profit before interest, depreciation and tax	104.45	93.81
Interest	13.97	12.83
Depreciation	20.80	25.31
Exceptional Item	(5.06)	5.20
Profit before Tax	64.62	60.87
Provision for		
– Current Tax	11.92	17.84
– Deferred tax	9.96	(1.47)
Profit after Tax	42.74	44.50
Extraordinary Item	44.72	-
Profit after tax including extraordinary item	87.46	44.50
APPROPRIATIONS		
Less :		
Dividend-Equity shares	9.72	9.72
Dividend Tax	1.65	1.88
General Reserve	76.09	32.90
	87.46	44.50

DIVIDEND

Equity dividend of Rs. 5/- per share (Previous Year Rs. 5/- per share) has been recommended by the Board of Directors for the year ended 31st March, 2009 amounting to Rs. 9.72 crores (Previous Year Rs. 9.72 Crores) on equity share capital.

OPERATIONS

Despite general economic slowdown in second half of the year, your company had performed well. Net sales, EBIDTA and EBIT all increased on year to year basis. However, during the year, your company changed with retrospective effect the method of depreciation on select plant & machinery from written down value method to straight line method. The change has resulted in surplus of Rs. 44.72

crores (net of deferred tax liabilities) increasing the amount available for appropriation accordingly.

EXPORTS

The export market witnessed a setback due to the economic recession and slowdown in all major economies of the world. Consequently, exports were lower at Rs. 286.21 crores compared to Rs. 332.66 crores in the previous year. To give a further boost to its export efforts, the Company has recently opened a branch office in UAE to cater to the Middle East markets. Cosmo continues to maintain its position of largest BOPP film exporter from India.

R & D

Continuous efforts on R & D and Application Development activities are being made to expand the domestic and export markets.

EXPANSION PROJECTS

During the year the company has expanded its capacity by commissioning a BOPP line of 35000 TPA and one extrusion coated film line of 3000 TPA at Karjan (Vadodara).

ACQUISITION OF GBC'S PRINT FINISHING BUSINESS

Your Company has entered into an agreement to purchase the GBC's Commercial Print Finishing Business from ACCO Brands Corporation of USA. In 2008, it had revenues of USD 100 million and is a leader in the industry. The acquisition is subject to certain conditions precedent to closing including regulatory approvals.

DIRECTORS

Mr. Badri Agarwal, Dr. Surinder Kapur and Mr. Rajeev Gupta retire by rotation and being eligible offer themselves for reappointment at the ensuing Annual General Meeting.

Mr. Vimal Bhandari ceased to be a Director of the Company w.e.f. 25th July, 2008. The Directors place on record their appreciation for the help, guidance and contribution made by Mr. Bhandari during his tenure.

Mr. H N Sinor was appointed as an additional Director w.e.f. 2nd March, 2009. Mr. Sinor resigned from the directorship on 23rd May, 2009. The Directors place on record their appreciation for the help, guidance and contribution made by Mr. Sinor during his tenure.

Mr. Suresh Mathur has been appointed as Director w.e.f. 22nd April, 2009 in the casual vacancy caused by the resignation of Mr. Vimal Bhandari.

There are no inter-se relationships of all or any of the directors in terms of disclosure requirements of the listing Agreement with the Stock Exchanges.

OUTSTANDING WARRANTS ISSUED ON PREFERENTIAL BASIS

31,00,000 nos. of Warrants issued on preferential basis to persons belonging to Promoter Group, in terms of section 81(1A) of the Companies Act, 1956 were outstanding as on 31st March, 2009. The holder of warrants are entitled to apply for and be allotted one equity share of Rs. 10 each at a price of Rs. 107 (including a premium of Rs. 97) against each warrant at any time up to 3rd August, 2009. The warrants and the shares allotted on exercise of option attached to above warrants will be subject to lock in up to 3rd February, 2011.

FIXED DEPOSIT

The Company has stopped accepting fixed deposits from 17.10.2002. However, deposits of Rs. 0.008 Crores (Previous Year Rs. 0.008 Crores) due for repayment on or before 31.03.2009 remained unclaimed by 7 depositors (Previous Year 7 depositors).

STOCK EXCHANGES

The Company's shares continue to be listed at the Bombay Stock Exchange Limited (BSE) and The National Stock Exchange of India Limited (NSE). The Company has paid the requisite listing fees to the stock exchanges for the financial year 2008-09.

AUDITORS' REMARK

The Auditors' remarks on the annual accounts are self explanatory and do not require further explanation.

SUBSIDIARY

The Statements as required under section 212 of the Companies Act, 1956 in respect of the Company's subsidiary is enclosed.

STATUTORY STATEMENTS

Following information as per the requirements of the Companies Act, 1956 is given in separate statements annexed hereto, which form part of this report.

- a) Energy conservation, technology absorption and foreign exchange inflow/outgo pursuant to section 217(1)(e) of the Companies Act, 1956.
- b) Particulars of employees pursuant to section 217(2A) of the Companies Act, 1956.

DIRECTORS' RESPONSIBILITY STATEMENT

In accordance with the provisions of section 217(2AA) of the Companies Act, 1956, your directors state that:

- (i) In the preparation of the annual accounts, applicable accounting standards have been followed along with proper explanation relating to material departures.
- (ii) Accounting policies selected were applied consistently. Reasonable and prudent judgments and estimates are made so as to give a true and fair view of the state of affairs of the Company as of 31st March, 2009 and of the profits of the Company for the year ended on that date.

(iii) Proper and sufficient care has been taken for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 1956, for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities.

(iv) The annual accounts of the company have been prepared on a going concern basis.

CORPORATE GOVERNANCE

A Management Discussion and Analysis is annexed and form part of this report.

A separate report on Corporate Governance along with the Auditors certificate on compliance of conditions of Corporate Governance as stipulated in clause 49 of the listing Agreement with the Stock Exchanges form part of this report.

AUDITORS

The Auditors M/s. B.K. Shroff and Co., Chartered Accountants, hold office till conclusion of the ensuing Annual General Meeting and are eligible for re-appointment. The requisite certificate under section 224(1B) of the Companies Act, 1956 has been received

from M/s. B.K. Shroff and Co., expressing their willingness to continue, if re-appointed.

TRADE RELATIONS

The Board desires to place on record its appreciation of the support and co-operation that your Company received from bankers/ suppliers/ processors/ distributors/ dealers and all others associates. Your Company regards them as partners in its progress.

PERSONNEL

The Board wishes to place on record its appreciation of the contribution made by all employees in ensuring the highest levels of performance that your Company has achieved during the year.

APPRECIATION

Your directors wish to place on record their appreciation of the whole-hearted and continued support extended by the investors, bankers and financial institutions.

On behalf of the Board

Place : New Delhi
Date : 5th June, 2009

Ashok Jaipuria
Chairman

INFORMATION AS PER SECTION 217(1)(e) READ WITH COMPANIES (DISCLOSURE OF PARTICULARS IN THE REPORT OF BOARD OF DIRECTORS) RULES, 1988 AND FORMING PART OF THE DIRECTORS REPORT FOR THE YEAR ENDED 31ST MARCH, 2009.

I. CONSERVATION OF ENERGY

(a) Energy conservation measures taken:

Improvement in energy efficiency is a continuous process at Cosmo and conservation of energy is given a very high priority in all our plants and offices.

The energy saving measures carried out by the company during the year are listed below:

- (i) Installed waste heat recovery system at Karjan (Vadodara) for Chilling water Plant.
- (ii) Installed variable speed drive controller at Waluj plant.
- (b) Additional investments and proposals, if any, being implemented for reduction of consumption of energy:

Appointment of outside professional consulting firm for detailed study & providing guidance in the area of energy saving.

- (c) Impact of the measures at (a) and (b) for reduction of energy consumption and consequent impact on the cost of production of goods:

The above measures have helped the Company to improve its energy management efficiently and consequently reduce cost.

(d) Form A

Not Applicable

II. TECHNOLOGY ABSORPTION

Efforts made in technology absorption as per Form-B of the Annexure in the Rules.

1. Research and Development

- (a) Specific areas in which R & D carried out by the Company:

Development of new products and applications, alternate vendors for Raw Material and new additives.

(b) Benefits derived as a result of above R & D:

Improvement in product quality and sales realisation through better product mix and upgradation of products as per customer needs.

(c) Future Plan of Action

The company will continue its efforts towards the development of new products, new applications and cost reduction measures.

(d) Expenditure on R & D

Rs. Crores.

(a) Capital	Nil
(b) Recurring	4.18
(c) Total	4.18
(d) Total R & D expenditure as percentage of net sales	0.64 %

2. Technology Absorption, adoption and innovation

- (a) Efforts in brief, made towards technology absorption, adoption and innovation:

The company's technology is developed in-house, which has helped in improving efficiency and developing new products.

- (b) Benefits derived as a result of the above efforts:

Growth in business.

- (c) In case of imported technology (Imported during the last 5 years reckoned from the beginning of the financial year) following information may be furnished:

- (a) Technology imported

- (b) Year of import

- (c) Has technology been fully absorbed
- (d) If not fully absorbed, areas where this has not taken place, reason therefore and future plans of actions:

N.A. (The company has not imported any technology)

III. FOREIGN EXCHANGE EARNINGS AND OUTGO

- A. Activities relating to export initiatives taken to increase exports, development of new export markets for products and services and export plans.

Due to global recession and economic slowdown, there was a reduction in overall exports as compared to the previous year. However, the efforts to further penetrate the export market and expand customers

base by providing cost effective innovative packaging solutions continued during the year.

- B. Total Foreign Exchange used and earned

The Company's foreign exchange earnings were Rs. 286.21 Crores (Previous Year Rs. 332.66 Crores). The total foreign exchange utilized during the year amounted to Rs. 221.23 crores (Previous Year Rs. 123.31 Crores). Details of foreign Exchange earned and utilized during the year are given in Schedule 20.

On behalf of the Board

Place : New Delhi
Date : 5th June, 2009

Ashok Jaipuria
Chairman

Management discussion & analysis

INDUSTRY STRUCTURE DEVELOPMENTS OPPORTUNITIES & THREATS

Cosmo Films Ltd. is in the business of manufacture and sales of BOPP and thermal lamination films. While the world BOPP films market has been growing @ 8% p.a., the growth in domestic market has averaged in the range of 15-20% p.a. The migration of manufacturing from the mature and developed countries is also providing opportunities for growth in the region. In view of the large growth potential, Cosmo has expanded its capacity by commissioning a BOPP film line of 35000 MT p.a. taking the total capacity to 91000 MT.

Cosmo is the largest producer of thermal lamination film in India. The bulk of the production is exported to Europe and North America. Economic slowdown has affected the demand in these regions, resulting in lower exports as compared to previous year.

The penetration of thermal in Europe and Asian market is still low at 50% & 20% of their total laminating market. The fact, that the wet lamination is solvent based and environment unfriendly, conversion to thermal lamination is sure to pick up contributing to growth in demand.

To strengthen its position in thermal lamination film segment, Cosmo has announced in January 2009, the acquisition of GBC Commercial Print Finish Business, a division of ACCO brands of USA. GBC Commercial Print Finishing is an industry leader providing thermal films and equipments in Europe, North America, Japan & Pacific Rim. The Combination of Cosmo and GBC will result into a vertically integrated robust organization with manufacturing plants in India, USA, Europe and Korea. The combination will allow Cosmo to better serve its customers and bring better value to all the stakeholders.

RISKS & CONCERNS

Key risks and concerns are:

- Over supply situation due to bunching of capacity additions and inability to pass on the unpredictable increase in raw materials cost may affect the operating margins.
- Exposure to foreign exchange risks due to import of raw materials, exports & foreign currency loans may affect the EBIDTA, EBIT and PAT.

Risk Mitigation

Cosmo's diversified product range, diversified customers

base both in domestic and exports market and continuous emphasis on cost reduction, new product development etc. gives it an edge over competitors to mitigate the above risks.

OPERATIONS & FINANCIAL PERFORMANCE

The details of the financial performance are appearing in the financial statements appearing separately. For highlights, please refer to Directors' Report & key Ratios (five year trends) mentioned elsewhere in the Annual Report.

INTERNAL CONTROL SYSTEMS & THEIR ADEQUACY

The company has proper and adequate systems of internal control in order to ensure that assets are safeguarded and transactions are duly authorized, recorded and reported correctly. With the Implementation of SAP system internal control will get further reinforced through system based checks and controls.

Internal Audit function is looked after by a professional firm of Chartered Accountants, who conduct regular audit at all units/locations. Both the statutory as well as Internal Auditors independently evaluate the adequacy of internal control system. Based on the audit observations & suggestions, follow up & remedial measures are being taken on a regular basis.

HUMAN RESOURCES/ INDUSTRIAL RELATIONS FRONT

During the year, the company has taken several initiatives to further strengthen its human resource base to meet its current & future growth plans. There was unity of purpose among the employees to continuously strive for all round improvements in work practices & productivity. Industrial relations were cordial throughout the year at all locations. As on 31st March, 2009, there were 463 employees on the roll of the company.

CAUTIONARY STATEMENT

Certain statements in the Management Discussion & Analysis describing the company's views about the Industry's expectations/predictions objectives etc. may be forward looking within the applicable laws and regulations. Actual results may differ materially from those expressed in the statements. Company's operations may be affected with the demand and supply situations, input prices and their availability, changes in Government regulations, tax laws and other factors such as industrial relations and economic developments etc. Investors should bear the above, in mind.

Corporate governance report

For Cosmo, maintaining the highest standards of corporate governance is not a matter of mere form but of substance. It is an article of faith, a way of life, and an integral part of the Company's core values. Your Company is committed in adopting the best global practice of corporate governance. The philosophy of corporate governance as manifested in the Company's functioning, is to achieve business excellence by enhancing long-term shareholders value and interest of its entire shareholders. Efficient conduct of the business of the Company through commitment to transparency and business ethics in discharging its corporate responsibilities are hallmarks of the best practices already followed by the Company.

The Company's compliance of corporate governance guidelines of the listing agreement is as follows:

A. COMPOSITION OF THE BOARD AND RECORD OF OTHER DIRECTORSHIPS HELD

The Company is managed and controlled through a

professional body of Board of Directors, which comprise of an optimum combination of Executive and Non-executive Independent directors headed by the Chairman. The present Strength of Board of Directors is Nine (9), out of which Eight (8) are Non-Executive Independent Directors, constituting more than 50% of its total strength. The Company's Board consists of eminent persons with considerable professional expertise and experience. The independent directors do not have any pecuniary relationship or transactions with the company, promoters, and management, which may affect independence or judgement of the directors in any manner.

The composition of the Board of Directors of the Company is in conformity with the provisions of clause 49 of the listing agreement with the stock exchanges. The structure of the Board and record of other directorships and Committee memberships and Chairmanships as on 31st March, 2009 is as under:

Name of the Director	Category	Designation	No. of other Directorship Held	Total No. of Chairmanships / Memberships of Board Committees			Share holding (as on 31 st March, 2009)
				Chairmanship	Membership	Total	
Mr. Ashok Jaipuria	Promoter Director	Chairman & Managing Director	2	-	-	-	500161
Mr. H. K. Agrawal	Independent Non-Executive Director	Director	-	2	-	2	1000
Dr. Surinder Kapur	Independent Non-Executive Director	Director	9	3	1	4	Nil
Mr. Rajeev Gupta	Independent Non-Executive Director	Director	-	-	1	1	10100
Mr. Hasmukh Shah	Independent Non-Executive Director	Director	9	3	2	5	5000
Mr. H. L. Paranjpe	Independent Non-Executive Director	Director	-	-	1	1	Nil
Mr. Badri Agarwal	Independent Non-Executive Director	Director	-	-	1	1	19000
Mr. R Vasudevan	Independent Non-Executive Director	Director	3	1	3	4	Nil
Mr. H N Sinor [^]	Independent Non-Executive Director	Director	12	4	5	9	Nil

[^]Appointed as Additional Director w.e.f. 2nd March, 2009, and since resigned on 23rd May, 2009.

Notes:

- I. In addition to the above, Mr. Suresh Mathur has been co-opted as a director in casual vacancy w.e.f. 22nd April, 2009.
- II. The directorships held by directors as mentioned above, do not include alternate directorship, directorships of Foreign companies, section 25 Companies and Private Limited Companies.
- III. In accordance with clause 49, Membership(s) / Chairmanship(s) of only the Audit Committee and Shareholder Investor Grievance Committee of all Public Limited Companies have been considered.

None of the Directors is a member of more than 10 Board-level committees of Public Limited Companies in which they are directors, nor is chairman of more than 5 such committees.

B. BOARD MEETINGS:**1. Scheduling and selection of agenda items for board meetings**

Months for holding the Board meetings in the ensuing year are usually decided in advance and most board meetings are held at the Company's registered office at 30, Community Centre, Saket, New Delhi. The agenda for each meeting, along with explanatory notes, is sent in advance to the Directors. The board meets at least once in a quarter to review the quarterly results and other items on the agenda.

2. Number of Board Meetings

The Board of Cosmo Films met six times – on 8th April, 2008, 23rd April, 2008, 29th July, 2008, 21st October, 2008, 29th January, 2009, and 30th January, 2009 during the financial year ended 31st March, 2009. The maximum time gap between any two meetings was not more than four months.

3. Record of the Directors' attendance at Board Meetings and AGM:

Name of the Director	Number of Board Meeting held during tenure of directors and attended by them		Attendance at last AGM held on 24 th July, 2008
	Held	attended	
Mr. Ashok Jaipuria	6	5	Present
Mr. H K Agrawal	6	6	Present
Dr. Surinder Kapur	6	Nil	Absent
Mr. Rajeev Gupta	6	3	Absent
Mr. Has Mukh Shah	6	1	Absent
Mr. H L Paranjpe	6	6	Absent
Mr. Badri Agarwal	6	4	Absent
Mr. R Vasudevan	6	4	Absent
Mr. H N Sinor [#]	Nil	Nil	N.A.
Mr. Vimal Bhandari [*]	2	Nil	Absent

^{*}Ceased to be a director w.e.f. 25th July, 2008.

[#]Appointed as additional Director w.e.f. 2nd March, 2009 and since resigned on 23rd May, 2009.

Mr. H K Agrawal, Independent Director and Chairman of the Audit Committee attended the Annual General Meeting on behalf of the Audit Committee.

4. Availability of information to the Board

The Board has unfettered and complete access to any information within the Company and to any employee of the Company. Necessary information as mentioned in Annexure-1A of Clause 49 of the listing Agreement has been regularly placed before the Board for its consideration.

C. BOARD LEVEL COMMITTEES

In accordance with the listing agreement with the stock exchanges on Corporate Governance, the following committees were in operation:

- Audit Committee
- Share Transfer and Investor Grievance Committee.

1. AUDIT COMMITTEE

➤ Terms of reference

As a measure of good Corporate Governance and to provide assistance to the Board of Directors in fulfilling the Board's oversight responsibilities, an Audit Committee has been constituted, headed by an independent director. All members are Independent Directors and each member has rich experience in financial sector.

The role and terms of reference of the Audit Committee inter-alia includes the following:

A. Review of the following information:

- a) Overseeing the Company's financial reporting process and disclosure of its financial information to ensure that the financial statements are correct, sufficient and credible;
- b) Recommending the appointment, re-appointment, replacement and removal of the statutory auditor and the fixation of audit fees to the Board and approving payment for any other services;
- c) Reviewing, with the management, the annual financial statements before submission to the board for approval, with primary focus on matters required to be included in the Directors Responsibility Statement, changes if any in accounting policies and practices and reasons thereof, compliance with accounting standards, major accounting entries, qualifications in draft auditors' report, related

party transactions & the going concern assumption;

- d) Compliance with the listing and other legal requirements concerning financial statements;
- e) Quarterly financial statements before submission to the Board for approval;
- f) Reviewing with the management, performance of statutory auditors, internal auditors and adequacy of internal control systems;
- g) Reviewing the adequacy of internal control system and internal audit function and reviewing the Company's financial and risk management policies;
- h) Reviewing the findings of any internal investigations by the internal auditors into matters where there is suspected fraud or irregularity or a failure of internal control systems of a material nature and reporting the matter to the Board;
- i) Reviewing reports furnished by internal auditors, discussion with internal auditors on any significant findings ensuring suitable follow up there on;
- j) Discussion with statutory auditors before the audit commences, about the nature and scope of audit as well as post-audit discussion to ascertain any area of concern;
- k) To look into the reasons for substantial defaults in the payment to the depositor, debenture holders, shareholders (in case of payment of declared dividends) and creditors;
- l) The functioning of whistle blowing mechanism;
- m) Management discussion and analysis of financial condition and results of operations; and
- n) Management letters / letters of internal control weaknesses issued by the statutory auditors.

B. Disclosure of the following information:

- a) Related party transactions:
 - Identification of related parties as per AS-18

- Statement in summary form of transactions with related parties in the ordinary course of business
- Statement of material individual transaction with related parties which are not in the normal course of business
- Material transactions with related parties or others, which are not on arm's length basis.

- b) Compliance with Accounting Standards, and if in preparation of financial statements, a treatment different from that prescribed in an Accounting standard has been followed, management explanation for the same.
- c) If money raised by way of issue (public issue, rights issue, preferential issues, etc.) the uses / application of funds by major category (capital exp, sales, working capital, etc)

➤ **Composition and names of members**

The Audit Committee, at present, consists of the following four Non-Executive and Independent directors who are eminent professionals:

Chairman : Mr. H. K Agrawal
 Members : Mr. Rajeev Gupta
 Mr. Badri Agarwal
 Mr. R Vasudevan

➤ **Meetings and attendance during the year**

The Audit Committee met four times during the financial year from 1st April, 2008 to 31st March, 2009:

1. 23 rd April, 2008	3. 21 st October, 2008
2. 29 th July, 2008	4. 30 th January, 2009

The attendance record of the audit committee members is given in following table:

Names of the Audit Committee members	Number of Audit Committee Meetings	
	Held during the tenure of Directors	Attended
Mr. H K Agrawal	4	4
Mr. Rajeev Gupta	4	2
Mr. Badri Agarwal	4	3
Mr. R Vasudevan	4	3

2. SHARE TRANSFER AND INVESTOR GRIEVANCE COMMITTEE

➤ **Terms of reference**

This Committee was constituted specifically to review compliance of rules and regulations, to redress shareholder's grievance and to provide suggestions. To expedite the process of share transfers, the Board has delegated the power of share transfer to M/s Alankit Assignments Limited viz. Registrar and Share Transfer Agent who attended the share transfer formalities at least once in a fortnight.

Terms of reference of the Share Transfer and Investor Grievance Committee are as per the guidelines set out in the listing agreements with the Stock Exchanges which inter alia include looking into the investors complaints on transfer of shares, non-receipt of declared dividends etc and redressal thereof.

➤ **Composition and names of members**

The Share Transfer and Investor Grievance Committee is headed by an Independent director and presently consists of the following members:

Chairman : Mr. H K Agrawal
 Members : Mr. R Vasudevan
 Mr. H L Paranjpe

➤ **Meetings and attendance during the year**

The Share Transfer and Investor Grievance Committee met four times during the financial year from 1st April, 2008 to 31st March, 2009:

1. 23 rd April, 2008	3. 21 st October, 2008
2. 29 th July, 2008	4. 30 th January, 2009

The attendance record of the Share Transfer and Investor Grievance Committee members is given in following table:

Names of the STIGC members	Number of STIGC Meetings	
	Held during the tenure of Directors	Attended
Mr. H K Agrawal	4	4
Mr. R Vasudevan	4	3
Mr. H L Paranjpe	4	4

➤ **Compliance Officer**

The Compliance Officer for this committee, at present, is Parvinder S Arora, Company Secretary.

➤ **Shareholders' Complaints etc. received during the FY- 2008-09**

During the year from 1st April, 2008 to 31st March, 2009 the Company received 18 complaints from various Investors / Shareholders' relating to non-receipt of Dividend / Bonus Shares / Transfer of Shares / Dematerialisation of Shares / Annual Report etc. The same were attended to the satisfaction of the Investors. At the end of 31st March, 2009, no complaint was pending for redressal and there are no pending share transfers as on 31st March, 2009.

3. REMUNERATION COMMITTEE

At present Company is having no Remuneration Committee.

➤ **Remuneration Policy**

The Non-executive directors are paid only the sitting fees of Rs. 10,000/- for attending each Board and Committee meeting thereof.

➤ **Remuneration Paid to Directors**

Following tables give the details of remuneration paid to directors, during the year from 1st April, 2008 to 31st March, 2009:

Remuneration to Non-Executive Directors

S. No.	Name of the Director	Sitting Fees
1	Mr. H. K. Agrawal	1,40,000
2	Dr. Surinder Kapur	-
3	Mr. Rajeev Gupta	50,000
4	Mr. Hasmukh Shah	10,000
5	Mr. H. L. Paranjpe	1,00,000
6	Mr. Badri Agarwal	90,000
7	Mr. R Vasudevan	1,00,000
8	Mr. H N Sinor #	-
9	Mr. Vimal Bhandari *	-

* Ceased to be a director w.e.f. 25th July, 2008

Appointed as additional Director w.e.f. 2nd March, 2009 and since resigned on 23rd May, 2009.

Remuneration to Executive Director – Mr. Ashok Jaipuria, Chairman & Managing Director

Particulars of Remuneration	Rs. (In Crores)
Remuneration	
Salary	0.29
Commission	3.08
Contribution to Provident & Superannuation Funds	0.05
Benefits	0.01
Total Amount (In Rs.)	3.43

D. GENERAL BODY MEETINGS:

Date / Venue / Time of previous three Annual General Meetings:

Year	Place	Date	Time
2005-06	Shah Auditorium, 2, Raj Niwas Marg, Civil Lines, Delhi 54	30/08/2006	11.00 A.M.
2006-07	Shah Auditorium, 2, Raj Niwas Marg, Civil Lines, Delhi 54	31/07/2007	3:00 P.M.
2007-08	Shah Auditorium, 2, Raj Niwas Marg, Civil Lines, Delhi 54	24/07/2008	1:45 .P.M.

1. No special resolution was passed in the previous three Annual General Meetings.
2. No Special Resolution was passed through postal ballot, during the previous three years.

E. DISCLOSURES:

1. **Related Party Transactions:** There have been no materially significant related party transactions, pecuniary transactions or relationships between Cosmo Films Limited and its directors for the year ended March 31, 2009 other than those listed in note no. 23 in Schedule 20 to the annual accounts on page No. 53.
2. The Company has complied with the requirements of stock exchanges or SEBI on matters related to Capital Markets, as applicable. No penalty was levied by these authorities in last three years.

3. **Code of Conduct:** The Company has adopted a Code of Conduct for the members of the Board of Directors and the senior management of the Company. The code of conduct is displayed on the website of the Company. All the directors and the senior management personnel have affirmed compliance with the code for the financial year ended 31st March, 2009. A declaration to this effect, signed by the Chairman & Managing Director is annexed to this report.

4. Compliance with Mandatory requirements of clause 49 of the listing agreement

The Company has complied with all the applicable mandatory requirements of clause 49 of the listing agreement.

5. Compliance with Non-Mandatory requirements of clause 49 of the listing agreement

The Company has fulfilled the following non-mandatory requirement of clause 49 of the listing agreement:

Whistleblower Policy: The Company has adopted a Whistle Blower Policy that has since been implemented within the organisation. No Personnel of the Company have been denied access to the audit committee.

6. The necessary certificate, pursuant to clause 49(V) of the listing agreement with stock exchanges, is annexed to this report.
7. The Company Secretary has a key role to play in ensuring the board procedures and statutory compliances are properly followed. A certificate from the Company Secretary indicating the compliance of Companies Act, 1956 and Listing Agreement has been annexed to this report.
8. **Management Discussion and Analysis Report:** The Management Discussion and Analysis has been discussed in detail separately in this Annual Report on page No. 19.
9. **Compliance Certificate from Statutory Auditors:** Certificate from Statutory Auditors confirming compliance with conditions of corporate governance as stipulated in clause 49 of the listing agreement, is annexed to this report.

10. Other disclosures as required under clause 49 have been given at relevant places in the Annual Report.

F. MEANS OF COMMUNICATION / INVESTORS' COMMUNICATION

The Company is sending Quarterly Investors Newsletter (which also include quarterly / half yearly / yearly audited financial results) after taking on record of these quarterly / half yearly / yearly audited financial results by the Board. The newsletter is also being posted at our website www.cosmofilms.com.

The Company normally publishes its quarterly / half yearly / yearly audited results in Economic Times and one Hindi newspaper. The Company also ensures that these Results are promptly and prominently displayed on the Company's website www.cosmofilms.com.

G. INFORMATION TO SHAREHOLDERS

1. REGISTERED AND CORPORATE OFFICE

30, Community Centre,
Saket, New Delhi – 110 017
Phone : + 91 11 26863968 / 26863969
Fax : + 91 11 26868093 / 41664813

2. ANNUAL GENERAL MEETING

The date, time & venue of the next Annual General Meeting and the next Book Closure date will be as per the Notice calling the Annual General Meeting.

3. FINANCIAL CALENDAR

Financial Year is 1st April, 2009 to 31st March, 2010 and tentative schedule for approval of the quarterly / half yearly / yearly financial results is given below:

Particulars	Month (Tentative)
Financial results for the 1 st quarter ending June 30, 2009	July 2009
Financial results for the 2 nd quarter and half year ending September 30, 2009	October 2009
Financial results for the 3 rd quarter ending December 31, 2009	January 2010
Financial results for the last quarter and financial year ending March 31, 2010	April 2010

4. WEBSITE

The address of the Company's website is www.cosmofilms.com

5. DIVIDEND PAYMENT DATE

Dividend on equity shares as recommended by the directors for the year ended 31st March, 2009, if approved at the ensuing Annual General Meeting, will be paid within the specified time period.

6. LISTING ON STOCK EXCHANGES

The names of the stock exchanges at which Company's shares are listed as on 31st March, 2009 and details of "Stock Codes" are as mentioned below:

Name of the Stock Exchange	Stock Code
Bombay Stock Exchange Ltd.	508814
National Stock Exchange of India Ltd.	COSMOFILMS

7. INTERNATIONAL SECURITIES IDENTIFICATION NUMBER (ISIN)

ISIN is a unique identification number of traded scrip. This number has to be quoted in each transaction relating to the dematerialised equity shares of the company. The ISIN number of the shares of Cosmo Films Ltd. is **INE 757A01017**

8. ANNUAL LISTING FEE

Annual Listing Fee for the year 2008-09 has been paid to each of the above mentioned stock exchanges. There are no arrears of listing fees with any of the said stock exchanges till date.

9. DISTRIBUTION OF SHAREHOLDING AS ON MARCH 31, 2009

Following tables give the data on shareholding according to types of shareholders and class of shareholders.

Distribution of the shareholdings according to type of shareholders:

Particulars	March 31, 2009		March 31, 2008	
	No. Of Shares	% (Holding)	No. Of Shares	% (Holding)
Promoters	8485717	43.65%	8485717	43.65%
Institutional Investors	2013841	10.36%	2593888	13.34%
Private Corporate Bodies	1518472	7.81%	1648243	8.48%
Others	7422046	38.18%	6712228	34.53%
Total	19440076	100.00%	19440076	100.00%

Distribution of shareholding according to the number of shares:

No. of Equity Shares held	March 31, 2009				March 31, 2008			
	No. of	% of	No. of	% of	No. of	% of	No. of	% of
	Shareholders		Shares	Share capital	Shareholders		Shares	Share capital
1-500	17281	89.83	2296829	11.81	15480	89.71	2135624	10.99
501-1000	1120	5.82	883044	4.54	1022	5.92	812425	4.18
1001-2000	423	2.20	635359	3.27	389	2.25	584432	3.00
2001-3000	129	0.67	334505	1.72	126	0.73	325737	1.68
3001-4000	69	0.36	247794	1.28	44	0.26	160595	0.83
4001-5000	63	0.33	301516	1.55	47	0.27	223498	1.15
5001-10000	62	0.32	460852	2.37	65	0.38	490540	2.52
10001 and above	90	0.47	14280177	73.46	82	0.48	14707225	75.65
TOTAL	19237	100.00%	19440076	100.00%	17255	100.00%	19440076	100.00%

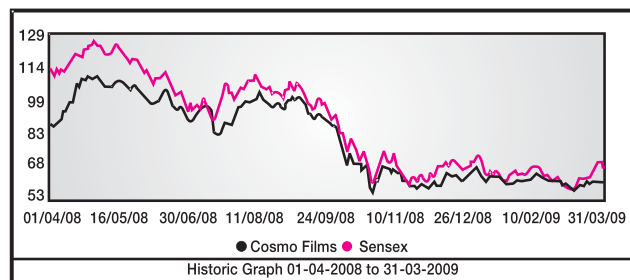
10. MARKET PRICE DATA

Monthly high and low prices of equity shares of the company traded at The Bombay Stock Exchange Limited and National Stock Exchange of India Limited are given below:

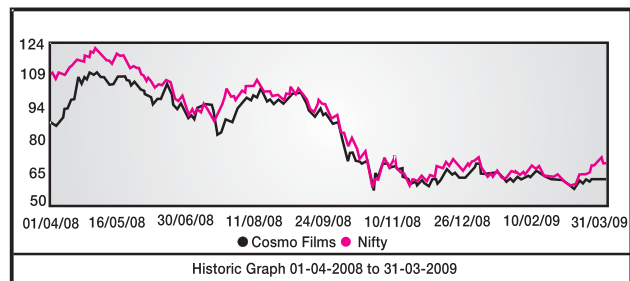
Month	BSE		NSE	
	High (Rs.)	Low (Rs.)	High (Rs.)	Low (Rs.)
Apr'08	117.00	85.55	116.00	85.00
May'08	112.80	103.25	112.45	103.05
Jun'08	106.00	91.00	107.80	90.00
Jul'08	97.50	81.25	104.00	80.10
Aug'08	106.00	94.20	115.00	93.50
Sep'08	103.00	85.05	105.00	84.00
Oct'08	88.50	56.25	89.00	55.60
Nov'08	73.00	58.15	72.00	56.00
Dec'08	68.30	55.00	67.90	58.85
Jan'09	72.00	59.70	71.25	58.10
Feb'09	69.20	60.00	72.70	60.10
Mar'09	63.00	57.00	64.00	51.95

11. SHARE PERFORMANCE IN COMPARISON TO BSE SENSEX AND NSE NIFTY

a. COMPANY'S SHARE PRICE MOVEMENT VIS A VIS BSE SENSEX



b. COMPANY'S SHARE PRICE MOVEMENT VIS A VIS NIFTY



12. DEMAT

Your Company's equity shares are compulsorily traded in dematerialisation form by all categories of investors. Equity shares of your Company are available for trading in the depository systems of both the Depositories viz. The National Securities Depositories Limited (NSDL) and The Central Depositories Services (India) Limited (CDSL).

As on 31st March, 2009, 72.83% (i.e. 14157860 equity shares) of the total equity share capital (i.e. 1,94,40,076 equity shares) were held in demat form.

13. REGISTRAR AND SHARE TRANSFER AGENT AND SHARE TRANSFER SYSTEM

The Company has appointed a common Registrar i.e. Alankit Assignments Limited for share transfer and dematerialisation of shares. To expedite the process of share transfers, the Board has delegated the power of share transfer to Alankit Assignments Limited viz. Registrar and Share Transfer Agent who will attend to the share transfer formalities at least once in fortnight. Their contact details are as follows;

M/s Alankit Assignments Limited

2E/21, Alankit House,
Jhandewalan Extension
New Delhi 110 055
Ph: +91 11 42541234
Fax: +91 11 42541967
Contact Person: Mr. R. Maurya

14. OUTSTANDING WARRANTS

As on March 31, 2009, 31,00,000 nos. of Warrants are outstanding, which are convertible into equivalent number of equity shares of the Company at any time up to 3rd August, 2009, at the option of warrant holders.

15. PLANT LOCATIONS

The addresses of the Company's plants are mentioned at the initial pages of this Annual Report.

16. ADDRESS FOR CORRESPONDENCE:

- i. **Investors' Correspondence** may be addressed to the following:

Parvinder S Arora
Cosmo Films Limited
30, Community Centre, Saket,
New Delhi – 110017
e-mail: parvinder.arora@cosmofilms.com

OR

to the Registrar and Share Transfer Agent i.e :
Alankit Assignments Limited

- ii. **Queries relating to the Financial Statements** of the Company may be addressed to following:

R K Gupta
GM (Finance & Accounts)
B-14/8-9, MIDC Area, Waluj
Aurangabad – 431136, Maharashtra
e-mail: rkg@cosmofilms.com

ANNEXURES TO THE CORPORATE GOVERNANCE REPORT

ANNUAL DECLARATION OF COMPLIANCE OF CODE OF CONDUCT BY CEO

To
The Board of Directors
Cosmo Films Limited
30, Community Centre,
Saket, New Delhi – 110017

1. The Code of Conduct has been laid down for all the Board members and Senior Management and other employees of the Company.
2. The Code of conduct has been posted on website of the Company.
3. The Board members and senior management personnel have affirmed compliance with the code of conduct for the year 2008-09.

Place : New Delhi
Date : 5th June, 2009

Ashok Jaipuria
Chief Executive Officer

CERTIFICATE PURSUANT TO CLAUSE 49(V) OF THE LISTING AGREEMENT

To
The Board of Directors
Cosmo Films Limited

We, the undersigned hereby certify that:

- (a) We have reviewed the financial statements and the cash flow statement for the Financial Year 2008-09 and to the best of our 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 our knowledge and belief, no transactions entered into by the company during the year 2008-09 which are fraudulent, illegal or violative of the Company's code of conduct.
- (c) We accept responsibility for establishing and maintaining internal controls for financial reporting and that we have evaluated the effectiveness of internal control systems of the company pertaining to financial reporting and we have disclosed to the auditors and the Audit Committee, deficiencies in the design or operation of such internal controls, if any, of which we are aware and the steps we have taken or propose to take to rectify these deficiencies.
- (d) We 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 the same have been disclosed in the notes to the financial statements; and
 - (iii) instances of significant fraud of which we have 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.

A. K. Jain
Chief Financial Officer

Ashok Jaipuria
Chairman & Managing Director

Place : New Delhi
Date : 5th June, 2009

CERTIFICATE FROM THE COMPANY SECRETARY

I, Parvinder S Arora, Company Secretary of Cosmo Films Limited ("i.e. company") confirm that the company has:

- (i) Maintained all the statutory registers required under the Companies Act, 1956 ("the Act") and the Rules made there under.
- (ii) Filed all the forms and returns and furnished all the necessary particulars to the Registrar of Companies and/or Authorities as required by the Companies Act, 1956.
- (iii) Issued all notices required to be given for convening of Board Meeting and General Meeting, within the time limit prescribed by law.
- (iv) Conducted the Board Meetings and Annual General Meeting as per the Act.
- (v) Complied with all the requirements relating to the minutes of the proceedings of the meetings of the Directors and the Shareholders.
- (vi) Made due disclosure required under the Act including those required in pursuance of the disclosure made by the Directors.
- (vii) Obtained all necessary approvals of Directors, Shareholders, Central Government and other Authorities as per the requirements.
- (viii) Paid dividend amounts to the Shareholders and unpaid dividend amounts, if applicable, have been transferred to the Investor Education and Protection Fund within the limits prescribed.
- (ix) Complied with all the requirements of the Listing Agreement entered into with the Stock Exchanges in India.
- (x) The company has also complied with other statutory requirements under the Companies Act, 1956 and other related statutes in force.

The certificate is given by the undersigned according to the best of his knowledge and belief, knowing fully well that on the faith and strength of what is stated above, full reliance will be placed on it by the Shareholders of the Company.

Place : New Delhi
Date : 5th June, 2009

Parvinder S Arora
Company Secretary

AUDITORS' CERTIFICATE

We have examined the compliance of conditions of corporate governance by Cosmo Films Limited for the year ended on 31st March, 2009 as stipulated in clause 49 of the listing agreement of the said Company with stock exchange(s).

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

In our opinion and to the best of our information and according to the explanations given to us, we certify that the Company has complied with the conditions of corporate governance as stipulated in the above mentioned listing agreement.

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

For B.K.SHROFF & CO.,
Chartered Accountants

Place : New Delhi
Date : 5th June, 2009

O. P. Shroff
Partner

PARTICULARS OF EMPLOYEES IN TERMS OF SECTION 217 (2A) OF THE COMPANIES ACT, 1956

Name	Designation & Nature of Duties	Gross Annual Remuneration	Qualification	Years of Experience	Date of Commence-ment of employment	Age	Last empemp-loyment	Designation
Ashok Jaipuria	Chairman & Managing Director	3,42,50,547	Degree in Associate of Arts in Business Admin. & Diploma in Marketing Science	38	02.04.1980	56	-	-
Upal Roy	Chief Strategy Officer	68,98,624	B.Tech, MS, MBA	17	20.08.2007	43	E.I.Dupont India	Marketing Manager
A G Deshpande	Vice President (R & D)	36,02,437	M.Sc	33	19.04.1980	56	Rathi Papers	Project / Plant Manager
Avinash Kulkarni	Vice President (Manufacturing)	36,55,277	BE (Elect & Tel Com) MS Tech (Operation)	31	04.08.2005	54	Peerless Fabrikkerne	V.P (supply chain and operations)
Janardan Gupta	General Manager (Commercial)	32,38,157	B.Com	34	11.05.1981	56	Unitron	Accounts Officer
Sanjay Chincholikar	General Manager (Marketing-Domestic)	31,81,647	DME, DIM, DFM, B.Com, MBA	25	11.05.1987	44	Lupin Laboratories	Engineer Mechanical (Project & Maintenance)
Employed for part of the year								
R. Mukherjee	President	1,51,50,959	B.E. (Mech. Engg.)	35	01.11.1997	60	Philips India	Sr General Manager
S Sundarram	President	35,25,012	B.Tech (IIT Madras), MBA (IIM Calcutta)	26	10.11.2008	53	Esab Global	Director (Global Operations)
A K Jain	Chief Financial Officer	31,21,454	B Com (Hons.), AICWA, CISA	39	01.09.2008	58	Mawana Sugars Limited	Senior Vice President

Notes:

1. Remuneration is as defined under section 198 of the Companies Act, 1956.
2. None of the employees mentioned above is related to any directors of the Company.
3. The appointment of Chairman & Managing Director is contractual.

Corporate social responsibility

- Maintenance of Garden at Airport & Cantonment areas in Aurangabad.
- Reward to Meritorious Student of Marathwada University
- Maintenance of dispensary for poor and needy patients

Establishment of Cosmo Foundation by the company:

Cosmo Foundation is conceived with a pious intention to contribute for the overall upliftment and empowerment of down & trodden communities.

Brief activities of the foundation during the year:

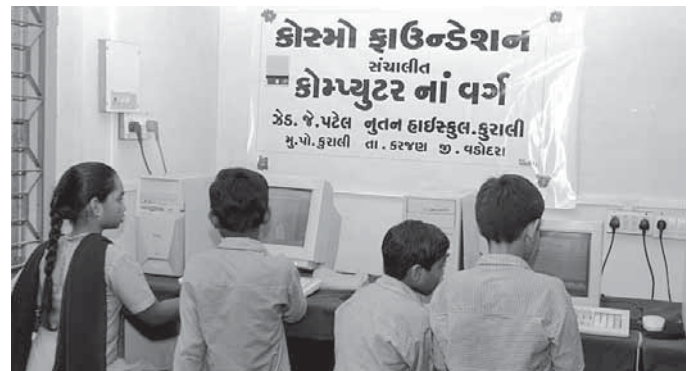
- Providing Computer literacy programs to the section of deprived students of schools.
- Save the Girl child campaign.

- Conducting State level General knowledge exam for children.
- Conducting Training programme on Life Skill Education.
- Career Guidance & counseling.
- Setting up of small library at 3 village level schools.
- Training to School teachers.
- Conducting session on women's empowerment.
- Celebration of Teacher's day, Independence day, Children's day, Kite flying day & Republic day in village level schools.

An effort is also being made to connect with other social organizations, to strengthen the activities of Cosmo Foundation.



An instructor imparting Computer Literacy at Harikrupa Ashramshala, Karjan, Vadodara



Students of Z.J. Patel High School in Kurali Village, Vadodara

Auditors' report

1. We have audited the attached Balance Sheet of COSMO FILMS LIMITED as at 31st March, 2009 and also the Profit & 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 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 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 and the Companies (Auditor's Report)(Amendment) Order, 2004 issued by the Central Government of India in terms of sub-section (4A) of Section 227 of the Companies Act, 1956, we enclose in the Annexure a statement on the matters specified in paragraph 4 and 5 of the said order.
4. Further to our comments in the Annexure referred to above, we report that:
 - i. We have obtained all the information and explanations, which to the best of our knowledge and belief were necessary for the purpose 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 those books;
 - iii. The Balance Sheet, Profit & 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 & 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.
- v. On the basis of the written representations received from the directors and taken on record by the Board of Directors, we report that none of the directors is disqualified as on 31st March 2009 from being appointed as a director in terms of clause (g) of sub-section (1) of section 274 of the Companies Act, 1956.
- vi. Attention is invited to
 - (a) Note no. 10 on schedule 20 of notes on accounts regarding change in method of providing depreciation from written down value method to straight line method in respect of certain plant and machinery resulting in the profit after tax including extraordinary item to be higher by Rs. 45.64 crores, deferred tax liability to be higher by Rs. 23.03 crores and fixed assets to be higher by Rs. 68.67 crores.
 - (b) Note no. 11 on schedule 20 of notes on accounts regarding change in method of valuation of inventory resulting in the profit after tax including extraordinary item and inventory to be lower by Rs. 2.28 crores.
- vii. In our opinion and to the best of our information and according to the explanations given to us, the said accounts give the information required by the Companies Act, 1956, in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India:
 - (a) In the case of the Balance Sheet, of the state of affairs of the company as at 31st March, 2009
 - (b) In the case of the Profit & Loss Account, of the profit for the year ended on that date and
 - (c) In the case of cash flow statement, of the cash flows for the year ended on that date.

For B. K. SHROFF & Co.,
Chartered Accountants

O. P. Shroff
Partner

Place : New Delhi
Date : 5th June, 2009

Membership No: 6329

ANNEXURE REFERRED TO IN PARAGRAPH 3 OF OUR REPORT OF EVEN DATE

- (i) (a) In our opinion, the company has maintained proper records showing full particulars including quantitative details and situation of fixed assets.
- (b) As explained to us, all the fixed assets have been physically verified by the management according to a regular program which in our opinion is reasonable having regard to the size of the company and the nature of its assets. No material discrepancies with respect to book records were noticed on such verification.
- (c) In our opinion and according to explanations given to us, fixed assets disposed off during the year were not substantial and as such the disposal has not affected the going concern concept of the company.
- (ii) (a) As explained to us, physical verification of inventory (except material in transit and lying with third parties) has been conducted by the management at reasonable intervals. In our opinion, the frequency of verification is reasonable.
- (b) In our opinion, the procedures of physical verification of inventory followed by the management are reasonable and adequate in relation to the size of the company and nature of its business.
- (c) On the basis of our examination of the records of inventory, we are of the opinion that the company is maintaining proper records of inventory. Discrepancies noticed on verification of inventory as compared to book records were not material and these have been properly dealt with in the books of accounts.
- (iii) (a) In our opinion and according to the explanations given to us, the company has not granted any loans, secured or unsecured, to companies, firms and other parties covered in the register maintained under section 301 of the Companies Act, 1956 except for loan given to its subsidiary Cosmo Films, Inc. during the year. In respect of the said loan, the maximum amount outstanding at any time during the year and the year end balance was Rs.16.71 crores.
- (b) In our opinion and according to the explanations given to us, the rate of interest and other terms and conditions of loans given by the company, secured or unsecured, are prima facie not prejudicial to the interest of the company.
- (c) In our opinion and according to the explanations given to us, the principal amount and interest is being received as per stipulation.
- (d) In our opinion and according to the explanations given to us, there is no overdue amount in respect of loan given by the company.
- (e) In our opinion and according to the explanations given to us, the company has not taken any loans, secured or unsecured, from companies, firms and other parties covered in the register maintained under section 301 of the Companies Act, 1956 and hence clause (e) to (g) of para (iii) of the order is not applicable.
- (iv) In our opinion and according to the information and explanation given to us, there are adequate internal control procedures commensurate with the size of the company and the nature of its business for the purchase of inventory and fixed assets and for the sale of goods and services. During the course of our audit, no major weaknesses have been noticed in the internal control.
- (v) According to the information and explanations given to us, we are of the opinion that during the year there are no contracts or arrangements referred to in section 301 of the Companies Act, 1956 that need to be entered in the register required to be maintained under that section. Accordingly, para v (b) of the order is not applicable.
- (vi) In our opinion and according to the information given to us, directions issued by the Reserve Bank of India and the provisions of sections 58A and 58AA or any other relevant provisions of the Companies Act, 1956 and the rules framed thereunder have been complied with in respect of deposits accepted from public. No order has been passed by the Company Law Board or National Company Law Tribunal or Reserve Bank of India or any Court or any other Tribunal.

- (vii) In our opinion, the company has an adequate internal audit system commensurate with the size and the nature of its business.
- (viii) As explained to us the Central Government has not prescribed maintenance of cost records under clause (d) of sub section (i) of section 209 of the Companies Act, 1956 in respect of products dealt with by the company for the year under review.
- (ix) (a) According to the records of the company, the company is generally regular in depositing with the appropriate authorities undisputed statutory dues including Provident Fund, Investor Education and Protection Fund, Employees State Insurance, Income Tax, Wealth Tax, Service Tax, Sales Tax, Custom Duty, Excise Duty, Cess etc. and any other statutory dues applicable to it. No undisputed amounts payable were outstanding as at 31st March, 2009 for a period of more than six months from the date they became payable.
- (b) According to the records of the company, dues of Sale Tax / Income-Tax / Customs Duty / Wealth-Tax /Service Tax/ Excise Duty / Cess which have not been deposited on account of any dispute are as follows;
- (x) According to the records of the company, the company neither has any accumulated losses at the end of the financial year nor has incurred any cash loss during the financial year covered by our audit and in the immediately preceding financial year.
- (xi) Based on our audit procedures and on the information and explanations given by the management, we are of the opinion that the company has not defaulted in repayment of dues to financial institutions or banks or debenture holders.
- (xii) Based on our examination of documents and records maintained by the company, we are of the opinion that since the company has not granted any loan and advance on the basis of security by way of pledge of shares, debenture and other securities, it is not required to maintain records in respect thereof.
- (xiii) The company is neither a chit fund nor nidhi / mutual benefit fund / society and hence para (xiii) of the order is not applicable.

Name of the statute	Nature of the dues	Amount Rs. Crores	Forum where dispute is pending
Central Excise & Customs Act	Excise duty	2.56	Appellate Tribunal
	Excise duty	0.10	Commissioner Appeals
	Custom duty	0.01	Appellate Tribunal
Maharashtra Sales Tax Act	Sales tax	0.07	Sales Tax Tribunal
	Claim of 100% deferral/exemption benefits (Refer note no.14 on schedule 20)	13.75	Sales Tax Tribunal
Gujarat Sales Tax Act	Sales Tax	0.42	Commissioner Appeals
Income Tax Act	Income Tax	1.81	Commissioner Appeals

- | | |
|--|---|
| <p>(xiv) In our opinion the company is not dealing in or trading in shares, securities, debentures and other investments and hence para (xiv) of the order is not applicable.</p> <p>(xv) Based on our examination of the records, we are of the opinion that the company has not given any guarantee for loans taken by others from banks or financial institutions.</p> <p>(xvi) In our opinion, the term loans have been applied for the purpose for which they were obtained.</p> <p>(xvii) Based on our examination of the balance sheet of the company as at 31st March, 2009, we report that the funds raised on short term basis have not been used for long term investment.</p> <p>(xviii) During the year the company has not made any preferential allotment of shares to parties and companies covered in the register maintained under section 301 Companies Act, 1956.</p> | <p>(xix) During the year the company has not issued any debentures.</p> <p>(xx) During the year no money was raised by public issue.</p> <p>(xxi) Based upon the audit procedure performed and information and explanation given by the management we report that during the year no fraud on or by the company has been noticed or reported by the management.</p> |
|--|---|
- For B. K. SHROFF & Co.,
Chartered Accountants

O. P. Shroff
Partner
Membership No: 6329
- Place : New Delhi
Date : 5th June, 2009

COSMO FILMS LIMITED
Balance sheet As at 31st March, 2009

Schedule		Current Year Rs. Crores	Previous Year Rs. Crores
SOURCES OF FUNDS			
SHAREHOLDER'S FUND			
Share Capital	1	19.44	19.44
Reserves & Surplus	2	237.84	161.75
		257.28	181.19
EQUITY SHARE WARRANTS		3.32	3.32
LOAN FUNDS			
Secured Loans	3	264.74	149.10
Unsecured Loans	4	0.01	1.00
		264.75	150.10
DEFERRED TAX		64.96	31.97
		590.31	366.58
APPLICATION OF FUNDS			
FIXED ASSETS			
Gross Block	5	598.35	436.75
Less :Depreciation		185.71	233.26
Net Block		412.64	203.49
Add : Capital work in progress		0.75	10.41
		413.39	213.90
INVESTMENTS	6	6.77	6.77
CURRENT ASSETS, LOANS AND ADVANCES			
Inventories	7	58.42	70.43
Sundry Debtors	8	93.36	93.28
Cash & Bank Balances	9	29.32	7.15
Loans & Advances	10	67.02	49.93
		248.12	220.79
LESS : CURRENT LIABILITIES AND PROVISIONS			
Current Liabilities	11	52.36	43.97
Provisions	12	25.61	30.93
		77.97	74.90
NET CURRENT ASSETS		170.15	145.89
MISCELLANEOUS EXPENDITURE	13	-	0.02
(To the extent not written off or adjusted)		590.31	366.58
SIGNIFICANT ACCOUNTING POLICIES			
NOTES ON ACCOUNTS			

Schedules 1 to 20 form an integral part of the accounts

As per our report of even date annexed
For B. K. SHROFF & CO.
Chartered Accountants

O.P. Shroff
Partner

Parvinder S Arora
Company Secretary

A. K. Jain
Chief Financial Officer

Rajeev Gupta
Director

Ashok Jaipuria
Chairman & Managing Director

Place : New Delhi
Date : 5th June, 2009

Profit & loss account For the year ended 31st March, 2009

	Schedule	Current Year Rs. Crores	Previous Year Rs. Crores
INCOME			
Gross Sales		693.02	616.86
Less :Excise duty recovered		38.21	31.70
Net Sales		654.81	585.16
Other Incomes	14	13.10	6.22
		667.91	591.38
EXPENDITURE			
(Increase)/Decrease in stocks	15	(5.48)	(0.14)
Purchases		0.23	0.48
Manufacturing and Other expenses	16	568.71	497.23
Depreciation		20.80	25.31
		584.26	522.88
Profit before Interest ,Exceptional item and Tax (EBIT)		83.65	68.50
Interest	17	13.97	12.83
Profit before Exceptional item and Tax		69.68	55.67
Exceptional item net of depreciation of Rs. 0.14 crores (previous year nil) (Refer note no.13 on schedule 20)		(5.06)	5.20
Profit before Tax (PBT)		64.62	60.87
Provision - Current Tax		11.47	17.51
- Fringe Benefit Tax		0.45	0.33
- Deferred Tax		9.96	(1.47)
Profit after Tax (PAT)		42.74	44.50
Extraordinary item net of deferred tax of Rs. 23.03 crores (previous year Rs. nil) (Refer note no. 10 on schedule 20)		44.72	-
Profit after Tax including Extraordinary item		87.46	44.50
APPROPRIATION			
Proposed Dividend on Equity Shares		9.72	9.72
Corporate Tax on Dividend		1.65	1.88*
*Including Rs. 0.23 crores for previous year			
Transfer to General Reserve		76.09	32.90
		87.46	44.50
Basic & Diluted earning per share (Rs.)			
- Excluding Extraordinary item	18(a)	21.98	22.89
- Including Extraordinary item	18(b)	44.99	22.89
SIGNIFICANT ACCOUNTING POLICIES	19		
NOTES ON ACCOUNTS	20		

Schedules 1 to 20 form an integral part of the accounts

As per our report of even date annexed
For B. K. SHROFF & CO.
Chartered Accountants

O.P. Shroff
Partner

Parvinder S Arora
Company Secretary

A. K. Jain
Chief Financial Officer

Rajeev Gupta
Director

Ashok Jaipuria
Chairman & Managing Director

Place : New Delhi
Date : 5th June, 2009

Cash flow statement For the year ended 31st March, 2009

	Schedule	Current Year Rs. Crores	Previous Year Rs. Crores
A. Cash Flow from Operating Activities			
Profit before tax		64.62	60.87
Add : Adjustments for			
Depreciation		20.80	25.31
Miscellaneous Expenditure written off		0.02	0.04
Interest		13.97	12.83
(Profit)/Loss on sale of Fixed assets		0.41	(0.47)
Dividend (* Rs. 16191)		-	*
Depreciation relating to exceptional item		(0.14)	-
Operating Profit before Working Capital changes		99.68	98.58
Adjustments for change in Working Capital			
Trade & Other Receivables		(22.21)	(21.54)
Inventories		12.01	(14.47)
Trade & Other Payables		9.71	8.22
Cash generated from operations		99.19	70.79
Direct Taxes paid		(13.29)	(16.80)
Net Cash from Operating Activities		85.90	53.99
B. Cash Flow from Investing Activities			
Purchase of Fixed Assets		(153.43)	(25.39)
Sales of Fixed Assets		0.62	2.43
(Purchase)/Sale of Investments		-	(1.21)
Dividend received (* Rs. 16191)		-	*
Net Cash from Investing Activities		(152.81)	(24.17)
C. Cash Flow from Financing Activities			
Proceeds from Share Warrants		-	3.32
Proceeds from Long Term Borrowings		107.01	(35.80)
Proceeds from Working Capital Borrowings		7.64	12.98
Interest paid		(13.97)	(12.83)
Dividend paid		(9.72)	(7.78)
Corporate tax on dividend		(1.88)	(1.09)
Net Cash from Financing activities		89.08	(41.20)
Net increase in cash or cash equivalents		22.17	(11.38)
Cash or cash equivalents (Opening balance)		7.15	18.53
Cash or cash equivalents (Closing balance)		29.32	7.15
NOTE : Figures in bracket represents cash outflow.			
Significant Accounting Policies	19		
Notes on Accounts	20		

Schedules 1 to 20 form an integral part of the accounts

As per our report of even date annexed
For B. K. SHROFF & CO.
Chartered Accountants

O.P. Shroff
Partner

Parvinder S Arora
Company Secretary

A. K. Jain
Chief Financial Officer

Rajeev Gupta
Director

Ashok Jaipuria
Chairman & Managing Director

Place : New Delhi
Date : 5th June, 2009

Schedules (forming part of the accounts)

	Current Year Rs. Crores	Previous Year Rs. Crores
1. SHARE CAPITAL		
Authorised 2,50,00,000 Equity shares of Rs.10 each	25.00	25.00
Issued, Subscribed and paid-up 1,94,40,076 Equity shares of Rs.10 each fully paid up	19.44	19.44
	19.44	19.44

Of the above,

- a) 2,42,051 shares have been allotted to erstwhile shareholders of Gujarat Propack Limited on amalgamation.
b) 84,86,705 shares have been allotted as fully paid bonus shares by capitalisation of capital reserve and share premium account.

	Balance as at 1.4.2008 Rs. Crores	Additions Rs. Crores	Deductions Rs. Crores	Balance as at 31.03.2009 Rs. Crores
2. RESERVES AND SURPLUS				
Share Premium Account	31.26	-	-	31.26
General Reserve	130.49	76.09	-	206.58
	161.75	76.09	-	237.84

	Current Year Rs. Crores	Previous Year Rs. Crores
3. SECURED LOANS		
A. From Financial Institutions		
Rupee Term Loans (a)	2.87	8.62
B. From Banks		
Foreign Currency Loans (a)	56.87	35.63
Foreign Currency Loans (b)	64.25	-
Foreign Currency Loans (c)	-	0.52
Rupee Term Loans (a)	44.32	16.25
Cash Credit/Working Capital Demand Loans (d)	93.68	82.90
Cash Credit/Overdraft (e)	1.85	4.99
Vehicle Loan (f)	0.90	0.19
	264.74	149.10

- (a) Secured by first pari-passu charge over the entire fixed assets of the company except assets exclusively charged.
(b) Secured against hypothecation of machinery financed out of the loan amount.
(c) Secured interse on pari-passu basis by way of mortgage of immovable properties both present and future except assets exclusively charged and hypothecation of all movable properties except those on which charge has been created in favour of company's bankers for working capital requirements. The loans are additionally secured by personal guarantee of managing director.
(d) Secured by hypothecation of raw materials, work-in-progress, stores and spares, finished goods, book debts and second charge on fixed assets secured to financial institutions except assets exclusively charged.
(e) Secured against pledge of the fixed deposits of the company.
(f) Secured against hypothecation of vehicle financed out of the loan amount.

Note : Due within a year Rs. 35.04 crores (previous year Rs. 29.91 crores)

	Current Year Rs. Crores	Previous Year Rs. Crores
4. UNSECURED LOANS		
Fixed Deposits	0.01	0.01
Other Loans and Advances	*	0.99
From Banks (* Rs. 13209)	0.01	1.00

Note : Due within a year Rs. 0.01 crores (previous year Rs. 1.00 crores)

5. FIXED ASSETS

Particulars	GROSS BLOCK				DEPRECIATION				NET BLOCK	
	As at 01.04.2008 Rs. Crores	Additions Rs. Crores	Sales/ Adjustments Rs. Crores	Total Rs. Crores	Upto 31.03.2008 Rs. Crores	For the year Rs. Crores	Adjustments Rs. Crores	Total Rs. Crores	As at 31.03.2009 Rs. Crores	As at 31.03.2008 Rs. Crores
Land - Freehold	0.47	0.16	-	0.63	-	-	-	-	0.63	0.47
- Leasehold	1.20	-	-	1.20	0.05	0.01	-	0.06	1.14	1.15
Land & Buildings	1.58	-	-	1.58	0.02	0.02	-	0.04	1.54	1.56
Buildings *	37.22	16.99	-	54.21	9.12	1.35	-	10.47	43.74	28.10
Plant & Machinery **	379.02	142.63	0.28	521.37	214.45	18.20	67.99	164.66	356.71	164.57
Furniture, Fixture & Fittings (*Rs. 25376)	2.13	0.14	0.01	2.26	1.26	0.13	*	1.39	0.87	0.87
Factory & Office Equipment	9.71	1.18	0.07	10.82	6.97	0.53	0.02	7.48	3.34	2.74
Vehicles	5.42	1.98	1.12	6.28	1.39	0.56	0.34	1.61	4.67	4.03
	436.75	163.08	1.48	598.35	233.26	20.80	68.35	185.71	412.64	
Previous year	436.64	28.82	28.71	436.75	234.70	25.31 ***	26.75	233.26	-	203.49
Capital work in progress ****									0.75	10.41
									413.39	213.90

* Includes Rs. 0.64 crores towards cost of residential space in a Corporate Housing Society. The Company has taken possession of the same in terms of agreement to sell. Conveyance Deed is yet to be registered. Besides, the amount includes cost of shares of the said society received by the Company which are yet to be transferred in the name of the Company.

(b) Includes cost of 5 shares of Rs. 50 each of Pluto Apartment Co-operative Housing Society Ltd. paid as part of cost of flat.

** Additions are net of interest received from banks Rs. 0.24 crores (previous year Rs. nil) earned on funds received for capital expenditure.

(b) Adjustment in depreciation includes Rs. 67.75 crores (previous year nil) on account of retrospective change in method of depreciation (Refer note no.10 on schedule 20) and Rs. 0.14 crores (previous year nil) on exchange rate difference of liability for acquisition of assets (Refer note no.13 on schedule 20).

(c) Addition includes Rs. 0.93 crores (previous year nil) on account of exchange difference (net).

*** Includes Rs. nil (Previous year Rs. 1.01 crores) loss on impairment.

**** Capital-work-in progress includes Rs. 0.37 crores (previous year Rs. 8.20 crores) on account of advance against capital expenditure.

	No of shares / Units		Face Value	Current Year	Previous Year
	Current Year	Previous Year		Rs. Crores	Rs. Crores
6. INVESTMENTS					
Long Term Investments in Equity shares					
a) In Subsidiary Companies (Unquoted - Trade) Cosmo Films inc.	1500	1500	\$0.01	1.22	1.22
b) Other Investments (Quoted - Nontrade) Cosmo Ferrites Ltd.	5,548,475	5,548,475	Rs.10	5.55	5.55
				6.77	6.77
Aggregate book value of quoted investments				5.55	5.55
Aggregate book value of unquoted investments				1.22	1.22
				6.77	6.77
Aggregate market value of quoted investments				2.96	5.91

Note :

- (i) The company has given a non-disposal undertaking to the financial institutions in respect of shares held in Cosmo Ferrites Ltd.
- (ii) In the opinion of the management, the diminution in the value of long term investments is temporary in nature and hence provision for the same is not considered necessary.

	Current Year Rs. Crores	Previous Year Rs. Crores
7. INVENTORIES		
(As taken, valued and certified by the management)		
Raw material (including material in transit Rs. nil, previous year Rs. 27.85 crores)	23.91	41.18
Stores & spares	15.30	15.52
Finished goods (including material in transit Rs. 7.33 crores, previous year Rs. 2.30 crores)	18.98	12.06
Stock-in-Process	0.23	1.67
	58.42	70.43
8. SUNDRY DEBTORS *		
(Unsecured)		
Exceeding six months	29.33	0.69
Others	64.03	92.59
	93.36	93.28
* Includes amount receivable from subsidiary Rs. 48.95 crores (previous year Rs. nil)		
9. CASH & BANK BALANCES		
Cash, Cheques & Stamps in hand	0.02	0.10
Balances with Scheduled Banks		
In Current / Cash Credit Account	1.47	1.91
In Fixed Deposit/Margin Money Account *	27.83	5.14
	29.32	7.15
* Includes Rs. 12.68 crores (previous year nil) held with a bank in India out of ECB borrowings for capital expenditure.		
10. LOANS & ADVANCES		
(Unsecured - considered good unless otherwise stated)		
Loan to a subsidiary	16.71	-
Advances (recoverable in cash or in kind or for value to be received) *		
Considered good	28.60	22.66
Considered doubtful	-	2.03
	28.60	24.69
Less: Provision for doubtful advances	-	2.03
	28.60	22.66
Balances with Central Excise / Customs authorities	5.65	5.16
Security Deposits	0.35	1.36
Tax deducted at Source / Advance Tax	15.71	20.75
	67.02	49.93
* Includes (i) amount due from directors & officers nil (previous year nil)		
(ii) maximum amount due at any time nil (previous year nil)		
11. CURRENT LIABILITIES		
Sundry Creditors *	19.20	18.19
(Refer note no. 19 on schedule 20)		
Other Liabilities	31.42	24.80
(Refer note no. 17 on schedule 20)		
Trade Deposits	0.07	0.07
Interest accrued but not due on loans	1.67	0.91
	52.36	43.97
* Includes amount payable to subsidiary Rs. 0.27 crores (previous year Rs. nil)		

	Current Year Rs. Crores	Previous Year Rs. Crores
12. PROVISIONS		
For current tax	11.35	18.10
For fringe benefit tax	0.46	0.35
For proposed dividend	9.72	9.72
For corporate tax on dividend	1.65	1.65
For gratuity	0.94	-
For leave encashment	1.49	1.11
	25.61	30.93
13. MISCELLANEOUS EXPENDITURE		
(To the extent not written off or adjusted)		
SHARE/DEBENTURE ISSUE EXPENSES		
As per last Balance Sheet	0.02	0.06
Less : Written off during the year	0.02	0.04
	-	0.02
PRELIMINARY EXPENSES		
As per last Balance Sheet (* Rs. 22958 previous year Rs. 48916)	*	*
Less : Written off during the year (*Rs. 22958 previous year Rs. 25958)	*	*
	-	-
	-	0.02
14. OTHER INCOMES		
Interest on deposits with banks	0.70	0.69
Interest received on loans and deposits	0.05	0.20
Interest received from subsidiary	0.18	-
Dividend on non trade current investments (others) (* Rs. 16191)	-	*
Insurance & other claims	0.16	0.37
Miscellaneous receipts	2.11	2.34
Bad debts recovered	-	0.01
Profit on sale of raw material (net)	-	0.04
Profit on sale of stores & spares (net)	-	0.02
Profit on sale of fixed assets (net)	-	0.47
Exchange rate fluctuation (net)	7.82	1.55
Excess Provisions / Liabilities no longer required written back	2.08	0.53
	13.10	6.22
15. INCREASE/(DECREASE) IN STOCKS		
Closing stocks		
Finished goods	18.98	12.06
Stock in process	0.23	1.67
	19.21	13.73
Opening stocks		
Finished goods	12.06	11.46
Stock in process	1.67	2.13
	13.73	13.59
Increase/(Decrease) in Stocks	5.48	0.14

		Current Year Rs. Crores	Previous Year Rs. Crores
16. MANUFACTURING AND OTHER EXPENSES			
Raw Materials consumed		406.66	343.33
Stores, Spares & Packing material		27.73	27.04
Power, Water & Fuel		47.72	38.73
Other Manufacturing expenses		0.54	-
Excise duty		5.81	4.49
Salaries, Wages, Bonus & Other benefits		31.30	26.71
Gratuity		1.35	2.47
Contribution to Provident / Superannuation			
Funds, Employees State Insurance etc.		2.28	1.85
Staff Welfare expenses		0.60	0.48
Training & Recruitment expenses		0.44	0.21
Rent		0.56	0.56
Rates & Taxes		0.17	0.08
Insurance		0.63	0.69
Printing & Stationary		0.24	0.37
Bank & financial charges		4.02	2.05
Travelling & Conveyance		2.98	2.10
Vehicle Running & Maintenance		1.33	1.07
Communication expenses		0.84	0.76
Repairs & Maintenance			
Plant & Machinery	2.93		3.69
Building	0.37		0.36
Others	1.43	4.73	0.89
Legal & professional charges		3.03	1.17
Directors' Fees		0.05	0.05
Charity & Donations		0.10	0.03
Miscellaneous expenses		0.89	1.11
Auditors' Remuneration			
As Audit fees	0.11		0.11
As Quarterly Audit fees	0.10		0.10
As Tax Audit fees	0.02		0.02
In Other capacity	0.01		0.01
Out of pocket expenses (* Rs. 36680)	0.01	0.25	*
Freight & Forwarding		21.88	27.73
Selling Commission		2.43	4.51
Other Selling expenses		1.06	0.89
Bad Debts / advances provided written off			
Amount written off	0.93		0.30
Amount provided	-		2.03
	0.93		2.33

	Current Year Rs. Crores	Previous Year Rs. Crores
Less : amount already provided in earlier years written off	-	0.03
recovered	0.93	1.92
Investment provided/written off		
Amount written off	-	0.01
Less : amount already provided in earlier years written off	-	0.01
Claims paid/written off (* Rs. 10861, previous year Rs. 27750)	*	*
Sales Tax payments	2.77	2.14
Loss on fixed assets sold/discarded (net)	0.41	-
Miscellaneous expenditure written off	0.02	0.04
	573.75	497.76
Less : Pre-operative expenditure capitalized	5.04	0.53
	568.71	497.23
17. INTEREST		
On Term Loans	7.59	6.70
To Banks & others	9.67	6.13
	17.26	12.83
Less : Pre-operative expenditure capitalized	3.29	-
	13.97	12.83
18. BASIC & DILUTED EARNING PER SHARE		
(a) Excluding Extraordinary item		
Profit after tax excluding extraordinary item	42.74	44.50
Number of equity shares outstanding during the year	19,440,076	19,440,076
Basic & Diluted earning per share (Rs.)	21.98	22.89
(b) Including Extraordinary item		
Profit after tax including extraordinary item	87.46	44.50
Number of equity shares outstanding during the year	19,440,076	19,440,076
Basic & Diluted earning per share (Rs.)	44.99	22.89

Note : Issue price of equity share warrants is more than its fair value and employee stock option scheme is yet to be framed. There is no dilution.

19. SIGNIFICANT ACCOUNTING POLICIES

a. METHOD OF ACCOUNTING

The accounts of the company are prepared under the historical cost convention using the accrual method of accounting unless otherwise stated hereafter. Accounting policies not specifically referred to are consistent with generally accepted accounting principles.

b. FIXED ASSETS

Fixed assets are stated at cost of acquisition, inclusive of inward freight, duties & taxes and incidental expenses related to acquisition and are net of CENVAT credit. In respect of major projects involving construction, related preoperational expenses form part of the value of the assets capitalized.

c. INVESTMENTS

Long-term investments are stated at cost of acquisition. Provision for diminution in the value of long-term investment is made only if; such a decline is other than temporary in the opinion of the management.

d. INVENTORIES

Inventories are valued at lower of cost or net realizable value after providing for cost of obsolescence and other anticipated losses wherever considered necessary. Cost is determined on weighted average basis (previously raw material was valued on FIFO basis). Finished goods include cost of conversion and other costs incurred in bringing the inventories to their present location and condition. (refer note no 11 on schedule 20)

e. DEPRECIATION

Depreciation is calculated on leased and other fixed assets on straight-line method in accordance with schedule XIV of Companies Act, 1956 as amended (previously depreciation on plant & machinery of line IV, V and VI was calculated @ 25% on written down value method) (refer note no 10 on schedule 20)

Leasehold land is also being depreciated over the lease period.

In respect of land and building, where no separate valuation is available, depreciation has been provided on the total value of land and building.

f. RESEARCH AND DEVELOPMENT

Revenue expenditure on research and development is charged against the profit of the year in which it is incurred.

Capital expenditure on research and development is shown as an addition to fixed assets.

g. FOREIGN CURRENCY TRANSACTIONS

Foreign currency loans availed for acquisition of fixed assets are converted at the rate prevailing on the due date for installments repayable during the year and at the rate prevailing on the date of balance sheet for the outstanding loan. The fluctuation is adjusted in the original cost of fixed assets. (Previously such Gains/losses were dealt with in the profit and loss account.) (refer note no 13 on schedule 20)

Foreign currency current assets and liabilities are converted into rupee at the exchange rate prevailing on the balance sheet date and the resultant gains/losses are reflected in the profit and loss account.

Wherever forward contracts have been taken the exchange conversion is made at the contracted rate. Gains/losses arising out of cancellation of forward contracts are treated as a revenue item.

h. EXCISE & OTHER DUTIES

Excise duty in respect of finished goods lying in factory premises and custom duty on imported goods lying in custom bonded warehouse are provided and included in the valuation of inventory. CENVAT benefit is accounted for by reducing the purchase cost of the materials/fixed assets. Import duty benefits on exports made by the company are accounted for as export incentives. These accounting treatments have no impact on the profit/loss for the year.

i. EMPLOYEES

Company's contribution to defined contribution plans and state plans are charged to revenue every year. Liability of obligation under defined benefit plans is determined on the basis of an actuarial valuation at the end of the year. Actuarial gains and losses comprises of experience adjustments and the effects of changes in actuarial assumptions and are recognized immediately in the profit and loss account as income or expense.

Liability towards additional payment in respect of salary, wages and bonus, if any, is debited to Profit & Loss Account in the year in which the agreement is finalised with employees.

j. TAXATION

Provision for Income Tax is based on assessable profits of the company as determined under the Income Tax Act, 1961.

k. DEFERRED TAXATION

Deferred taxation is provided using the liability method in respect of the taxation effect arising from all material timing differences between the accounting and tax treatment of income and expenditure which are expected with reasonable probability to crystallize in foreseeable future.

Deferred tax benefits are recognized in the financial statements only to the extent of any deferred tax liability or when such benefits are reasonably expected to be realizable in the near future.

l. MISCELLANEOUS EXPENDITURE

Share/debenture issue expenses and preliminary expenses are being proportionately written off over a period of ten years.

m. INCOME FROM SALES

Exports are accounted for on the basis of the date of bill of lading/airways bill. Domestic sales are accounted for on dispatch from factory.

Sales are inclusive of export incentives/ benefits and are net of rebates and discounts.

n. INCOME FROM INVESTMENTS/DEPOSITS

Income from investments is credited to revenue in the year in which it accrues. Income is stated in full with the tax thereon being accounted for under advance tax.

o. CLAIMS AND BENEFITS

Claims receivable and export benefits are accounted on accrual basis to the extent considered receivable.

p. BORROWING COSTS

Borrowing costs that are directly attributable to the acquisition, construction or production of qualifying asset are capitalized as part of the cost of that asset. Other borrowing costs are recognized as an expense in the period in which they are incurred. Capitalization of borrowing costs ceases when substantially all the activities necessary to prepare the qualifying assets for its intended use are complete.

q. EARNING PER SHARE

Basic earning per share is calculated by dividing the net profit for the year attributable to equity shareholders by the weighted average number of equity shares outstanding during the year.

Diluted earning per share is calculated by dividing the net profit attributable to equity shareholders by the weighted average number of equity shares outstanding during the year (adjusted for the effects of dilutive options)

r. IMPAIRMENT OF ASSETS

Impairment loss is provided to the extent the carrying amount of assets exceeds their recoverable amount. Recoverable amount is the higher of an asset's net selling price and its value in use. Value in use is the present value of estimated further cash flows expected to arise from the continuing use of an asset and from its disposal at the end of its useful life.

s. CONTINGENT LIABILITIES

Unprovided contingent liabilities are disclosed in the accounts by way of notes giving nature and quantum of such liabilities.

20. NOTES ON ACCOUNTS

		Current Year Rs. crores	Previous Year Rs. crores
1.	Estimated amount of contracts (net of advances) remaining to be executed on capital account and not provided for	0.12	73.11
2.	Contingent Liabilities not provided for in respect of		
	a) Bank guarantees (including deferred guarantees)	5.23	1.78
	b) Disputed demands for Income tax, Sales Tax, Excise duty, etc.	6.62	2.44

3. The company has received Rs. 7.86 crores (previous year Rs. 5.85 crores) on discounting of letter of credits which have been reduced from debtors in these accounts.
4. The company has opened Letter of credit for Rs.18.97 crores (Previous year Rs. 5.67 crores) for which the material has not been shipped as on the date of the Balance sheet.
5. Figures for previous year have been regrouped / rearranged wherever considered necessary.
6. In respect of capital goods imported under EPCG Scheme, the company has executed bonds of Rs. 226.12 crores in favour of the President of India for import at a concessional rate of custom duty. The company is under an obligation to export products for Rs. 872.18 crores (FOB) within a period of eight years from the date of issue of licenses (issued from 03.10.2000 to 16.09.2008) for import of capital goods. The company has exported goods worth Rs. 429.07 crores (FOB) till 31.03.2009.
7. In terms of the approval of the shareholders of the company and as per the applicable statutory provisions, the company on 4th February, 2008, has issued and allotted 3100000 warrants convertible into same number of equity shares of the company of Rs. 10 each at a price of Rs. 107 (including a premium of Rs. 97) per warrant on preferential basis to the persons belonging to promoter group of the company. The warrant holders have paid Rs. 10.70 per warrant. The warrant holders have a right to apply for equity shares of the company at any time within 18 months from the date of allotment of warrants.
8. The company in its extra-ordinary general meeting held on 11th January, 2008 resolved to issue and allot equity shares not exceeding 1000000 in number under 'Employee Stock Option Scheme' at such price and at such time as may be decided by the board. No equity shares have been issued or allotted.
9. The company has entered into an agreement on 29th January 2009 to purchase the GBC Commercial Print Finishing business from Acco Brands Corporation of USA for which USD 3 mn has been deposited in escrow account through subsidiary of the company. The said acquisition is subject to certain conditions precedent to closing including regulatory approvals.
10. Depreciation on Plant and Machinery of line IV, V and VI which was hitherto provided @ 25% on written down value method has been recomputed at the rates prescribed in schedule XIV of the Companies Act 1956 on straight line method with retrospective effect. As a result of above change:
 - (a) the excess depreciation of Rs. 67.75 crores provided in earlier years has been written back in the profit & loss account and shown as an extraordinary item in order to reflect a more appropriate preparation / presentation of financial statements
 - (b) deferred tax liability of Rs. 23.03 crores on excess depreciation of earlier years has also been adjusted as an extraordinary item.

Consequently, depreciation for the year is lower by Rs. 0.92 crores, the profit after tax including extraordinary item is higher by Rs. 45.64 crores , deferred tax liability is higher by Rs. 23.03 crores and fixed assets are higher by Rs. 68.67 crores .
11. During the year the company has implemented SAP ERP software. Due to the implementation the company had to make following changes as compared to the previous year:

- i) Raw material which was hitherto valued at cost on FIFO basis has this year been valued at cost on weighted average basis.
- ii) Basis of calculation of cost of finished goods has been recasted.

As a result of above changes, the profit after tax including extraordinary item is lower by Rs. 2.28 crores.

12. The company has an investment of Rs. 1.22 crores in equity shares of Cosmo Films Inc, a wholly owned subsidiary and has outstanding balance of loans amounting to Rs. 16.71 crores and debts amounting to Rs. 48.95 crores due from said subsidiary. Although the net worth of said subsidiary has eroded, the management continue to classify the above mentioned dues as fully realizable. Since the management considers the investment in equity of said subsidiary to be of a strategic nature, the management does not consider it necessary to recognize any diminution in the value of investments or to make provision for possible non –realisability of dues from said subsidiary.

13. In terms of Companies (Accounting Standards) Amendment Rules, 2009 whereby "Accounting Standard AS 11" relating to the effects of changes in foreign exchange rates has been amended w.e.f 31st March 2009 by the Central Government in respect of accounting periods commencing on or after 7th December 2006 and ending on or before 31st March 2011, the exchange difference arising on reporting of long term foreign currency monetary items which were being debited/credited to the profit & loss account in previous financial statements in so far as they relate to the acquisition of a depreciable asset has now been added to or deducted from the cost of the assets to be depreciated over the residual life of the asset. As a result of above amendment :

- (a) Foreign currency exchange difference gain of Rs. 5.20 crores for the period upto 31st March 2008 which was earlier credited to the profit & loss account has now been reversed and reduced from

the cost of fixed assets and depreciation of Rs. 0.14 crores thereon for the period upto 31st March 2008 has also been adjusted. The net impact is shown in the profit & loss account as an exceptional item.

- (b) Foreign currency exchange difference loss of Rs. 6.13 crores for the current year has been added to the cost of fixed assets.

Consequently, depreciation for the year is lower by Rs. 0.48 crores.

14. The company has claimed/will claim 100% Deferral/ Exemption benefits under sales tax for the financial years from 1996-97 to 2008-09 on the basis of decision of the Hon'ble First Bench of the Maharashtra Sales Tax Tribunal at Mumbai in case of M/s Pee Vee Textile Ltd. and VIP Industries Ltd. The said benefits have not been allowed to the company for the financial years 1996-97 to 2002-03 and the company has gone in appeal and for the financial years 2003-04 to 2007-08 assessments are yet to be completed and for the financial year 2008-09 annual returns are to be filed. Based upon legal opinion received and Hon'ble First Bench of the Maharashtra Sales Tax Tribunal Mumbai Judgments, company is hopeful that the matter will be decided in its favour. Consequent upon favourable judgment, the company will be entitled to an income of Rs. 19.86 crores which has not been considered in these accounts.

15. In pursuance of Accounting Standard on Impairment on Assets (AS-28) issued by Institute of Chartered Accountants of India the company had identified and impaired certain assets / cash generating units. There is no further impairment / reversal during the year.

16. The business of the company is mainly of manufacture and sale of packaging films in economic environments that are subject to similar risk and returns. Therefore there is no reportable segment as per the provisions of Accounting Standard 17 "Segment Reporting" issued by the Institute of Chartered Accountants of India.

17. The following amounts are to be credited to Investor education and protection fund as and when due

		Current Year Rs. crores	Previous Year Rs. crores
i.	Unpaid dividend	0.60	0.52
ii.	Unpaid application money received for allotment of securities and due for refund	-	-
iii.	Unpaid matured deposits	0.01	0.01
iv.	Unpaid matured debentures	-	-
v.	Interest accrued on above	-	-

18. Loans and advances in the nature of loans given to subsidiaries and associates etc:

		Current Year Rs. crores	Previous Year Rs. crores
a)	i) Loans given to subsidiary company M/s Cosmo Films Inc. outstanding at the year end	16.71	-
	ii) Maximum amount outstanding during the year	16.71	-
b)	i) Shares held by the loanee in the company outstanding at the year end	-	-
	ii) Maximum number of shares held during the year	-	-

19. The Company has circulated letters to all its suppliers requesting them to confirm whether they are covered under the Micro, Small and Medium Enterprises Development Act, 2006 ('MSMED'). Certain suppliers have provided the necessary confirmation alongwith the evidence of being Micro or small enterprises. However from the majority of the suppliers these confirmations are still awaited. On the basis of available information no principal or interest is payable at the year end to any supplier covered under MSMED. Further no interest was payable or paid during the year to any such supplier.

20. Net foreign currency exposure that are not hedged by derivative instruments :

Currency	Current Year	Previous Year
USD	(20,226,251)	(4,953,663)
EURO	720,407	1,341,814
GBP	1,166,504	1,452,330

Note : Figures in bracket signifies amount payable.

21. Directors Remuneration

		Current Year Rs. crores	Previous Year Rs. crores
a)	Remuneration		
	Salary	0.29	1.15
	Commission	3.08	2.86
	Contribution to Provident & Superannuation Funds	0.05	0.09
	Benefits	0.01	0.04

b)	Computation of net profits for the purpose of calculating Managing Director's Commission :	Current Year Rs. crores
	Profit before tax	64.62
	Add : Director's fees	0.05
	Director's remuneration	3.43
	Loss on sale of fixed assets	0.41
	Net profit in accordance with section 19 (1) / 349	68.51
	Managing Director's Remuneration @ 5%	3.43
	Salary & other benefits	0.35
	Commission Payable	3.08

22. As required under Accounting standard (AS) 22, 'Accounting for taxes on income' issued by the Institute of Chartered Accountants of India , the company is required to account for deferred taxation while preparing its accounts. The details of deferred tax assets / liabilities are as under :

	As at 31st March 2008 Rs. crores	Tax effect for the year Rs. crores	As at 31st March 2009 Rs. crores
Deferred Tax (liability)			
Fixed Assets	(36.72)	(34.21)	(70.93)
	<u>(36.72)</u>	<u>(34.21)</u>	<u>(70.93)</u>
Deferred Tax Assets			
Disallowances under section 43B	4.06	1.91	5.97
Others	0.69	(0.69)	-
	<u>4.75</u>	<u>1.22</u>	<u>5.97</u>
Net deferred tax Assets / (Liability)	(31.97)	(32.99)	(64.96)

23. Related Party Disclosure

(i) Names of related parties and description of relationship

(a) Subsidiary Companies

- Cosmo Films Inc. (Incorporated on 04.12.2007)
- Cosmo International (US) Inc. (Voluntarily dissolved on 19.03.2008)

(b) Associates

- Cosmo Ferrites Limited

(c) Key Managerial personnel & their relatives

- Sh. Ashok Jaipuria, Chairman & Managing Director
- Sh. S. K. Mittal, Executive Director (upto 31.05.2007)

(d) Enterprises over which key managerial personnel have significant influence

- Pravasi Enterprises Limited

(ii) Transactions with related parties during the year

S. No.	Particulars	Subsidiary Companies (Rs. crores)	Associates (Rs. crores)	Key Managerial Personnel & their relatives (Rs. crores)	Enterprises over which key managerial personnel have significant influence (Rs. crores)
a)	Remuneration paid	- (-)	- (-)	3.43 (4.14)	- (-)
b)	Subscription received towards equity share warrants	- (-)	- (-)	- (0.54)	- (2.78)
c)	Investment made	- (1.22)	- (-)	- (-)	- (-)
d)	Sales	60.59 (-)	- (-)	- (-)	- (-)
e)	Loan given	16.71 (-)	- (-)	- (-)	- (-)
f)	Interest earned	0.18 (-)	- (-)	- (-)	- (-)
g)	Fixed assets sold	- (0.71)	- (-)	- (-)	- (-)
h)	Fixed assets purchased	0.27 (-)	- (-)	- (-)	- (-)
i)	Investments provided earlier now written off	- (0.01)	- (-)	- (-)	- (-)
j)	Advances recovered	- (0.01)	- (-)	- (-)	- (-)
k)	Advances provided earlier now written off	- (0.02)	- (-)	- (-)	- (-)
l)	Net liability takeover on dissolution	- (0.01)	- (-)	- (-)	- (-)
m)	Amount outstanding				
	- Equity share warrants	- (-)	- (-)	0.54 (0.54)	2.78 (2.78)
	- Investments	1.22 (1.22)	5.55 (5.55)	- (-)	- (-)
	- Sundry debtors	48.95 (-)	- (-)	- (-)	- (-)
	- Against loan given	16.71 (-)	- (-)	- (-)	- (-)
	- Sundry creditors	0.27 (-)	- (-)	- (-)	- (-)
	- Other payables	- (-)	- (-)	3.08 (2.86)	- (-)

(iii) Other relevant information: -

- (a) Related parties enlisted in (i) above are those having transaction with the company.
- (b) The above excludes sitting fee Rs. 0.05 crores (Previous year Rs. 0.05 crores) paid to non executive directors.
- (c) Previous year figures are given in brackets.

24. Employee Benefit Obligations:

The various benefits provided to employees has been classified as under:-

a) Defined Contribution Plans

The company makes contribution towards superannuation to a defined contribution retirement benefits plan for qualifying employees. The superannuation fund is administered by the Trustees of Cosmo Films limited Superannuation Fund. The fund has taken policy with Life Insurance Corporation of India to provide for payment of retirement benefits to vested employees. During the year contribution paid to the superannuation fund Rs. 0.88 crores (previous year Rs. 0.69 crores) by the company to cover fully the benefits to be paid to the employees has been charged to the profit & loss account.

b) State Plans

The company had set up a separate Provident Fund in respect of certain categories of employees which

was a defined contribution plan. For other employees, Provident Fund is accrued on monthly basis in accordance with the terms of contract with the employees and is deposited with the "Statutory Provident Fund". However, w.e.f. the month of February, 2008 the contribution in respect of employees which were covered by the separate Provident Fund is also being deposited with the "Statutory Provident Fund ". During the year Rs. nil (previous year Rs. 0.15 crores) has been paid as contribution to the fund and Rs. 1.22 crores (previous year Rs. 0.86 crores) has been paid as contribution to the Statutory Provident Fund as employer's contribution which has been charged to the profit & loss account. Accrued balance upto February, 2008 is also being transferred from the fund to "Statutory Provident Fund". Besides, Employee State Insurance in respect of eligible employees is also being deposited with the statutory fund. During the year Rs. 0.02 crores (previous year Rs. 0.04 crores) have been paid to the fund as employer's contribution which has been charged to the profit & loss account.

c) Defined Benefit Plans (Funded)

The company makes contribution towards gratuity to a defined contribution retirement benefits plan for qualifying employees. The gratuity fund is administered by the Trustees of Cosmo Films limited Gratuity Fund. The fund has taken policy with Life Insurance Corporation of India to provide for payment of retirement benefits to vested employees. The present value of obligation is determined based on actuarial valuation.

		As on 31.03.2009 Rs. Crores	As on 31.03.2008 Rs. Crores
1	Assumptions		
	Discount Rate	8%	7%
	Salary Escalation	7%	7%
2	Table showing changes in present value of obligations		
	Present value of obligations as at beginning of year	4.52	4.47
	Interest cost	0.36	0.31
	Current Service Cost	0.38	0.29
	Benefits Paid	(0.32)	0.28
	Actuarial (gain)/Loss on obligations	0.78	(0.27)
	Present value of obligations as at end of year	5.72	4.52
3.	Table showing changes in the fair value of plan assets		
	Fair value of plan assets at beginning of year	4.75	2.34
	Expected return on plan assets	0.45	0.23
	Contributions	0.38	2.45
	Benefits Paid	(0.32)	0.28
	Actuarial Gain/(Loss) on Plan assets	NIL	NIL
	Fair value of plan assets at the end of year	5.26	4.75
4	Table showing fair value of plan assets		
	Fair value of plan assets at beginning of year	4.75	2.34
	Actual return on plan assets	0.45	0.23
	Contributions	0.38	2.45
	Benefits Paid	(0.32)	0.28
	Fair value of plan assets at the end of year	5.26	4.75
	Funded status	(0.46)	0.23
	Excess of Actual over estimated return on plan assets	NIL	NIL
	(Actual rate of return = Estimated rate of return as ARD falls on 31 st March)		
5	Actuarial gain/ Loss recognized		
	Actuarial gain/(Loss) for the year – Obligation	(0.78)	0.27
	Actuarial (gain)/Loss for the year – Plan assets	NIL	NIL
	Total (gain)/Loss for the year	0.78	(0.27)
	Actuarial (gain)/Loss recognized in the year	0.78	(0.27)
6	The amounts to be recognized in the balance sheet and statements of Profit and loss		
	Present value of obligations as at the end of year	5.72	4.52
	Fair value of plan assets as at the end of the year	5.26	4.75
	Funded status	(0.46)	0.23
	Net Asset/(Liability) recognized in balance sheet	0.46	(0.23)
7	Expenses Recognized in statement of Profit & Loss		
	Current Service cost	0.38	0.29
	Interest Cost	0.36	0.31
	Expected return on plan assets	(0.45)	0.23
	Net Actuarial (gain)/Loss recognized in the year	0.78	(0.27)
	Expenses recognized in statement of Profit & Loss	1.08	0.09

d) Defined Benefit Plans (Unfunded)

In respect of leave encashment the present value of obligation is determined based on actuarial valuation by an independent actuary based on LIC 1994-96 (ultimate) mortality table. The actuarial valuation is based on terminal salary determined by assuming an appropriate annual salary rise and discounted by assuming an imputed rate of interest. The difference between the obligation at the beginning of the year Rs. 1.11 crores (previous year Rs. 0.84 crores) and at the end of the year Rs. 1.49 crores (previous year Rs. 1.11 crores) together with the amount paid during the

year Rs. 0.24 crores (previous year Rs. 0.25 crores) has been charged to the profit & loss account.

- 25 (a) During the year nil (Previous year 111 MT) of raw material worth Rs. nil (Previous year 0.75 crores) was sold. Corresponding sale price of such material was Rs. nil (Previous year Rs. 0.79 crores).
- (b) During the year stores & spares worth Rs. nil (Previous year Rs. 0.46 crores) was sold. Corresponding sale price of such material was Rs. nil (Previous year Rs. 0.48 crores).

26. Information pursuant to the provision of Part II & Part IV of schedule VI of Companies Act, 1956

	Current Year Qty. (MT)		Previous year Qty. (MT)	
A. Capacities & Production				
Class of goods				
Biaxially Oriented Polypropylene (BOPP) Film & Synthetic paper (including semi-finished & Waste) Licensed capacity Installed capacity (as certified by management) Production (includes internal consumption)	N.A. 116200 64639		N.A. 78200 64604	
	Qty. (Units)		Qty. (Units)	
Thermal Lamination Machines Licenced capacity Installed capacity (as certified by management) Production	N.A. N.A. -		N.A. N.A. -	
B. Purchase, Turnover & stock of goods	Current Year		Previous year	
Class of goods	Qty. MT	Value Rs. Crores	Qty. MT	Value Rs. Crores
Biaxially Oriented Polypropylene (BOPP) Film & Synthetic paper (including semi- finished & Waste)				
Turnover	56110	692.60	52344	616.61
Opening Stock	1505	11.70	1208	11.33
Closing Stock	2023	18.71	1505	11.70

	Qty. Units	Value Rs. Crores	Qty. Units	Value Rs. Crores
Thermal Lamination Machines				
Purchases	8	0.23	18	0.48
Turnover	11	0.42	10	0.25
Opening Stock	12	0.36	4	0.13
Closing Stock	9	0.27	12	0.36
C. Consumption of Raw Materials	Qty. MT	Value Rs. Crores	Qty. MT	Value Rs. Crores
Polypropylene/EVA	54033	379.34	47385	298.89
Others		27.32		44.44
		406.66		343.33
D. Value of imported/indigenous Raw Material and Stores & Spares / Packing Material consumed	Percentage	Value Rs. Crores	Percentage	Value Rs. Crores
Raw Material				
Imported	33.20	134.99	29.74	102.10
Indigenous	66.80	271.67	70.26	241.23
	100.00	406.66	100.00	343.33
Stores, Spares and Packing Material				
Imported	14.46	4.01	12.52	3.39
Indigenous	85.54	23.72	87.48	23.65
	100.00	27.73	100.00	27.04
E. Other additional informations	Current Year Rs. Crores		Previous Year Rs. Crores	
C.I.F Value of Imports				
Raw Materials	113.93		95.46	
Stores & Spares	3.13		3.72	
Capital goods	95.71		5.80	
Expenditure in Foreign Currency				
Travelling & Training	0.46		0.59	
Services of foreign technicians	.09		0.41	
Sales Commission & Others	5.99		10.63	
Interest on Foreign currency loan	1.91		6.70	
Earnings in Foreign Exchange				
FOB value of exports	286.21		332.66	
Remittance in Foreign Currency on Account of dividend to Non-Resident shareholders				
No of Shareholders	60		58	
Shares held by them	19860		21040	
Net amount of Dividend	0.01		0.01	
Note : Does not include dividend paid in India to the mandatees of non-resident shareholders				

27. Balance Sheet Abstract and Company's General Business Profile

i. Registration Details

Registration No / State Code 8 3 5 5 / 5 5

Balance Sheet Date 3 1 0 3 2 0 0 9
Date Month Year

ii. Capital Raised during the year (Amount in Rs. Thousands)

Public Issue

N I L

Bonus Issue

N I L

Right Issue

N I L

Private Placement

N I L

iii. Position of Mobilisation and Deployment of Funds (Amount in Rs. Thousands)

Total Liabilities

5 9 0 3 0 9 8

Sources of Funds

Paid-up Capital

2 2 7 5 7 1

* including subscription to equity share warrants 33170

Secured Loans

2 6 4 7 4 2 7

Application of Funds

Net Fixed Assets

4 1 3 3 9 0 7

Net Current Assets

1 7 0 1 5 0 1

Accumulated Loss

N I L

Total Assets

5 9 0 3 0 9 8

Reserves and Surplus*

3 0 2 8 0 0 7

*Including deferred tax liability 649632

Unsecured Loans

9 3

Investments

6 7 6 9 0

Misc. Expenditure

N I L

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

Turnover

6 6 7 9 1 7 5

Profit/(Loss) Before Tax *

6 4 6 1 6 7

Basic & Diluted Earning per Share *(Rs.)

2 1 . 9 8

* excluding extraordinary item

Total Expenditure

6 0 3 3 0 0 8

Profit/(Loss) After Current and
Deferred Tax*

4 2 7 3 7 2

Dividend (%)

5 0

v. Generic Names of Three Principal Products/Services of Company (As per monetary terms)

Item Code No. (ITC Code)

3 9 2 0 . 9 9

Product Description

B I A X I A L L Y O R I E N T E D P O L Y P R O P Y L E N E
F I L M & S Y N T H E T I C P A P E R

Signature to Schedules 1 to 20

As per our report of even date annexed
For B. K. SHROFF & CO.
Chartered AccountantsO.P. Shroff
PartnerParvinder S Arora
Company SecretaryA. K. Jain
Chief Financial OfficerRajeev Gupta
DirectorAshok Jaipuria
Chairman & Managing DirectorPlace : New Delhi
Date : 5th June, 2009

STATEMENT PURSUANT TO SECTION 212 OF THE COMPANIES ACT, 1956 RELATING TO SUBSIDIARY COMPANY

1. Name of the subsidiary	Cosmo Films, Inc.
2. Financial year of subsidiary ended on	31 st December, 2008
3. Share of the subsidiary held by the Company on the above dates: a. Number and face value b. Extent of holding	1500 Shares of \$0.01 each 100.00%
4. Net aggregate amount of profit / (loss) of the above financial year so far as they concern members of the company a. Dealt with in the accounts of the company for the year ended 31.03.09 b. Not dealt with in the accounts of the company for the year ended 31.03.09	NIL (\$396,400)
5. Net aggregate amount of profit / (loss) of the previous financial years so far as they concern members of the company	NIL
6. Material changes between the end of the financial year and 31 st March 2009. a. Subsidiary's fixed assets b. Subsidiary's investment c. Moneys lent by subsidiary d. Moneys borrowed by subsidiary	NIL NIL NIL \$ 3 million

Place : New Delhi
Date : 5th June, 2009

Parvinder S Arora
Company Secretary

Ashok Jaipuria
Chairman & Managing Director

COSMO FILMS, INC.**Independent auditors' report**

Board of Directors
Cosmo Films, Inc.
New Castle, Delaware

We have audited the accompanying balance sheet of Cosmo Films, Inc. (a wholly owned subsidiary of Cosmo Films Limited) as of December 31, 2008, and the related statement of operations, stockholder's deficiency, and cash flow for the year then ended. 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 audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the 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 audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Cosmo Films, Inc. as of December 31, 2008, and the results of its operations and its cash flow for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Elko & Associates Ltd

March 5, 2009

COSMO FILMS, INC.**Balance sheet** December 31, 2008

ASSETS	
CURRENT ASSETS	
Cash	\$ 178,193
Accounts receivable	1,093,829
Inventories, net	7,597,083
Prepaid expenses	17,402
Deferred income taxes	29,000
Total Current Assets	8,915,507
PROPERTY AND EQUIPMENT	
Machinery and equipment	406,900
Furniture, fixtures and software	172,287
Total Property and Equipment	579,187
Less accumulated depreciation	(27,217)
Net Property and Equipment	551,970
OTHER ASSETS	
Deferred income taxes	234,000
Deposits	10,879
Total Other Assets	244,879
TOTAL ASSETS	\$ 9,712,356
LIABILITIES	
CURRENT LIABILITIES	
Accounts payable	\$ 108,154
Accrued expenses and customer deposits	199,066
Current portion of notes payable and capital lease obligations	65,550
Due parent company	8,868,997
Total Current Liabilities	9,241,767
LONG-TERM LIABILITIES	
Notes payable and capital lease obligations, net of current portion	265,989
Note payable to parent	300,000
Total Long-Term Liabilities	565,989
Total Liabilities	9,807,756
STOCKHOLDER'S DEFICIENCY	
Common Stock, par value \$.01, 3,000 shares authorized, 1,500 shares issued and outstanding	15
Contributed capital in excess of par value	300,985
Accumulated deficit	(396,400)
Total Stockholder's Deficiency	(95,400)
TOTAL LIABILITIES AND STOCKHOLDER'S DEFICIENCY	\$ 9,712,356

The accompanying notes are an integral part of these statements.

Statement of operations

For the year ended December 31, 2008

REVENUE	
Film sales	\$ 5,992,610
Freight and other revenue	29,521
Total Revenue	6,022,131
COST OF SALES	
Film cost	4,928,243
GROSS PROFIT	1,093,888
OPERATING EXPENSES	
Selling	922,064
Distribution	319,794
Freight	379,410
Finance	21,691
Administration	70,560
Total Operating Expenses	1,713,519
LOSS FROM OPERATIONS	(619,631)
OTHER EXPENSES	
Interest expense	(14,367)
Discounts and other	(25,402)
Total Other Expenses	(39,769)
LOSS BEFORE BENEFIT FOR INCOME TAXES	(659,400)
BENEFIT FOR INCOME TAXES	263,000
NET LOSS	\$ (396,400)

The accompanying notes are an integral part of these statements.

Statements of changes in stockholder's deficiency

For the year ended December 31, 2008

	Shares	Common Stock	Contributed Capital in excess of Par Value	Deficit	Total
STOCKHOLDER'S EQUITY December 31, 2007	1,000	\$ 10	\$ 990	\$ -	\$ 1,000
Additional paid in capital	500	5	299,995		300,000
Current year's net loss				(396,400)	(396,400)
STOCKHOLDER'S DEFICIENCY December 31, 2008	1,500	\$ 15	\$ 300,985	\$ (396,400)	\$ (95,400)

Statement of cash flow

For the year ended December 31, 2008

CASH FLOWS FROM OPERATING ACTIVITIES	
Net loss	\$ (396,400)
Adjustments to reconcile net loss to net cash used in operating activities:	
Depreciation	27,217
Provision for inventory obsolescence	72,000
Deferred income taxes	(263,000)
Increase in assets:	
Accounts receivable	(1,092,829)
Inventories	(7,669,083)
Prepaid expenses and other	(28,281)
Increase in liabilities:	
Accounts payable and accrued expenses	307,220
Due to parent company	8,868,997
Net Cash Used In Operating Activities	(174,159)
CASH FLOWS FROM INVESTING ACTIVITIES	
Acquisition of equipment	(565,287)
CASH FLOWS FROM FINANCING ACTIVITIES	
Proceeds from long-term debt	330,000
Proceeds from issuance of stock	300,000
Repayment of long-term debt and capital lease obligation	(12,361)
Proceeds of loan from parent	300,000
Net Cash Provided by Financing Activities	917,639
NET INCREASE IN CASH	178,193
CASH – BEGINNING OF THE YEAR	-0-
CASH – END OF YEAR	\$ 178,193

The accompanying notes are an integral part of these statements.

Notes to financial statements For the year ended December 31, 2008

NOTE A – Nature of Operations and Summary of Significant Accounting Policies

Organization – Cosmo Films, Inc. (the “Company”) is a Delaware corporation formed in December 2007, and is a wholly-owned subsidiary of Cosmo Films Limited, a company organized and existing under the laws of the Republic of India (the “Parent”). The Parent manufactures oriented polypropylene film utilized in making packaging, labeling and thermal lamination films. The Parent in turns sells thermal lamination film to the Company, which then re-slits and/or distributes the film to its customers.

Use of Estimates – The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Accounts Receivable - The Company considers accounts receivable to be fully collectible; accordingly, no allowance for doubtful accounts is required. Management periodically reviews accounts receivable for collectibility when balances exceed 90 days and charges income with amounts deemed uncollectible.

Inventory - Inventories are stated at the lower of standard cost (determined by the specific identification method) or market.

Property and Equipment – Property and equipment are stated at cost. Maintenance, repairs and minor renewals are charged to operations as incurred. Depreciation is provided over the estimated useful lives of the assets on straight-line and accelerated methods. The estimated useful lives of the various classes of assets are:

	Range in Years
Machinery and equipment	5-15
Furniture, fixtures and software	5-7

Revenue Recognition – Revenues are recognized when goods are shipped to the customer from the warehouse, plant, or in the case of direct shipments, when the goods are dispatched from the port of embarkation.

Income Taxes – The Company provides for federal and state deferred income taxes. Deferred income taxes result from the effects of temporary differences between the amounts of assets and liabilities used for financial reporting purposes and the amounts used for income tax purposes. The deferred tax assets and liabilities present the future tax return consequences of those differences, which will either be taxable or deductible when the assets and liabilities are recovered or settled.

In June 2006, the FASB issued FIN 48, “Accounting for Uncertainty in Income Taxes” an interpretation of FASB Statement No. 109. The effective date of FIN 48 was for fiscal years beginning after December 15, 2006. The effective date was delayed in 2007 and was delayed again in 2008 for non-public companies. The new effective date for FIN 48 for non-public companies is for fiscal years beginning after December 15, 2008. Management has elected to defer the application of FIN 48, as permitted by FSP FIN 48-3, “Effective Date of FASB Interpretation No. 48 for Certain Non-public Enterprises,” until 2009. Management does not anticipate that the provisions of FIN 48 will have any significant impact on its financial statements. However, additional disclosures may be required of situations, if any, where the Company’s tax positions are considered uncertain. Currently, the FASB is deliberating the manner and extent to which pass-through entities such as the Company will need to apply the provisions of FIN 48.

Notes to financial statements For the year ended December 31, 2008

NOTE B – Notes Payable and Capital Lease Obligations

On December 31, 2008 the Company had the following notes payable and capital lease obligations outstanding:

\$330,000 note payable to a bank with monthly principal and interest installments of \$6,124 through October 2013 and is secured by the equipment. Interest is indexed to the bank's prime rate plus 0.25% and was 3.5% at December 31, 2008	\$ 320,105
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Note payable to Parent, interest only through 2010. Interest is indexed to the 6-month Libor rate and was 4.59% at December 31, 2008	300,000
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Non-cancelable equipment lease obligations described below	11,434
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Less portion due within one year	65,550
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Long-Term portion	\$ 565,989
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The annual maturities of the notes payable are as follows:

Year Ending December 31,	
2009	\$ 65,550
2010	368,543
2011	68,594
2012	69,355
2013	59,497
Total	\$ 631,539

The Company leases certain equipment under noncancelable leases accounted for as capital leases. The equipment is recorded at cost and depreciated over its estimated useful life. The lease obligation is stated at the present value of the payments due over the term of the lease. The equipment under capital leases as of December 31, 2008 had costs of \$13,900 and accumulated depreciation of \$618 resulting in a book value of \$13,282.

NOTE C – Supplemental Disclosure of Cash Flow Information

Cash interest was paid in the amount of \$14,367 for year ended December 31, 2008.

Noncash investing and financing activities:

Equipment purchased by capital lease	\$ 13,900
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Notes to financial statements For the year ended December 31, 2008

NOTE D – Benefit for Income Taxes

The deferred income tax benefit for the year ended December 31, 2008 consists of the following:

Federal income tax benefit	\$ 204,000
State income tax benefit	59,000
Total income tax benefit	<u>\$ 263,000</u>

Significant components of the Company's deferred tax assets and liabilities as of December 31, 2008 are as follows:

Current Deferred Tax Asset:	
Allowance for inventory obsolescence	<u>\$ 29,000</u>
Net Long-Term Deferred Tax Asset (Liability):	
Depreciation	\$ (16,000)
Net operating loss carryforward	250,000
Net Long-Term Deferred Tax Asset	<u>\$ 234,000</u>

As of December 31, 2008, the Company has federal and state net operating loss carryforwards of approximately \$623,000 that will expire in 2028.

NOTE E – Operating Leases

The Company is obligated under a noncancelable lease for its office and warehouse facility, which is accounted for as an operating lease. Rent expense for the year ended December 31, 2008 was \$98,789.

Future minimum payments under the operating lease consisted of the following at December 31, 2008:

<u>Year Ending</u>	
<u>December 31,</u>	
2009	\$ 106,315
2010	101,200
2011	25,300
Total	<u>\$ 232,815</u>

NOTE F – Related Party Transactions

The Company purchases substantially all the film it sells and distributes from its Parent. The transfer pricing between the Company and the Parent is adjusted quarterly and approximates the cost of such goods if purchased from an independent third party. Amounts outstanding to the Parent for film were \$8,868,997 at December 31, 2008.

As indicated in NOTE B above the Company has a note payable to the Parent in the amount of \$300,000 due in March 2010.

Notes to financial statements

For the year ended December 31, 2008

NOTE G – Concentration of Credit Risk

The Company maintains its cash in bank deposit accounts which, at times, may exceed federally insured limits. The Company has not experienced any losses in such accounts. Management believes it is not exposed to any significant credit risk on cash and cash equivalents.

NOTE H – Subsequent Event

On January 29, 2009, the Parent entered into an agreement to acquire certain business interests of ACCO Brands. Pursuant to the asset purchase agreement, a guaranty agreement was executed, whereby the Company guaranteed the Parent's obligations under this agreement if the transaction does not close, unless for reasons specified in the agreement. The maximum liability of the Company is equal to the amount of cash deposited in escrow by the Parent related to the proposed transaction.

Auditors' report on consolidated accounts

AUDITOR'S REPORT TO THE BOARD OF DIRECTORS OF COSMO FILMS LIMITED ON THE CONSOLIDATED FINANCIAL STATEMENTS OF COSMO FILMS LIMITED, ITS SUBSIDIARY NAMELY COSMO FILMS, INC. AND ITS ASSOCIATE NAMELY COSMO FERRITES LIMITED

We have examined the attached consolidated balance sheet of Cosmo Films Limited, its subsidiary and its associate as at 31st March, 2009 and the Consolidated Profit and Loss Account and the consolidated cash flow statement for the year ended on that date.

These financial statements are the responsibility of the Cosmo Films Limited management. Our responsibility is to express an opinion on these financial statements based on our audit. We have conducted our audit in accordance with generally accepted auditing standards in India. These Standards require that we plan and perform the audit to obtain reasonable assurance that whether the financial statements are prepared, in all material respects, in accordance with an identified financial reporting framework and are free of material misstatements. An audit includes, examining on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statements. We believe that our audit provides a reasonable basis for our opinion.

We did not audit the financial statements of Cosmo Films, Inc. whose financial statements reflects total assets of Rs. 47.02 crores as on 31st December, 2008 and total revenues of Rs. 29.39 crores for the year then ended. These financial statements have been audited by other auditor whose report has been furnished to us, and in our opinion, in so far as it relates to the amounts included in respect of the said subsidiary, is based solely on the report of the other auditor. In the absence of availability of audited financial statements of Cosmo Films, Inc. for the period from 1.4.2008 to 31.03.2009, being the accounting period of the parent company, we have considered the available audited financial statements for the period from 01.01.2008 to 31.12.2008 and unaudited financial

statements for the period from 01.01.2009 to 31.03.2009 for the purpose of consolidation.

We report that the consolidated financial statements have been prepared by the company in accordance with the requirements of Accounting Standard (AS) 21, Consolidated Financial Statements and (AS) 23 Accounting for Investments in Associates in Consolidated Financial Statements, issued by the Institute of Chartered Accountants of India and on the basis of the separate audited financial statements of Cosmo Films Limited, its subsidiary namely Cosmo Films, Inc. and its associate namely Cosmo Ferrites Limited included in the consolidated financial statements.

On the basis of the information and explanation given to us and on the consideration of separate audit reports on individual audited financial statements of Cosmo Films Limited, its subsidiary and its associate, we are of the opinion that:

- (a) the Consolidated Balance Sheet gives a true and fair view of the consolidated state of affairs of Cosmo Films Limited, its subsidiary and its associate as at 31st March, 2009;
- (b) the Consolidated Profit and Loss Account gives a true and fair view of the consolidated results of operations of Cosmo Films Limited, its subsidiary and its associate for the year then ended; and
- (c) The consolidated cash flow statement gives a true and fair view of the consolidated cash flow of Cosmo Films Limited, its subsidiary and its associate for the year then ended.

For B. K. SHROFF & Co.,
Chartered Accountants

Place: New Delhi
Date : 5th June, 2009

O.P. Shroff
Partner
Membership No: 6329

COSMO FILMS LIMITED
Consolidated balance sheet As at 31st March, 2009

	Schedule		Current Year Rs. Crores	Previous Year Rs. Crores
SOURCES OF FUNDS				
SHAREHOLDER'S FUND				
Share Capital	1	19.44		19.44
Reserves & Surplus	2	226.32		164.15
			245.76	183.59
EQUITY SHARE WARRANTS			3.32	3.32
LOAN FUNDS				
Secured Loans	3	266.36		149.10
Unsecured Loans	4	0.01		1.40
			266.37	150.50
DEFERRED TAX			63.03	31.97
			578.48	369.38
APPLICATION OF FUNDS				
FIXED ASSETS				
Gross Block	5	601.15		436.75
Less :Depreciation		185.91		233.26
Net Block		415.24		203.49
Add : Capital work in progress		0.75		11.39
			415.99	214.88
INVESTMENTS	6		7.83	8.46
CURRENT ASSETS,LOANS AND ADVANCES				
Inventories	7	85.57		70.43
Sundry Debtors	8	51.72		93.28
Cash & Bank Balances	9	45.06		7.31
Loans & Advances	10	50.60		50.02
		232.95		221.04
LESS : CURRENT LIABILITIES AND PROVISIONS				
Current Liabilities	11	52.68		44.09
Provisions	12	25.61		30.93
		78.29		75.02
NET CURRENT ASSETS			154.66	146.02
MISCELLANEOUS EXPENDITURE	13		-	0.02
(To the extent not written off or adjusted)				
			578.48	369.38
NOTES ON CONSOLIDATED ACCOUNTS	19			
SIGNIFICANT ACCOUNTING POLICIES	20			
NOTES ON ACCOUNTS	21			

Schedules 1 to 21 form an integral part of the accounts

As per our report of even date annexed
For B. K. SHROFF & CO.
Chartered Accountants

O.P. Shroff
Partner

Parvinder S Arora
Company Secretary

A. K. Jain
Chief Financial Officer

Rajeev Gupta
Director

Ashok Jaipuria
Chairman & Managing Director

Place : New Delhi
Date : 5th June, 2009

Consolidated profit & loss account

For the year ended 31st March, 2009

	Schedule	Current Year Rs. Crores	Previous Year Rs. Crores
INCOME			
Gross Sales		670.90	616.86
Less :Excise duty recovered		38.21	31.70
Net Sales		632.69	585.16
Other Incomes	14	5.13	6.22
Income from associates		(0.63)	0.18
		637.19	591.56
EXPENDITURE			
Increase/(Decrease) in stocks	15	(32.63)	(0.14)
Purchases		0.23	0.48
Manufacturing and Other expenses	16	580.20	497.74
Depreciation		21.00	25.31
		568.80	523.39
Profit before Interest,Exceptional item and Tax (EBIT)		68.39	68.17
Interest	17	14.00	12.83
Profit before Exceptional item and Tax		54.39	55.34
Exceptional item net of depreciation of Rs. 0.14 crores (previous year nil) (Refer note no.12 on schedule 21)		(5.06)	5.20
Profit before Tax (PBT)		49.33	60.54
Provision - Current Tax		11.47	17.50
- Fringe Benefit Tax		0.45	0.33
- Deferred Tax		8.03	(1.47)
Profit after Tax (PAT)		29.38	44.18
Extraordinary item net of deferred tax of Rs. 23.03 crores (previous year Rs. nil) (Refer note no. 10 on schedule 21)		44.72	-
Profit after Tax including Extraordinary item		74.10	44.18
APPROPRIATION			
Proposed Dividend on Equity Shares		9.72	9.72
Corporate Tax on Dividend		1.65	1.88*
*Including Rs. 0.23 crores for previous year			
Transfer to General Reserve		62.73	32.58
		74.10	44.18
Basic & Diluted earning per share (Rs.)			
- Excluding Extraordinary items	18(a)	15.11	22.73
- Including Extraordinary items	18(b)	38.12	22.73
NOTES ON CONSOLIDATED ACCOUNTS	19		
SIGNIFICANT ACCOUNTING POLICIES	20		
NOTES ON ACCOUNTS	21		

Schedules 1 to 21 form an integral part of the accounts

As per our report of even date annexed

For B. K. SHROFF & CO.

Chartered Accountants

O.P. Shroff
PartnerParvinder S Arora
Company SecretaryA. K. Jain
Chief Financial OfficerRajeev Gupta
DirectorAshok Jaipuria
Chairman & Managing Director

Place : New Delhi

Date : 5th June, 2009

Consolidated cash flow statement For the year ended 31st March, 2009

	Schedule	Current Year Rs. Crores	Previous Year Rs. Crores
A. Cash Flow from Operating Activities			
Profit before tax		49.33	60.54
Add : Adjustments for			
Currency fluctuation on consolidation		(0.56)	(0.01)
Depreciation		21.00	25.31
Miscellaneous Expenditure written off		0.02	0.04
Interest		14.00	12.83
(Profit)/Loss on sale of Fixed assets		0.41	(0.47)
Dividend (* Rs. 16191)		-	*
Depreciation relating to exceptional item		(0.14)	-
Operating Profit before Working Capital changes		84.06	98.24
Adjustments for change in Working Capital			
Trade & Other Receivables		35.94	(21.39)
Inventories		(15.14)	(14.47)
Trade & Other Payables		9.91	8.11
Cash generated from operations		114.77	70.49
Direct Taxes paid		(13.29)	(16.79)
Net Cash from Operating Activities		101.48	53.70
B. Cash Flow from Investing Activities			
Purchase of Fixed Assets		(155.25)	(26.38)
Sales of Fixed Assets		0.62	2.43
(Purchase)/Sale of Investments		0.63	(0.17)
Dividend received (* Rs. 16191)		-	*
Net Cash from Investing Activities		(154.00)	(24.12)
C. Cash Flow from Financing Activities			
Proceeds from Share Warrants		-	3.32
Proceeds from Long Term Borrowings		108.23	(35.40)
Proceeds from Working Capital Borrowings		7.64	12.98
Interest paid		(14.00)	(12.83)
Dividend paid		(9.72)	(7.78)
Corporate tax on dividend		(1.88)	(1.09)
Net Cash from Financing activities		90.27	(40.80)
Net increase in cash or cash equivalents		37.75	(11.22)
Cash or cash equivalents (Opening balance)		7.31	18.53
Cash or cash equivalents (Closing balance)		45.06	7.31
NOTE : Figures in bracket represents cash outflow.			
NOTES ON CONSOLIDATED ACCOUNTS	19		
SIGNIFICANT ACCOUNTING POLICIES	20		
NOTES ON ACCOUNTS	21		

Schedules 1 to 21 form an integral part of the accounts

As per our report of even date annexed
For B. K. SHROFF & CO.
Chartered Accountants

O.P. Shroff
Partner

Parvinder S Arora
Company Secretary

A. K. Jain
Chief Financial Officer

Rajeev Gupta
Director

Ashok Jaipuria
Chairman & Managing Director

Place : New Delhi
Date : 5th June, 2009

Schedules (forming part of the accounts)

	Current Year Rs. Crores	Previous Year Rs. Crores
1. SHARE CAPITAL		
Authorised 2,50,00,000 Equity shares of Rs. 10 each	25.00	25.00
Issued, Subscribed and paid-up 1,94,40,076 Equity shares of Rs. 10 each fully paid up	19.44	19.44
	19.44	19.44

Of the above,

- 2,42,051 shares have been allotted to erstwhile shareholders of Gujarat Propack Limited on amalgamation.
- 84,86,705 shares have been allotted as fully paid bonus shares by capitalisation of capital reserve and share premium account.

	Balance as at 1.4.2008 Rs. Crores	Additions Rs. Crores	Deductions Rs. Crores	Balance as at 31.03.2009 Rs. Crores
2. RESERVES AND SURPLUS				
Capital Reserve	1.12	-	-	1.12
Share Premium Account	31.26	-	-	31.26
Foreign Currency Translation Reserve	0.24	-	0.56	(0.32)
General Reserve	131.53	62.73	-	194.26
	164.15	62.73	0.56	226.32

	Current Year Rs. Crores	Previous Year Rs. Crores
3. SECURED LOANS		
A. From Financial Institutions		
Rupee Term Loans (a)	2.87	8.62
B. From Banks		
Foreign Currency Loan (a)	56.87	35.63
Foreign Currency Loan (b)	64.25	-
Foreign Currency Loans (c)	-	0.52
Notes Payable and Capital Lease (b)	1.62	-
Rupee Term Loans (a)	44.32	16.25
Cash Credit/Working Capital Demand Loans (d)	93.68	82.90
Cash Credit/Overdraft (e)	1.85	4.99
Vehicle Loan (f)	0.90	0.19
	266.36	149.10

- Secured by first pari-passu charge over the entire fixed assets except assets exclusively charged.
- Secured against hypothecation of machinery financed out of the loan amount.
- Secured interse on pari-passu basis by way of mortgage of immovable properties both present and future except assets exclusively charged and hypothecation of all movable properties except those on which charge has been created in favour of bankers for working capital requirements. The loans are additionally secured by personal guarantee of managing director of parent company.

- (d) Secured by hypothecation of raw materials, work-in-progress, stores and spares, finished goods, book debts and second charge on fixed assets secured to financial institutions except assets exclusively charged.
- (e) Secured against pledge of the fixed deposits.
- (f) Secured against hypothecation of vehicle financed out of the loan amount.

Note : Due within a year Rs. 35.38 crores (previous year Rs. 29.91 crores)

	Current Year Rs. Crores	Previous Year Rs. Crores
4. UNSECURED LOANS		
Fixed Deposits	0.01	0.01
Other Loans and Advances		
From Banks (* Rs. 13209)	*	0.99
From Others	-	0.40
	0.01	1.40

Note : Due within a year Rs. 0.01 crores (previous year Rs. 1.40 crores)

5. FIXED ASSETS

Particulars	GROSS BLOCK				DEPRECIATION				NET BLOCK	
	As at 01.04.2008 Rs. Crores	Additions Rs. Crores	Sales/ Adjustments Rs. Crores	Total Rs. Crores	Upto 31.03.2008 Rs. Crores	For the year Rs. Crores	Adjustments Rs. Crores	Total Rs. Crores	As at 31.03.2009 Rs. Crores	As at 31.03.2008 Rs. Crores
Land - Freehold	0.47	0.16	-	0.63	-	-	-	-	0.63	0.47
- Leasehold	1.20	-	-	1.20	0.05	0.01	-	0.06	1.14	1.15
Land & Buildings	1.58	-	-	1.58	0.02	0.02	-	0.04	1.54	1.56
Buildings *	37.22	16.99	-	54.21	9.12	1.35	-	10.47	43.74	28.10
Plant & Machinery **	379.02	142.63	0.28	521.37	214.45	18.20	67.99	164.66	356.71	164.57
Furniture, Fixture & Fittings (*Rs. 25376)	2.13	0.14	0.01	2.26	1.26	0.13	*	1.39	0.87	0.87
Factory & Office Equipment	9.71	3.98	0.07	13.62	6.97	0.73	0.02	7.68	5.94	2.74
Vehicles	5.42	1.98	1.12	6.28	1.39	0.56	0.34	1.61	4.67	4.03
	436.75	165.88	1.48	601.15	233.26	21.00	68.35	185.91	415.24	
Previous year	436.64	28.82	28.71	436.75	234.70	25.31***	26.75	233.26	-	203.49
Capital work in progress ****									0.75	11.39
									415.99	214.88

* (a) Includes Rs. 0.64 crores towards cost of residential space in a Corporate Housing Society. Possession has been taken in terms of agreement to sell.

Conveyance Deed is yet to be registered. Besides, the amount includes cost of shares of the said society which are yet to be transferred.

(b) Includes cost of 5 shares of Rs. 50 each of Pluto Apartment Co-operative Housing Society Ltd. paid as part of cost of flat.

** (a) Additions are net of interest received from banks Rs. 0.24 crores (previous year Rs. nil) earned on funds received for capital expenditure.

(b) Adjustment in depreciation includes Rs. 67.75 crores (previous year nil) on account of retrospective change in method of depreciation (Refer note no.10 on schedule 21) and Rs. 0.14 crores (previous year nil) on exchange rate difference of liability for acquisition of assets (Refer note no.12 on schedule 21).

(c) Addition includes Rs. 0.93 crores (previous year nil) on account of exchange difference (net).

*** Includes Rs. nil (Previous year Rs.1.01 crores) loss on impairment.

**** Capital-work-in progress includes Rs. 0.37 crores (previous year Rs. 8.20 crores) on account of advance against capital expenditure.

	No of shares / Units		Face Value	Current Year	Previous Year
	Current Year	Previous Year		Rs. Crores	Rs. Crores
6. INVESTMENTS					
Long Term Investments in Equity shares (Quoted-Non Trade)					
In associate at original cost	5,548,475	5,548,475	Rs. 10	6.66	6.66
(including capital reserve Rs. 1.11 crores, previous year Rs. 1.11 crores)					
Add: Income from associate				1.17	1.80
				7.83	8.46
Aggregate market value of quoted investments				2.96	5.91

Note :

- (i) Non-disposal undertaking to the financial institutions in respect of shares held in associate.
- (ii) In the opinion of the management, the diminution in the value of long term investments is temporary in nature and hence provision for the same is not considered necessary.

	Current Year Rs. Crores	Previous Year Rs. Crores
7. INVENTORIES		
(As taken, valued and certified by the management)		
Raw material (including material in transit Rs. nil, previous year Rs. 27.85 crores)	23.91	41.18
Stores & spares	15.30	15.52
Finished goods (including material in transit Rs. 7.33 crores, previous year Rs. 2.30 crores)	46.13	12.06
Stock-in-Process	0.23	1.67
	85.57	70.43
8. SUNDRY DEBTORS		
(Unsecured)		
Exceeding six months	0.38	0.69
Others	51.34	92.59
	51.72	93.28
9. CASH & BANK BALANCES		
Cash, Cheques & Stamps in hand	0.02	0.10
Balances with Scheduled Banks		
In Current / Cash Credit Account	17.21	2.07
In Fixed Deposit/Margin Money Account *	27.83	5.14
	45.06	7.31
* Includes Rs.12.68 crores (previous year nil) held with a bank in India out of ECB borrowings for capital expenditure.		
10. LOANS & ADVANCES		
(Unsecured - considered good unless otherwise stated)		
Advances (recoverable in cash or in kind or for value to be received)*		
Considered good	28.89	22.70
Considered doubtful	-	2.03
	28.89	24.73
Less: Provision for doubtful advances	-	2.03
	28.89	22.70
Balances with Central Excise/Customs authorities	5.65	5.16
Security Deposits	0.35	1.41
Tax deducted at Source / Advance Tax	15.71	20.75
	50.60	50.02
* Includes (i) amount due from directors & officers nil (previous year nil) (ii) maximum amount due at any time nil (previous year nil)		
11. CURRENT LIABILITIES		
Sundry Creditors	19.18	18.19
(Refer note no. 17 on schedule 21)		
Other Liabilities	31.76	24.92
(Refer note no. 16 on schedule 21)		
Trade Deposits	0.07	0.07
Interest accrued but not due on loans	1.67	0.91
	52.68	44.09

	Current Year Rs. Crores	Previous Year Rs. Crores
12. PROVISIONS		
For current tax	11.35	18.10
For fringe benefit tax	0.46	0.35
For proposed dividend	9.72	9.72
For corporate tax on dividend	1.65	1.65
For gratuity	0.94	-
For leave encashment	1.49	1.11
	25.61	30.93
13. MISCELLANEOUS EXPENDITURE		
(To the extent not written off or adjusted)		
SHARE/DEBENTURE ISSUE EXPENSES		
As per last Balance Sheet	0.02	0.06
Less : Written off during the year	0.02	0.04
	-	0.02
PRELIMINARY EXPENSES		
As per last Balance Sheet		
(* Rs. 22958, previous year Rs. 48916)	*	*
Less : Written off during the year		
(*Rs. 22958 previous year Rs. 25958)	*	*
	-	-
	-	0.02
14. OTHER INCOMES		
Interest on deposits with banks	0.70	0.69
Interest received on loans and deposits	0.05	0.20
Dividend on non trade current investments (others)(*Rs. 16191)	-	*
Insurance & other claims	0.16	0.37
Miscellaneous receipts	2.14	2.34
Bad debts recovered	-	0.01
Profit on sale of raw material (net)	-	0.04
Profit on sale of stores & spares (net)	-	0.02
Profit on sale of fixed assets (net)	-	0.47
Exchange rate fluctuation (net)	-	1.55
Excess Provisions / Liabilities no longer required written back	2.08	0.53
	5.13	6.22
15. INCREASE/(DECREASE) IN STOCKS		
Closing stocks		
Finished goods	46.13	12.06
Stock in process	0.23	1.67
	46.36	13.73
Opening stocks		
Finished goods	12.06	11.46
Stock in process	1.67	2.13
	13.73	13.59
Increase/(Decrease) in Stocks	32.63	0.14

		Current Year Rs. Crores	Previous Year Rs. Crores
16. MANUFACTURING AND OTHER EXPENSES			
Raw Materials consumed		406.66	343.33
Stores, Spares & Packing material		27.73	27.04
Power, Water & Fuel		47.72	38.73
Other Manufacturing expenses		0.54	-
Excise duty		5.81	4.49
Salaries, Wages, Bonus & Other benefits		36.52	27.13
Gratuity		1.35	2.47
Contribution to Provident/ Superannuation Funds, Employees State Insurance etc.		2.28	1.85
Staff Welfare expenses		0.66	0.48
Training & Recruitment expenses		0.47	0.21
Rent		1.63	0.56
Rates & Taxes		0.17	0.08
Insurance		0.85	0.69
Printing & Stationary		0.25	0.37
Bank & financial charges		4.07	2.05
Travelling & Conveyance		3.31	2.15
Vehicle Running & Maintenance		1.33	1.07
Communication expenses		1.00	0.77
Repairs & Maintenance			
Plant & Machinery	2.93		3.69
Building	0.37		0.36
Others	1.50	4.80	0.89
Legal & professional charges		3.51	1.17
Directors' Fees		0.05	0.05
Charity & Donations		0.10	0.03
Miscellaneous expenses		1.05	1.13
Auditors' Remuneration			
As Audit fees	0.11		0.12
As Quarterly Audit fees	0.10		0.10
As Tax Audit fees	0.02		0.02
In Other capacity	0.01		0.01
Out of pocket expenses(*Rs. 36680)	0.01	0.25	*
Freight & Forwarding		24.43	27.73
Selling Commission		2.43	4.51
Other Selling expenses		1.32	0.89
Bad Debts/advances provided written off			
Amount written off	0.93		0.27
Amount provided	-		2.03
	0.93		2.30
Less : amount already provided in earlier years recovered	-	0.93	0.38
Claims paid/written off (* Rs. 10861, previous year Rs. 27750)		*	*
Sales Tax payments		2.77	2.14
Exchange rate fluctuation (net)		0.82	-
Loss on fixed assets sold/discarded (net)		0.41	-
Miscellaneous expenditure written off		0.02	0.04
		585.24	498.27
Less : Pre-operative expenditure capitalized		5.04	0.53
		580.20	497.74

	Current Year Rs. Crores	Previous Year Rs. Crores
17. INTEREST		
On Term Loans	7.62	6.70
To Banks & others	9.67	6.13
	17.29	12.83
Less : Pre-operative expenditure capitalized	3.29	-
	14.00	12.83
18. BASIC & DILUTED EARNING PER SHARE		
(a) Excluding Extraordinary item		
Profit after tax excluduing extraordinary item	29.38	44.18
Number of equity shares outstanding during the year	19,440,076	19,440,076
Basic & Diluted earning per share (Rs.)	15.11	22.73
(b) Including Extraordinary item		
Profit after tax including extraordinary item	74.10	44.18
Number of equity shares outstanding during the year	19,440,076	19,440,076
Basic & Diluted earning per share (Rs.)	38.12	22.73

Note : Issue price of equity share warrants is more than its fair value and employee stock option scheme is yet to be framed. There is no dilution.

19. NOTES ON CONSOLIDATED ACCOUNTS

A. SUBSIDIARY

- (i) The accounts have been prepared to comply with all material aspects applicable to accounting policies of Cosmo Films Limited. Goodwill arising on investments made in subsidiary Company has been treated as intangible asset and capital reserve arising on investments made in subsidiary company has been treated as Reserve & Surplus.
- (ii) The consolidated accounts have been prepared based on a line by line consolidation of the Profit and Loss account and Balance Sheet of Cosmo Films Limited and its subsidiary. For the purpose of consolidation, adjustments have been made in respect of intra-group transactions.
- (iii) For the purpose of consolidation, adjustments have been made in respect of shareholdings in subsidiary company and amounts owned from / to Company within the Group.
- (iv) The Subsidiary company which have been considered for purposes of consolidated results are given below. The assets and liabilities have been converted at the rate prevailing as on 31st

Associate Company	Main Activities	County of Incorporation	Ownership Interest & Voting Power	Original cost of investment Rs. Crores	Amount of capital reserve /(-) goodwill included in original cost Rs. Crores	Accumulated profit/(-) loss at the year end Rs. Crores	Carrying amount of investment at the year end Rs. Crores
Cosmo Ferrites Limited	Electronic	India	46.12%	5.55	1.11	1.17	7.83
			(46.12%)	(5.55)	(1.11)	(1.80)	(8.46)

March, 2009, income and expenses items have been converted at average rates and the resultant exchange difference has been accumulated in foreign currency translation reserve account.

Subsidiary Company	Main Activities	Country of Incorporation	% Equity Capital held by Cosmo Films Limited
Cosmo Films Inc.	Trading in BOPP Films	U.S.A.	100

B. ASSOCIATES

- (i) Investment in an associate has been accounted for under the equity method from the date on which the investee fall within the definition of an associate. On acquisition, as the case may be, the difference between the cost of acquisition and the share of Cosmo Films Limited in the equity of the associate has been described as goodwill or capital reserves and included in the carrying amount of the investment in the associate. The carrying amount of investments is adjusted thereafter for the post acquisition change in the investor share of net assets of the investee.
- (ii) The details of investments in associates made by Cosmo Films Limited are as given below:

Note: Previous year figure are in brackets.

- (iii) The Company's share of the contingencies and capital commitments of the associate i.e. Cosmo Ferrites Limited for which the company is also contingently liable is Rs. 0.46 crores (Previous year Rs. 0.43 crores.)

20. SIGNIFICANT ACCOUNTING POLICIES

a. METHOD OF ACCOUNTING

The accounts are prepared under the historical cost convention using the accrual method of accounting unless otherwise stated hereafter. Accounting policies not specifically referred to are consistent with generally accepted accounting principles.

b. FIXED ASSETS

Fixed assets are stated at cost of acquisition, inclusive of inward freight, duties & taxes and incidental expenses related to acquisition and are net of CENVAT credit. In respect of major projects involving construction, related preoperational expenses form part of the value of the assets capitalised.

c. INVESTMENTS

Long-term investments are stated at cost of acquisition. Provision for diminution in the value of long-term investment is made only if; such a decline is other than temporary in the opinion of the management.

d. INVENTORIES

Inventories are valued at lower of cost or net realisable value after providing for cost of obsolescence and other anticipated losses wherever considered necessary. Cost is determined on weighted average basis (previously raw material was valued on FIFO basis). Finished goods include cost of conversion and other costs incurred in bringing the inventories to their present location and condition. (refer note no. 11 on schedule 21)

e. DEPRECIATION

Depreciation is calculated on leased and other fixed assets on straight line method over estimated useful lives of the assets. Depreciation on plant and machinery of line IV, V and VI of the parent company which was hitherto provided @25% on written down value method has been recomputed at the rates prescribed in schedule XIV of the Companies Act 1956 on straight line method with retrospective effect. (refer note no 10 of schedule 21)

Leasehold land is also being depreciated over the lease period.

In respect of land and building, where no separate valuation is available, depreciation has been provided on the total value of land and building.

f. RESEARCH AND DEVELOPMENT

Revenue expenditure on research and development is charged against the profit of the year in which it is incurred.

Capital expenditure on research and development is shown as an addition to fixed assets.

g. FOREIGN CURRENCY TRANSACTIONS

Foreign currency loans availed for acquisition of fixed assets are converted at the rate prevailing on the due date for installments repayable during the year and at the rate prevailing on the date of balance sheet for the outstanding loan. The fluctuation is adjusted in the original cost of fixed assets. (Previously such Gains/losses were dealt with in the profit and loss account.) (refer note no 12 on schedule 21)

Foreign currency current assets and liabilities are converted into rupee at the exchange rate prevailing on the balance sheet date and the resultant gains/losses are reflected in the profit and loss account.

Wherever forward contracts have been taken the exchange conversion is made at the contracted rate. Gains/losses arising out of cancellation of forward contracts are treated as a revenue item.

h. EXCISE & OTHER DUTIES

Excise duty in respect of finished goods lying in factory premises and custom duty on imported goods lying in custom bonded warehouse are provided and included in the valuation of inventory. CENVAT benefit is accounted for by reducing the purchase cost of the materials/fixed assets. Import duty benefits on exports made are accounted for as export incentives. These accounting treatments have no impact on the profit/loss for the year.

i. EMPLOYEES

Employer's contribution to defined contribution plans and state plans are charged to revenue every year. Liability of obligation under defined benefit plans is determined on the basis of an

actuarial valuation at the end of the year. Actuarial gains and losses comprises of experience adjustments and the effects of changes in actuarial assumptions and are recognised immediately in the profit and loss account as income or expense.

Liability towards additional payment in respect of salary, wages and bonus, if any, is debited to Profit & Loss Account in the year in which the agreement is finalised with employees.

j. TAXATION

Provision for Income Tax is based on assessable profits determined as per prevailing taxation laws.

k. DEFERRED TAXATION

Deferred taxation is provided using the liability method in respect of the taxation effect arising from all material timing differences between the accounting and tax treatment of income and expenditure which are expected with reasonable probability to crystallize in foreseeable future.

Deferred tax benefits are recognized in the financial statements only to the extent of any deferred tax liability or when such benefits are reasonably expected to be realizable in the near future.

l. MISCELLANEOUS EXPENDITURE

Share/debenture issue expenses and preliminary expenses are being proportionately written off over a period of ten years.

m. INCOME FROM SALES

Exports are accounted for on the basis of the date of bill of lading/airways bill. Domestic sales are accounted for on despatch from factory/warehouse.

Sales are inclusive of export incentives/ benefits and are net of rebates and discounts.

n. INCOME FROM INVESTMENTS/DEPOSITS

Income from investments is credited to revenue in the year in which it accrues. Income is stated in

full with the tax thereon being accounted for under advance tax.

o. CLAIMS AND BENEFITS

Claims receivable and export benefits are accounted on accrual basis to the extent considered receivable.

p. BORROWING COSTS

Borrowing costs that are directly attributable to the acquisition, construction or production of qualifying asset are capitalized as part of the cost of that asset. Other borrowing costs are recognised as an expense in the period in which they are incurred. Capitalization of borrowing costs ceases when substantially all the activities necessary to prepare the qualifying assets for its intended use are complete.

q. EARNING PER SHARE

Basic earning per share is calculated by dividing the net profit for the year attributable to equity shareholders by the weighted average number of equity shares outstanding during the year.

Diluted earning per share is calculated by dividing the net profit attributable to equity shareholders by the weighted average number of equity shares outstanding during the year (adjusted for the effects of dilutive options)

r. IMPAIRMENT OF ASSETS

Impairment loss is provided to the extent the carrying amount of assets exceeds their recoverable amount. Recoverable amount is the higher of an asset's net selling price and its value in use. Value in use is the present value of estimated further cash flows expected to arise from the continuing use of an asset and from its disposal at the end of its useful life.

s. CONTINGENT LIABILITIES

Unprovided contingent liabilities are disclosed in the accounts by way of notes giving nature and quantum of such liabilities.

21. NOTES ON ACCOUNTS

		Current Year Rs. Crores	Previous Year Rs. Crores
1.	Estimated amount of contracts (net of advances) remaining to be executed on capital account and not provided for	0.12	73.11
2.	Contingent Liabilities not provided for in respect of		
	a) Bank guarantees (including deferred guarantees)	5.23	1.78
	b) Disputed demands for Income tax, Sales Tax, Excise duty, etc.	6.62	2.44

3. Rs. 7.86 crores (previous year Rs. 5.85 crores) received on discounting of letter of credits have been reduced from debtors in these accounts.
4. Letter of credit for Rs. 18.97 crores (Previous year Rs. 5.67 crores) have been opened for which the material has not been shipped as on the date of the Balance sheet.
5. Figures for previous year have been regrouped / rearranged wherever considered necessary.
6. In respect of capital goods imported under EPCG Scheme, bonds of Rs. 226.12 crores have been executed in favour of the President of India for import at a concessional rate of custom duty. There is an obligation to export products for Rs. 872.18 crores (FOB) within a period of eight years from the date of issue of licenses (issued from 03.10.2000 to 16.09.2008) for import of capital goods. Goods worth Rs. 429.07 crores (FOB) have been exported till 31.03.2009.
7. In terms of the approval of the shareholders of the parent company and as per the applicable statutory provisions, the parent company on 4th February, 2008, has issued and allotted 31,00,000 warrants convertible into same number of equity shares of Rs.10 each at a price of Rs. 107 (including a premium of Rs. 97) per warrant on preferential basis to the persons belonging to promoter group of the parent company. The warrant holders have paid Rs. 10.70 per warrant. The warrant holders have a right to apply for equity shares at any time within 18 months from the date of allotment of warrants.

8. The parent company in its extra-ordinary general meeting held on 11th January, 2008 resolved to issue and allot equity shares not exceeding 1000000 in number under 'Employee Stock Option Scheme' at such price and at such time as may be decided by the board. No equity shares have been issued or allotted.
9. An amount of USD 3 mn has been deposited in escrow account to purchase the GBC Commercial Print Finishing business from Acco Brands Corporation of USA in terms of an agreement entered on 29th January 2009. The said acquisition is subject to certain conditions precedent to closing including regulatory approvals.
10. Depreciation on Plant and Machinery of line IV, V and VI of the parent company which was hitherto provided @ 25% on written down value method has been recomputed at the rates prescribed in schedule XIV of the Companies Act 1956 on straight line method with retrospective effect. As a result of above change:
 - (a) the excess depreciation of Rs. 67.75 crores provided in earlier years has been written back in the profit & loss account and shown as an extraordinary item in order to reflect a more appropriate preparation / presentation of financial statements;
 - (b) deferred tax liability of Rs. 23.03 crores on excess depreciation of earlier years has also been adjusted as an extraordinary item;

Consequently, depreciation for the year is lower by Rs. 0.92 crores, the profit after tax including extraordinary item is higher by Rs. 45.64 crores, deferred tax liability is higher by Rs. 23.03 crores and fixed assets are higher by Rs. 68.67 crores.
11. During the year the parent company has implemented SAP ERP software. Due to the implementation the parent company had to make following changes as compared to the previous year:
 - i) Raw material which was hitherto valued at cost on FIFO basis has this year been valued at cost on weighted average basis;
 - ii) Basis of calculation of cost of finished goods has been recasted;

As a result of above changes, the profit after tax including extraordinary item is lower by Rs. 2.28 crores.

12. In terms of Companies (Accounting Standards) Amendment Rules, 2009 whereby "Accounting Standard AS 11" relating to the effects of changes in foreign exchange rates has been amended w.e.f 31st March 2009 by the Central Government in respect of accounting periods commencing on or after 7th December, 2006 and ending on or before 31st March, 2011, the exchange difference arising on reporting of long term foreign currency monetary items which were being debited/credited to the profit & loss account in previous financial statements in so far as they relate to the acquisition of a depreciable asset has now been added to or deducted from the cost of the assets to be depreciated over the residual life of the asset. As a result of above amendment :

(a) Foreign currency exchange difference gain of Rs. 5.20 crores for the period upto 31st March 2008 which was earlier credited to the profit & loss account has now been reversed and reduced from the cost of fixed assets and depreciation of Rs. 0.14 crores thereon for the period upto 31st March, 2008 has also been adjusted. The net impact is shown in the profit & loss account as an exceptional item;

(b) Foreign currency exchange difference loss of Rs. 6.13 crores for the current year has been added to the cost of fixed assets;

Consequently, depreciation for the year is lower by Rs. 0.48 crores.

13. 100% Deferral/Exemption benefits have/will be claimed under sales tax for the financial years from 1996-97 to 2008-09 on the basis of decision of the Hon'ble First Bench of the Maharashtra Sales Tax Tribunal at Mumbai in case of M/s Pee Vee Textile Ltd. and VIP Industries Ltd. The said benefits have not been allowed for the financial years 1996-97 to 2002-03 for which appeals have been filed and for the financial years 2003-04 to 2007-08 assessments are yet to be completed and for the financial year 2008-09 annual returns are to be filed. Based upon legal opinion received and Hon'ble First Bench of the Maharashtra Sales Tax Tribunal Mumbai Judgments, the matter is expected to be decided in favour. Consequent upon favourable judgment, there will be an income of Rs. 19.86 crores which has not been considered in these accounts.

14. In pursuance of Accounting Standard on Impairment on Assets (AS-28) issued by the Institute of Chartered Accountants of India certain assets / cash generating units were identified and impaired. There is no further impairment / reversal during the year.

15. The business is mainly of manufacture and sale of packaging films in economic environments that are subject to similar risk and returns. Therefore there is no reportable segment as per the provisions of Accounting Standard 17 "Segment Reporting" issued by the Institute of Chartered Accountants of India.

16. The following amounts are to be credited to Investor education and protection fund as and when due:

		Current Year Rs. crores	Previous Year Rs. crores
i.	Unpaid dividend	0.60	0.52
ii.	Unpaid application money received for allotment of securities and due for refund	-	-
iii.	Unpaid matured deposits	0.01	0.01
iv.	Unpaid matured debentures	-	-
v.	Interest accrued on above	-	-

17. Letters have been circulated to all suppliers requesting them to confirm whether they are covered under the Micro, Small and Medium Enterprises Development Act, 2006 ('MSMED'). Certain suppliers have provided the necessary confirmation alongwith the evidence of being Micro or small enterprises. However from the majority of the suppliers these confirmations are still awaited. On the basis of available information no principal or interest is payable at the year end to any supplier covered under MSMED. Further no interest was payable or paid during the year to any such supplier.

18. Net foreign currency exposure that are not hedged by derivative instruments:

Currency	Current Year	Previous Year
USD	(28,178,611)	(5,020,584)
EURO	720,407	1,341,814
GBP	1,166,504	1,452,330

Note : Figures in bracket signifies amount payable.

19. Directors Remuneration

	Current Year Rs. crores	Previous Year Rs.crores
Salary	1.21	1.35
Commission	3.08	2.86
Contribution to Provident & Superannuation Funds	0.05	0.09
Benefits	0.01	0.04

20. As required under Accounting standard (AS) 22, 'Accounting for taxes on income' issued by the Institute of Chartered Accountants of India, the company is required to account for deferred taxation while preparing its accounts. The details of deferred tax assets / liabilities are as under :

	As at 31 st March 2008 Rs. crores	Tax effect for the year Rs. crores	As at 31 st March 2009 Rs. crores
Deferred Tax (liability)			
Fixed Assets	(36.72)	(34.34)	(71.06)
	(36.72)	(34.34)	(71.06)
Deferred Tax Assets			
Disallowances under section 43B	4.06	1.91	5.97
Loss carried forward	-	2.06	2.06
Others	0.69	(0.69)	-
	4.75	3.28	8.03
Net deferred tax Assets / (Liability)	(31.97)	(31.06)	(63.03)

21. Related Party Disclosure:

(i) Names of related parties and description of relationship

(a) Key Managerial personnel & their relatives

- Sh. Ashok Jaipuria
- Sh. S. K. Mittal (upto 31.05.2007)
- Sh. David Terhune

(b) Enterprises over which key managerial personnel have significant influence

- Pravasi Enterprises Limited

(ii) Transactions with related parties during the year

S. No.	Particulars	Key Managerial Personnel & their relatives(Rs. crores)	Enterprises over which key managerial personnel have significant influence (Rs. crores)
a)	Remuneration paid	4.35 (4.34)	- (-)
b)	Subscription received towards equity share warrants	- (0.54)	- (2.78)
c)	Reimbursement of expenses	- (0.01)	- (-)
d)	Loan taken	- (0.68)	- (-)
e)	Loan repaid	0.40 (0.28)	- (-)
f)	Amount outstanding		
	-Equity share warrants	0.54 (0.54)	2.78 (2.78)
	-Unsecured loan	- (0.40)	- (-)
	-Other payables	3.08 (2.86)	- (-)

(iii) Other relevant information:

- Related parties enlisted in (i) above are those having transactions;
- The above excludes sitting fee Rs 0.05 crores (Previous year Rs 0.05 crores) paid to non-executive directors;
- Previous year figures are given in brackets.

22. Employee Benefit Obligations:

The various benefits provided to employees have been classified as under:-

a) Defined Contribution Plans

Contribution are made towards superannuation to a defined contribution retirement benefits plan for qualifying employees. The superannuation fund is administered by their Trustees . The fund has taken policy with Life Insurance Corporation of India to provide for payment of retirement benefits to vested employees. During the year

contribution paid to the superannuation fund Rs. 0.88 crores (previous year Rs. 0.69 crores) to cover fully the benefits to be paid to the employees have been charged to the profit & loss account.

b) State Plans

Separate Provident Fund had been set up in respect of certain categories of employees which was a defined contribution plan. For other employees, Provident Fund is accrued on monthly basis in accordance with the terms of contract with the employees and is deposited with the "Statutory Provident Fund". However, w.e.f. the month of February, 2008 the contribution in respect of employees which were covered by the separate Provident Fund is also being deposited with the "Statutory Provident Fund ". During the year Rs. nil (previous year Rs. 0.15 crores) has been paid as contribution to the fund and Rs. 1.22 crores (previous year Rs. 0.86 crores) has been paid as contribution to the Statutory Provident Fund as employer's contribution which has been charged to the profit & loss account. Accrued balance upto February, 2008 is also being

transferred from the fund to “ Statutory Provident Fund”. Besides, Employee State Insurance in respect of eligible employees is also being deposited with the statutory fund. During the year Rs. 0.02 crores (previous year Rs. 0.04 crores) have been paid to the fund as employer’s contribution which has been charged to the profit & loss account.

Contribution towards gratuity are made to a defined contribution retirement benefits plan for qualifying employees. The gratuity fund is administered by their Trustees . The fund has taken policy with Life Insurance Corporation of India to provide for payment of retirement benefits to vested employees. The present value of obligation is determined based on actuarial valuation.

c) Defined Benefit Plans (Funded)

		As on 31.03.2009 Rs.Crores	As on 31.03.2008 Rs. Crores
1	Assumptions		
	Discount Rate	8%	7%
	Salary Escalation	7%	7%
2	Table showing changes in present value of obligations		
	Present value of obligations as at beginning of year	4.52	4.47
	Interest cost	0.36	0.31
	Current Service Cost	0.38	0.29
	Benefits Paid	(0.32)	0.28
	Actuarial (gain)/Loss on obligations	0.78	(0.27)
	Present value of obligations as at end of year	5.72	4.52
3.	Table showing changes in the fair value of plan assets		
	Fair value of plan assets at beginning of year	4.75	2.34
	Expected return on plan assets	0.45	0.23
	Contributions	0.38	2.45
	Benefits Paid	(0.32)	0.28
	Actuarial Gain/(Loss) on Plan assets	NIL	NIL
	Fair value of plan assets at the end of year	5.26	4.75
4	Table showing fair value of plan assets		
	Fair value of plan assets at beginning of year	4.75	2.34
	Actual return on plan assets	0.45	0.23
	Contributions	0.38	2.45
	Benefits Paid	(0.32)	0.28
	Fair value of plan assets at the end of year	5.26	4.75
	Funded status	(0.46)	0.23
	Excess of Actual over estimated return on plan assets (Actual rate of return = Estimated rate of return as ARD falls on 31 st March)	NIL	NIL
5	Actuarial gain/ Loss recognized		
	Actuarial gain/(Loss) for the year – Obligation	(0.78)	0.27
	Actuarial (gain)/Loss for the year – Plan assets	NIL	NIL
	Total (gain)/Loss for the year	0.78	(0.27)
	Actuarial (gain)/Loss recognized in the year	0.78	(0.27)

		As on 31.03.2009 Rs.Crores	As on 31.03.2008 Rs. Crores
6	The amounts to be recognized in the balance sheet and statements of Profit and loss		
	Present value of obligations as at the end of year	5.72	4.52
	Fair value of plan assets as at the end of the year	5.26	4.75
	Funded status	(0.46)	0.23
	Net Asset/(Liability) recognized in balance sheet	0.46	(0.23)
7	Expenses Recognized in statement of Profit & Loss		
	Current Service cost	0.38	0.29
	Interest Cost	0.36	0.31
	Expected return on plan assets	(0.45)	0.23
	Net Actuarial (gain)/Loss recognized in the year	0.78	(0.27)
	Expenses recognized in statement of Profit & Loss	1.08	0.09

d) Defined Benefit Plans (Unfunded)

In respect of leave encashment the present value of obligation is determined based on actuarial valuation by an independent actuary based on LIC 1994-96 (ultimate) mortality table. The actuarial valuation is based on terminal salary determined by assuming an appropriate annual salary rise

and discounted by assuming an imputed rate of interest. The difference between the obligation at the beginning of the year Rs. 1.11 crores (previous year Rs. 0.84 crores) and at the end of the year Rs. 1.49 crores (previous year Rs. 1.11 crores) together with the amount paid during the year Rs. 0.24 crores (previous year Rs.0.25 crores) has been charged to the profit & loss account.

Signature to Schedules 1 to 21
As per our report of even date annexed
For B. K. SHROFF & CO.
Chartered Accountants

O.P. Shroff
Partner

Parvinder S Arora
Company Secretary

A. K. Jain
Chief Financial Officer

Rajeev Gupta
Director

Ashok Jaipuria
Chairman & Managing Director

Place : New Delhi
Date : 5th June, 2009

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