MUKTA ARTS LIMITED

Annual Report

for the year ended March 31, 2012

BOARD OF DIRECTORS

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

COMPANY SECRETARY & COMPLIANCE OFFICER

Mr. Ravi B Poplai

AUDITORS

M/s B S R & Co.

INTERNAL AUDITORS

M/s Garg Devendra & Associates

BANKERS

HDFC Bank Limited

Kotak Mahindra Bank Limited

REGISTRAR & TRANSFER AGENTS

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

REGISTERED OFFICE

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

CONTENTS

PERFORMANCE

Performance at a glance

Rupees in millions

	Year ended 31st March **2012**	Year ended 31st March **2011**	Year ended 31st March **2010**	Year ended 31st March **2009**	Year ended 31st March **2008**
Realisation from productions,	2,011.78	1,919.11	886.33	1,651.04	1,094.66
distribution & exhibition					
Equipment Hire Income	6.38	4.23	2.50	7.30	12.07
Other Income	373.16	129.11	53.34	19.16	24.93
TOTAL INCOME	**2,391.32**	**2,052.45**	**942.17**	**1,677.50**	**1,131.66**
Profit/(Loss) before Interest,					
Depreciation and Tax	399.78	30.29	(174.96)	89.27	166.41
Depreciation	32.91	29.65	18.65	18.89	17.64
Interest	50.44	60.56	48.58	9.60	0.43
Profit/(Loss) before Tax	316.43	(59.92)	(242.19)	60.78	148.34
Profit/(Loss) after Tax	255.72	(61.63)	(242.44)	41.01	130.30
Dividend	22.58	-	-	22.58	45.16
Dividend Rate	20%	-	-	20%	40%
Gross Fixed Assets	1,309.09	1,347.66	473.12	407.89	-
Net Fixed Assets	398.44	590.94	258.19	211.62	187.10
Total Assets	**2,043.19**	**1,715.75**	**1,429.63**	**1,547.59**	**1,402.21**
Equity Share Capital	112.92	112.92	112.92	112.92	112.92
Reserves and Surplus	1,078.37	848.90	910.53	1,152.97	1,138.38
Net Worth	**1,191.29**	**961.81**	**1,023.45**	**1,265.89**	**1,251.30**
Earnings per Share (EPS)					
In Rupees					
EPS Basic	11.32	(2.73)	(10.74)	1.82	5.77
EPS Adjusted to Rs. 5	11.32	(2.73)	(10.74)	1.82	5.77

CHAIRMAN'S STATEMENT 2012

Under normal circumstances, we would be celebrating 2011-12 as the year your Company has had a good top line and the best bottom line. Yet ironically the Bombay High Court's Ruling in the PIL against the Government and Whistling Woods International going against Whistling Woods has dampened our spirits. We are currently faced with one of the biggest challenge your Company has faced and have filed a review petition in the Bombay High Court in the hope that we are not punished for procedural lapses and failures of State instruments.

I have spent the year along with my team battling legal issues relating to the land use permitted to Whistling Woods. This has left me with little time to direct films that I have wanted to make. Yet during the year, we undertook several new initiatives. Among those were the Mukta Cinemas, the addition of new programs and courses in Whistling Woods, and the celebration of 100 years of Cinema.

It has been a year of growth for the Indian Media and Entertainment industry. Once again, the industry has out-performed the economy as a whole, growing at over 14% in the last fiscal. The Film industry too has had a robust year, the box office has been ringing with films performing strongly and the market for satellite rights has also been booming. This has led to the industry growing at 8% year on year with further strong growth predicted.

Mukta Arts too has seen strong top line growth this fiscal with the top line touching Rs 239 cr. Driven by our strong growth in the programming space where we have added 30 screens taking the company's control of screens to 425, Mukta Arts has been committed to further venture into the exhibition space with Mukta Cinemas, our very own chain of multiplex theatres. Today the company has two ready sites in Vadodara and Ahemdabad and we are committed to opening a further 5 sites by the end of the coming financial year. These sites will include Gulbarga, Vishakapatnam, Sangli, Raipur and Bhopal. Our model of tying up theatre shells at good value with a revenue share model instead of a riskier rental model is poised to add real value to the company, further expanding the sphere of its exhibition and influence, which remains strong.

The company has posted a strong bottom line this financial year as well. This though is primarily on account of other income, but it also reflects that we are now clean of older riskier commitments in the production space and from here, we will only build for the future. To this end, the company will be launching a slew of film productions this year including two of my own, one with Salman Khan in the lead. These films are positioned to take account of the current trends in the production space. We are revamping our team too, bringing in current professionals who can forge strong partnerships for the company with talent, distributors and exhibitors.

Having said that, our Bengali film 'Nouka Dubi' directed by Rituparna Ghosh, was highly successful in its main market and has successfully been screened in many film festivals across the world, including London Film Festival and Indian Film Festival of The Hague. Even though our film 'Love Express' was not commercially successful, we have demonstrated that we can launch the talent base from Whistling Woods International and the actors from that production remain in our further plans.

Whistling Woods International has of course been at the forefront of all news about the company for the past six months. Even through all this news, the school continues to march forward as a pioneer in Media and Entertainment education across India.

The Institute has recently signed up with Trend Media City Limited, a company based in Nigeria, with the intent to open a film school in a commercial film city in Lagos. Whistling Woods will simply be providing the academic support and IPR for the school with no capital commitments, thus reflecting the value of what has been built over the last six years.

Whistling Woods also recently celebrated 100 years of Indian Cinema. The event held on the campus was almost completely organized by the Institutes students. The three day event attracted over 2,000 people from across Maharashtra for film screenings, workshops on film and panel events. Many industry stalwarts and celebrities joined the proceedings like Hema Malini, AR Rahman, Saroj Khan, Gulzar Saheb, Zoya Akhtar, Habib Faisal, Rohit Shetty, Amole Gupte, R Balki, Rajeev Masand, Randhir Kapoor, Jackie Shroff and many more. The event showcased the best of what the school offers including faculty and students.

Today Whistling Woods has over 500 students on its campus across 11 full-time courses. The school has also graduated over 500 students of which almost 85% are gainfully employed in the media and entertainment industry, most in good positions with some of the top companies in this sector. This is no small achievement in six years and now Whistling Woods is poised to see benefit from these initiatives.

The school is launching new programs including India's first in Stunt Acting and is working this year to forge further partnerships with likeminded education businesses across the country and the world to build strong growth for the company. Initiatives in Delhi, Pune and Hyderabad are already underway and more details will be forthcoming in the months ahead.

Of course Whistling Woods faces the threat of the legal issue that has been so spoken about in the media. The Honorable High Court of Bombay has asked the company to hand back the current campus to the Government, pay retrospective rental charges and claim market price for the Whistling Woods building. The company believes that the court has missed some crucial facts pertaining to the case and thus has moved for a review petition in the same court. Industry support for Whistling Woods has been overwhelming both from the fraternity as well as all major associations including Film Federation of India (Apex body of all Associations), The Film & Television Producers' Guild of India Ltd, Association of Motion Picture & T.V. Programme Producers, Western India Film producers' Association and Federation of Western India Cine Employees.

Whistling Woods' profitability has been affected owing to all the legal issues surrounding it yet we believe the inherent value of the brand built up would show good results in the years to come. We remain committed to this space and hope that the government and the courts will see that your company has done nothing wrong while setting up a well intentioned and much needed project.

The Fifth Convocation was held recently when renowned Cinematographer, Shri Ashok Mehta, and well-known actress, Smt. Waheeda Rehman, were felicitated.

It has been a pendulum-like year for the company. Some major steps forward and some set-backs. We though remain committed to our shareholders and the faith they have invested in myself and the management team at Mukta Arts. Efforts put in place this year will be drivers for much of the future growth of the company. We are poised for the next stage of the company's growth. I thank you for your trust and goodwill thus far and hope that you will continue in that vein as the company strives for a more glorious future.

.

Subhash Ghai

MANAGEMENT DISCUSSION AND ANALYSIS

Industry Performance

The Indian Media and Entertainment Industry is growing strongly at a growth rate that is exceeding the growth of India's GDP. This growth is spurred by technological, economic and demographic changes in the country as well as overseas markets. The Film industry has seen a strong performance in the last 12 months on the back of resurgent pan-India content that is consistently reaching out to more and more exhibition screens and attracting additional viewers.

The management has had to examine these changes closely and given the challenges, has had to carefully plot a path that leads to consistent and strong growth for the company and its key business areas.

Some of the key factors that are affecting the Film space are as follows:

1. The Film business has seen a strong performance on the back of pan-India content distributed both to multiplexes as well as single screen centers. This has also been aided by more and more screens being made available for films.
2. Though the bulk of the business is still reliant on the first week of collections at the box office (in particular the first weekend), films with strong content have been able to succeed by carefully placing their release window at the right time. Distribution strategy is becoming increasingly critical.
3. Satellite revenues have boomed over the last 12 months. Television channels have started to use branded feature films as marketing tools as well as revenue generating assets, which has led to more and more value being attributed to big budget blockbusters. Fierce competition in this space was fuelling prices over the past 12-18 months, but with the departure of a major player from the 'motion pictures on TV' space, the prices are back to reasonable, though higher than usual levels.
4. VOD, PPV, internet & mobile revenues, though growing are still very small in absolute terms. Piracy through torrents and poor bandwidth is a large hindrance to this market.
5. Music sales in the physical format have nearly ground to a halt. Though value through mobile is increasingly strong. The advent and roll out of 3G has further boosted this.
6. Even though the IPL managed to garner decent mindspace, Films still managed to hold their own this year. A number of big films were released in the IPL period and performed strongly thereby proving that content can co-exist in different formats and genres.
7. Hollywood films continue to perform strongly. In some cases, big-brand Hollywood blockbusters have even outperformed domestic content. Dubbed versions (in multiple languages) of these films perform well too.
8. Hollywood 3D films have done well. The response to domestic 3D films though has been mixed. Though it is clear that 3D is a growth area.
9. New technology is beginning to roll out with a number of TV channels changing to adopt new and better play-out formats.
10. Domestic animated films have not succeeded. Hollywood animation continues to perform well, especially in 3D.

Company Performance

The company has completed and released three films in the financial year 2011-12. These films were 'Love Express', 'Nouka Dubi' and 'Cyclekick'. The films were not successful at the box office. 'Nouka Dubi', the company's first Bengali film was also dubbed and released in Hindi as 'Kashmakash'. The film has garnered strong critic reviews and has appeared in many film festivals across the world, including The London Film Festival and The Indian Film Festival in The Hauge. 'Nouka Dubi' has also won a National Award for its Production Design.

The company has now focused on building a pipeline of productions for which development is in progress. These films will be announced in the next financial year.

The Distribution business of the company has continued to thrive in volume. The company through its strong relationships in the major territories has released over 40 films in this financial year. These include hits such as Force, Pirates of the Caribbean, Dum Maaro Dum, Rise of the Planet of Apes, X-Men First Class, London Paris Newyork, Darkest Hours, Ek Deewana Tha and Stanley Ka Dabba.

The company has consolidated its position as the leading player in the programming space. The company now controls over 425 screens and has added over 30 screens in this financial year. The business is particularly strong in Delhi-UP and Punjab but over the course of the year the company has made considerable progress in Mumbai as well.

The company launched its first owned Exhibition theatre this year in Vadodara in July 2011. This is the first of the Mukta Cinema's chain that the company has announced. The business model is structured around a 'no-rent' model by entering into revenue-share based partnerships with existing owners. This is a low-risk model and the performance in the theatre in Vadodara has been highly encouraging. Despite certain regulatory issues with all the multiplex chains in Gujarat, Mukta Cinemas in Vadodara, with the city's only 3D screen, quickly established itself as the main theatre for English content. A loyal up-market family audience has been established.

In the next financial year, the company will roll out further theatres in cities like Ahmedabad, Gulbarga, Bhopal, Raipur, Sangli and Vishakapatnam.

The company has further rented out its additional real estate. Reliance Mediaworks Limited, Turner General Entertainment Networks India Pvt Ltd, Turner International India Pvt. Ltd, Alpha Health Science Pvt. Ltd, Maya Digital Studios and Micky Mehta's Health Beyond Fitness Pvt. Ltd are some of the clients who have taken up space on commercially strong rentals.

The company has ventured into the Animation & VFX production space with the formation of a joint Venture company – Maya Digital Studios Pvt Ltd (MDS) – in which the company holds a significant minority stake. Further, some additional real estate has been made available to MDS on rental basis where the rent converts to equity at a discount, thereby deriving much greater value from such rental revenues. This also increases the company's holding in MDS and would enable the company to reach within 5% of a veto-level holding in MDS by September 30, 2012.

While Whistling Woods International (WWI) has had a turbulent year with the courts, the institutional brand has grown in leaps & bounds. Over the course of the year, WWI rolled out its first venture in Advertising and Communication with an MBA course with certification from Annamalai University. The company appointed Dr. Ujjwal Chaudhary, a former Dean of Symbiosis to handle that business area. The course, started in July 2012, has started strongly with over 100 students in the first year.

Whistling Woods is a member of CILECT – a exclusive global association of highly rated film schools. This year, WWI has seen its Executive Director, Mr. Ravi Gupta voted onto the Cilect Asia Pacific Association (CAPA) as Vice President of the body.

Mr. Ravi Gupta has also taken over from Mr. John Lee as WWI's Dean in charge. Mr. Lee's tenure had come to an end and he chose to return to the US due to his family commitments. Mr. Gupta, of course, brings with him a wealth of knowledge in the Media and Entertainment Industry as well as the experience of having been on the board of FTII and SRFTII.

On June 1-3, 2012, the students, staff & faculty of WWI organized 'Cinema 100' – a three-day festival celebrating a hundred years of Indian Cinema. The event was highly successful with over 2000 visitors on campus. The event was a mixture of an exhibition showcasing industry knowledge, rare memorabilia and posters and equipment from over the ages, workshops, film screenings and guest sessions with stalwarts of the industry. Celebrities such as A.R. Rehman, Gulzar, Sukhvinder Singh, Annu Malik, Hema Malini, Randhir Kapoor, Parineeti Chopra, Arjun Kapoor, Rohit Shetty, Habib Faisal, R. Balki, Amol Gupte, Saroj Khan and many more were part of the celebrations.

The legal issues surrounding the company though took a turn for the worse with the Honourable Bombay High Court ordering the company to surrender the land allocated to it under a joint venture with the MFSCDCL to set up Whistling Woods International Limited by July 2014 by quashing the JV. The courts have also ordered the company to pay a retrospective rent on the land allotted which amounts to almost Rs 80 cr. This rent though is to be adjusted against the value of the building, which the courts have ordered Filmcity to pay to the company, and that the management believes is worth Rs 100 cr plus.

The management has taken the steps of first challenging this order in the Supreme Court of India. Though this petition was dismissed, the company has taken a plea to the High Court of Bombay to review the order per se and especially with respect to the retrospective rent applied. The case is currently on-going.

The company's other subsidiary, Coruscant Tec, which specializes in Mobile and Digital content has struck two large deals for the company's library content. One for Internet distribution with Rajshri Media and the other for mobile rights with Hungama Digital. Both deals were on a minimum guarantee basis, rare in this segment, on a better than market price terms.

NOTICE

Notice is hereby given that the **30th Annual General Meeting** of Mukta Arts Limited will be held on **Thursday, the 27th day of September, 2012 at 4.00 p.m.** at the Whistling Woods Institute Auditorium, Dada Saheb Phalke Chitra Nagari, Goregaon (E), Mumbai- 400 065 to transact the following business:

Ordinary Business:

1 To receive, consider, and adopt the audited Profit and Loss Account of the Company for the year ended 31st March, 2012 and the Balance Sheet as at that date together with the Director's Report and Auditor's Report thereon.

2 To consider and declare the interim dividend as Final Dividend and pass the following resolution as an Ordinary Resolution:

"RESOLVED THAT interim dividend at the rate of 20% on the paid up share capital of the Company, paid by the Board of Directors as interim dividend of the Company during the year, at the meeting held on 4th August, 2011 be and is hereby declared as Final dividend for the year ended 31st March, 2012."

3 To re-appoint Mr. Rahul Puri, as Director who retires by rotation and, being eligible, offers himself for reappointment.

4 To re-appoint Mr. Pradeep Guha, as Director who retires by rotation and, being eligible, offers himself for reappointment.

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

"RESOLVED THAT pursuant to the provisions of Section 224 and other applicable provisions, if any, of the Companies Act, 1956, M/s B S R & Co., Chartered Accountants, Mumbai, (Firm Registration No. 101248W) be and are hereby reappointed as the Statutory Auditors of the Company to hold office from the conclusion of this Annual General Meeting until the conclusion of the next Annual General Meeting.

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

Special Business:

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

"RESOLVED THAT subject to the provisions of Sections 198, 269, 309, 310, 311 and Schedule XIII of the Companies Act, 1956 and other applicable provisions if any and subject to the approval of the Central Government, if required the approval be and is hereby given to the re-appointment of Mr. Parvez A. Farooqui as Whole time Director (to be designated as Executive Director) of the Company for the period of 3 years w.e.f. 1st April 2013 on such terms and conditions as are contained in the draft agreement to be entered into between the Company and Mr. Parvez A. Farooqui, a copy of which as placed before the meeting and duly initialled by the Chairman for the sake of identification be and is hereby approved.

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

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

"RESOLVED THAT pursuant to Section 314 of the Companies Act, 1956 and other applicable provisions, if any, and subject to the permission of the Central Government in this regard, approval be and is hereby given to the reappointment of Mr. Siraj A. Farooqui as Chief Operating Officer(Production and Studio) of the Company, relative of Mr. Subhash Ghai, Chairman and Managing Director and Mr. Parvez A. Farooqui, Executive Director of the Company, for a period of five years with effect from 1st April, 2012 on the terms and conditions contained in the draft agreement placed before the meeting and initialed by the Chairman for the sake of identification be and is hereby approved.

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

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

By Order of the Board

Ravi B. Poplai
Company Secretary

Place : Mumbai
Date : 29 May 2012

NOTES:

1. A MEMBER ENTITLED TO ATTEND AND VOTE AT THE MEETING IS ENTITLED TO APPOINT A PROXY / PROXIES INSTEAD OF HIMSELF AND THE PROXY NEED NOT BE A MEMBER OF THE COMPANY. THE PROXY FORMS, TO BE EFFECTIVE SHOULD BE DEPOSITED AT THE REGISTERED OFFICE OF THE COMPANY NOT LATER THAN 48 HOURS BEFORE THE COMMENCEMENT OF THE MEETING.
2. The Register of Members and Share Transfer Books of the Company will remain closed **from Friday, the 21st September, 2012 to Thursday, the 27th September, 2012 (both days inclusive)**.
3. Pursuant to Clause 49 of the Listing Agreement, the relevant details in respect of Directors seeking re-appointment included as part of Notice item Nos. 3 and 4 above is annexed herewith as Annexure – I.
4. Members seeking any information or clarification on the Accounts are requested to send in written queries to the Company, at least seven days before the date of the meeting. Replies to such written queries received, will be provided only at the meeting.
5. Pursuant to Section 205A and 205C of the Companies Act, 1956, dividend which remains unclaimed for a period of seven years from the date of transfer to Unpaid Dividend Account of the Company, is required to be transferred to the Investor Education and Protection Fund established by the Central Government. According to the relevant provisions of the Act, no claim shall lie against the said Fund or the Company for the amount of dividend so transferred to the said Fund. Members who have not encashed the dividend warrant(s) upto the year ended 31st March, 2012 are requested to send their claims directly to the Company or to Link Intime Pvt. Ltd., the Company's Registrars and Transfer Agents (the R & T Agents).
6. Members/proxies should bring the Attendance Slip sent herewith, duly filled in, along with the Annual Report for attending the meeting.
7. Shareholders are requested to bring their copy of the Annual Report to the meeting as the practice of handing out copies of the Annual Report at the Annual General Meeting has been discontinued in view of the high cost of paper and printing.

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

By Order of the Board

Ravi B. Poplai
Company Secretary

Place : Mumbai
Date : 29 May 2012

Annexure - I to Notice

Details of Directors seeking appointment/re-appointment at the forth coming Annual General Meeting (in pursuance of Clause 49 of the Listing Agreement)

Name of Director	Mr. Rahul Puri	Mr. Pradeep Guha
Date of Birth	19/09/1977	06/06/1952
Date of first appointment	23/10/2007	17/12/2005
Qualifications	Graduate of Kings College London	BA, AAPM (Manila)
Expertise in specific functional areas and experience	Business Development, Administration and Finance Worked with UBS Warbarg in London in corporate finance on international transactions. Worked with Ambit Corporate Finance and Nimbus Communications after moving to India. Joined Mukta Arts Limited in 2003 as Vice President- Finance and Strategy and later promoted as Executive Director.	Media and Entertainment Currently Managing Director of 9X Media Pvt. Ltd. Before joining 9X Media, he served as the CEO of India's largest satellite broadcasting network, Zee Entertainment Enterprises Ltd. Prior to Zee, he served as the President at The Times of India Group, where he turned around its flagship newspaper and magazine brands Pradeep is a past President of the Indian Newspaper Society, ex-Chairman of the National Readership Studies Council, past President of the Advertising Club Bombay and the first Chairman of the Broadcast Audience Research Council. He is also the Vice Chairman of Steering Committee of Adfest, Pattaya, Thailand. He is a past President of the India Chapter of the International Advertising Association and currently the Vice-President and Area Director (Asia Pacific Region) of the Association. As an Executive Committee Member of the Advertising Council of India (India's apex body representing advertising interests) Pradeep is India's official representative to the Asian Federation of Advertising Associations and is the current Chairman of the Federation. He is also an Advisory Committee member of the Institute of Intellectual Property Studies. Apart from this Pradeep is also a member of the Advisory Council Boards of Nexus India Capital Advisors, Vdopia Inc., Amagi Technologies Pvt. Ltd. and Biguine India.
Directorships held in other Public Companies (Excluding Private Companies)	Mukta Telemedia Limited	1. Whistling Woods International Limited 2. Puravankara Projects Limited 3. Future Media (I) Limited 4. Raymond Limited
Membership of Audit Committees and Shareholder/Investor Grievance Committees across public companies	Nil	**Audit Committee** 1. Whistling Woods International Limited 2. Puravankara Projects Limited **Shareholder/Investor Grievance Committee** Nil

Annexure - II to Notice

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

Item No. 5

Appointment of Statutory Auditors

M/s B S R & Co., Chartered Accountants, Mumbai, the present auditors retire at this Annual General Meeting and seek re-appointment as Statutory Auditors of the Company.

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

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

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

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

Item No. 6:

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

Mr. Parvez A. Farooqui was re-appointed as Executive Director on 1st April, 2010 for a term of 3 years on the terms and conditions mentioned in the agreement entered into between Mr. Parvez A. Farooqui and the Company which was duly approved by the Shareholders of the Company at Annual General Meeting held on 30th September, 2010

The Remuneration Committee in its meeting held on 29th May, 2012 had recommended his re-appointment on the terms and conditions contained in the agreement to be entered into between the Company and Mr. Parvez A. Farooqui. Accordingly Remuneration Committee proposed re-appointment of Mr. Parvez A. Farooqui as Executive Director of the Company for a period of 3 years commencing from 1st April, 2013.

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

SALARY:

Rs. 1,20,000/- per month with the liberty to the Board to review and increase the same from time to time upto a maximum of Rs. 3,50,000/- per month during the tenure of this contract.

PERQUISITES:

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

a) Fully furnished residential accommodation. Where no accommodation is provided by the Company, suitable house rent allowance in lieu thereof may be paid. The expenses on furnishings, gas, electricity, water and other utilities shall be borne by the Company.

b) Reimbursement of all medical expenses incurred for self and family.

c) Leave Travel assistance for self and family as per Company rules.

d) Fees of maximum of two clubs, which will include admission and life membership fees.

e) Personal accident insurance, premium whereof does not exceed Rs. 25,000/- per annum.

f) A car with driver for official purpose.

g) Telephones (including Mobile phones), fax and other communication facilities at residence for official purpose. All personal usage will be charged to his account.

h) Contribution to Provident Fund, Superannuation Fund or Annuity Fund to the extent these either singly or put together are not taxable under the Income Tax Act, 1961.

i) Gratuity at rate not exceeding half a month's salary for each completed year of service, and

j) Leave at the rate of one month for every eleven month's of service. Leave not availed of may be encashed.

k) Education Allowance for the education of his children not exceeding Rs. 25000/- per annum per child.

l) Exgratia – One month basic per annum

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

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

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

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

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

The other information as required under Schedule XIII (B) (v) is as follows:

I	**GENERAL INFORMATION**		
	1. Nature of Industry	:	Production and Exhibition of Films
	2. Date of Commencement	:	07/09/1982
	3. Financial Performance based on Given indicators	:	As per financial statements annexed
	4. Export performance and net foreign Exchange collaborations	:	Rs. 24,76,621 for 2011-2012
	5. Foreign investments of Collaborations, if any	:	NIL
II	**INFORMATION ABOUT THE APPOINTEE**	**:**	
	1. Background details	:	B com
	2. Past Remuneration	:	Rs. 2,329,680 for 2011-2012
	3. Recognition or awards	:	NIL
	4. Job Profile	:	Incharge of overall Finance and Administration
	5. Remuneration Proposed	:	As contained in Agreement
	6. Comparative remuneration profile with respect to Industry etc	:	NA
	7. Pecuniary Relationship directly or indirectly with the Company	:	NIL
	8. Relationship with managerial Personnel, if any	:	Brother-in-law of Chairman and Managing Director, Mr. Subhash Ghai
III	**OTHER INFORMATION**		
	1. The Company has made profits during the year ended 31st March 2012		
	2. Steps Taken or proposed to be Taken for improvement	:	Budgets for future films rationalized. Additional Sources of income streamlined.
	3. Expected increase in productivity and profits in measurable terms	:	Not quantifiable
IV	**DISCLOSURE**		
	1. Remuneration package	:	Necessary information given in explanatory statement
	2. Disclosure in Corporate Governance if any	:	Necessary information given

Your directors recommend the resolution for adoption.

Item No. 7:

Mr. Siraj A. Farooqui is Chief Operating Officer (Production and Studio) of the Company and has experience of over 30 years in Film Industry. He has been associated with Mukta Arts Limited since its inception and has had great experience in production including editing, special effect, art direction etc. His continued association with the Company would prove to be an asset for the Company. This reappointment is for a period of 5 years from 1st April, 2012 on the terms and conditions outlined below.

SALARY:

Basic salary starting with Rs. 1,20,000/- per month – with the liberty to the Board to review and increase the same from time to time up to and not exceeding Rs. 3,50,000/- per month during the tenure of his contract of five years.

PERQUISITIES:

In addition to the aforesaid salary, the Chief Operating Officer (Production and Studio) shall be entitled to the following perquisites:

a) HRA at the rate to be decided from time to time.

b) Annual bonus not exceeding the monthly basic salary.

c) A car with driver for official purpose.

d) Telephones (including Mobile phone), fax and other communication facilities at residence for official purpose. All personal usage will be charged to his account,

e) Performance Bonus as may be decided from time to time.

f) Contribution to provident fund, superannuation fund or annuity fund to the extent these either singly or put together are not taxable under the Income Tax Act, 1961, and

g) Gratuity at rate not exceeding half month salary for each completed year of service, and

h) Leave as per Company's rules.

Your Directors recommend the reappointment of Mr. Siraj A. Farooqui as Chief Operating Officer (Production and Studio) of the Company.

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

Your directors recommend the resolution for adoption.

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

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

By Order of the Board

Ravi B. Poplai
Company Secretary

Place: Mumbai

Date: 29 May 2012

Note: A Company bus will be available outside Goregaon (East) Station to carry the shareholders to the AGM venue, till 3.30 p.m.

DIRECTORS' REPORT

To the Members,

Your Directors take pleasure in presenting the Thirtieth Annual Report and Audited Statement of Accounts of the Company for the Accounting year ended 31st March, 2012:

Financial Results:

(Figures in millions)

Particulars	Year ending 31.03.2012 (Rs.)	Year ending 31.03.2011 (Rs.)
Profit/(Loss) before interest, depreciation & tax	399.78	30.29
Less: Interest	50.44	60.56
Profit/(Loss) after interest, before depreciation & tax	349.34	(30.27)
Less: Depreciation	32.91	29.65
Profit/(Loss) before tax	316.43	(59.92)
Less: Provision for taxation	54.43	11.21
Deferred Tax Liability/(Asset)	6.28	(9.50)
Profit/(Loss) available for appropriation	255.72	(61.63)
Less: Interim Dividend	22.58	-
Tax on Interim Dividend	3.66	-
Profit/(Loss) for the year	229.48	(61.63)
Add: Balance brought forward	(187.70)	(126.07)
Less: Transfer to general reserve	19.18	-
Profit/(Loss) Carried forward to Balance Sheet	22.60	(187.70)

Company's Performance

During the year the total revenues of the Company were placed at Rs. 2391.32 Millions Compared to Rs. 2052.44 Millions last year.

The High Court of Judicature at Bombay ('High Court') has quashed the Joint Venture Agreement ('JVA') relating to the wholly-owned subsidiary of the Company viz. Whistling Woods International Limited (WWIL) between the Company and Maharashtra Film, Stage and Cultural Development Corporation Limited ('MFSCDCL') vide its order of 9th February 2012.

Pursuant to the said Order of the High Court, the allotment of land to WWIL has been cancelled and WWIL has been ordered to return 14.5 acres out of total land admeasuring 20 acres of land to MFSCDCL. WWIL filed an appeal with the Supreme Court of India which has been dismissed. The Company and WWIL have filed applications to review the said order with the High Court, which have not yet come up for hearing.

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

Share Capital

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

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

The Directors confirm that:

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

the Directors had selected such accounting policies and applied them consistently and made judgments and estimates that are reasonable and prudent so as to give true and fair view of the state of affairs of the Company at the end of the financial year and of the profit of the Company for the year;

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

the Directors had prepared the annual accounts on a going concern basis;

Directors

Mr. Rahul Puri and Mr. Pradeep Guha, Directors, retire by rotation at the ensuing Annual General Meeting and being eligible offer themselves for reappointment.

Auditors:

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

The Company's explanation to the Auditors' observation in their Report have been detailed in Note No 3.35 in the notes forming part of accounts which forms part of the Annual Report.

Subsidiary Companies

The Company is having four subsidiaries namely, Whistling Woods International Limited, Connect.1 Limited, Mukta Tele Media Limited and Coruscant Tec Private Limited.

The provisions of Section 212 of the Companies Act, 1956 provides for the attachment of annual accounts and other requisite documents of all the subsidiary companies with the Balance Sheet of the holding company to be sent to all the shareholders of the holding company. However, Section 212(8) of the Companies Act, 1956 provides for an exception to the aforesaid requirement by way of allowing the Holding company to make an application to the Central Government for exemption from attaching the said documents with the Balance Sheet of the Holding company.

However, the Ministry of Corporate Affairs, vide General Circular No. 2/2011 (No. 5/12/2007-CL-III) dated 8th February 2011 came out with a direction that henceforth the requirement of seeking Central Government's exemption from attaching the balance sheet/s of the subsidiaries shall not apply to a company provided the following conditions as stipulated in the aforesaid General Circular are complied with:

1. The Board of Directors of the Company has by resolution given consent for not attaching the balance sheet of the subsidiary concerned;
2. The company shall present in the annual report, the consolidated financial statements of holding company and all subsidiaries duly audited by its statutory auditors;
3. The consolidated financial statement shall be prepared in strict compliance with applicable Accounting Standards and, where applicable, Listing Agreement as prescribed by the Securities and Exchange Board of India;
4. The company shall disclose in the consolidated balance sheet the following information in aggregate for each subsidiary including subsidiaries of subsidiaries:- (a)capital (b) reserves (c) total assets (d) total liabilities(e) details of investment (except in case of investment in the subsidiaries) (f) turnover (g) profit before taxation (h) provision for taxation (i) profit after taxation (j) proposed dividend;
5. The holding company shall undertake in its annual report that annual accounts of the subsidiary companies and the related detailed information shall be made available to shareholders of the holding and subsidiary companies seeking such information at any point of time. The annual accounts of the subsidiary companies shall also be kept for inspection by any shareholders in the head office of the holding company and of the subsidiary companies concerned and a note to the above effect will be included in the annual report of the holding company. The holding company shall furnish a hard copy of details of accounts of subsidiaries to any shareholder on demand;
6. The holding as well as subsidiary companies in question shall regularly file such data to the various regulatory and Government authorities as may be required by them;
7. The company shall give Indian rupee equivalent of the figures given in foreign currency appearing in the accounts of the subsidiaries companies along with exchange rate as on closing day of the financial year.

Accordingly, the Board, in its meeting held on 29th May, 2012 granted its consent as aforesaid.

Further, pursuant to the aforesaid General Circular, your Company undertakes that the annual accounts of its subsidiary companies and the related detailed information shall be made available to our shareholders and shareholders of subsidiary companies seeking such information at any point of time. The annual accounts of the subsidiary companies shall also be kept for inspection by any shareholders in the head office/registered office of your Company and of the subsidiary companies concerned. The holding company shall furnish a hard copy of details of accounts of subsidiaries to any shareholder on demand.

Following information in aggregate for each subsidiary are also disclosed in one page after the consolidated accounts: (a) capital (b) reserves (c) total assets (d) total liabilities (e) details of investment (except in case of investment in the subsidiaries) (f) turnover (g) profit before taxation (h) provision for taxation (i) profit after taxation (j) proposed dividend.

Further, the details of the accounts of individual subsidiary companies are also put on your Company's website www.muktaarts.com

Corporate Governance

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

The Practicing Company Secretary has certified the Company's Compliance of the requirements of Corporate Governance in terms of Clause 49 of the Listing Agreement and the same is enclosed as an Annexure to the Report on Corporate Governance.

Conservation of Energy, Technology Absorption, Foreign Exchange Earnings and Outgo

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

Particulars regarding Foreign Exchange earnings and outgo required under Section 217 (1) (e) of the Companies Act, 1956 and Companies (Disclosure of Particulars in the report of the Board of Directors) Rules, 1988 are given in note no.s 3.38 and 3.39 in the notes forming part of accounts which forms part of the Annual Report.

Fixed Deposits

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

Particulars of Employees

Particulars of Employees as required under Section 217(2A) of the Companies Act, 1956 read with the Companies (Particulars of Employees) Amendment Rules, 2011 drawing remuneration over the limits specified in the amendment rules vide GSR 289(E) dated 31.03.2011 issued by the Ministry of Corporate Affairs, New Delhi, are contained in the Annexure annexed to the Report.

Social Commitments

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

Acknowledgements

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

On Behalf of the Board of Directors

Place : Mumbai
Date : 29 May 2012

Subhash Ghai
Chairman & Managing Director

ANNEXURE TO DIRECTORS' REPORT

Particulars of Employees as required under Section 217(2A) of the Companies Act, 1956 read with the Companies (Particulars of Employees) Amendment Rules, 2011 and forming part of the Directors' Report:

Name	Designation	Qualification	Age	Date of Joining	Experience	Gross Remuneration (Rs.)	Previous Employment
Subhash Ghai	Chairman & Managing Director	B.Com, Diploma in Cinema from FTII, Pune	69 years	07.09.1982	43 years	1,29,97,900	Promoter of the Company

Note:

Remuneration includes salary and other allowances.

CORPORATE INFORMATION

Board of Directors

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

Company Secretary and Compliance Officer

Mr. Ravi B Poplai

Auditors

M/s B S R & Co.
Chartered Accountants

Registered Office

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

Audit Committee

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

Remuneration Committee

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

Shareholders/Investors Grievances Committee:

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

Share Transfer Committee

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

Bankers

HDFC Bank Limited
Kotak Mahindra Bank Limited

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

CORPORATE GOVERNANCE

Your Company is committed to the adoption of best corporate governance practices. These governance practices rest on strong belief in Board accountability to the Company and its stakeholders. The Company continues to strengthen the quality of its disclosures, be transparent in all its dealings, and be fully compliant to all regulatory requirements. The Company believes that it is good corporate governance that alone protects the trust and expectations of the shareholders, customers, employees, government agencies, and the society at large.

The report on Corporate Governance, as per the applicable provisions of Clause 49 of the listing agreement is as under:

COMPANY'S PHILOSOPHY ON CODE OF GOVERNANCE

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

COMPOSITION OF BOARD

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

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

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

BOARD MEETINGS AND ATTENDANCE

Four Board meetings were held during the year ended 31st March, 2012. Agenda for the Board meetings is sent to the Directors sufficiently in advance to allow them to examine and interact on the issues involved. Also the senior Executives of the Company are invited to make presentation from time to time.

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

The dates on which meetings were held are as follows:

S. No.	Date of Meeting	Board Strength	No. of Directors Present
1	27.05.2011	6	4
2	04.08.2011	6	3
3	10.11.2011	6	4
4	06.02.2012	6	4

ATTENDANCE OF EACH DIRECTOR AT THE BOARD MEETINGS AND LAST ANNUAL GENERAL MEETING (AGM) AND THE NUMBER OF COMPANIES AND COMMITTEES WHERE HE IS DIRECTOR / MEMBER AS ON 31.03.2012

Directors	No. of Board Meetings Attended during the period	Attendance at the last AGM held on 24.09.2011	No. of Directorship in other Boards as on 31.03.2012 *	No. of Memberships in other Board Committees held in other Companies **	
For whole year				Chairman	Member
Mr. Subhash Ghai	3	No	5	Nil	1
Mr. Rahul Puri	4	Yes	1	Nil	Nil
Mr. Parvez A. Farooqui	4	Yes	2	Nil	Nil
Mr. Anil Harish	0	No	13	5	9
Mr. Vijay Choraria	2	No	12	5	8
Mr. Pradeep Guha	2	No	4	NIL	NIL

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

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

COMMITTEES OF DIRECTORS

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

AUDIT COMMITTEE

The Audit Committee was constituted to provide assistance to the Board of Directors of the Company in the areas of finance and audit. It consists of Chairman and two other members. The Chairman of the Audit Committee is independent Non-Executive Director. The Audit Committee provides direction to and oversees the Audit and Risk Management functions, reviews the financial accounts, interacts with statutory auditors and reviews matters of special interest more particularly the matters prescribed under Clause 49 of the Listing Agreement and Section 292A of the Companies Act, 1956.

COMPOSITION, NAME OF MEMBERS, CHAIRMAN AND OTHERS DETAILS

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

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

Meetings & attendance during the year

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

REMUNERATION COMMITTEE

The Committee comprises of following Directors

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

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

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

Meetings & attendance during the year

Members	Meetings held during the tenure of the Directors	Meetings Attended
Mr. Vijay Choraria	1	1
Mr. Anil Harish	1	0
Mr. Parvez A. Farooqui	1	1

DETAILS OF REMUNERATION TO EXECUTIVE DIRECTORS

Particulars	Mr. Subhash Ghai Chairman & Managing Director	Mr. Parvez A. Farooqui Executive Director	Mr. Rahul Puri Executive Director
Salary	3,250,000	2,134,000	2,134,000
Employers Contribution to Provident Fund	-	161,280	161,280
Perquisites	9,747,900	34,400	41,400
Total	12,997,900	2,329,680	2,336,680

DETAILS OF SERVICE CONTRACT

Names	Period of Contract	Dates of Appointment
Mr. Subhash Ghai	3 Years	1st April, 2011
Mr. Parvez A. Farooqui	3 Years	1st April, 2010
Mr. Rahul Puri	3 Years	23rd October, 2010

DETAILS OF REMUNERATION TO NON-EXECUTIVE DIRECTORS

Names	Sitting fees (Rs.)	Salary & perquisites (Rs.)	Commission (Rs.)	Total (Rs.)
Mr. Anil Harish	Nil	Nil	Nil	Nil
Mr. Vijay Choraria	10000	Nil	Nil	10000
Mr. Pradeep Guha	10000	NIL	Nil	10000
TOTAL				**20000**

EQUITY SHARES OF MUKTA ARTS LIMITED HELD BY DIRECTORS AS ON 31ST MARCH, 2012

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

SHAREHOLDERS / INVESTOR GRIEVANCE COMMITTEE

Shareholders / Investor Grievance Committee comprising the following Directors reviews shareholder's complaints and strives for resolution thereof.

COMPOSITION, NAME OF MEMBERS AND CHAIRMAN

Mr. Vijay Choraria Chairman

Mr. Parvez A. Farooqui Member

Mr. Pradeep Guha Member

MEETINGS AND ATTENDANCE DURING THE YEAR

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

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

NO. OF COMPLAINTS PENDING WITH THE COMPANY

The Company and its Registrar & Transfer Agents M/s Link Intime India Private Limited received no complaints during the financial year ended 31st March, 2012.

SHARE TRANSFER COMMITTEE

In view of 99.91% of the shares being held by the shareholders in demat form, the services of this Committee are sparingly required.

GENERAL BODY MEETINGS

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

Description of Meeting	Location	Date	Time
29th AGM**	Whistling Woods Institution's Auditorium Dada Saheb Phalke Chitra Nagari Goregaon (E), Mumbai-400 065	24.09.2011	4.00 P.M
28th AGM*	Whistling Woods Institution's Auditorium Dada Saheb Phalke Chitra Nagari Goregaon (E), Mumbai-400 065	30.09.2010	4.00 P.M
27th AGM	Whistling Woods Institution's Auditorium Dada Saheb Phalke Chitra Nagari Goregaon (E), Mumbai-400 065	26.09.2009	4.00 P.M

** In the 29th AGM the following special resolution was passed

1. Appointment of Mr. Sameer Farooqui as Assistant Manager Production.

No special resolution was passed through postal ballot during the last year.

* In the 28th AGM the following special resolutions were passed

1. Re-appointment of Mr. Subhash Ghai as Managing Director of the Company.

2. Re-appointment of Mr. Parvez A. Farooqui as Whole Time Director (Executive Director) of the Company.
3. Re-appointment of Mr. Rahul Puri as Whole Time Director (Executive Director) of the Company.
4. Appointment of Mr. Sajid Farooqui as Assistant Manager- Administration.

No special resolution is proposed to be conducted through Postal Ballot in the ensuing Annual General Meeting.

DISCLOSURES

1) The Company has entered into certain transactions with Directors and / or companies in which the Directors or the Management or their relatives, etc., have interest. However, these transactions are of routine nature and do not have any potential conflict with the interest of the Company at large.

2) Neither has any non-compliance with any of the legal provisions of law been made by the Company nor any penalty or stricture imposed by the Stock Exchanges or SEBI or any other statutory authority, on matters related to the capital markets, during the last 3 years.

RISK MANAGEMENT

The fact that the Film Industry is prone to the vagaries of varying likes and dislikes of viewing public is well known. This has resulted in fortunes of the Company swaying in the previous years. An attempt to produce large no. of films did not succeed in view of big budgets and heavy compensations demanded by the artists. Hence, the Company has focused on production of selective films. The Company expanded its horizon into distribution and exhibition. Today, the revenue stream from this vertical accounts for major part of the total turnover. Enhanced presence in exhibition and distribution will help the Company to have stable earnings accompanied with sustained profits.

The Company's entry into multiplex space under the banner of MUKTA CINEMA's is expected to considerably augment the revenue streams in the time to come. Whistling Woods Institute, the Film and Television Institute promoted by the Company's subsidiary Whistling Woods International Limited, has since established itself as premier Institute in promotion of various facets of film making. This endeavour has made available a large pool of budding artists for the Company's projects in future.

CEO/ CFO CERTIFICATION

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

CODE OF CONDUCT

The Board of Directors of the Company has adopted the Code of Conduct for Directors and Sr. Management Personnel. The Code is applicable to Executive and Non – Executive Director as well as senior management personnel.

A declaration signed by the Chairman has been obtained by the Company confirming the affirmation by all the members of the Board and Sr. Management personnel to the effect that they have complied with the said Code of Conduct during the financial year 2011-12.

CERTIFICATE ON CORPORATE GOVERNANCE

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

MEANS OF COMMUNICATION

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

SHAREHOLDERS' INFORMATION

A.	**Annual General Meeting:**	**30th Annual General Meeting**
	Date:	27th September, 2012
	Time:	4.00 P.M.
	Venue:	Whistling Woods Auditorium, Whistling Woods Institute Dada Saheb Phalke Chitra Nagari Goregaon (E), Mumbai – 400 065
B.	**Financial Calendar:**	
	Financial Year	1st April to 31st March
	Adoption of Quarterly Results	
	I st Quarter	Within 45 days after the end of June 2012

	II nd Quarter	Within 45 days after the end of September 2012
	III rd Quarter	Within 45 days after the end of December 2012
	IV th Quarter	Within 45 days after the end of March, 2013
C.	**Date of Book Closure:**	21st September, 2012 to 27th September, 2012 (both days inclusive)
D.	**Registered Office:**	Mukta House, Behind Whistling Woods Institute Filmcity Complex, Goregaon (East), Mumbai – 400 065.
E.	**Listing on Stock Exchanges:**	Bombay Stock Exchange Limited Phiroze Jeejeebhoy Towers, Dalal Street, Mumbai – 400 001 Tel: + 91 – 22 – 2265 5581 Fax: + 91 – 22 –2272 3719 / 2272 2039
		National Stock Exchange of India Ltd Exchange Plaza, Bandra Kurla Complex, Bandra (E), Mumbai – 400 051 Tel: +91-22- 26598100 - 8114 Fax: + 91 – 22 – 2659 8237 / 38
		Calcutta Stock Exchange Association Ltd. 7, Lyons Range, Kolkata – 700 001 Tel: + 91 – 33 – 2210 4470 - 77 Fax:+ 91 – 33 – 2210 4492 / 2210 4500

The Listing fees for the year 2012–13 have already been paid to all the Stock Exchanges where the Company's shares are listed.

F.	**Stock Code:**	Bombay Stock Exchange Limited Code No: 532357 Symbol: MUKTARDM ISIN No. INE374B01019
		National Stock Exchange of India Ltd
		Symbol: MUKTAARTS
		Calcutta Stock Exchange Association Ltd.
		Scrip Code – 23922

G. Market Price Data

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

Month	BSE			NSE		
April 2011 to March 2012	Highest Rate (Rs.)	Lowest Rate (Rs.)	Average Volume Traded (Nos.)	Highest Rate (Rs.)	Lowest Rate (Rs.)	Average Volume Traded (Nos.)
April	45.00	35.65	3496	44.00	36.50	3354
May	46.20	38.00	10667	46.00	37.00	10972
June	41.95	34.10	2744	43.00	30.30	3353
July	45.00	35.85	10423	45.20	35.30	7739
August	46.50	34.25	2644	49.40	33.05	4926
September	42.35	37.00	2843	44.40	36.00	1423
October	39.90	34.45	1653	39.95	33.30	2588
November	37.50	29.50	1491	39.90	29.35	3116
December	34.25	28.70	1366	34.00	28.55	1001
January	38.10	29.15	946	37.85	29.50	1033
February	40.80	30.50	17295	40.40	30.30	29902
March	34.45	28.20	2401	34.90	27.10	2137

H. Address of Registrars and Transfer Agents

Link Intime India Private Limited
C-13, Pannalal Silk Mills Compound
L.B.S. Marg, Bhandup (W)
Mumbai – 400 078.
(PH- 022- 25963838, Fax- 22 25946969)
Email Id- Tushar Ghodke [tushar.ghodke@linkintime.co.in]

I. Share Transfer System

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

J. Distribution of Shareholding as on 31st March, 2012

Shareholding of Nominal Value (Rs)	No. of Shareholders	% of Total Shareholders	No. of Shares held	% of Total Shares
Range				
1 - 500	4943	87.27	603842	2.67
501 - 1000	323	5.70	267734	1.19
1001 - 2000	161	2.84	245364	1.09
2001 - 3000	60	1.06	152133	0.67
3001 - 4000	30	0.53	104721	0.46
4001 - 5000	27	0.48	125422	0.56
5001 - 10000	44	0.78	326535	1.45
10001 and above	76	1.34	20755449	91.91
TOTAL	**5664**	**100**	**22581200**	**100**

K. Dematerialization of Shares

As on 31st March, 2012, 22560457 shares were held in dematerialized form, which is 99.91% of total paid up capital.

L. Company's Branches/Locations

Registered and Corporate Office

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

Premises Owned and Leased
Bait-Ush-Sharaf
29th Road, Bandra, Mumbai- 400 050

"Audeus"

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

Other Locations

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

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

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

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

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

M. Address for correspondence

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

	Company	Registrar and Transfer Agents
Contact Person	Mr. Ravi B Poplai Mr. Parvez A. Farooqui	Mr. N. Mahadevan Iyer Mr.Tushar Ghodke/ Mr.Raghunath Pujari
Address	Mukta House, Behind Whistling Woods Institute, Filmcity Complex, Goregaon (East), Mumbai- 400065.	Link Intime India Private Limited C-13, Pannalal Silk Mills Compound, L.B.S. Marg, Bhandup (W) Mumbai – 400 078.
Telephone No.	(022) 33649400	(022) 2596 3838
Fax No.	(022) 33649401	(022) 2596 2691/ 2594 6969

N NOMINATION FACILITY

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

O UNCLAIMED DIVIDEND

Dividends pertaining to the Financial Years 2006-07 to 2011-12 which remain unclaimed for a period of seven years will be transferred to Investor Education and Protection Fund (IEPF) in due course. To enable the members to claim their Dividend before its transfer to the above fund the proposed dates are given below:

Dividend Reference	Date of Declaration	Due Date for transfer to IEPF
Interim Dividend 2007	14-03-2007	16-04-2014
Interim Dividend 2008	14-04-2008	15-05-2015
Interim Dividend 2009	20-01-2009	24-02-2016
Interim Dividend 2011	04-08-2011	06-09-2018

P GOVERNANCE OF SUBSIDIARIES

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

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

TO THE MEMBERS OF **MUKTA ARTS LIMITED**

We have examined the compliance of the conditions of Corporate Governance by Mukta Arts Limited for the year ended on March 31, 2012, as stipulated in Clause 49 of the Listing Agreement of the said Company with the Stock Exchanges.

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

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

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

For K. C. NEVATIA & ASSOCIATES
COMPANY SECRETARIES

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

Place : Mumbai
Date : 29 May 2012

CEO/CFO CERTIFICATION

I Parvez A. Farooqui, Executive Director certify that:

(a) I have reviewed the stand alone and Consolidated financial results and the cash flow statement of Mukta Arts Limited (the Company) for the year and that to the best of my knowledge and belief:

(i) these statements do not contain any materially untrue statement or omit any material fact or contain statements that might be misleading;

(ii) these statements together present a true and fair view of the company's affairs and are in compliance with existing accounting standards, applicable laws and regulations.

(b) There are, to the best of my knowledge and belief, no transactions entered into by the company during the year which are fraudulent, illegal or violative of the company's code of conduct.

(c) I accept responsibility for establishing and maintaining internal controls for financial reporting and that I have evaluated the effectiveness of the internal control systems of the company pertaining to financial reporting and I have disclosed to the auditors and the Audit Committee, deficiencies in the design or operation of internal controls, if any, of which I am aware and the steps I have taken or propose to take to rectify these deficiencies.

(d) I have indicated to the auditors and the Audit committee.

(i) significant changes in internal control over financial reporting during the year;

(ii) significant changes in accounting policies during the year and that the same have been disclosed in the notes to the financial statements; and

iii) instances of significant fraud of which I become aware and the involvement therein, if any, of the management or an employee having a significant role in the company's internal control system over financial reporting.

For and on behalf of
Mukta Arts Limited

Parvez A. Farooqui
Executive Director

Place : Mumbai
Date : 29 May 2012

Declaration of Compliance with Code of Conduct as per Clause (1)(D) of clause 49 of Listing Agreement

I, Subhash Ghai, Managing Director of Mukta Arts Limited hereby declare that all Board members and Senior Management personnel have confirmed compliance with Code of Conduct as laid down by the Company during Financial Year 2011-2012.

For and on Behalf of
Mukta Arts Limited

Subhash Ghai
Managing Director

Place : Mumbai
Date : 29 May 2012

AUDITORS' REPORT

To the Members of
Mukta Arts Limited

We have audited the attached Balance sheet of Mukta Arts Limited ('the Company') as at 31 March 2012 and the related Statement of Profit and loss and the Cash flow statement for the year ended on that date, annexed thereto. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

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

2 *As explained in Note 3.40 to the financial statements, the remuneration paid to the managing director of the Company for the period 1 April 2011 to 31 March 2012 amounting to Rs 12,997,900 and for earlier financial years 2005-06, 2006-07, 2007-08, 2008-09, 2009-2010 and 2010-11 aggregating to Rs 87,628,769, is in excess of the limits prescribed under Section 198 of the Companies Act, 1956. The Company made applications to the Central Government seeking post-facto approval for earlier years, which is awaited; application for the current year is being made. During the year, the Company has received approval for part of the excess remuneration paid (approval received for remuneration aggregating to Rs 25,200,000 for the financial years 2005-06, 2006-07and 2007-08). The Company has made an application to authorities requesting reconsideration/ approval for the balance excess remuneration. Pending final communication from the authorities in this regard and application for the current year, no adjustment has been made in these financial statements.*

3 *As at 31 March 2012, the Company's investment in its subsidiary, Whistling Woods International Limited (WWI), a joint venture between the Company and Maharashtra Film, Stage and Cultural Development Corporation Limited ('MFSCDCL'), aggregates to Rs 369,997,000 and loans, advances and deposits include Rs 391,595,281 recoverable from WWI. As more fully explained in Note 3.41 to the financial statements, through its order of 9 February 2012, the High Court of Judicature at Bombay ('High Court') has quashed the Joint Venture Agreement ('JVA') between the Company and MFSCDCL and passed consequential orders. WWI's petition for special leave to appeal filed with the Supreme Court of India has been dismissed. However, the Company and WWI have filed applications to review the said order with the High Court, which have not yet come up for hearing. Also, WWI's net worth stands fully eroded as at 31 March 2012 - management is currently evaluating plans for the future.*

Having regard to the circumstances explained above and pending final outcome of the matter under litigation, the Company has not made any adjustment to the carrying value of investments in and amounts due from WWI. Accordingly, the impact on the carrying value of investments, recoverability of loan and advances, profit for the year and consequentially on the dividend for the year is not determinable.

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

a. we have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit;

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

c. the Balance sheet, Statement of Profit and loss and the Cash flow statement dealt with by this report are in agreement with the books of account;

d. in our opinion, the Balance sheet, Statement of Profit and loss and the Cash flow statement dealt with by this report comply with the Accounting Standards referred to in sub-Section (3C) of Section 211 of the Act;

e. on the basis of written representations received from the directors of the Company as at 31 March 2012, and taken on record by the Board of Directors, we report that none of the directors is disqualified as on 31 March 2012 from being appointed as a director in terms of clause (g) of sub-Section (1) of Section 274 of the Act; and

f. in our opinion, and to the best of our information and according to the explanations given to us, the said accounts give the information required by the Act in the manner so required and, *except for the matter referred to in paragraph 3 above, the outcome and consequent adjustments to the financial statements of which cannot be presently determined, and subject to the matter referred to in paragraph 2 above,* give a true and fair view in conformity with the accounting principles generally accepted in India:

(i) in the case of the Balance sheet, of the state of affairs of the Company as at 31 March 2012;

(ii) in the case of the Statement of Profit and loss, of the profit of the Company for the year ended on that date; and

(iii) in the case of the Cash flow statement, of the cash flows of the Company for the year ended on that date.

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

Bhavesh Dhupelia
Partner
Membership No: 042070

Mumbai
29 May 2012

Annexure to the Auditors' Report- 31 March 2012
(Referred to in our report of even date)

(i) (a) The Company has maintained proper records showing full particulars including quantitative details and situation of fixed assets. *The management is in the process of performing a detailed exercise of tagging its fixed assets.*

(b) The Company has a regular programme of physical verification of its fixed assets by which all fixed assets are verified annually. In our opinion, this periodicity of physical verification is reasonable having regard to the size of the Company and the nature of its assets. No material discrepancies were noticed on such verification during the year.

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

(ii) (a) The inventory has been physically verified by the management during the year. In our opinion, the frequency of such verification is reasonable.

(b) The procedures for the physical verification of inventories followed by the management are reasonable and adequate in relation to the size of the Company and the nature of its business.

(c) The Company is maintaining proper records of inventory. The discrepancies noticed on verification between the physical stocks and the book records were not material.

(iii) The Company has neither granted nor taken any loans, secured or unsecured, to or from companies, firms or other parties covered in the register maintained under Section 301 of the Companies Act, 1956 ('the Act').

(iv) In our opinion and according to the information and explanations given to us, *controls relating to purchase of fixed assets, customer contracting and tracking of amounts billable need to be further strengthened,* and having regard to the explanation that certain services rendered/ rights sold are of a specialised nature and are rendered/ sold to specific buyers and suitable alternative sources are not available to obtain comparable quotations, there is an adequate internal control system commensurate with the size of the Company and the nature of its business with regard to purchase of inventories (food and beverage items) and fixed assets and with regard to sale of services and food and beverage items.

(v) In our opinion, and according to the information and explanations given to us, there are no contracts and arrangements the particulars of which need to be entered into the register maintained under Section 301 of the Act.

(vi) The Company has not accepted any deposits from the public.

(vii) In our opinion, the Company has an internal audit system commensurate with its size and the nature of its business.

(viii) The Central Government has not prescribed the maintenance of cost records under Section 209(1)(d) of the Act for any of the services rendered/ food and beverages sold by the Company.

(ix) (a) According to the information and explanations given to us and on the basis of our examination of records of the Company, *except for Value added tax dues aggregating to Rs. 24,889,325,* amounts deducted /accrued in the books of account in respect of undisputed statutory dues including Provident fund, Employees' State Insurance, Income tax, Sales tax, Wealth tax, Service tax, and other material statutory dues have been generally regularly deposited during the year by the Company with appropriate authorities. As explained to us, the Company did not have any dues on account of Excise duty, Custom duty and Investor Education and Protection Fund.

According to the information and explanations given to us, the following undisputed statutory dues are outstanding as at 31 March 2012 for a period of more than six months from the date they became payable:

Name of the Statute	Nature of dues	Amount *	Period to which it relates	Due date
Maharashtra Value Added tax Act, 2002	Value-added tax	1,173,077	April 2005 to March 2006	May 2005 to April 2006
Maharashtra Value Added tax Act, 2002	Value-added tax	9,069,231	April 2006 to March 2007	May 2006 to April 2007
Maharashtra Value Added tax Act, 2002	Value-added tax	4,138,462	April 2007 to March 2008	May 2007 to April 2008
Maharashtra Value Added tax Act, 2002	Value-added tax	2,096,154	April 2008 to March 2009	May 2008 to April 2009
Maharashtra Value Added tax Act, 2002	Value-added tax	1,580,769	April 2009 to March 2010	May 2009 to April 2010
Maharashtra Value Added tax Act, 2002	Value-added tax	1,384,615	April 2010 to March 2011	May 2010 to April 2011
Maharashtra Value Added tax Act, 2002	Value-added tax	952,380	April 2011 to August 2011	May 2011 to September 2011

*Credit available Rs 12,902,371 pending adjustment.

Except for the above, there are no undisputed amounts payable in respect of Provident fund, Employees' State Insurance, Income tax, Sales tax, Wealth tax, Service tax, and other material statutory dues which were in arrears as at 31 March 2012 for a period of more than six months from the date they became payable

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

Name of the statute	Nature of dues	Amount (Rs.)*	Period to which the amount relates	Forum where the dispute is pending
Chapter V of the Finance Act, 1994	Service Tax	800,000	April 1999 -October 2003	Customs, Excise & Service Tax Appellate Tribunal
Chapter V of the Finance Act, 1994	Service Tax	875,000	November 1996 -November 2001	Customs, Excise & Service Tax Appellate Tribunal

*- excludes amount deposited under protest Rs 1,240,000

(x) The Company does not have any accumulated losses at the end of the financial year and has not incurred cash losses in the current and in the immediately preceding financial year.

(xi) In our opinion and according to the information and explanations given to us, the Company has not defaulted in repayment of dues to its bankers or to any financial institutions. The Company did not have any outstanding debentures during the year

(xii) The Company has not granted any loans and advances on the basis of security by way of pledge of shares, debentures or other securities.

(xiii) In our opinion and according to the information and explanations given to us, the Company is not a chit fund or nidhi/ mutual benefit fund/ society.

(xiv) According to the information and explanations given to us, the Company is not dealing or trading in shares, securities, debentures and other investments.

(xv) In our opinion and according to the information and explanations given to us, the terms and conditions on which the Company has given guarantees for loans taken by others from banks or financial institutions are not prejudicial to the interest of the Company.

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

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

(xviii) The Company has not made any preferential allotment of shares during the year to companies/firms/parties covered in the register maintained under Section 301 of the Act.

(xix) The Company did not have any outstanding debentures during the year.

(xx) The Company has not raised any money by public issues during the year.

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

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

Bhavesh Dhupelia
Partner
Membership No: 042070

Mumbai
29 May 2012

BALANCE SHEET AS AT 31 MARCH 2012

(Currency: Indian Rupees)

	Note	31 March 2012	31 March 2011
EQUITY AND LIABILITIES			
Shareholders' funds			
Share capital	3.1	**112,917,500**	112,917,500
Reserves and surplus	3.2	**1,078,373,087**	848,895,482
Non-current liabilities			
Long-term borrowings	3.3	**206,691,716**	179,108,854
Deferred tax liabilities (net)	3.4	**6,278,931**	-
Other long-term liabilities	3.5	**70,089,703**	100,030,600
Long-term provisions	3.6	**5,708,711**	5,506,143
Current liabilities			
Short-term borrowings	3.7	**149,052,834**	124,665,211
Trade payables	3.8	**235,271,010**	208,737,606
Other current liabilities	3.9	**133,915,750**	539,673,370
Short-term provisions	3.10	**44,886,085**	4,609,511
TOTAL		**2,043,185,327**	2,124,144,277
ASSETS			
Non-current assets			
Fixed assets	3.11		
Tangible assets		**388,985,231**	384,456,744
Intangible assets		**9,453,595**	30,978,871
Capital work-in-progress		**167,721,237**	97,136,008
Intangible assets under development		**43,474,120**	58,332,228
Non-current investments	3.12	**390,991,850**	378,591,850
Long-term loans and advances	3.13	**547,962,647**	567,548,146
Other non-current assets	3.14	**11,168,432**	6,508,939
Current assets			
Current investments	3.15	**13,382,449**	19,821,152
Inventories	3.16	**447,612**	-
Trade receivables	3.17	**228,679,174**	250,573,000
Cash and bank balances	3.18	**27,171,813**	33,507,281
Short term-loans and advances	3.19	**213,747,167**	296,690,058
TOTAL		**2,043,185,327**	2,124,144,277
Summary of significant accounting policies	2		
The accompanying notes from 1 to 3.44 are an integral part of these financial statements.			

As per our report of even date attached.

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

Bhavesh Dhupelia
Partner
Membership No: 042070

Place : Mumbai
Date : 29 May 2012

For and on behalf of the Board of Directors

Subhash Ghai
Chairman and Managing Director

Parvez A. Farooqui
Executive Director

Rahul Puri
Executive Director

Ravi Poplai
Company Secretary

STATEMENT OF PROFIT AND LOSS FOR THE YEAR ENDED 31 MARCH 2012

(Currency: Indian Rupees)

	Note	31 March 2012	31 March 2011
Income			
Revenue from operations	*3.20*	**2,018,167,374**	1,923,335,993
Other income	*3.21*	**373,156,589**	44,306,757
Total Income		**2,391,323,963**	1,967,642,750
Expenses			
Cost of production, distribution, exhibition and theatrical	*3.22*	**1,737,702,865**	1,588,089,995
Purchases of food and beverages		**2,002,602**	-
Changes in inventories of food and beverages	*3.23*	**(447,612)**	-
Employee benefits expense	*3.24*	**39,484,381**	53,725,371
Finance costs	*3.25*	**50,439,528**	60,563,947
Depreciation and amortization expense	*3.11*	**156,177,734**	311,245,064
Other expenses	*3.26*	**89,534,646**	98,742,050
Total Expenses		**2,074,894,144**	2,112,366,427
Profit/ (loss) before exceptional items and tax		**316,429,819**	(144,723,677)
Exceptional items	*3.27*	**-**	84,799,660
Profit/ (loss) before tax		**316,429,819**	(59,924,017)
Tax expenses:			
- Current tax		**54,428,848**	11,211,156
- Deferred tax		**6,278,931**	(9,502,288)
Profit/ (Loss) for the year		**255,722,040**	(61,632,885)
Earnings per equity share (Rs)	*3.28*		
Basic		**11.32**	(2.73)
Diluted		**11.32**	(2.73)
Face value of shares (Rs)		**5**	5
Summary of significant accounting policies	*2*		
The accompanying notes from 1 to 3.44 are an integral part of these financial statements.			

As per our report of even date attached.

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

Bhavesh Dhupelia
Partner
Membership No: 042070

Place : Mumbai
Date : 29 May 2012

For and on behalf of the Board of Directors

Subhash Ghai
Chairman and Managing Director

Parvez A. Farooqui
Executive Director

Rahul Puri
Executive Director

Ravi Poplai
Company Secretary

CASH FLOW STATEMENT FOR THE YEAR ENDED 31 MARCH 2012

(Currency: Indian Rupees)

		31 March 2012	31 March 2011
A.	**Cash flows from operating activities**		
	Profit/ (Loss) for the year before tax	**316,429,819**	(59,924,017)
	Adjustments for:		
	Depreciation and amortisation expense	**156,177,734**	311,245,064
	Provision for doubtful debts/ advances	**5,089,593**	11,625,463
	Provision for diminution in value of investment (net)	**19,785**	3,773,208
	Bad debts/ advances written-off	**9,754,003**	21,004,404
	Finance costs	**50,439,528**	60,563,947
	Interest income	**(34,731,507)**	(30,254,151)
	Interest on income tax refund	**(5,739,301)**	(6,495,842)
	Dividend income	**(1,181,832)**	(920,108)
	Profit on sale of assets/ redevelopment, net (also refer note 3.27)	**(2,221,606)**	(86,195,453)
	Excess provision written back, net	**(1,154,407)**	(4,441,151)
	Operating cash flow before working capital changes	**492,881,809**	219,981,364
	Adjustment for working capital changes		
	Decrease/ (increase) in trade receivables	**10,718,470**	(46,367,665)
	Decrease/ (increase) in loans and advances and other non-current assets	**23,380,436**	(140,982,579)
	Increase in inventories	**(447,612)**	-
	(Decrease)/ increase in trade payables, provisions, other long-term and other current liabilities	**(81,888,158)**	193,736,547
	Cash generated from operations	**444,644,945**	226,367,667
	Income taxes refund	**34,378,921**	50,296,217
	Net cash generated from operating activities (A)	**479,023,866**	276,663,884
B.	**Cash flows from investing activities**		
	Interest income	**34,731,507**	30,254,151
	Dividend income	**1,181,832**	920,110
	Purchase of fixed assets (tangible and intangible)	**(171,755,586)**	(369,792,539)
	Proceeds from sale of fixed assets	**5,080,000**	2,225,000
	Purchase of investment in mutual funds	**(1,181,832)**	(920,115)
	Proceeds from sale of investment in mutual funds	**7,600,750**	800,000
	Proceeds from maturity of fixed deposits, net	**4,222,655**	-
	Movement in dividend bank account	**10,697**	175,263
	Investment in fixed deposits, net	**-**	(1,339,854)
	Investments in equity shares of subsidiaries	**(7,400,000)**	-
	Investment in equity instruments-others	**(5,000,000)**	(5,000,000)
		(132,509,977)	(342,677,984)
	Income taxes paid on interest income	**(3,249,296)**	(891,985)
	Net cash (used in) investing activities (B)	**(135,759,273)**	(343,569,969)

CASH FLOW STATEMENT FOR THE YEAR ENDED 31 MARCH 2012 (CONTD.)

(Currency: Indian Rupees)

		31 March 2012	31 March 2011
C.	**Cash flows from financing activities**		
	Secured loan (repaid)/ taken, net	**(316,483,090)**	139,384,355
	Unsecured loan taken/ (repaid), net	**37,525,259**	(20,000,000)
	Interest paid	**(43,018,207)**	(57,993,561)
	Dividend (including unclaimed) and tax thereon	**(26,255,133)**	(175,262)
	Interest income on income tax	**5,739,301**	-
	Net cash flow (used in)/ generated from financing activities (C)	**(342,491,870)**	61,215,532
	Net increase/ (decrease) in cash and cash equivalent (A+B+C)	**772,723**	(5,690,553)
	Cash and cash equivalents as at beginning of the year	**9,068,433**	14,758,986
	Cash and cash equivalents as at end of the year (Refer note 1 below)	**9,841,156**	9,068,433

Cash Flow Statement has been prepared under indirect method as set out in Accounting Standard 3 - Cash Flow Statement.

Notes:

		31 March 2012	31 March 2011
1)	**Cash and cash equivalents at year-end comprises:**		
	Cash in hand	**1,016,857**	640,614
	Cheque in hand	**-**	26,710
	Balances with scheduled banks in		
	- Current accounts	**8,824,299**	6,950,347
	- Fixed deposit accounts	**-**	1,450,762
		9,841,156	9,068,433

As per our report of even date attached.

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

Bhavesh Dhupelia
Partner
Membership No: 042070

Place : Mumbai
Date : 29 May 2012

For and on behalf of the Board of Directors

Subhash Ghai
Chairman and Managing Director

Parvez A. Farooqui
Executive Director

Rahul Puri
Executive Director

Ravi Poplai
Company Secretary

NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 31 MARCH 2012

(Currency: Indian Rupees)

1. Background

Mukta Arts Limited ('Mukta' or 'the Company') is a company incorporated in India under the Companies Act, 1956 ('the Act'). The Company was incorporated on 7 September 1982 as Mukta Arts Private Limited and was converted to a public limited company on 30 September 2000 and renamed as Mukta Arts Limited. The Company was promoted by Mr. Subhash Ghai who holds approximately 54.99% of the outstanding equity share capital as at 31 March 2012. The Company is primarily engaged in the business of film production and distribution and film exhibition (wherein it provides film content to multiplexes and single screens across India) as also manages/ operates theatres. The Company also provides production equipment to other production houses and independent producers.

2. Summary of significant accounting policies

2.1 Basis of preparation

The financial statements have been prepared and presented under the historical cost convention, on the accrual basis of accounting, in accordance with the provisions of the Companies Act, 1956 ('the Act'), the accounting principles generally accepted in India ('Indian GAAP') and comply with the Accounting Standards ('AS') prescribed in the Companies (Accounting Standards) Rules, 2006, issued by the Central Government, in consultation with the National Advisory Committee on Accounting Standards, to the extent applicable. The financial statements are presented in Indian Rupees except per share data and where mentioned otherwise.

During the year ended 31 March 2012 (effective 1 April 2011), the revised Schedule VI notified under the Act has become applicable to the Company for preparation and presentation of its financial statements. The adoption of revised Schedule VI does not impact recognition and measurement principles followed for preparation of financial statements. All assets and liabilities have been classified as current or non-current as per the Company's normal operating cycle and other criteria set out in the revised Schedule VI to the Act.

2.2 Use of estimates

The preparation of the financial statements in conformity with Indian GAAP requires management to make estimates and assumptions that affect the reported amount of assets and liabilities and disclosure of contingent liabilities as of the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Management believes that the estimates made in the preparation of financial statements are prudent and reasonable. Actual results may differ from the estimates used in preparing the accompanying financial statements. Any revision to accounting estimates is recognised prospectively in current and future periods.

2.3 Fixed assets

Tangible assets

Tangible fixed assets are stated at cost of acquisition less accumulated depreciation and any provision for impairment. Cost includes freight, duties, taxes (other than those recoverable from tax authorities) and other expenses directly attributable to the acquisition/ construction and installation of the fixed assets for bringing the asset to its working condition for its intended use. Cost incurred on fixed assets not ready for their intended use is disclosed under Capital work-in-progress. Capital work-in-progress includes estimates of work completed, as certified by the management.

Intangible assets

Film rights comprising negative rights and distribution rights.

Negative film rights are generally exploited through media such as theatrical exhibition, television/ satellite, cable, etc. Negative film rights in respect of films produced are recorded at cost, which is determined on specific identification basis. Acquired negative rights are recorded at the purchase price paid to acquire the rights plus any additional cost incurred which is determined on specific identification basis. Cost incurred on films-in-progress is recorded as Intangible assets under development.

Distribution rights in films are for a contractually specified mode of exploitation, period and territory and are stated at cost. Cost of distribution comprises original purchase price/ minimum guarantee, which are ascertained on specific identification basis. In case multiple films/ rights are acquired for a consolidated amount, cost is allocated to each film/ right based on the agreement or where it is not specified in the agreement, based on management's best estimates. In respect of unreleased films, payments towards distribution rights are classified under Capital advances as the amounts are refundable in the event of non release of the film.

Software

Application software purchased, which is not an integral part of the related hardware, is shown as intangible assets.

2.4 Depreciation/ amortisation

Tangible assets

Depreciation on fixed assets is provided on written down value method, at the rates prescribed in Schedule XIV to the Act, which, in management's opinion, reflect the estimated useful lives of those fixed assets.

(Currency: Indian Rupees)

2. Summary of significant accounting policies (Continued)

Leasehold improvements/ premises are depreciated at the lower of the estimated useful lives of the assets and the lease term, on a straight-line basis.

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

Intangible assets

Film rights comprising negative rights and distribution rights

Costs are amortised in the proportion that gross revenue realized bears to management's estimate of total gross revenue expected to be received. If estimates of the total revenue and other events or changes in circumstances indicate that the realizable value of a right is less than its unamortized cost, a loss is recognized for the excess of unamortized cost over the film rights' realizable value.

Software

Application software purchased is amortised over its license period or on a straight-line basis over its useful life, not exceeding five years, as determined by management.

2.5 Impairment

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

If at the balance sheet date there is an indication that a previously assessed impairment loss no longer exists, the recoverable amount is re-assessed and the asset is reflected at the recoverable amount subject to a maximum of the depreciated historical cost.

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

2.6 Revenue recognition

Revenue is recognized to the extent that it is probable that the economic benefits will flow to the Company, revenue can be reliably measured and recoverability is reasonably certain. The amount recognized as income is exclusive of value added tax, service tax and net of trade discounts. Unbilled revenue represents costs incurred and revenues recognized on contracts to be billed in subsequent periods as per the terms of the contract.

Film/ content production and related income

Revenue from sale of content/ motion pictures is recognized on assignment/ sale of the rights in the concerned content/ motion picture from the date of their availability for exploitation or on the date of release of the content/ movie, as applicable.

Revenue from other rights in motion pictures such as satellite rights, overseas rights, music rights, video rights, etc., is recognized on assignment/ sale of the rights in the concerned motion picture from the date of their availability for exploitation.

Income from distribution and exhibition

Revenue comprising proceeds from sales of tickets, net of taxes and exhibitor's share is recognized on the date of release/ exhibition. As the Company is the primary obligor, the shares of producers, joint venture investors (other than those in jointly controlled assets) and sub-agents / sub distributors are included in revenues from distribution and exhibition (theatrical exploitation) and are correspondingly disclosed as direct cost.

Distribution/ sub-distribution commission is recognized as it is earned based on intimation by the theatre owners / distributors.

Revenue from management of theatres is recognised on an accrual basis as per the contractual arrangement entered into with the theatre owners.

Theatrical exhibition and related income

Sale of tickets

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

NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 31 MARCH 2012 (CONTD.)

(Currency: Indian Rupees)

2. Summary of significant accounting policies (Continued)

Sale of food and beverages

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

Advertisement / sponsorship revenue

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

Revenue from equipment hire/ facility rental

Income from equipment hire/ facility rental is recognised on a straight-line basis over the period of the relevant agreement/ arrangement.

Interest income

Interest income is recognised on a time proportion basis.

Dividend income

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

2.7 Investments

Long-term investments are carried at cost less any provision for diminution, which is other than temporary, in value.

Current investments are carried at lower of cost and fair value. The comparison of cost and fair value is done separately in respect of each category of investments.

2.8 Employee benefits

(a) Short term employee benefits

All employee benefits payable wholly within twelve months of rendering the service are classified as short-term employee benefits. The undiscounted amount of short-term employee benefits expected to be paid in exchange for the services rendered by employees is charged to the statement of profit and loss in the period in which such services are rendered.

(b) Post employment benefits

Defined contribution plan:

The Company's contribution paid / payable under the recognised provident fund scheme and the employees' state insurance contribution is recognised as an expense in the statement of profit and loss during the period in which the employee renders the related service.

Defined benefit plan:

The Company's gratuity scheme is a defined benefit plan. The Company's net obligation in respect of the gratuity scheme is calculated by estimating the amount of future benefit that employees have earned in return for their services in the current and prior periods. These benefits are discounted to determine their present value, and the fair value of any plan assets is deducted therefrom.

The present value of the obligation under such defined benefit plan is determined based on actuarial valuation at each balance sheet date by an independent actuary, using the Projected Unit Credit Method, which recognises each period of service as giving rise to one additional unit of employee benefit entitlement and measures each unit separately to build up the final obligation.

The obligations are measured at the present value of the estimated future cash flows. The discount rates used for determining the present value of the obligations under the defined benefit plan are based on the market yields on government bonds as at the balance sheet date.

All actuarial gains and losses arising during the period are recognised immediately in the statement of profit and loss.

(c) Other long-term employee benefits

Compensated absences which are not expected to occur within twelve months after the end of the period in which the employee renders the related services are recognised as a liability at the present value of the defined benefit obligations at the balance sheet date based on an actuarial valuation by an independent actuary using the Projected Unit Credit Method. The discount rates used for determining the present value of the obligations under the defined benefit plan are based on the market yields on government bonds as at the balance sheet date.

(Currency: Indian Rupees)

2. Summary of significant accounting policies (Continued)

2.9 Foreign currency transactions

Transactions denominated in foreign currency are recorded at the exchange rate prevailing on the date of the transactions. Exchange differences arising on foreign exchange transactions settled during the year are recognised in the statement of profit and loss for the year. Monetary assets and liabilities denominated in foreign currencies as at the balance sheet date are translated at the closing exchange rates on that date; the resultant exchange differences are recognised in the statement of profit and loss.

Non-monetary items are carried at historical cost using the exchange rate at the date of the transaction.

2.10 Earnings per share

The basic earnings per equity share are computed by dividing the net profit or loss attributable to the equity shareholders for the year by the weighted average number of equity shares outstanding during the reporting year. The number of shares used in computing diluted earnings per share comprises the weighted average number of shares considered for deriving basic earnings per share, and also the weighted average number of equity shares which may be issued on the conversion of all dilutive potential shares, unless the results would be anti dilutive.

2.11 Taxation

Income-tax expense comprises current tax expense and deferred tax charge or credit.

Current tax

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

Minimum Alternative Tax credit entitlement

Minimum Alternative Tax ('MAT') credit is recognised only to the extent there is convincing evidence that the Company will pay normal income tax in excess of MAT during the specified period.

MAT credit entitlement is reviewed as at each balance sheet date and written down to the extent there is no longer convincing evidence that the Company will pay normal income tax during the specified period.

Deferred tax

Deferred tax liability or asset is recognised for timing differences between the profits or losses offered for income taxes and profits/losses as per the financial statements. Deferred tax assets and liabilities and the corresponding deferred tax credit or charge are measured using the tax rates and tax laws that have been enacted or substantively enacted as at the balance sheet date.

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

2.12 Leases

The Company has various operating leases, principally for office space, with various renewal options. Rental expense in agreements with scheduled rent increases is recorded on a straight-line basis over the lease term.

Assets given on operating lease

Lease rentals in respect of assets given on operating lease are recognised on a straight-line basis over the lease term unless another systematic basis is more representative of the time pattern of the benefit received.

2.13 Borrowing costs

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

2.14 Provisions and contingencies

A provision is made when there is a present obligation as a result of a past event that probably requires an outflow of resources and a reliable estimate can be made of the amount of the obligation. A disclosure for a contingent liability is made when there is a possible obligation or a present obligation that may, but probably will not, require an outflow of resources. When there is a possible obligation or a present obligation in respect of which the likelihood of outflow of resources is remote, no provision or disclosure is made.

Provisions are reviewed at each balance sheet date and adjusted to reflect the current best estimate. If it is no longer probable that an outflow of resources would be required to settle the obligation, the provision is reversed.

NOTES TO THE ACCOUNTS AS AT 31 MARCH 2012

(Currency: Indian Rupees)

3.1 Share capital

	31 March 2012	31 March 2011
Authorised		
24,000,000 (2011: 24,000,000) equity shares of Rs 5 each	**120,000,000**	120,000,000
Issued, subscribed and paid-up		
22,581,200 (2011: 22,581,200) equity shares of Rs 5 each, fully paid-up	**112,906,000**	112,906,000
Add :- Forfeited shares (Amount originally paid-up)	**11,500**	11,500
(No.of shares forfeited: 4,000 (2011: 4,000))		
	112,917,500	112,917,500

a) Reconcilation of the shares outstanding at the beginning and at the end of the year :

	31 March 2012		31 March 2011	
	No. of Shares	Amount	No. of Shares	Amount
Equity shares				
Balance as at the beginning of the year	**22,581,200**	**112,917,500**	22,581,200	112,917,500
Issued during the period	-	-	-	-
Buyback/forfeiture/reduction during the period	-	-	-	-
Balance as at the end of the year	**22,581,200**	**112,917,500**	22,581,200	112,917,500

b) Terms/ rights attached to equity shares

The Company has only one class of equity shares having par value of Rs 5 per share. Each equity share holder is entitled to one vote per share.

In the event of liquidation of the Company, the holders of equity shares will be entitled to receive remaining assets of the Company, after distribution of all preferential amounts. The distribution will be in proportion to the number of equity shares held by the shareholders.

The Board of Directors, in their meeting on 4 August 2011, declared an interim dividend of Re 1 per equity share. The total dividend appropriation for the year ended 31 March 2012 amounted to Rs 26,244,435 including corporate dividend tax Rs 3,663,235.

c) Details of shares held by shareholders holding more than 5% of the aggregate shares in the Company

		31 March 2012		31 March 2011	
		No. of shares	% holding	No. of shares	% holding
1.	Mr. Subhash Ghai	**12,417,990**	**54.99%**	12,417,990	54.99%
2.	Ms. Meghna Ghai Puri	**1,650,000**	**7.31%**	1,650,000	7.31%
3.	Ms. Mukta Ghai	**1,650,000**	**7.31%**	1,650,000	7.31%

NOTES TO THE ACCOUNTS AS AT 31 MARCH 2012 (CONTD.)

(Currency: Indian Rupees)

3.2 Reserves and surplus

		31 March 2012		31 March 2011
Securities premium		**973,360,000**		973,360,000
General reserve				
At the commencement of the year		**63,239,914**		63,239,914
Add : Transfer from balance in statement of profit and loss on account of equity dividend		**19,179,153**		-
		82,419,067		63,239,914
Surplus/ (deficit) in the statement of profit and loss				
At the commencement of the year		**(187,704,432)**		(126,071,547)
Add : Profit/ (loss) for the year		**255,722,040**		(61,632,885)
Less : Appropriations				
Equity dividend (Re 1 per share (2011: Nil))	**(22,581,200)**		-	
Tax on equity dividend	**(3,663,235)**		-	
Transfer to general reserve on account of equity dividend	**(19,179,153)**	**(45,423,588)**		-
		22,594,020		(187,704,432)
		1,078,373,087		848,895,482

3.3 Long-term borrowings

	31 March 2012	31 March 2011
a) Term loans		
Secured loans		
- From banks:		
(i) HDFC Bank Limited*	**-**	311,990,600
(Repayable within a year Rs Nil (2011: Rs 311,990,600)		
(ii) Kotak Mahindra Bank Limited **	**197,247,822**	179,632,481
(Repayable within a year Rs 46,440,205 (2011: Rs 59,294,936)		
- Motor vehicle finance loans ***	**7,630,409**	6,574,445
(Repayable within a year Rs 4,208,745 (2011: Rs 4,871,851)		
- From financial institution ****	**6,607,000**	6,607,000
b) Deferred payment liabilities # #	**59,916,217**	68,811,429
(Repayable within a year Rs 14,060,782 (2011: Rs 18,349,714)		
Amount disclosed under the head -other current liabilites (note 3.9)	**(64,709,732)**	(394,507,101)
	206,691,716	179,108,854

NOTES TO THE ACCOUNTS AS AT 31 MARCH 2012 (CONTD.)

(Currency: Indian Rupees)

(i) * Term loan was secured against the keyman insurance policy of Mr. Subhash Ghai. This has been repaid during the current year.

(ii) ** Term loan is secured against all current assets, commercial property at Oshiwara and residential flats (3 nos.) at Bandra. Loan is also secured by the personal guarantee of Mr Subhash Ghai, the Managing Director of the Company and Mrs. Mukta Ghai, a relative of the Managing Director and a shareholder. The term loan has been taken in various tranches, having separate maturity periods ranging from 3 to 5 years and at interest rate varying from 10% to 14%. The details of repayment and other terms are as follows:

Loan tranches	Repayment schedule
Term loan of Rs.50,000,000 taken on 13 December 2011	Outstanding amount of loan will be repayable within 5 years from the reporting date with monthly EMI of Rs 1,163,413
Term loan of Rs 30,000,000 taken on 29 September 2011	Outstanding amount of loan will be repayable within 5 years from the reporting date with monthly EMI of Rs 686,830
Term loan of Rs 100,000,000 taken on 17 January 2011	Outstanding amount of loan will be repayable within 4 years from the reporting date with monthly EMI of Rs 2,318,645
Term loan of Rs 40,000,000 taken on 31 August 2009	Outstanding amount of loan will be repayable within 2 years from the reporting date with monthly EMI of Rs 1,362,255
Term loan of Rs 50,000,000 taken on 28 January 2009	Outstanding amount of loan will be repayable within 3 years from the reporting date with monthly EMI of Rs 1,112,222

(iii) ***The motor vehicle finance loans taken by the Company are secured against the related vehicles. Repayment schedule is as detailed below:

Lendor	Car Secured	Repayment schedule
Kotak Mahindra Prime Ltd.	Corolla	Outstanding amount of loan will be repayable till August 2012 from the reporting date with monthly EMI of Rs 32,850
Kotak Mahindra Prime Ltd.	BMW 730	Outstanding amount of loan will be repayable till April 2012
Kotak Mahindra Prime Ltd.	Volkswagon	Outstanding amount of loan will be repayable till January 2013 from the reporting date with monthly EMI of Rs 71,000
Kotak Mahindra Prime Ltd.	Xylo	Outstanding amount of loan will be repayable till March 2014 from the reporting date with monthly EMI of Rs 28,000
Kotak Mahindra Prime Ltd.	Toyato Atlis	Outstanding amount of loan will be repayable till September 2013 from the reporting date with monthly EMI of Rs 35,300
Kotak Mahindra Prime Ltd.	Corolla, Volkswagon, Corolla Atlies, BMW	Outstanding amount of loan will be repayable till March 2015 from the reporting date with monthly EMI of Rs 260,600 for financial year ending 31 March 2013; Rs 183,400 for financial year ending 31 March 2013 and Rs 93,400 for the remaining period
Tata Capital Limited	Innova	Outstanding amount of the loan has been repaid during the current financial year
Tata Capital Limited	Indigo GLS	Outstanding amount of the loan has been repaid during the previous financial year
ICICI Bank Ltd.	Maruti SX4	Outstanding amount of the loan has been repaid during the previous financial year

(iv) ****Term loan from financial institution - Life Insurance Corporation loan is secured against keyman insurance policy of Mr. Parvez Farooqui at an interest rate of 9% p.a. Loan is repayable on or before the maturity of the keyman policy i.e. October 2013.

(v) ## The Company has entered into an agreement with Sarpanch of Gram Panchayat Badsa- Haryana for purchase of 20 acres land for setting up a film and TV institute and multimedia complex on October 2011 for Rs 80,316,000. As per the agreement, the land cost is to be paid in seven equal installments. The first payment should be made on the date of signing the agreement and the balance amount is to be paid in 6 installments, subject to condition that last installment should be paid on or before October 2016. 10% annual interest shall be payable for the payments deferred over a maximum period of seven years on a reducing balance basis. The Company has paid the first two installments till 31 March 2012 of Rs 29,818,286. Also refer Note 3.43.

NOTES TO THE ACCOUNTS AS AT 31 MARCH 2012 (CONTD.)

(Currency: Indian Rupees)

3.4 Deferred tax liabilities

	31 March 2012	31 March 2011
Deferred tax liabilities		
Arising on account of timing differences in:		
Depreciation/ amortisation	**14,614,905**	25,302,797
	14,614,905	25,302,797
Deferred tax assets		
Arising on account of timing differences in:		
Unabsorbed depreciation allowance and carried forward business loss	**-**	98,534,723
Provision for leave encashment and gratuity	**2,169,542**	2,688,922
Provision for doubtful debts and advances	**5,406,343**	3,861,979
Long term capital loss	**760,089**	-
Others	**-**	1,306,130
	8,335,974	106,391,754
2011: Deferred tax asset restricted to the extent of deferred tax liabilty due to absence of virtual certainty	**-**	25,302,797
Net deferred tax asset/ net deferred tax (liability)	**(6,278,931)**	-

3.5 Other long-term liabilities

	31 March 2012	31 March 2011
Security deposits received	**33,095,875**	39,598,325
Rent straight lining liability	**3,992,828**	2,431,275
Income received in advance	**33,001,000**	58,001,000
	70,089,703	100,030,600

3.6 Long-term provisions

	31 March 2012	31 March 2011
Provisions for employee benefits		
Provision for gratuity (note 3.29)	**3,515,019**	3,626,176
Provision for leave salary (note 3.29)	**2,193,692**	1,879,967
	5,708,711	5,506,143

3.7 Short-term borrowings

	31 March 2012	31 March 2011
Secured :		
Cash credit from Kotak Mahindra Bank Limited*	**111,527,575**	124,665,211
Unsecured :		
Cash credit from HDFC Bank Limited	**25,259**	-
Inter corporate deposits**	**37,500,000**	-
	149,052,834	124,665,211

*The Company has obtained a cash credit facility amounting to Rs 100,000,000 from Kotak Mahindra Bank Limited on 8 January 2010. Along with the term loan mentioned above in Note 3.3, this facility is secured against all current assets, commercial property at Oshiwara, and residential flats (3 nos) at Bandra. The facility is also secured by the personal guarantee of Mr Subhash Ghai, the Managing Director of the Company and Mrs. Mukta Ghai, a relative of the Managing Director and a shareholder.

**Comprises of inter-corporate deposits amounting to Rs 37,500,000 for a period of 3 months at interest rate of 12% p.a. Mr Subhash Ghai, the Managing Director of the Company, has provided a personal guarantee to the lender.

NOTES TO THE ACCOUNTS AS AT 31 MARCH 2012 (CONTD.)

(Currency: Indian Rupees)

3.8 Trade payables

	31 March 2012	31 March 2011
Dues to subsidiary companies	**1,699,182**	3,942,739
Others (also refer note 3.36)	**233,571,828**	204,794,867
	235,271,010	208,737,606

3.9 Other current liabilities

	31 March 2012	31 March 2011
Income received in advance	**25,000,000**	103,500,000
Advances received for films and other services	**12,517,771**	1,214,287
Employee benefit expenses payable	**1,162,697**	1,008,533
Current maturities of term loans (note 3.3)	**50,648,950**	376,157,387
Current maturities of deferred payment liabilities (note 3.3)	**14,060,782**	18,349,714
Creditors for fixed assets	**14,326,290**	10,008,509
Interest accrued but not due on borrowings	**1,611,294**	3,644,475
Unpaid dividends	**682,276**	692,974
Statutory dues payable*	**13,905,690**	25,097,491
	133,915,750	539,673,370
***Statutory dues payable includes**		
- Provident fund	**133,594**	86,976
- ESIC	**19,603**	-
- CST/ VAT payable	**11,986,954**	20,310,416
- Service tax payable	**-**	2,699,719
- TDS payable	**1,742,749**	1,988,855
- Profession tax	**22,790**	11,525

3.10 Short-term provisions

	31 March 2012	31 March 2011
Provisions for employee benefits		
Provision for leave salary (note 3.29)	**978,120**	2,581,606
Provision for taxation	**43,907,965**	2,027,905
(Net of advance tax and tax deducted at source Rs 33,144,882 ; 2011: Rs 21,471,095)		
	44,886,085	4,609,511

(Currency: Indian Rupees)

3.11 Fixed assets

	Intangible assets					Tangible assets						
	Distribution rights	Negative rights	Exhibition rights	Computer software	Total	Ownership premises	Leasehold premises	Plant and machinery	Motor vehicles	Furniture fixtures and office equipment*	Computers	Total
Gross block												
As at 1 April 2010	-	231,075,768	2,500,000	1,925,826	235,501,594	113,553,429	-	184,716,001	43,805,079	23,156,838	2,230,066	**367,461,413**
Additions	205,500,320	104,629,920	-	-	310,130,240	119,799,660	120,762,320	7,138,485	2,956,982	8,291,326	1,467,692	**260,416,465**
Disposals	-	-	-	-	-	836,717	-	-	522,148	-	-	**1,358,865**
Other adjustment	-	-	-	-	-	-	-	-	-	-	-	**-**
As at 31 March 2011	**205,500,320**	**335,705,688**	**2,500,000**	**1,925,826**	**545,631,834**	**232,516,372**	**120,762,320**	**191,854,486**	**46,239,913**	**31,448,164**	**3,697,758**	**626,519,013**
Additions	27,000,000	73,780,041	-	1,147,474	101,927,515	-	22,016,674	11,183,498	1,111,922	3,317,919	2,652,574	**40,282,587**
Disposals	-	181,415	-	-	181,415	4,326,100	-	-	775,000	-	-	**5,101,100**
Other adjustment	-	-	-	-	-	-	(5,826)	-	(4,826)	1,639,325	(1,639,325)	**(10,652)**
As at 31 March 2012	**232,500,320**	**409,304,314**	**2,500,000**	**3,073,300**	**647,377,934**	**228,190,272**	**142,784,820**	**203,037,984**	**46,581,661**	**33,126,758**	**7,989,657**	**661,711,152**
Accumulated Depreciation/ Amortisation												
As at 1 April 2010	-	231,075,768	1,976,071	2,110	233,053,949	26,557,253	-	141,973,395	25,807,099	17,065,492	1,542,639	**212,945,878**
Additions	205,500,320	75,224,423	104,785	769,486	281,599,014	7,031,713	5,247,791	9,312,500	4,790,905	1,933,678	1,329,463	**29,646,050**
Disposals	-	-	-	-	-	209,509	-	-	320,150	-	-	**529,659**
Other adjustment	-	-	-	-	-	-	-	-	-	-	-	**-**
As at 31 March 2011	**205,500,320**	**306,300,191**	**2,080,856**	**771,596**	**514,652,963**	**33,379,457**	**5,247,791**	**151,285,895**	**30,277,854**	**18,999,170**	**2,872,102**	**242,062,269**
Additions	27,000,000	95,380,041	83,829	807,506	123,271,376	6,637,391	8,507,526	9,453,887	4,247,097	2,330,954	1,729,503	**32,906,358**
Disposals	-	-	-	-	-	1,650,884	-	-	591,822	-	-	**2,242,706**
Other adjustment	-	-	-	-	-	-	-	-	-	-	-	**-**
As at 31 March 2012	**232,500,320**	**401,680,232**	**2,164,685**	**1,579,102**	**637,924,339**	**38,365,964**	**13,755,317**	**160,739,782**	**33,933,129**	**21,330,124**	**4,601,605**	**272,725,921**
Net block												
As at 31 March 2011	**-**	**29,405,497**	**419,144**	**1,154,230**	**30,978,871**	**199,136,915**	**115,514,529**	**40,568,591**	**15,962,059**	**12,448,994**	**825,656**	**384,456,744**
As at 31 March 2012	**-**	**7,624,082**	**335,315**	**1,494,198**	**9,453,595**	**189,824,308**	**129,029,503**	**42,298,202**	**12,648,532**	**11,796,634**	**3,388,052**	**388,985,231**

Tangible/ Intangible given as security

Tangible/ Intangible assets are subject to first charge to secure the Company's term loan and cash credit loans (refer note 3.3 and 3.7)

	2012	2011
Tangible assets - Capital work-in-progress** (also refer note 3.31)	**167,721,237**	97,136,008
Intangible assets under development	**43,474,120**	58,332,228

Also refer note 3.30

** Additions to Tangible assets- Capital work-in-progress includes interest capitalized Rs 9,454,502 (2011: Rs Nil)

NOTES TO THE ACCOUNTS AS AT 31 MARCH 2012 (CONTD.)

(Currency: Indian Rupees)

3.12 Non - current investments

	31 March 2012		31 March 2011	
Trade investments (valued at cost unless stated otherwise)				
Name of the corporate bodies				
Investments in equity share of subsidiaries (un-quoted)	**% of holding**	**Amount**	% of holding	Amount
(a) Connect 1 Limited 594 (2011: 594) equity shares of Rs 1,000 each, fully paid-up.	**99%**	**594,000**	99%	594,000
(b) Whistling Woods International Limited 169,997 (2011: 169,997) equity shares of Rs 1,000 each, fully paid-up. (note 3.41)	**84.99%**	**169,997,000**	84.99%	169,997,000
(c) Mukta Tele Media Limited 4,996 (2011: 4,996) equity shares of Rs 100 each, fully paid-up.	**99.92%**	**499,600**	99.92%	499,600
(d) Coruscant Tec Private Limited 750,000 (2011: 10,000) equity shares of Rs 10 each, fully paid-up.	**100%**	**9,900,000**	100%	2,500,000
		180,990,600		173,590,600
Investment in preference shares of subsidiary (un-quoted)				
(a) 200,000 (2011: 200,000) 8% Redeemable cumulative preference shares of Whistling Woods International Limited of Rs 1,000 each, fully paid-up (note 3.41). These preference shares were issued on 27 August 2007 and are redeemable at par at any time on or after 21 June 2012 and before 21 June 2027.	**100%**	**200,000,000**	100%	200,000,000
		200,000,000		200,000,000
Investment in equity instruments-others (un-quoted)				
(a) Indiasound Limited 7,500,000 (2011: 7,500,000) equity shares of 0.1 Pence each, fully paid-up (net of provision for diminution Rs 3,778,158 (2011: 3,778,158))		**-**		-
(b) Maya Digital Studios Private Limited 1,000,000 (2011: 500,000) equity shares of Rs 10 each, fully paid-up As per the terms of the Shareholders agreement, additional shares, not exceeding 1,000,000 may be allotted to the Company.		**10,000,000**		5,000,000
(c) Bashiron Co. Op. Housing Society Limited 10 Shares (2011: 10) of Rs 50 each *		**500**		500
(d) Bait-Ush-Sharaf Co. Op. Housing Society Limited 15 Shares (2011: 15) of Rs 50 each *		**750**		750
		10,001,250		5,001,250
* pledged as security against borrowings (refer Note 3.3)				
		390,991,850		378,591,850
Aggregate value of unquoted investments		**394,770,008**		382,370,008
Aggregate provision for diminution in value of investments		**3,778,158**		3,778,158

NOTES TO THE ACCOUNTS AS AT 31 MARCH 2012 (CONTD.)

(Currency: Indian Rupees)

3.13 Long-term loans and advances

	31 March 2012	31 March 2011
Unsecured, considered good		
Capital advances		
- Tangible	**17,403,066**	24,515,192
- Intangible	**50,649,270**	73,724,554
Security deposits #	**39,880,469**	47,616,939
Advances to related parties ##	**372,083,265**	310,185,282
Advance tax (including tax deducted at source) (net of provision Rs 107,075,234; 2011: Rs 106,200,234)	**67,946,577**	111,506,179
	547,962,647	567,548,146
# Security deposits include deposit to subsidiaries		
- Whistling Woods International Limited (note 3.41)	**30,000,000**	30,000,000
- Connect1 Limited	**1,950,000**	1,950,000
# Security deposits include deposit to Proprietary concern of the Managing Director of the Company		
- Mukta Arts	**300,000**	300,000
## Advances to related party includes to subsidiaries		
- Whistling Woods International Limited (note 3.41)	**361,595,281**	303,547,298
- Mukta Tele Media Limited	**10,487,984**	6,637,984

3.14 Non-current assets

	31 March 2012	31 March 2011
Unsecured, considered good unless stated otherwise		
Other bank balances (note 3.18)	**6,907,001**	4,032,162
Rent straight lining asset	**4,261,431**	2,476,777
	11,168,432	6,508,939

3.15 Current investments

	31 March 2012	31 March 2011
(valued at lower of cost and fair value, unless stated otherwise)		
Investment in quoted mutual funds	**13,382,449**	19,821,152
1,317,429.457 (2011: 1,952,265.392) units of LIC NOMURA floating rate fund- Short term plan [Net asset value: Rs 13,382,449 (2011: 19,821,152)		
Lien has been marked to the extent of Nil (2011: 1,913,720) units in favor of Punjab National Bank against guarantees given for the Company.		
	13,382,449	19,821,152

3.16 Inventories

	31 March 2012	31 March 2011
(valued at lower of cost and net realisable values)		
Food and beverages	**447,612**	-
	447,612	-

NOTES TO THE ACCOUNTS AS AT 31 MARCH 2012 (CONTD.)

(Currency: Indian Rupees)

3.17 Trade receivables

	31 March 2012	31 March 2011
(a) Unsecured, considered good		
Outstanding for a period exceeding six months from the date they are due for payment	**19,072,489**	6,735,276
Other debts	**209,606,685**	243,837,724
	228,679,174	250,573,000
(b) Unsecured, considered doubtful		
Outstanding for a period exceeding six months from the date they are due for payment	**9,704,567**	8,283,214
Other debts	**-**	-
	9,704,567	8,283,214
Less: Provision for doubtful receivables	**9,704,567**	8,283,214
	-	-
	228,679,174	250,573,000
Trade receivables (unsecured, considered good) include Rs 3,887,045 (2011: Rs 7,040,655) due from directors or other officers, or any of them, either severally or jointly with any other person or from firms or private companies in which any director is a partner or a director or member as listed below:		
- Coruscant Tec Private Limited (Wholly-owned subsidiary)	**3,887,045**	7,040,655

3.18 Cash and bank balances

	31 March 2012	31 March 2011
Cash and cash equivalents		
Balance with banks		
- in current accounts	**8,824,299**	6,950,347
- in deposits with original maturity of less than three months	**-**	1,450,762
Cheques, drafts on hand	**-**	26,710
Cash in hand	**1,016,857**	640,614
	9,841,156	9,068,433
Other bank balances		
Deposits with original maturity of more than 3 months but less than 12 months	**-**	310,232
Deposits with original maturity of more than 12 months	**-**	795,597
Balance in dividend account	**682,276**	692,973
Deposits under lien		
- Deposits with original maturity of less than three months	**11,385,654**	15,135,400
- Deposit with original maturity of more than 12 months	**6,907,001**	3,236,565
- Deposit with original maturity of more than 3 months but less than 12 months	**5,262,727**	8,300,243
	24,237,658	28,471,010
Less : Deposits with maturity of more than 12 months from the Balance sheet date disclosed under non -current assets (note 3.14)	**(6,907,001)**	(4,032,162)
	27,171,813	33,507,281

3.19 Short-term loans and advances

	31 March 2012	31 March 2011
Other loans and advances- unsecured, considered good unless otherwise stated		
Sundry advance to distributor, producer, employees, etc.		
considered good	**170,018,464**	238,359,135
considered doubtful	**6,958,535**	3,342,249
	176,976,999	241,701,384
Less : Provision for doubtful advances	**6,958,535**	3,342,249
	170,018,464	238,359,135
Prepaid expenses	**1,450,298**	4,422,721
Service tax credit receivable	**2,952,287**	-
Inter-corporate deposit	**39,326,118**	53,908,202
	213,747,167	296,690,058

NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 31 MARCH 2012

(Currency: Indian Rupees)

3.20 Revenue from operations

	31 March 2012		31 March 2011	
(a) Sale of products				
Own Film/ Content production	**135,533,099**		82,031,474	
Food and beverages	**4,917,559**	**140,450,658**	-	82,031,474
(b) Sale of services				
Distribution/ Exhibition, theatrical and film production services				
Distribution and exhibition	**1,789,554,619**		1,779,045,165	
Equipment hire income	**6,381,865**		4,229,677	
Box office collection				
Sale of tickets	**17,580,597**		-	
Less: Entertainment tax	**(198,000)**	**1,813,319,081**	-	1,783,274,842
(c) Other operating revenue				
Rent and amenities charges	**62,572,407**		58,029,677	
Other income from theatrical operations	**1,825,228**	**64,397,635**	-	58,029,677
		2,018,167,374		1,923,335,993

3.21 Other income

	31 March 2012	31 March 2011
Interest income on bank deposits (Tax deducted at source Rs 179,577 (2011: Rs 172,996)	**1,799,875**	1,729,955
Interest income on others (Tax deducted at source Rs 3,069,719 (2011: Rs 718,989)	**32,931,632**	28,524,196
Dividend income on current investment	**1,181,832**	920,108
Other non-operating income		
Keyman insurance claim received	**327,600,000**	-
Interest on income tax refund	**5,739,301**	6,495,842
Profit on sale of asset, (net)	**2,221,606**	1,395,793
Excess provision written back, net	**1,154,407**	4,441,151
Miscellaneous income (net)	**527,936**	799,712
	373,156,589	44,306,757

3.22 Cost of production, distribution, exhibition and theatrical

	31 March 2012	31 March 2011
Own production	**35,686,948**	29,853,795
Distributor and producers share	**1,703,266,726**	1,558,236,200
Operator's share in theatrical operations	**(1,250,809)**	-
	1,737,702,865	1,588,089,995

3.23 Changes in inventories of food and beverages

	31 March 2012	31 March 2011
Inventories at the end of the year		
Food and beverages	**447,612**	-
	447,612	-
Inventories at the beginning of the year		
Food and beverages	-	-
	-	-
(Increase)/ decrease in inventories	**(447,612)**	-

NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 31 MARCH 2012 (CONTD.)

(Currency: Indian Rupees)

3.24 Employee benefits expense

	31 March 2012	31 March 2011
Salaries and other benefits (Notes 3.31 and 3.40)	**36,450,193**	43,737,755
Staff welfare	**668,816**	151,321
Post retirement benefit expenses (Note 3.29)	**390,593**	8,298,950
Contribution to provident and other funds (Note 3.29)	**1,974,779**	1,537,345
	39,484,381	53,725,371

3.25 Finance costs

	31 March 2012	31 March 2011
a) Interest cost on		
- Term loan	**27,607,921**	45,955,240
- Cash credit facilities	**15,279,399**	10,829,056
- Car loan	**505,471**	918,932
- Unsecured loan	**3,641,853**	605,753
- Others	**1,733,982**	526,707
b) Processing cost	**868,250**	1,335,522
c) Bank charges	**802,652**	392,737
	50,439,528	60,563,947

3.26 Other expenses

	31 March 2012	31 March 2011
Rent	**20,559,550**	17,032,149
Repairs and maintenance		
Buildings	**2,203,299**	3,531,572
Plant and machinery	**497,735**	345,621
Others	**2,076,964**	545,953
Insurance	**1,165,735**	1,029,452
Rates and taxes	**1,811,913**	6,311,404
Printing and stationery	**1,195,574**	1,121,922
Communication	**1,938,149**	1,638,007
Brokerage and commission	**1,604,486**	1,760,000
Electricity charges	**4,893,329**	1,725,205
Travelling expenses	**2,484,982**	2,307,731
Payment to auditor (Refer details below)	**1,136,524**	820,077
Legal and professional fees	**18,640,955**	12,467,584
Bad debts / advances written-off	**9,754,003**	21,004,404
Provision for diminution in value of investments (net)	**19,785**	3,773,208
Provision for doubtful debts and advances	**5,089,593**	11,625,463
Business promotion	**2,086,407**	1,891,697
Motor vehicle expenses	**2,741,266**	2,845,476
Miscellaneous expenses	**9,634,397**	6,965,125
	89,534,646	98,742,050

Payment to auditor *		
As auditor:		
Audit fee	**1,050,000**	800,000
Reimbursement of expenses	**86,524**	20,077
	1,136,524	820,077

*2011: Excludes payments to previous auditor

NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 31 MARCH 2012 (CONTD.)

(Currency: Indian Rupees)

3.27 Exceptional items

	31 March 2012	31 March 2011
Profit on disposal of fixed assets *	-	84,799,660
TOTAL	**-**	84,799,660

*During the previous year, the Company recognized Rs 84,799,660 being profit on redevelopment of property (possession obtained during the year) pursuant to agreement entered into on 20 January 2006.

3.28 Earnings per equity share:

		31 March 2012	31 March 2011
a)	Net profit/ (loss) after tax	**255,722,040**	(61,632,885)
b)	Weighted average number of equity shares outstanding during the year for basic EPS	**22,581,200**	22,581,200
c)	Weighted average number of equity shares outstanding during the year for dilutive EPS	**22,581,200**	22,581,200
d)	Basic EPS	**11.32**	(2.73)
e)	Dilutive EPS	**11.32**	(2.73)
f)	Nominal value per share	**5**	5

3.29 Gratuity and other post employment benefit plans

(i) *Defined Contribution Plans*

Contribution to provident fund - amount of Rs 1,663,970 (2011: Rs 1,383,849) and ESIC - amount of Rs 310,809 (2011: Rs 153,496) is recognized as an expense and included in "Employee benefit expenses" in the Statement of profit and loss.

(ii) *Defined benefit plan and other long term employment benefit*

(a) Leave wages (other long term employment benefit)

The leave wages are payable to all eligible employees at the rate of daily salary for each day of accumulated leave on death or on resignation or upon retirement on attaining superannuation age. During the year, Rs Nil (2011: 4,484,731) is recognized as an expense in the Statement of profit and loss.

		31 March 2012	31 March 2011
	Actuarial assumptions		
	Discount Rate (p.a)	**8.65%**	7.85%
	Salary Escalation rate (p.a)	**8.00%**	8.00%
(b)	**Gratuity (Defined benefit plan)**		
	There is a defined benefit gratuity plan. Every employee who has completed five years or more of service gets gratuity on death or resignation or retirement at 15 days salary (last drawn salary) for each completed year of service. The scheme is funded with an insurance company in the form of a qualifying insurance policy.		
A)	**Change in defined benefit obligation**		
	Opening defined benefit obligation	**7,907,683**	3,927,346
	Current service cost	**476,052**	465,928
	Interest cost	**522,554**	509,594
	Actuarial (gain)/ loss	**(303,784)**	(299,141)
	Prior years charge*	**-**	3,495,320
	Benefits paid	**(1,130,962)**	(191,364)
	Closing defined benefit obligation	**7,471,543**	7,907,683
B)	**Change in fair value of plan assets**		
	Opening fair value of plan assets	**4,281,507**	3,927,346
	Expected return on plan assets	**178,078**	208,916
	Actuarial gain/ (loss) on plan assets	**126,151**	148,567
	Contributions by employer	**501,750**	188,043
	Benefits paid	**(1,130,962)**	(191,365)
	Closing fair value of plan assets	**3,956,524**	4,281,507

NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 31 MARCH 2012 (CONTD.)

(Currency: Indian Rupees)

		31 March 2012	31 March 2011
C)	**Expenses recognised in the statement of profit and loss**		
	Current service cost	**476,052**	465,928
	Prior year charge*	**-**	3,495,320
	Interest on Defined Benefit Obligation	**522,554**	509,595
	Expected return on plan assets	**(178,078)**	(208,916)
	Net actuarial (gain)/ loss recognized	**(429,935)**	(447,708)
	Total expense recognized	**390,593**	3,814,219
D)	**Amount recognised in Balance sheet**		
	Present value of Funded obligations	**(7,471,543)**	(7,907,683)
	Fair value of plan assets	**3,956,524**	4,281,507
	Net Liability	**(3,515,019)**	(3,626,176)
E)	**Actuarial assumptions**		
	Discount Rate (p.a)	**8.65%**	7.85%
	Expected rate of return on assets (p.a)	**7.50%**	7.50%
	Salary Escalation rate (p.a)	**8.00%**	8.00%
F)	**Experience adjustments**		
	On plan assets	**47,723**	(199,427)
	On plan liabilities	**126,151**	109,821
G)	**Details of Plan Assets**		
	LIC managed funds	**3,956,524**	4,281,507

*Pursuant to the actuarial valuation, liability pertaining to prior years aggregating to Rs 3,495,320 in respect of gratuity and Rs 4,186,971 in respect of leave encashment was provided for during the year 2010-11.

The estimates of future salary increases considered in the actuarial valuation take into account inflation, seniority, promotion and other conditions in the employment market.

3.30 Lease disclosure under AS 19 – 'Leases'

(i) Operating lease : Company as lessee

The Company is obligated under non-cancellable leases primarily for office and residential premises which is renewable thereafter as per the terms of the respective agreement.

Lease rent expenses of Rs 20,559,550 (2011: Rs 17,032,149) have been included under 'Rent' in the Statement of profit and loss.

Future minimum rental payable under non-cancellable operating leases are as follows :

	31 March 2012	31 March 2011
Amounts due within one year	**5,596,322**	14,054,501
Amounts due after one year but not later than five years	**22,385,287**	29,932,067
Amounts due later than five years	**58,528,199**	72,398,853
	86,509,808	116,385,421

(ii) Operating lease : Company as lessor

The Company has given office premises on lease which is renewable thereafter as per the terms of the respective agreement

Lease rent income of Rs 17,819,015 (2011: Rs 14,393,304) has been included under 'Rent and amenities charges' in the Statement of profit and loss.

(Currency: Indian Rupees)

Future minimum rental receivable under non-cancellable operating leases are as follows :

	31 March 2012	31 March 2011
Amounts due within one year	**16,219,225**	16,072,176
Amounts due after one year but not later than five years	**65,959,301**	69,473,490
Amounts due later than five years	**11,646,283**	24,351,319
	93,824,809	109,896,985

The Company has leased office space located at its premises. The lease period varies from 2-9 years. There are escalations and/ or renewal clause in lease agreements and sub-letting is not permitted. The carrying amounts such assets is as follows:

	Ownership premises		Leasehold premises	
	31 March 2012	31 March 2011	31 March 2012	31 March 2011
Gross block	**193,508,380**	193,508,380	**70,715,929**	59,809,017
Accumulated depreciation	**10,804,872**	4,906,218	**6,812,489**	2,599,033
Net block	**182,703,508**	188,602,162	**63,903,440**	57,209,984
Depreciation for the year	**6,388,405**	6,659,721	**4,213,456**	2,599,033

(iii) Operating lease : Company as sub-lessor

The Company has subleased part of the office premises taken on lease. The future minimum sublease payment expected to be received under non-cancellable sub-lease as at 31 March 2012 is Rs 58,618,140 (2011: Rs 42,834,885).

Sublease rent income of Rs 21,413,250 (2011: Rs 23,656,778) has been included under 'Rent and amenities charges' in the Statement of profit and loss.

3.31 Capitalisation of expenditure

During the year, the Company has capitalised the salaries, wages and bonus amounting to Rs 2,876,920 to the cost of Fixed asset/ Capital work in progress(CWIP). Consequently, expenses disclosed under note 3.24 are net of amount capitalised by the Company.

3.32 Segment information

As per Accounting Standard (AS) 17 on "Segment Reporting", segment information has been provided in the Notes to consolidated financial statements.

3.33 Related party disclosures

Details of related parties including summary of transaction entered into by the Company during the year ended 31 March 2012 are summarized below:

A Parties where control exists

(i) Shareholders holding more than 20%

- Subhash Ghai

(ii) Subsidiary companies

- Whistling Woods International Limited
- Connect.1 Limited
- Mukta Tele Media Limited
- Coruscant Tec Private Limited

(iii) Key management personnel and relatives of such personnel

- Subhash Ghai - Chairman and Managing Director
- Parvez Farooqui - Executive Director
- Rahul Puri - Executive Director
- Mukta Ghai - Wife of Subhash Ghai
- Ashok Ghai - Brother of Subhash Ghai
- Siraj Farooqui - Brother of Parvez Farooqui
- Sameer Farooqui - Brother of Parvez Farooqui
- Sajid Farooqui - Brother of Parvez Farooqui
- Meghna Ghai Puri - Daughter of Subhash Ghai

(iv) *Enterprise over which key management personnel have control/substantial interest/significant influence*

- Mukta Arts – Proprietary concern of Chairman and Managing Director
- MAL Employees Welfare Trust - Executive Director is settler and one of the director is Trustee
- Mukta Tele Arts Private Limited – Enterprise in which Subhash Ghai exercises significant influence
- Sharyans Resources Limited - Enterprise in which Vijay Choraria is the common director

NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 31 MARCH 2012 (CONTD.)

(Currency: Indian Rupees)

3.33 Related party disclosures (Continued)

B. Transactions with related parties for the year ended 31 March 2012 are as follows:-

Transactions	Subsidiary Companies		Key Management Personnel and relatives of such personnel		Enterprises over which key management personnel have control / substantial interest / significant influence	
	31 March 2012	31 March 2011	**31 March 2012**	31 March 2011	**31 March 2012**	31 March 2011
Rendering of services-Sale of products						
Coruscant Tec Private Limited	**15,108,094**	1,581,932	**-**	-	**-**	-
Receiving of services						
Ashok Ghai - Professional fees	**-**	-	**2,196,000**	1,944,000	**-**	-
Connect. 1 Limited - Rent	**240,000**	240,000	**-**	-	**-**	-
Mukta Arts - Rent	**-**	-	**-**	-	**60,000**	60,000
Interest income						
Whistling Woods International Limited	**29,745,505**	24,766,397	**-**	-	**-**	-
Salaries and other benefit						
Siraj Farooqui	**-**	-	**2,173,400**	2,052,400	**-**	-
Sameer Farooqui	**-**	-	**435,000**	412,920	**-**	-
Sajid Farooqui	**-**	-	**480,240**	455,040	**-**	-
Managerial remuneration						
Subhash Ghai	**-**	-	**12,997,900**	23,209,717	**-**	-
Parvez A. Farooqui	**-**	-	**2,329,680**	2,088,246	**-**	-
Rahul Puri	**-**	-	**2,336,680**	2,100,584	**-**	-
Reimbursement of expenses received by the Company						
Whistling Woods International Limited	**55,045**	11,134	**-**	-	**-**	-
Reimbursement of expenses paid by the Company						
Whistling Woods International Limited	**4,355,387**	4,118,468	**-**	-	**-**	-
Meghna Ghai Puri	**-**	-	**-**	243,734	**-**	-
Deposits paid during the year						
Mukta Tele Media Ltd	**-**	100,000	**-**	-	**-**	-
Deposits received during the year						
Mukta Tele Media Ltd	**-**	100,000	**-**	-	**-**	-
Connect. 1 Limited	**-**		**-**	-	**-**	-
Loan given during the year	**-**	-	**-**	-	**-**	-
Whistling Woods International Limited	**70,550,000**	84,500,000	**-**	-	**-**	-
Loan repaid during the year						
Whistling Woods International Limited	**15,250,000**	70,000,000	**-**	-	**-**	-
Advances given/ repaid during the year						
Coruscant Tec Private Limited	**545,000**	3,008,723	**-**	-	**-**	-
Subhash Ghai	**-**	-	**-**	5,000	**-**	-
Amount written off						
MAL Employees Welfare Trust	**-**	-	**-**	-	**-**	19,925,000
Loan receivable						
Whistling Woods International Limited	**334,800,000**	279,500,000	-	-	**-**	-
Interest receivable						
Whistling Woods International Limited	**26,795,281**	24,047,298	-	-	**-**	-
Payables						
Whistling Woods International Limited	**1,483,182**	3,726,739	-	-	**-**	-
Mukta Arts					**60,000**	60,000
Sharyans Resources Limited	**-**	-	-	-	**2,574,983**	7,500,000
Connect 1. Limited	**216,000**	216,000	-	-	**-**	-
Trade receivables						
Coruscant Tec Private Limited	**3,887,045**	7,040,655	-	-	**-**	-
Advances receivable						
Mukta Tele Media Ltd	**10,487,984**	6,637,984	-	-	**-**	-
Deposit receivable						
Whistling Woods International Limited (pursuant to mutual sharing arrangement)	**30,000,000**	30,000,000	-	-	**-**	-
Mukta Tele Media Ltd	**-**	3,465,000	-	-	**-**	-
Connect. 1 Limited	**1,950,000**	2,100,000	-	-	**-**	-
Mukta Arts	**-**	-	**-**	-	**300,000**	300,000

NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 31 MARCH 2012 (CONTD.)

(Currency: Indian Rupees)

3.33 Related party disclosures (Continued)

B. Transactions with related parties for the year ended 31 March 2012 are as follows:- *(Continued)*

Transactions	Subsidiary Companies		Key Management Personnel and relatives of such personnel		Enterprises over which key management personnel have control / substantial interest / significant influence	
	31 March 2012	31 March 2011	**31 March 2012**	31 March 2011	**31 March 2012**	31 March 2011
Personal guarantee given jointly by Mr. Subhash Ghai and Mrs. Mukta Ghai for secured loans taken from Kotak Mahindra Bank						
Letter of support to Whistling Woods International Limited						
Corporate guarantee given						
Whistling Woods International Limited	**150,000,000**	150,000,000	**-**	-	**-**	-

Disclosure as per Clause 32 of the Listing agreement

Name of the Company	Balance as at		Maximum outstanding during the year	
	31 March 2012	31 March 2011	**31 March 2012**	31 March 2011
(a) Particulars in respect of loans and advances in the nature of loans to subsidiary companies				
- Whistling Woods International Limited	**361,595,281**	303,547,298	**361,595,281**	303,547,298
No repayment schedule has been prescribed				
(b) Particulars of Loans and advances to Companies in which director (s) is a Director or member:				
None	**-**	-	-	-

3.34 Commitments

Estimated amounts of contracts remaining to be executed on capital account and not provided for aggregate to Rs 27,428,576 (2011:Rs 5,706,143).

3.35 Contingent liabilities

		31 March 2012	31 March 2011
a)	Claims against the Company not acknowledge as debt		
	Service tax matters *	**2,915,000**	2,915,000
b)	Guarantees given by bank on behalf of the Company	**19,701,390**	21,544,383
c)	Corporate guarantees for loans taken by subsidiary	**150,000,000**	150,000,000
d)	The Company Law Board had passed an order directing Central Government to undertake the investigation under Section 237 of the Companies Act, 1956. The Company aggrevied by the Order had moved the Bombay High Court and obtained stay on the Order. The hearing in this matter was completed on 7 January 2009 and Hon'ble Bombay High Court had quashed the investigation. The Central Government has on 25 February 2012 moved the Hon'ble Supreme Court challenging the Order passed by the Hon'ble Bombay High Court on 7 January 2009.		
e)	Support letter provided to Whistling Woods International Limited, a subsidiary of the Company.		

*** Notes**

Unless specified, the amounts are excluding penalty and interest, if any, that would be levied at the time of final conclusion.

The Company is party to various legal proceedings in the normal course of business and does not expect the outcome of these proceedings to have any adverse effect on the financial conditions, results of operations or cash flows.

NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 31 MARCH 2012 (CONTD.)

(Currency: Indian Rupees)

3.36 Dues to Micro, Small amd Medium Enterprises

Under the Micro, Small and Medium Enterprises Development Act, 2006 (MSMED) which came into force from 2nd October 2006, certain disclosures are required to be made relating to Micro, Small and Medium Enterprises (MSME). On the basis of the information and records available with the Management, none of the Company's suppliers are covered, accordingly, disclosure of information with regards to principal, interest accruals and payments are not applicable.

3.37 Foreign currency exposures not covered by forward contracts

The Company has no foreign currency exposures as at 31 March 2012 (2011: Rs Nil).

3.38 Expenditure in foreign currency (on accrual basis)

	31 March 2012	31 March 2011
Travelling expenses	**1,433,357**	679,384
Cost of film (included in Cost of production, distribution and exhibition-Intangible)	**-**	4,262,940

3.39 Earnings in foreign exchange (on accrual basis)

	31 March 2012	31 March 2011
Revenue from operations - Own film/content production	**2,476,621**	-

3.40 Managerial remuneration

The remuneration paid to the managing director of the Company for the period 1 April 2011 to 31 March 2012 amounting to Rs 12,997,900 and for earlier financial years 2005-06, 2006-07, 2007-08, 2008-09, 2009-2010 and 2010-11 aggregating to Rs 87,628,769, is in excess of the limits prescribed under Section 198 of the Companies Act, 1956. The Company made applications to the Central Government seeking post-facto approval for earlier years, which is awaited; application for the current year is being made. During the year, the Company has received approval for part of the excess remuneration paid (approval received for remuneration aggregating to Rs 25,200,000 for the financial years 2005-06, 2006-07 and 2007-08). The Company has made an application to authorities requesting reconsideration/ approval for the balance excess remuneration. Pending final communication from the authorities in this regard and application for the current year, no adjustment has been made in these financial statements.

3.41 Public Interest Litigations ('PIL') had been filed alleging that the Maharashtra Film, Stage and Cultural Development Corporation Limited ('MFSCDCL') had not followed proper procedure while entering into a Joint Venture Agreement ('JVA') with the Company and subsequent allotment of 20 acre land to the said joint venture, Whistling Woods International Limited ('WWI'), a subsidiary of the Company. During the year, pursuant to the Order of the High Court of Judicature at Bombay ('High Court') dated 9 February 2012, inter-alia, the JVA with MFSCDCL has been quashed/ rendered cancelled, WWI has been ordered to return the land to MFSCDCL and pay rent (including interest on arrears) retrospectively on the entire land since the date of the JVA. Of the total land admeasuring 20 acres, 14.5 acres vacant unused land has been handed over to MFSCDCL on 18 April 2012 and the balance is to be handed over on or before 31 July 2014. Pending discussion and/ or agreement with MFSCDCL and/or clarifications to be sought from the concerned parties, no adjustments have been made to the Share Capital structure of WWI and the carrying value of the Land rights in its books of account. Further, MFSCDCL has demanded Rs 799,523,424 towards rent and interest arrears thereon for the period up to 18 April 2012. However, in terms of the Order of the High Court, the said amount together with future rent till the date of vacation of the premises is adjustable against the value of the Institute building of WWI on the said land. The valuation is to be carried out by an expert valuer to be appointed by the Government, which has not yet been commissioned. WWI's petition for special leave to appeal filed with the Supreme Court of India has been dismissed. However, the Company and WWI have filed review petitions with the High Court, which have not yet come up for hearing. Pending final disposal of the review petitions and valuation of the building, and in view of the future plans for WWI which are being evaluated, management believes that the Company's investments in WWI and amounts due therefrom are good and recoverable as management is hopeful of reliefs based on the issues involved and on merits of the case, as also of a high valuation of the building.

3.42 Details of opening stock, closing stock, purchases and consumption of food and bevarages items

Information with regaards to the sale of food and beverage items

Particulars	**Sales**	
	31 March 2012	31 March 2011
Bottled beverages	**209,230**	**-**
Non Bottled beverages	**1,446,571**	**-**
Non packaged food items	**2,549,307**	**-**
Packaged food items	**712,451**	**-**
Total	**4,917,559**	-

NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 31 MARCH 2012 (CONTD.)

(Currency: Indian Rupees)

3.42 Details of opening stock, closing stock, purchases and consumption of food and bevarages items (Continued)

Information with regards to the purchase of food and beverage items

Particulars	**Purchases**	
	31 March 2012	31 March 2011
Bottled beverages	**260,200**	-
Non Bottled beverages	**554,283**	-
Non packaged food items	**670,072**	-
Packing material	**368,757**	-
Others	**149,290**	-
Total	**2,002,602**	-

Information with regards to the closing stock of food and beverage items

Particulars	**Closing stock**	
	31 March 2012	31 March 2011
Bottled beverages	**23,487**	-
Non Bottled beverages	**105,853**	-
Non packaged food items	**51,745**	-
Packing material	**256,909**	-
Others	**9,618**	-
Total	**447,612**	-

Note: There was no opening stock of Food and beverage items in 2012 and 2011

Information with regards to the consumption of food and beverage items

Particulars	**Consumption**	
	31 March 2012	31 March 2011
Bottled beverages	**236,713**	-
Non Bottled beverages	**448,430**	-
Non packaged food items	**618,327**	-
Packing material	**111,848**	-
Others	**139,672**	-
Total	**1,554,990**	-

3.43 Public interest litigation ('PIL') has been filed with regards to sale agreement entered into by the Parent Company with the Sarpanch of Gram Panchayat Badsa- Haryana for sale of 20 acres of land in Badhsa village of Jhajjar district in Haryana to the Parent Company. The Punjab and Haryana High Court stayed the execution of the sale deed and the matter is yet to come for hearing. The management is in the process of preparing its response to the said order and believes that it has a good chance of wining the case.

3.44 Prior period comparatives

The previous year's figures have been re-grouped/ re-arranged as necessary to conform to the present year's classification consequent to notification of Revised Schedule VI under the Companies Act, 1956.

As per our report of even date attached.

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

Bhavesh Dhupelia
Partner
Membership No: 042070

Mumbai
29 May 2012

For and on behalf of the Board of Directors

Subhash Ghai
Chairman and Managing Director

Parvez A. Farooqui
Executive Director

Rahul Puri
Executive Director

Ravi Poplai
Company Secretary

AUDITORS' REPORT

To the Board of Directors of
Mukta Arts Limited

1 We have audited the attached Consolidated Balance sheet of Mukta Arts Limited ('the Company' or 'the Parent Company') and its subsidiaries, as listed in Note 2.2 to the Consolidated financial statements (collectively referred to as 'the Group'), as at 31 March 2012 and also the Consolidated Statement of Profit and loss and the Consolidated Cash flow statement for the year ended on that date, annexed thereto. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audit.

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

3 We did not audit the financial statements and other financial information of certain subsidiaries. The consolidated financial statements include Group's share of total assets of Rs 21,016,459 as at 31 March 2012 (31 March 2011: Rs 12,551,127) and the Group's share of total revenues of Rs 23,580,942 (31 March 2011: Rs 3,415,310) and net cash inflows aggregating to Rs 83,834 (31 March 2011: net cash outflows Rs 363,345) for the year ended on that date in respect of these aforementioned subsidiaries. These financial statements and related other financial information have been audited by other auditors whose reports have been furnished to us, and our opinion, in so far as it relates to the amounts included in respect of these subsidiaries, is based solely on the reports of these other auditors.

4 As explained in Note 3.38 to the consolidated financial statements, the remuneration paid to the managing director of the Parent Company for the period 1 April 2011 to 31 March 2012 amounting to Rs 12,997,900 and for earlier financial years 2005-06, 2006-07, 2007-08, 2008-09, 2009-2010 and 2010-11 aggregating to Rs. 87,628,769, is in excess of the limits prescribed under Section 198 of the Companies Act, 1956. The Parent Company has made applications to the Central Government seeking post-facto approval for earlier years, which is awaited; application of the current year is proposed to be made. During the year, the Parent Company has received approval for part of the excess remuneration paid (approval received for remuneration aggregating to Rs 25,200,000 for the financial years 2005-06, 2006-07and 2007-08). The Parent Company has made applications to authorities requesting reconsideration/ approval for the balance excess remuneration. Pending final communication from the authorities in this regard and application for the current year, no adjustment has been made in these consolidated financial statements.

5 As more fully explained in Note 3.35(d) to the consolidated financial statements, Whistling Woods International Limited ('WWI'), a subsidiary of the Company, has disputed the demand from Income-tax authorities aggregating to Rs 9,272,861 including interest Rs 872,982 and penalty Rs 5,642,000 (2011: Rs 12,044,363 (including interest Rs 1,550,241 and penalty Rs 5,500,000) for the financial years ended 31 March 2003 (assessment year 2003-04), 31 March 2004 (assessment year 2004-05), 31 March 2005 (assessment year 2005-06) and 31 March 2006 (assessment year 2006-07). No provision has been made in the consolidated financial statements in this regard. Had the Company accrued for this liability, the profit for the year would have been lower and the deficit in the consolidated statement of profit and loss at year end would have been higher by Rs 9,272,861 (2011: loss for the year and the deficit in the consolidated statement of profit and loss at year end would have been higher by Rs 12,044,363).

6 As more fully explained in Note 3.39 to the consolidated financial statements, through its order of 9 February 2012, the High Court of Judicature at Bombay ('High Court') has quashed the Joint Venture Agreement ('JVA') relating to WWI between the Company and Maharashtra Film, Stage and Cultural Development Corporation Limited ('MFSCDCL') and passed consequential orders. WWI's petition for special leave to appeal filed with the Supreme Court of India has been dismissed. However, the Company and WWI have filed applications to review the said order with the High Court, which have not yet come up for hearing.

Pursuant to the High Court's aforesaid Order, the allotment of land to WWI, pursuant to the JVA (in lieu of which equity shares of corresponding value were issued to MFSCDCL, recorded in the books of WWI as land rights at a cost of Rs 30,000,000), has been cancelled and WWI has been ordered to return the land to MFSCDCL (of the total land admeasuring 20 acres, 14.5 acres vacant unused land has been handed over to MFSCDCL on 18 April 2012 and the balance is to be handed over on or before 31 July 2014). Pending discussion and/ or agreement with MFSCDCL and/ or clarifications to be sought from the concerned parties, no adjustments have been made to the Share capital structure of WWI and the carrying value of the Land rights in the books of account. Further, MFSCDCL has demanded Rs 799,523,424 towards arrears of rent and interest thereon which has not been accounted for in view of the pending review petition referred to above. Also, as per the High Court Order which is under challenge from the Company and WWI, there is an option to set-off the arrears of rent and interest thereon against the value of the building with net excess or shortfall to be refunded to/ claimed from the Company/ WWI, as applicable. The said valuation of Institute *building (net book value at 31 March 2012 Rs 208,772,013) is to be carried out by an expert valuer to be appointed by the Government, which has not yet been commissioned. Also, Management is currently evaluating future plans for WWI.*

Having regard to the circumstances explained above and pending final outcome of the matter under litigation, the impact on the consolidated financial statements and the profits for the year, including the consequential impact on the dividend for the year, is currently not ascertainable.

7 The consolidated financial statements have been prepared by the Company's management in accordance with the requirements of Accounting Standard (AS) 21 – Consolidated Financial Statements prescribed in the Companies (Accounting Standards) Rules, 2006.

8 Based on our audit as aforesaid and on consideration of reports of other auditors as explained in paragraph 3 above, and to the best of our information and according to the explanations given to us, *except for the matter referred to in paragraph 6 above, the outcome and consequent adjustments to the consolidated financial statements of which cannot be presently determined, and subject to the effect of matters referred to in paragraphs 4 and 5 above;* the said consolidated financial statements give a true and fair view in conformity with the accounting principles generally accepted in India:

(a) in the case of the Consolidated Balance sheet, of the state of affairs of the Group as at 31 March 2012;

(b) in the case of the Consolidated Statement of profit and loss, of the profit of the Group for the year then ended; and

(c) in the case of the Consolidated Cash flow statement, of the cash flows of the Group for the year then ended.

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

Bhavesh Dhupelia
Partner
Membership No: 042070

Mumbai
29 May 2012

CONSOLIDATED BALANCE SHEET AS AT 31 MARCH 2012

(Currency: Indian Rupees)

	Note	31 March 2012	31 March 2011
EQUITY AND LIABILITIES			
Shareholders' funds			
Share capital	3.1	**112,917,500**	112,917,500
Reserves and surplus	3.2	**515,222,875**	376,918,006
Minority interest		**5,879**	5,350
Non-current liabilities			
Long-term borrowings	3.3	**207,133,076**	179,108,854
Deferred tax liabilities (net)	3.4 (a)	**6,279,268**	–
Other long-term liabilities	3.5	**85,796,646**	112,612,253
Long-term provisions	3.6	**6,952,619**	6,665,508
Current liabilities			
Short-term borrowings	3.7	**198,687,005**	174,564,139
Trade payables	3.8	**255,239,062**	218,032,668
Other current liabilities	3.9	**206,106,843**	619,968,181
Short-term provisions	3.10	**46,576,413**	5,870,377
TOTAL		**1,640,917,186**	1,806,662,836
ASSETS			
Non-current assets			
Fixed assets	*3.11*		
Tangible assets		**731,515,359**	750,558,937
Intangible assets		**11,332,610**	36,551,867
Capital work-in-progress		**167,721,237**	97,136,008
Intangible assets under development		**46,244,079**	62,067,635
Deferred tax assets (net)	3.4 (b)	**–**	–
Non – current investments	3.12	**10,001,750**	5,001,750
Long – term loans and advances	3.13	**160,457,632**	237,533,919
Other non-current assets	3.14	**11,204,805**	6,542,310
Current assets			
Current investments	3.15	**13,382,449**	19,821,152
Inventories	3.16	**447,612**	–
Trade receivables	3.17	**243,108,278**	256,250,805
Cash and bank balances	3.18	**28,360,740**	35,180,909
Short term – loans and advances	3.19	**217,140,635**	300,017,544
TOTAL		**1,640,917,186**	1,806,662,836
Summary of significant accounting policies	*2*		
The accompanying notes from 1 to 3.41 are an integral part of these financial statements.			

As per our report of even date attached.

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

Bhavesh Dhupelia
Partner
Membership No: 042070

Place : Mumbai
Date : 29 May 2012

For and on behalf of the Board of Directors

Subhash Ghai
Chairman and Managing Director

Parvez A. Farooqui
Executive Director

Rahul Puri
Executive Director

Ravi Poplai
Company Secretary

CONSOLIDATED STATEMENT OF PROFIT AND LOSS FOR THE YEAR ENDED 31 MARCH 2012

(Currency: Indian Rupees)

	Note	31 March 2012	31 March 2011
Income			
Revenue from operations	3.20	**2,196,849,253**	2,092,360,205
Other income	3.21	**356,784,154**	32,259,828
Total Income		**2,553,633,407**	2,124,620,033
Expenses			
Cost of operations	3.22	**1,740,959,280**	1,588,514,995
Purchases of food and beverages		**2,002,602**	–
Changes in inventories of food and beverages	3.23	**(447,612)**	–
Employee benefits expense	3.24	**75,554,054**	88,107,588
Finance costs	3.25	**59,154,411**	70,619,127
Depreciation and amortization expense	3.11	**198,514,293**	356,197,053
Other expenses	3.26	**249,448,183**	230,737,225
Total Expenses		**2,325,185,211**	2,334,175,988
Profit/ (loss) before exceptional items and tax		**228,448,196**	(209,555,955)
Exceptional items	3.27	**–**	84,799,660
Profit/ (loss) before tax		**228,448,196**	(124,756,295)
Tax expenses:			
– Current tax		**57,619,095**	11,238,156
– Deferred tax		**6,279,268**	(9,502,288)
Profit/ (Loss) for the year after tax and before minority interest		**164,549,833**	(126,492,163)
Less: Minority interest allocation		**529**	580
Add: Minority interest adjustment of earlier years		**–**	30,003,400
Profit/ (Loss) after tax		**164,549,304**	(96,489,343)
Earnings per equity share (Rs)	*3.28*		
Basic		**7.29**	(4.27)
Diluted		**7.29**	(4.27)
Face value of shares (Rs)		**5**	5
Summary of significant accounting policies	*2*		
The accompanying notes from 1 to 3.41 are an integral part of these financial statements.			

As per our report of even date attached.

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

Bhavesh Dhupelia
Partner
Membership No: 042070

Place : Mumbai
Date : 29 May 2012

For and on behalf of the Board of Directors

Subhash Ghai
Chairman and Managing Director

Parvez A. Farooqui
Executive Director

Rahul Puri
Executive Director

Ravi Poplai
Company Secretary

CONSOLIDATED CASH FLOW STATEMENT FOR THE YEAR ENDED 31 MARCH 2012

(Currency: Indian Rupees)

		31 March 2012	31 March 2011
A.	**Cash flows from operating activities**		
	Profit/ (loss) before tax	**228,448,196**	(124,756,295)
	Adjustments for:		
	Depreciation and amortization expense	**198,514,293**	356,197,053
	Provision for doubtful debts and advances	**5,454,498**	12,325,821
	Provision for diminution in value of investment (net)	**19,785**	3,773,208
	Bad debts/ advances written-off	**10,871,254**	21,553,597
	Finance costs	**59,154,411**	70,619,127
	Interest income	**(4,961,975)**	(5,490,995)
	Interest on income tax refund	**(5,744,980)**	(6,495,842)
	Dividend income	**(1,181,832)**	(920,115)
	Profit on sale of assets/ redevelopment, net (also refer note 3.27)	**(2,221,606)**	(86,195,453)
	Balances written back, net	**(1,426,604)**	(5,870,225)
	Miscellaneous expenditure written-off	**–**	30,743
	Operating cash flow before working capital changes	**486,925,440**	234,770,624
	Adjustments for working capital changes		
	Decrease/ (increase) in trade receivables	**(652,839)**	(52,470,845)
	Decrease/ (increase) in loans and advances and other non-current assets	**78,073,990**	(117,581,380)
	(Increase) in inventories	**(447,612)**	–
	(Decrease)/ increase in trade payables, provisions, other long-term and other current liabilities	**(54,763,382)**	187,529,066
	Cash generated from operations	**509,135,597**	252,247,465
	Income taxes refund	**27,177,281**	45,790,227
	Net cash generated from operating activities (A)	**536,312,878**	298,037,692
B.	**Cash flows from investing activities**		
	Interest income	**4,961,975**	5,490,995
	Dividend income	**1,181,832**	920,115
	Purchase of fixed assets (Tangible and Intangible)	**(178,549,940)**	(378,575,889)
	Proceeds from sale of fixed assets	**5,261,415**	2,225,000
	Purchase of investment in mutual funds	**(1,181,832)**	(925,064)
	Proceeds from sale of investment in mutual funds	**7,600,750**	800,000
	Proceeds from maturity of fixed deposits, net	**4,219,653**	–
	Movement in dividend bank account	**(10,698)**	(175,262)
	Investment in fixed deposits, net	**–**	1,023,488
	Investment in equity instruments-others	**(5,000,000)**	(5,000,000)
		(161,516,845)	(374,216,617)
	Income taxes paid on interest income	**(272,342)**	(891,985)
	Net cash (used in) investing activities (B)	**(161,789,187)**	(375,108,602)
C.	**Cash flows from financing activities**		
	Secured loan (repaid)/ taken, net	**(330,065,747)**	159,781,482
	Unsecured loan taken/ (repaid), net	**37,525,259**	(20,000,000)
	Interest paid	**(61,185,027)**	(68,048,546)
	Dividend (including unclaimed) and tax thereon	**(26,255,133)**	(175,262)
	Interest income on income-tax refund	**5,744,980**	–
	Net cash flow (used in)/ generated from financing activities (C)	**(374,235,668)**	71,557,674
	Net (decrease) in cash and cash equivalent (A+B+C)	**288,023**	(5,513,236)
	Cash and cash equivalents as at beginning of the year	**10,742,060**	16,255,296
	Cash and cash equivalents as at end of the year (Refer note 1 below)	**11,030,083**	10,742,060
	Cash Flow Statement has been prepared under indirect method as set out in Accounting Standard 3 – Cash Flow Statement.		
	Notes:		
	1) Cash and cash equivalents at year end comprises:		
	Cash in hand	**1,211,694**	745,803
	Cheque in hand	**197,100**	26,710
	Balances with scheduled banks in		
	– Current accounts	**9,621,289**	8,518,785
	– Fixed deposit accounts	**–**	1,450,762
		11,030,083	10,742,060

As per our report of even date attached.

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

Bhavesh Dhupelia
Partner
Membership No: 042070

Place : Mumbai
Date : 29 May 2012

For and on behalf of the Board of Directors

Subhash Ghai
Chairman and Managing Director

Parvez A. Farooqui
Executive Director

Rahul Puri
Executive Director

Ravi Poplai
Company Secretary

CONSOLIDATED NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 31 MARCH 2012

(Currency: Indian Rupees)

1. Background

Mukta Arts Limited ('Mukta' or 'the Company or 'the Parent Company') is a company incorporated in India under the Companies Act, 1956 ('the Act'). The Company was incorporated on 7 September 1982 as Mukta Arts Private Limited and was converted from a private limited company to a public limited company on 30 September 2000 and renamed as Mukta Arts Limited. The Company was promoted by Mr. Subhash Ghai who holds approximately 54.99% of the outstanding equity share capital as at 31 March 2012. The Company is primarily engaged in the business of film production, distribution and film exhibition (wherein it provides film content to multiplexes and single screens across India) as also manages/ runs theatres. The Company also provides production facilities to other production houses and independent producers. The Company has four subsidiaries, Whistling Woods International Limited (which is an education institute which imparts training in various skills related to films, television and media industry), Coruscant Tec Private Limited (which is a wireless solutions company with a focus on wireless content), Connect1 Limited (which is involved in marketing of film content) and Mukta Tele Media Limited (which is involved in production of television serials).

2. Summary of significant accounting policies

2.1 *Basis of preparation and consolidation*

The consolidated financial statements relate to Mukta Arts Limited ('the Company / Parent Company') and its subsidiary companies. The Company along with its subsidiaries constitute 'the Group'.

The audited financial statements of the subsidiaries used in the consolidation are for the same reporting period as that of the Company, i.e. year ended 31 March 2012. These financial statements are audited by the auditors of the respective entities.

The financial statements of the Group have been prepared and presented under the historical cost convention, on the accrual basis of accounting, in accordance with the provisions of the Companies Act, 1956 ('the Act'), the accounting principles generally accepted in India ('Indian GAAP') and comply with the Accounting Standards ('AS') prescribed in the Companies (Accounting Standards) Rules, 2006, issued by the Central Government, in consultation with the National Advisory Committee on Accounting Standards, to the extent applicable. The financial statements are presented in Indian Rupees except per share data and where mentioned otherwise.

During the year ended 31 March 2012 (effective 1 April 2011), the revised Schedule VI notified under the Act has become applicable to the Group for preparation and presentation of financial statements. The adoption of revised Schedule VI does not impact recognition and measurement principles followed for preparation of financial statements. All assets and liabilities have been classified as current or non-current as per each company's normal operating cycle and other criteria set out in the revised Schedule VI to the Act.

2.2 *Principles of consolidation*

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

Subsidiaries

The excess of cost to the Company of its investment in subsidiaries over its portion of equity in the subsidiaries at the respective dates on which investments in such subsidiaries was made is recognized in the financial statements as goodwill and any excess of net assets over the investment in a subsidiary is transferred to Capital Reserve. The Company's portion of equity in the subsidiaries is determined on the basis of the book value of assets and liabilities as per the financial statements of the subsidiaries as on the date of the investment.

The financial statements of the Parent Company and its subsidiaries have been combined on a line-by-line basis by adding together the book values of like items of assets, liabilities, income and expenses, after eliminating intra-group balances/ transactions and resulting unrealized profits in full. The amounts shown in respect of reserves/ accumulated losses comprise the reserve/ accumulated losses as per the balance sheet of the Parent Company and its share in the post-acquisition increase/ decrease in the relevant reserve/ accumulated losses of the subsidiaries.

The amount of Goodwill and Capital Reserve are presented on a net basis for each subsidiary, wherever applicable.

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

The losses applicable to the minority in a consolidated subsidiary may exceed the minority interest in the equity of the subsidiary. The excess, and any further losses applicable to the minority, are adjusted against the majority interest except to the extent that the minority has a binding obligation to, and is able to, make good the losses. If the subsidiary subsequently reports profits, all such profits are allocated to the majority interest until the minority's share of losses previously absorbed by the majority has been recovered.

CONSOLIDATED NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 31 MARCH 2012 (CONTD.)

(Currency: Indian Rupees)

2. Summary of significant accounting policies (Contd.)

Sr. No	Name of the Subsidiary	Country of Incorporation	% of shareholding in 2012	% of shareholding in 2011
1	Whistling Woods International Limited	India	**84.99%**	84.99%
2	Connect 1 Limited *	India	**99.00%**	99.00%
3	Mukta Tele Media Limited*	India	**99.92%**	99.92%
4	Coruscant Tele Private Limited* * audited by M/s Garg Devendra & Associates, Chartered Accountants (Firm's registration No. 130993W).	India	**100.00%**	100.00%

2.3 *Use of estimates*

The preparation of the financial statements in conformity with Indian GAAP requires management to make estimates and assumptions that affect the reported amount of assets and liabilities and disclosure of contingent liabilities as of the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Management believes that the estimates made in the preparation of these financial statements are prudent and reasonable. Actual results may differ from the estimates used in preparing the accompanying financial statements. Any revision to accounting estimates is recognised prospectively in current and future periods.

2.4 *Goodwill*

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

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

2.5 *Fixed assets*

Tangible assets

Tangible fixed assets are stated at cost of acquisition less accumulated depreciation and any provision for impairment. Cost includes freight, duties, taxes (other than those recoverable from tax authorities) and other expenses directly attributable to the acquisition/ construction and installation of the fixed assets for bringing the asset to its working condition for its intended use. Costs of assets acquired on acquisition of business are determined based on fair values/ book values as per the terms of the respective agreement/ arrangement.

Costs incurred on fixed assets not ready for their intended use is disclosed under capital work-in-progress. Capital work-in-progress includes estimates of work completed, as certified by the management.

Intangible assets

Film rights comprising negative rights and distribution rights.

Negative film rights are generally exploited through media such as theatrical exhibition, television/ satellite, cable, etc. Negative film rights in respect of films produced are recorded at cost, which is determined on specific identification basis. Acquired negative rights are recorded at the purchase price paid to acquire the rights plus any additional cost incurred which is determined on specific identification basis. Cost incurred on films-in-progress is recorded as Intangible assets under development.

Distribution rights in films are for a contractually specified mode of exploitation, period and territory and are stated at cost. Cost of distribution comprises original purchase price/ minimum guarantee, which are ascertained on specific identification basis. In case multiple films/ rights are acquired for a consolidated amount, cost is allocated to each film/ right based on the agreement or where it is not specified in the agreement, based on management's best estimates. In respect of unreleased films, payments towards distribution rights are classified under Capital advances as the amounts are refundable in the event of non release of the film.

Software

Application software purchased, which is not an integral part of the related hardware, is shown as intangible assets.

Intellectual property rights

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

(Currency: Indian Rupees)

2. Summary of significant accounting policies (Contd.)

IPR in course curriculum consists of expenses incurred on internal development of course curriculum.

2.6 Depreciation/ amortisation

Tangible assets

Depreciation on fixed assets is provided on written down value method, at the rates prescribed in Schedule XIV to the Act, which, in management's opinion, reflect the estimated useful lives of those fixed assets.

Leasehold improvements/ premises are depreciated at the lower of the estimated useful lives of the assets and the lease term, on a straight-line basis.

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

Intangible assets

Film rights comprising negative rights and distribution rights

Costs are amortised in the proportion that gross revenue realized bears to management's estimate of total gross revenue expected to be received. If estimates of the total revenue and other events or changes in circumstances indicate that the realizable value of a right is less than its unamortized cost, a loss is recognized for the excess of unamortized cost over the film rights' realizable value.

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

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

Software

Application software purchased is amortised over its license period or on a straight line basis over its useful life, not exceeding five years, as determined by management.

2.7 Impairment

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

If at the balance sheet date there is an indication that a previously assessed impairment loss no longer exists, the recoverable amount is re-assessed and the asset is reflected at the recoverable amount subject to a maximum of the depreciated historical cost.

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

2.8 *Revenue recognition*

Revenue is recognized to the extent that it is probable that the economic benefits will flow to the entity, revenue can be reliably measured and recoverability is reasonably certain. The amount recognized as income is exclusive of value added tax, service tax and net of trade discounts. Unbilled revenue represents costs incurred and revenues recognized on contracts to be billed in subsequent periods as per the terms of the contract.

Film/ content production and related income

Revenue from sale of content/ motion pictures is recognized on assignment/ sale of the rights in the concerned content/ motion picture from the date of their availability for exploitation or on the date of release of the content/ movie, as applicable.

Revenue from other rights in motion pictures such as satellite rights, overseas rights, music rights, video rights, etc., is recognized on assignment/ sale of the rights in the concerned motion picture from the date of their availability for exploitation.

Income from distribution and exhibition

Revenue comprising proceeds from sales of tickets, net of taxes and exhibitor's share is recognized on the date of release/ exhibition. As the Company is the primary obligor, the shares of producers, joint venture investors (other than those in jointly controlled assets) and sub-agents/ sub distributors are included in revenues from distribution and exhibition (theatrical exploitation) and are correspondingly disclosed as direct cost.

Distribution/ sub-distribution commission is recognized as it is earned based on intimation by the theatre owners/ distributors.

Revenue from management of theatres is recognised on an accrual basis as per the contractual arrangement entered into with the theatre owners.

CONSOLIDATED NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 31 MARCH 2012 (CONTD.)

(Currency: Indian Rupees)

2. Summary of significant accounting policies (Contd.)

Theatrical exhibition and related income

Sale of tickets

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

Sale of food and beverages

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

Advertisement/ sponsorship revenue

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

Revenue from equipment hire/ facility rental

Income from equipment hire/ facility rental is recognised on a straight line basis over the period of the relevant agreement/ arrangement.

Tuition fees income

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

Interest income

Interest income is recognised on a time proportion basis.

Dividend income

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

2.9 Investments

Long-term investments are carried at cost less any provision for diminution, which is other than temporary, in value.

Current investments are carried at lower of cost and fair value. The comparison of cost and fair value is done separately in respect of each category of investments.

2.10 Employee benefits

(a) Short term employee benefits

All employee benefits payable wholly within twelve months of rendering the service are classified as short-term employee benefits. The undiscounted amount of short-term employee benefits expected to be paid in exchange for the services rendered by employees is charged to the statement of profit and loss in the period in which such services are rendered.

(b) Post employment benefits

Defined contribution plan:

The contribution paid/ payable under the recognised provident fund scheme and the employees' state insurance contribution is recognised as an expense in the statement of profit and loss during the period in which the employee renders the related service.

Defined benefit plan:

The gratuity benefit scheme is a defined benefit plan. The net obligation in respect of the gratuity benefit scheme is calculated by estimating the amount of future benefit that employees have earned in return for their services in the current and prior periods. These benefits are discounted to determine their present value, and the fair value of any plan assets is deducted there from.

The present value of the obligation under such defined benefit plan is determined based on actuarial valuation at each balance sheet date by an independent actuary using the Projected unit credit method, which recognises each period of service as giving rise to one additional unit of employee benefit entitlement and measures each unit separately to build up the final obligation.

The obligations are measured at the present value of the estimated future cash flows. The discount rates used for determining the present value of the obligations under the defined benefit plan are based on the market yields on government bonds as at the balance sheet date.

Actuarial gains and losses arising during the period are recognised immediately in the statement of profit and loss.

(c) Other long-term employee benefits

Compensated absences which are not expected to occur within twelve months after the end of the period in which the employee renders the related services are recognised as a liability at the present value of the defined benefit obligations at the balance sheet date based on an actuarial valuation by an independent actuary using the Projected unit credit method. The discount rates used for determining the present value of the obligations under the defined benefit plan are based on the market yields on government bonds as at the balance sheet date.

(Currency: Indian Rupees)

2. Summary of significant accounting policies (Contd.)

2.11 *Foreign currency transactions*

Transactions denominated in foreign currency are recorded at the exchange rate prevailing on the date of the transactions. Exchange differences arising on foreign exchange transactions settled during the year are recognised in the statement of profit and loss for the year. Monetary assets and liabilities denominated in foreign currencies as at the balance sheet date are translated at the closing exchange rates on that date; the resultant exchange differences are recognised in the statement of profit and loss.

Non-monetary items are carried at historical cost using the exchange rate at the date of the transaction.

2.12 *Earnings per share*

The basic earnings per equity share are computed by dividing the net profit or loss attributable to the equity shareholders for the year by the weighted average number of equity shares outstanding during the reporting year. The number of shares used in computing diluted earnings per share comprises the weighted average number of shares considered for deriving basic earnings per share, and also the weighted average number of equity shares which may be issued on the conversion of all dilutive potential shares, unless the results would be anti dilutive.

2.13 Taxation

Income-tax expense comprises current tax expense and deferred tax charge or credit.

Current tax

Provision for current tax is recognised in accordance with the provisions of the Income tax Act, 1961 and is made based on the tax liability after taking credit for tax allowances and exemptions.

Minimum Alternative Tax Credit Entitlement

Minimum Alternative Tax ('MAT') credit is recognised only to the extent there is convincing evidence that the entity will pay normal income tax in excess of MAT during the specified period. MAT credit entitlement is reviewed as at each balance sheet date and written down to the extent there is no longer convincing evidence that the entity will pay normal income tax during the specified period.

Deferred tax

Deferred tax liability or asset is recognised for timing differences between the profits or losses offered for income taxes and profits/ losses as per the financial statements. Deferred tax assets and liabilities and the corresponding deferred tax credit or charge are measured using the tax rates and tax laws that have been enacted or substantively enacted as at the balance sheet date.

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

2.14 Leases

The group has various operating leases, principally for office space, with various renewal options. Rental expense in agreements with scheduled rent increases is recorded on a straight-line basis over the lease term.

Assets given on operating lease

Lease rentals in respect of assets given on operating lease are recognised on a straight line basis over the lease term unless another systematic basis is more representative of the time pattern of the benefit received.

2.15 Borrowing costs

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

2.16 Provisions and contingencies

A provision is created when there is a present obligation as a result of a past event that probably requires an outflow of resources and a reliable estimate can be made of the amount of the obligation. A disclosure for a contingent liability is made when there is a possible obligation or a present obligation that may, but probably will not, require an outflow of resources. When there is a possible obligation or a present obligation in respect of which the likelihood of outflow of resources is remote, no provision or disclosure is made.

Provisions are reviewed at each balance sheet date and adjusted to reflect the current best estimate. If it is no longer probable that the outflow of resources would be required to settle the obligation, the provision is reversed.

CONSOLIDATED NOTES TO THE ACCOUNTS AS AT 31 MARCH 2012

(Currency: Indian Rupees)

3.1 Share capital

	31 March 2012	31 March 2011
Authorised		
24,000,000 (2011: 24,000,000) equity shares of Rs 5 each	**120,000,000**	120,000,000
Issued, subscribed and paid-up		
22,581,200 (2011: 22,581,200) equity shares of Rs 5 each, fully paid-up	**112,906,000**	112,906,000
Add :- Forfeited shares (Amount originally paid-up)	**11,500**	11,500
(No.of shares forfeited: 4,000 (2011: 4,000))		
	112,917,500	112,917,500

a) Reconciliation of the shares outstanding at the beginning and at the end of the reporting period

	31 March 2012		31 March 2011	
	No. of Shares	Amount	No. of Shares	Amount
Equity shares				
Balance as at the beginning of the year	**22,581,200**	**112,917,500**	22,581,200	112,917,500
Issued during the year	**-**	**-**	-	-
Buyback/ forfeiture/ reduction during the year	**-**	**-**	-	-
Balance as at the end of the year	**22,581,200**	**112,917,500**	22,581,200	112,917,500

b) Terms/ rights attached to equity shares

The Parent Company has only one class of equity shares having par value of Rs 5 per share. Each equity share holder is entitled to one vote per share.

In the event of liquidation, the holders of equity shares will be entitled to receive remaining assets of the Parent Company, after distribution of all preferential amounts. The distribution will be in proportion to the number of equity shares held by the shareholders.

The Board of Directors of Mukta, in their meeting held on 4 August 2011, declared an interim dividend of Re.1 per equity share. The total dividend appropriation for the year ended 31 March 2012 amounted to Rs 26,244,435 including corporate dividend tax Rs 3,663,235.

c) Details of shares held by shareholders holding more than 5% of the aggregate shares in the Parent Company

	31 March 2012		31 March 2011	
	No. of shares	% holding	No. of shares	% holding
1. Mr. Subhash Ghai	**12,417,990**	**54.99%**	12,417,990	54.99%
2. Ms. Meghna Ghai Puri	**1,650,000**	**7.31%**	1,650,000	7.31%
3. Ms. Mukta Ghai	**1,650,000**	**7.31%**	1,650,000	7.31%

3.2 Reserves and surplus

	31 March 2012		31 March 2011	
Securities premium		**973,360,000**		973,360,000
General reserve				
At the commencement of the year		**63,239,914**		63,239,914
Add : Transfer from balance in statement of profit and loss on account of equity dividend		**19,179,153**		-
		82,419,067		63,239,914
Surplus/ (deficit) in the statement of profit and loss				
At the commencement of the year		**(659,681,908)**		(563,192,565)
Add : Profit/ (loss) for the year		**164,549,304**		(96,489,343)
Less : Appropriations				
Equity dividend (Re 1 per share (2011: Nil))	**(22,581,200)**			-
Tax on equity dividend	**(3,663,235)**		-	
Transfer to general reserve on account of equity dividend	**(19,179,153)**		-	
		(45,423,588)		-
		(540,556,192)		(659,681,908)
		515,222,875		376,918,006

(Currency: Indian Rupees)

3.3 Long term borrowings

	31 March 2012	31 March 2011
a) Term loans		
Secured loans		
- From banks:		
(i) HDFC Bank Limited*	**-**	311,990,600
(Repayable within a year Rs Nil (2011: Rs 311,990,600)		
(ii) Kotak Mahindra Bank Limited **	**197,247,822**	194,774,185
(Repayable within a year Rs 46,440,205 (2011: Rs 74,436,640)		
- Motor vehicle finance loans***	**8,323,266**	6,574,445
(Repayable within a year Rs 4,460,242 (2011: Rs 4,871,851)		
- From financial institution ****	**6,607,000**	6,607,000
b) Deferred payment liabilities # #	**59,916,217**	68,811,429
(Repayable within a year Rs 14,060,782 (2011: Rs 18,349,714)		
Amount disclosed under the head - other current liabilites (note 3.9)	**(64,961,229)**	(409,648,805)
	207,133,076	179,108,854

(i) * Term loan was secured against the keyman insurance policy of Mr. Subhash Ghai. This has been repaid during the current year.

(ii) ** Term loan is secured against all current assets, commercial property at Oshiwara and residential flats (3 nos.) at Bandra. Loan is also secured by the personal guarantee of Mr Subhash Ghai, the Managing Director of the Parent Company and Mrs. Mukta Ghai, a relative of the Managing Director and a shareholder. The term loan has been taken in various tranches, having separate maturity periods ranging from 3 to 5 years and at interest rate varying from 10% to 14%. The details of repayment and other terms are as follows:

Loan tranches	Repayment schedule
Term loan of Rs.50,000,000 taken on 13 December 2011	Outstanding amount of loan will be repayable within 5 years from the reporting date with monthly EMI of Rs 1,163,413
Term loan of Rs 30,000,000 taken on 29 September 2011	Outstanding amount of loan will be repayable within 5 years from the reporting date with monthly EMI of Rs 686,830
Term loan of Rs 100,000,000 taken on 17 January 2011	Outstanding amount of loan will be repayable within 4 years from the reporting date with monthly EMI of Rs 2,318,645
Term loan of Rs 40,000,000 taken on 31 August 2009	Outstanding amount of loan will be repayable within 2 years from the reporting date with monthly EMI of Rs 1,362,255
Term loan of Rs 50,000,000 taken on 28 January 2009	Outstanding amount of loan will be repayable within 3 years from the reporting date with monthly EMI of Rs 1,112,222
Term loan of Rs 119,652,760 taken on 5 May 2006	Outstanding amount of loan will be repayable within 4 years and 9 months from the reporting date with quarterly EMI of Rs 7,500,000

(iii) ***The motor vehicle finance loans taken by the Group are secured against the related vehicles. Repayment schedule is as detailed below:-

Lendor	Car Secured	Repayment schedule
Kotak Mahindra Prime Ltd	Corolla	Outstanding amount of loan will be repayable till August 2012 with monthly EMI of Rs 32,850
Kotak Mahindra Prime Ltd	BMW 730	Outstanding amount of loan will be repayable till April 2012
Kotak Mahindra Prime Ltd	Volkswagon	Outstanding amount of loan will be repayable till January 2013 with monthly EMI of Rs.71,000
Kotak Mahindra Prime Ltd	Xylo	Outstanding amount of loan will be repayable till March 2014 with monthly EMI of Rs 28,000
Kotak Mahindra Prime Ltd	Toyato Atlis	Outstanding amount of loan will be repayable till September 2013 with monthly EMI of Rs 35,300
Kotak Mahindra Prime Ltd	Corolla, Volkswagon, Corolla Atlies & BMW	Outstanding amount of loan will be repayable till March 2015 with monthly EMI of Rs 260,600 for financial year ending 31 March 2013; Rs 183,400 for financial year ending 31 March 2013 and Rs 93,400 for the remaining period
Tata Capital Limited	Innova	Outstanding amount of the loan has been repaid during the current financial year
Tata Capital Limited	Indigo GLS	Outstanding amount of the loan has been repaid during the previous financial year
ICICI Bank Ltd.	Maruti SX4	Outstanding amount of the loan has been repaid during the previous financial year
Kotak Mahindra Prime Ltd	Mahindra XYLO	Outstanding amount of loan will be repayable till September 2014 with monthly EMI of Rs 27,340

(iv) ****Term loan from financial institution - Life Insurance Corporation loan is secured against keyman insurance policy of Mr. Parvez Farooqui at an interest rate of 9% p.a. Loan is repayable on or before the maturity of the keyman policy i.e. October 2013.

CONSOLIDATED NOTES TO THE ACCOUNTS AS AT 31 MARCH 2012 (CONTD.)

(Currency: Indian Rupees)

(v) ## The Parent Company has entered into an agreement with Sarpanch of Gram Panchayat Badsa- Haryana for purchase of 20 acres land for setting up a film and TV institute and multimedia complex on October 2011 for Rs 80,316,000. As per the agreement, the land cost is to be paid in seven equal installments. The first payment should be made on the date of signing the agreement and the balance amount is to be paid in 6 installments, subject to condition that last installment should be paid on or before October 2016. 10% annual interest shall be payable for the payments deferred over a maximum period of seven years on a reducing balance basis. The Company has paid the first two installments till 31 March 2012 of Rs 29,818,286. Also refer Note 3.40

3.4 (a) Deferred tax liabilities, net

	31 March 2012	31 March 2011
Deferred tax liabilities		
Arising on account of timing differences in:		
Depreciation/ amortisation	**14,615,242**	-
	14,615,242	-
Deferred tax assets		
Arising on account of timing differences in:		
Provision for leave encashment and gratuity	**2,169,542**	-
Provision for doubtful debts and advances	**5,406,343**	-
Long term capital loss	**760,089**	-
	8,335,974	-
Net deferred tax liability	**6,279,268**	-

3.4 (b) Deferred tax assets, net

	31 March 2012	31 March 2011
Deferred tax liabilities		
Arising on account of timing differences in:		
Depreciation/ amortisation	**14,796,825**	39,582,078
	14,796,825	39,582,078
Deferred tax assets		
Arising on account of timing differences in:		
Unabsorbed depreciation allowance and carried forward business loss	**606,117,795**	616,467,545
Disallowances U/s 43B	**474,626**	561,251
Provision for leave encashment and gratuity	**457,760**	3,178,326
Provision for doubtful debts and advances	**112,756**	4,078,390
Others	**-**	1,306,130
	607,162,937	625,591,642
Deferred tax asset restricted to the extent of deferred tax liabilty due to absence of virtual certainty	**14,796,825**	39,582,078
Net deferred tax asset	**-**	-

3.5 Other long-term liabilities

	31 March 2012	31 March 2011
Security deposits received	**48,802,818**	52,179,978
Rent straight lining liability	**3,992,828**	2,431,275
Income received in advance	**33,001,000**	58,001,000
	85,796,646	112,612,253

3.6 Long-term provisions

	31 March 2012	31 March 2011
Provisions for employee benefits		
Provision for gratuity (note 3.29)	**3,515,019**	3,626,176
Provision for leave salary (note 3.29)	**3,437,600**	3,039,332
	6,952,619	6,665,508

CONSOLIDATED NOTES TO THE ACCOUNTS AS AT 31 MARCH 2012 (CONTD.)

(Currency: Indian Rupees)

3.7 Short-term borrowings

	31 March 2012	31 March 2011
Secured :		
Cash credit from Kotak Mahindra Bank Limited*	**111,527,575**	124,665,211
Overdraft facility from Punjab National Bank Limited ***	**49,634,171**	49,898,928
Unsecured :		
Cash credit from HDFC Bank Limited	**25,259**	-
Inter corporate deposits**	**37,500,000**	-
	198,687,005	174,564,139

*The Parent Company has obtained a cash credit facility amounting to Rs 100,000,000 from Kotak Mahindra Bank Limited on 8 January 2010. Along with the term loan mentioned above in Note 3.3, this facility is secured against all current assets, commercial property at Oshiwara, and residential flats (3 nos) at Bandra. The facility is also secured by the personal guarantee of Mr Subhash Ghai, the Managing Director of the Parent Company and Mrs Mukta Ghai, a relative of the Managing Director and a shareholder.

**Comprises of inter-corporate deposits amounting to Rs 37,500,000 for a period of 3 months at interest rate of 12% p.a. Mr Subhash Ghai, the Managing Director of the Parent Company, has provided a personal guarantee to the lender.

*** Secured against second charge on residual value of plant and machinery of Whistling Woods International Limited (WWI). WWI has undertaken to the bank not to redeem the preference shares during the currency of the loan.

3.8 Trade payables

	31 March 2012	31 March 2011
Trade payables (note 3.36)	**255,239,062**	218,032,668
	255,239,062	218,032,668

3.9 Other current liabilities

	31 March 2012	31 March 2011
Advances received for film and other services	**12,517,771**	1,214,287
Income received in advance	**74,090,872**	135,940,238
Employee benefit expenses payable	**3,079,565**	6,513,563
Current maturities of term loans (note 3.3)	**50,900,447**	391,299,091
Current maturities of deferred payment liabilities (note 3.3)	**14,060,782**	18,349,714
Creditors for fixed assets	**19,950,598**	16,645,660
Interest accrued but not due on borrowings	**1,613,859**	3,644,475
Unpaid dividends	**682,276**	692,974
Deposits-students	**10,744,318**	14,167,008
Temporary book overdraft	**-**	3,618,665
Statutory dues payable*	**18,466,355**	27,882,506
	206,106,843	619,968,181

	31 March 2012	31 March 2011
*Statutory dues payable includes:		
- Provident fund	**252,732**	1,076,324
- ESIC	**30,269**	10,373
- CST/ VAT payable	**12,010,262**	20,310,416
- Service tax payable	**97,513**	2,758,519
- TDS payable	**6,052,789**	3,697,649
- Profession tax	**22,790**	29,225

3.10 Short-term provisions

	31 March 2012	31 March 2011
Provisions for employee benefits		
Provision for gratuity (note 3.29)	**439,223**	259,636
Provision for leave salary (note 3.29)	**1,151,079**	2,746,436
Provision for taxation	**44,986,111**	2,864,305
(Net of advance tax and tax deducted at source Rs 34,270,504 ; 2011: Rs 22,561,717)		
	46,576,413	5,870,377

CONSOLIDATED NOTES TO THE ACCOUNTS AS AT 31 MARCH 2012 (CONTD.)

(Currency: Indian Rupees)

3.11 Fixed assets

	Intangible assets							Tangible assets									
	Distribution rights	Negative rights	Exhibition rights	Intellectual property rights (Course curriculum)	Libarary books	Computer software	Total	Land rights **	Ownership premises	Temporary shed	Institute building	Leasehold premises	Plant and machinery	Motor vehicles	Furniture fixtures and office equipment*	Computers	Total
Gross block																	
As at 1 April 2010	–	231,075,768	2,500,000	5,546,359	6,835,017	14,663,556	260,620,700	30,000,000	125,809,799	666,964	277,314,690	–	368,120,143	47,542,166	58,015,916	116,131,672	1,023,601,350
Additions	205,500,320	104,629,920	–	528,500	745,607	1,382,911	312,787,258	–	119,799,660	–	1,403,316	120,762,320	9,500,951	2,961,808	8,799,388	3,528,318	266,755,761
Disposals	–	–	–	–	–	–	–	–	836,717	–	–	–	–	522,148	–	–	1,358,865
Other adjustment	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–
As at 31 March 2011	**205,500,320**	**335,705,688**	**2,500,000**	**6,074,859**	**7,580,624**	**16,046,467**	**573,407,958**	**30,000,000**	**244,772,742**	**666,964**	**278,718,006**	**120,762,320**	**377,621,094**	**49,981,826**	**66,815,304**	**119,659,990**	**1,288,998,246**
Additions	27,000,000	73,780,041	–	110,000	745,379	1,147,474	102,782,894	–	–	–	–	22,016,674	12,646,157	2,199,352	4,143,606	13,491,932	54,497,721
Disposals	–	181,415	–	–	–	–	181,415	–	4,326,100	–	–	–	–	775,000	–	–	5,101,100
Other adjustment	–	–	–	–	–	–	–	–	–	–	–	(5,826)	–	(4,826)	1,639,325	(1,639,325)	(10,652)
As at 31 March 2012	**232,500,320**	**409,304,314**	**2,500,000**	**6,184,859**	**8,326,003**	**17,193,941**	**676,009,437**	**30,000,000**	**240,446,642**	**666,964**	**278,718,006**	**142,784,820**	**390,267,251**	**51,411,004**	**69,319,585**	**134,791,247**	**1,338,405,519**
Depreciation/Amortisation																	
As at 1 April 2010	–	231,075,768	1,976,071	3,274,572	6,835,017	9,021,033	252,182,461	–	30,139,961	666,964	47,389,143	–	228,636,693	28,192,720	40,947,326	91,472,738	467,445,545
Additions	205,500,320	75,224,423	104,785	535,825	745,607	2,562,670	284,673,630	–	7,465,396	–	11,560,711	5,247,791	26,110,585	5,140,800	4,612,882	11,385,258	71,523,423
Disposals	–	–	–	–	–	–	–	–	209,509	–	–	–	–	320,150	–	–	–
Other adjustment	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–
As at 31 March 2011	**205,500,320**	**306,300,191**	**2,080,856**	**3,810,397**	**7,580,624**	**11,583,703**	**536,856,091**	**–**	**37,395,848**	**666,964**	**58,949,854**	**5,247,791**	**254,747,278**	**33,013,370**	**45,560,208**	**102,857,996**	**538,439,309**
Additions	27,000,000	95,380,041	83,829	2,284,111	390,514	2,682,241	127,820,736		7,049,390	–	10,996,139	8,507,526	23,733,059	4,632,130	4,516,649	11,258,664	70,693,557
Disposals	–	–	–	–	–	–	–	–	1,650,884	–	–	–	–	591,822	–	–	2,242,706
Other adjustment	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–
As at 31 March 2012	**232,500,320**	**401,680,232**	**2,164,685**	**6,094,508**	**7,971,138**	**14,265,944**	**664,676,827**	**–**	**42,794,354**	**666,964**	**69,945,993**	**13,755,317**	**278,480,337**	**37,053,678**	**50,076,857**	**114,116,660**	**606,890,160**
Net block																	
As at 31 March 2011	–	**29,405,497**	**419,144**	**2,264,462**	**–**	**4,462,764**	**36,551,867**	**30,000,000**	**207,376,894**	**–**	**219,768,152**	**115,514,529**	**122,873,816**	**16,968,456**	**21,255,096**	**16,801,994**	**750,558,937**
As at 31 March 2012	**–**	**7,624,082**	**335,315**	**90,351**	**354,865**	**2,927,997**	**11,332,610**	**30,000,000**	**197,652,288**	**–**	**208,772,013**	**129,029,503**	**111,786,914**	**14,357,326**	**19,242,728**	**20,674,587**	**731,515,359**

Tangible/ Intangible given as security

Tangible/ Intangible assets are subject to first charge to secure the Parent Company's term loan and cash credit loans (refer notes 3.3 and 3.7)

	2012	2011
Tangible assets – Capital work-in-progress	**167,721,237**	97,136,008
(also refer note 3.31)		
Intangible assets under development	**46,244,079**	62,067,635

Also refer note 3.30

**Also refer note 3.39

* Additions to Tangible assets – Capital work-in-progress includes interest capitalized Rs 9,454,502 (2011: Rs Nil)

CONSOLIDATED NOTES TO THE ACCOUNTS AS AT 31 MARCH 2012 (CONTD.)

(Currency: Indian Rupees)

3.12 Non-current investments

Trade investments (valued at cost unless stated otherwise)

	31 March 2012	31 March 2011
Name of the corporate bodies		
Investment in equity instruments-others (un-quoted)		
(a) Indiasound Limited 7,500,000 (2011: 7,500,000) equity shares of 0.1 Pence each, fully paid-up (net of provision for diminution Rs 3,778,158 (2011: 3,778,158))	**–**	–
(b) Maya Digital Studios Private Limited 1,000,000 (2011: 500,000) equity shares of Rs 10 each, fully paid-up As per the terms of the Shareholders agreement, additional shares, not exceeding 1,000,000 may be allotted to the Parent Company.	**10,000,000**	5,000,000
(c) Bashiron Co. Op. Housing Society Limited 10 Shares (2011: 10) of Rs 50 each *	**500**	500
(d) Bait-Ush-Sharaf Co. Op. Housing Society Limited 25 Shares (2011: 25) of Rs 50 each *	**1,250**	1,250
* pledged as security against borrowings (refer Note 3.3)		
	10,001,750	5,001,750
Aggregate value of unquoted investments	**13,779,908**	8,779,908
Aggregate provision for diminution in value of investments	**3,778,158**	3,778,158

3.13 Long-term loans and advances

	31 March 2012	31 March 2011
Unsecured, considered good		
Capital advances		
– Tangible	**17,403,066**	24,515,192
– Intangible	**50,649,270**	73,724,554
Security deposits #	**11,455,212**	15,669,519
Advance tax (including tax deducted at source) (net of provision Rs 109,988,736; 2011: Rs 106,200,234)	**80,950,084**	123,624,654
	160,457,632	237,533,919
# Security deposits include deposit to Proprietary concern of the Managing Director of the Parent Company		
-Mukta Arts	**300,000**	300,000

3.14 Other non-current assets

	31 March 2012	31 March 2011
Unsecured, considered good unless stated otherwise		
Other bank balance (note 3.18)	**6,943,374**	4,065,533
Rent straightlining asset	**4,261,431**	2,476,777
	11,204,805	6,542,310

3.15 Current investments

(valued at lower of cost and fair value, unless stated otherwise)

	31 March 2012	31 March 2011
Investment in quoted mutual funds 1,317,429.457 (2011: 1,952,265.392) units of LIC NOMURA floating rate fund – Short term plan [Net asset value: Rs 13,382,449 (2011: 19,821,152) Lien has been marked to the extent of Nil (2011: 1,913,720) units in favor of Punjab National Bank against guarantees given for the Parent Company.	**13,382,449**	19,821,152
	13,382,449	19,821,152

3.16 Inventories

	31 March 2012	31 March 2011
(valued at lower of cost and net realisable value)		
Foods and beverages	**447,612**	–
	447,612	–

CONSOLIDATED NOTES TO THE ACCOUNTS AS AT 31 MARCH 2012 (CONTD.)

(Currency: Indian Rupees)

3.17 Trade receivables

	31 March 2012	31 March 2011
(a) Unsecured, considered good		
Outstanding for a period exceeding six months from the date they are due for payment	**20,604,433**	6,890,003
Other debts	**222,503,845**	249,360,802
	243,108,278	256,250,805
(b) Unsecured, considered doubtful		
Outstanding for a period exceeding six months from the date they are due for payment	**10,069,472**	8,983,572
Other debts	**–**	–
	10,069,472	8,983,572
Less: Provision for doubtful trade receivables	**10,069,472**	8,983,572
	–	–
	243,108,278	256,250,805

3.18 Cash and bank balances

	31 March 2012	31 March 2011
Cash and cash equivalents		
Balance with banks		
– in current accounts	**9,621,289**	8,518,785
– in deposits with original maturity of less than three months	**–**	1,450,762
Cheques, drafts on hand	**197,100**	26,710
Cash in hand	**1,211,694**	745,803
	11,030,083	10,742,060
Other bank balances		
Balance in dividend account	**682,276**	692,974
Deposits with original maturity of more than 3 months but less than 12 months	–	310,232
Deposits with original maturity of more than 12 months	–	828,968
Deposits under lien		
– Deposits with original maturity of less than three months	**11,385,654**	15,135,400
– Deposit with original maturity of more than 12 months	**6,943,374**	3,236,565
– Deposit with original maturity of more than 3 months but less than 12 months	**5,262,727**	8,300,243
	24,274,031	28,504,382
Less : Deposit with original maturity of more than 12 months disclosed under non-current assets (note 3.14)	**(6,943,374)**	(4,065,533)
	28,360,740	35,180,909

3.19 Short-term loans and advances

	31 March 2012	31 March 2011
Other loans and advances – unsecured, considered good unless otherwise stated		
Sundry advances to distributor, producer, employee etc.		
considered good	**171,734,763**	240,025,472
considered doubtful	**6,958,535**	3,342,249
	178,693,298	243,367,721
Less: Provision for doubtful advances	**6,958,535**	3,342,249
	171,734,763	240,025,472
Prepaid expenses	**1,964,080**	5,164,308
Inter-corporate deposit	**39,326,118**	53,908,202
Service tax credit receivable	**3,699,874**	554,467
Other loans and advances	**415,800**	365,095
	217,140,635	300,017,544

CONSOLIDATED NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 31 MARCH 2012

(Currency: Indian Rupees)

3.20 Revenue from operations

		31 March 2012		31 March 2011	
(a)	**Sale of products**				
	Own Film/Content production	**120,425,005**		80,449,542	
	Food and beverages	**4,917,559**	**125,342,564**	–	80,449,542
(b)	**Sale of services**				
	Distribution and exhibition	**1,789,554,619**		1,779,045,165	
	Equipment hire income	**6,381,865**		4,229,677	
	Fees from students	**170,459,311**		167,550,834	
	Box office collection				
	Sale of tickets	**17,580,597**		–	
	Less: Entertainment tax	**(198,000)**	**1,983,778,392**	–	1,950,825,676
(c)	**Other operating revenue**				
	Rent and amenities charges	**62,572,407**		58,029,677	
	Other income from theatrical operations	**1,825,228**		–	
	Income from downloads	**18,733,935**		3,055,310	
	Channel packaging income and production income	**4,596,727**	**87,728,297**	–	61,084,987
			2,196,849,253		2,092,360,205

3.21 Other income

	31 March 2012	31 March 2011
Interest income on bank deposits (Tax deducted at source Rs 179,877 (2011: Rs 172,996)	**1,802,877**	1,736,451
Interest income on others (Tax deducted at source Rs 92,465 (2011: Rs 718,989)	**3,159,098**	3,754,544
Dividend income on current investment	**1,181,832**	920,115
Other non-operating income		
Keyman insurance claim received	**327,600,000**	–
Interest on income tax refund	**5,744,980**	6,495,842
Profit on sale of asset, (net)	**2,221,606**	1,395,793
Excess provision written back, net	**1,426,604**	5,870,225
Hire charges	**11,906,130**	6,840,754
Miscellaneous income (net)	**1,630,345**	5,136,104
Discount received	**110,682**	110,000
	356,784,154	32,259,828

3.22 Cost of operations

	31 March 2012	31 March 2011
Own production	**35,686,948**	29,853,795
Distributor and producers share	**1,703,266,726**	1,558,236,200
Other production expenses	**3,256,415**	425,000
Operator's share in theatrical operations	**(1,250,809)**	–
	1,740,959,280	1,588,514,995

3.23 Changes in inventories of food and beverages

	31 March 2012	31 March 2011
Inventories at the end of the year		
Foods and beverages	**447,612**	–
	447,612	–
Inventories at the beginning of the year		
Foods and beverages	**–**	–
	–	–
(Increase)/decrease in inventories	**(447,612)**	–

CONSOLIDATED NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 31 MARCH 2012 (CONTD.)

(Currency: Indian Rupees)

3.24 Employee benefits expense

	31 March 2012	31 March 2011
Salaries and other benefits (Notes 3.31 and 3.38)	**68,002,669**	73,377,893
Staff welfare	**4,021,534**	2,336,760
Post retirement benefit expenses (note 3.29)	**847,613**	9,004,632
Contribution to provident and other funds (Note 3.29)	**2,682,238**	3,388,303
	75,554,054	88,107,588

3.25 Finance costs

	31 March 2012	31 March 2011
a) Interest cost on		
– Term loan	**28,305,457**	51,092,993
– Cash credit facilities	**23,193,483**	15,772,740
– Car loan	**547,759**	918,932
– Unsecured loan	**3,644,703**	605,753
– Others (also refer note 3.39)	**1,733,982**	–
b) Processing cost	**868,250**	1,335,522
c) Bank charges	**860,777**	893,187
	59,154,411	70,619,127

3.26 Other expenses

	31 March 2012	31 March 2011
Rent (also refer note 3.39)	**22,366,588**	21,370,846
Repairs and maintenance		
Buildings	**10,715,442**	11,115,277
Plant and machinery	**497,735**	345,621
Others	**2,077,594**	577,519
Insurance	**2,147,009**	1,935,965
Rates and taxes	**12,607,436**	11,405,276
Printing and stationery	**3,398,208**	3,232,059
Communication	**4,490,563**	5,491,670
Brokerage and commission	**1,745,342**	1,869,663
Electricity charges	**26,424,582**	17,234,470
Travelling expenses	**12,654,726**	11,141,832
Payment to auditor (Refer details below)	**1,633,479**	1,306,328
Legal and professional fees	**74,467,504**	56,861,889
Bad debts / advances written-off	**10,871,254**	21,553,597
Provision for diminution in value of investments (net)	**19,785**	3,773,208
Provision for doubtful debts and advances	**5,454,498**	12,325,821
Business promotion	**19,725,881**	12,792,637
Motor vehicle expenses	**4,207,021**	3,961,371
Sets/student practicals	**11,957,425**	14,099,373
Scholarships awards	**3,463,250**	2,564,750
Miscellaneous expenses	**18,522,861**	15,778,053
	249,448,183	230,737,225
Payment to auditor *		
As auditor:		
Audit fee	**1,532,362**	1,286,251
Reimbursement of expenses	**101,117**	20,077
	1,633,479	1,306,328

* includes fees to respective auditors of subsidiary companies

CONSOLIDATED NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 31 MARCH 2012 (CONTD.)

(Currency: Indian Rupees)

3.27 Exceptional items

	31 March 2012	31 March 2011
Profit on disposal of fixed assets *	–	84,799,660
	–	84,799,660

*During the previous year, the Parent Company recognized Rs. 84,799,660 being profit on redevelopment of property (possession obtained during the year) pursuant to agreement entered into on 20 January 2006.

3.28 Earnings per equity share:

	31 March 2012	31 March 2011
a) Net profit/ (loss) after tax	164,549,304	(96,489,343)
b) Weighted average number of equity shares outstanding during the year for basic EPS	22,581,200	22,581,200
c) Weighted average number of equity shares outstanding during the year for dilutive EPS	22,581,200	22,581,200
d) Basic EPS	7.29	(4.27)
e) Dilutive EPS	7.29	(4.27)
f) Nominal value per share	5	5

3.29 Gratuity and other post employment benefit plans

(i) *Defined Contribution Plans*

Contribution to provident fund – amount of Rs 2,371,429 (2011 : Rs 3,234,805) and ESIC – amount of Rs 310,809 (2011: Rs 153,498) is recognized as an expense and included in “Employee benefit expenses” in the Statement of profit and loss.

(ii) ***Defined benefit plan and other long term employment benefit***

(a) Leave wages (other long term employment benefit)

The leave wages are payable to all eligible employees at the rate of daily salary for each day of accumulated leave on death or on resignation or upon retirement on attaining superannuation age. During the year, Rs 243,529 (2011: 5,043,676) is recognized as an expense in the Statement of profit and loss.

Actuarial assumptions	31 March 2012	31 March 2011
Discount Rate (p.a)	8.65%	7.85%-8.33%
Salary Escalation rate (p.a)	6% to 8%	6% to 8%

(ii) *Defined benefit plan and other long term employment benefit (Continued)*

(b) Gratuity (Defined benefit plan)

In the case of Mukta Arts Limited (MAL) and Whistling Woods International Limited (WWI), there is a defined benefit gratuity plan. As per the plan, every employee who has completed five years or more of service gets a gratuity on death or resignation or retirement at 15 days salary (last drawn salary) for each completed year of service. The scheme is funded with an insurance company in the form of a qualifying insurance policy.

	31 March 2012	31 March 2011
A) Change in defined benefit obligation		
Opening defined benefit obligation	9,220,652	5,007,951
Current service cost	822,980	767,921
Interest cost	652,801	617,951
Actuarial (gain) / loss	(506,798)	(477,127)
Prior years charge*	–	3,495,320
Benefits paid	(1,178,942)	(191,364)
Adjustments	15,577	–
Closing defined benefit	9,026,270	9,220,652

CONSOLIDATED NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 31 MARCH 2012 (CONTD.)

(Currency: Indian Rupees)

		31 March 2012	31 March 2011
B)	**Change in fair value of plan assets**		
	Opening fair value of plan assets	**5,334,840**	4,878,753
	Expected return on plan assets	**235,125**	289,490
	Actuarial gain/ (loss) on plan assets	**129,774**	153,620
	Contributions by employer	**535,654**	204,342
	Adjustments	**15,577**	–
	Benefits paid	**(1,178,942)**	(191,365)
	Closing fair value of plan assets	**5,072,028**	5,334,840
C)	**Expenses recognised in the Statement of profit and loss**		
	Current service cost	**822,980**	767,921
	Prior year charge*	**–**	3,495,320
	Interest on defined benefit obligation	**652,801**	617,951
	Expected return on plan assets	**(235,125)**	(289,490)
	Net actuarial (gain)/ loss recognized	**(636,572)**	(630,746)
	Total expense recognized	**604,084**	3,960,956
D)	**Amount recognised in Balance sheet**		
	Present value of Funded obligations	**(9,026,270)**	(9,220,652)
	Fair value of plan assets	**5,072,028**	5,334,840
	Net Liability	**(3,954,242)**	(3,885,812)
E)	**Actuarial assumptions**		
	Discount Rate (p.a)	**8.65%**	7.85% to 8.3%
	Expected rate of return on assets (p.a)	**7.50%**	7.50%
	Salary Escalation rate (p.a)	**6% to 8%**	6% to 8%
F)	**Experience adjustments**		
	On plan assets	**51,346**	(194,374)
	On plan liabilities	**(9,015)**	(68,165)
G)	**Details of Plan Assets**		
	LIC managed funds	**5,072,028**	5,334,840

*Pursuant to the actuarial valuation, liability pertaining to prior years aggregating to Rs 3,495,320 in respect of gratuity and

Rs 4,186,971 in respect of leave encashment was provided for during the year 2010-11.

The estimates of future salary increases considered in the actuarial valuation take into account inflation, seniority, promotion and other conditions in the employment market.

3.30 Lease disclosure under AS 19 – 'Leases'

(i) Operating lease : Company as lessee

The Parent Company is obligated under non-cancellable leases primarily for office and residential premises which is renewable thereafter as per the terms of the respective agreement.

Lease rent expenses of Rs 22,366,588 (2011: Rs 21,370,846) have been included under 'Rent' in the Statement of profit and loss.

Future minimum rental payable under non-cancellable operating leases are as follows :

	31 March 2012	31 March 2011
Amounts due within one year	**5,596,322**	14,054,501
Amounts due after one year but not later than five years	**22,385,287**	29,932,067
Amounts due later than five years	**58,528,199**	72,398,853
	86,509,808	116,385,421

CONSOLIDATED NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 31 MARCH 2012 (CONTD.)

(Currency: Indian Rupees)

(ii) Operating lease : Company as lessor

The Parent Company has given office premises on lease which is renewable thereafter as per the terms of the respective agreement

Lease rent income of Rs 17,819,015 (2011: Rs 14,393,304) has been included under 'Rent and amenities charges' in the Statement of profit and loss

Future minimum rental receivable under non-cancellable operating leases are as follows :

	31 March 2012	31 March 2011
Amounts due within one year	**16,219,225**	16,072,176
Amounts due after one year but not later than five years	**65,959,301**	69,473,490
Amounts due later than five years	**11,646,283**	24,351,319
	93,824,809	109,896,985

(iii) Operating lease : Company as sub-lessor

The Parent Company has subleased part of the office premises taken on lease. The future minimum sublease payment expected to be received under non-cancellable sub-lease as at 31 March 2012 is Rs 58,618,140 (2011: Rs 42,834,885).

Sublease rent income of Rs 21,413,250 (2011: Rs 23,656,778) has been included under 'Rent and amenities charges' in the Statement of profit and loss.

The Parent Company has leased/ subleased office space located at its premises as mentioned in (ii) and (iii) above. The lease period varies from 2-9 years. There are escalations and/ or renewal clause in lease agreements and sub-letting is not permitted. The carrying amounts of such assets is as follows:

	Ownership premises		**Leasehold premises**	
	31 March 2012	31 March 2011	**31 March 2012**	31 March 2011
Gross block	**193,508,380**	193,508,380	**70,715,929**	59,809,017
Accumulated depreciation	**10,804,872**	4,906,218	**6,812,489**	2,599,033
Net block	**182,703,508**	188,602,162	**63,903,440**	57,209,984
Depreciation for the year	**6,388,405**	6,659,721	**4,213,456**	2,599,033

3.31 Capitalisation of expenditure

During the year, the Parent Company has capitalised the salaries, wages and bonus amounting to Rs 2,876,920 to the cost of Fixed asset/ Capital work in progress (CWIP). Consequently, expenses disclosed under the Note 3.24 is net of amount capitalised by the Company.

3.32 Segment information

Particulars	**31 March 2012**	31 March 2011
Segment revenue		
Software division	**1,943,821,653**	1,864,131,949
Equipment division	**6,381,865**	4,229,677
Fees from students	**170,459,311**	167,550,834
Theatrical exhibition	**24,125,384**	-
Others	**67,409,134**	58,389,677
Total	**2,212,197,347**	2,094,302,137
Less : Inter segment revenue	**15,348,094**	1,941,932
Net Sales/ Income from operations	**2,196,849,253**	2,092,360,205
Segment results		
Profit/ (Loss) before tax, interest and exceptional items from each segment		
Software division (includes prior period charge Rs Nil (2011: Rs 4,326,842))	**13,502,983**	(108,340,400)
Equipment division (includes prior period charge Rs Nil (2011: Rs 119,306))	**(3,206,623)**	5,263,084

CONSOLIDATED NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 31 MARCH 2012 (CONTD.)

(Currency: Indian Rupees)

Particulars	31 March 2012	31 March 2011
Fees from students	**(64,546,076)**	(62,600,008)
Theatrical exhibition	**(741,522)**	-
Others (includes prior period charge Rs Nil (2011: Rs 3,236,143))	**56,653,670**	65,748,127
Total	**1,662,432**	(99,929,197)
Less: Finance costs	**59,154,411**	70,619,127
Unallocated expenses, net of unallocable income *	**(285,940,175)**	(45,792,029)
Total profit/(loss) before tax	**228,448,196**	(124,756,295)
Segment assets		
Software division	**598,393,162**	745,262,551
Equipment division	**35,681,064**	67,628,673
Fees from students	**462,727,083**	401,652,245
Theatrical exhibition	**113,748,121**	-
Others	**166,261,800**	153,739,406
Unallocable (includes advance for tax net of provision for tax)	**280,301,718**	574,323,737
Segment liabilities		
Software division	**(316,434,142)**	(356,269,062)
Equipment division	**(256,830)**	(1,267,333)
Fees from students	**(159,131,430)**	(147,959,585)
Theatrical exhibition	**(3,892,034)**	-
Others	**(39,726,826)**	(43,155,815)
Unallocable (includes provision for tax net of advance tax and minority interest)	**(509,531,311)**	(904,119,311)
Capital expenditure		
Software division	**129,399,172**	230,738,427
Equipment division	**-**	-
Fees from students	**14,037,915**	1,274,107
Theatrical exhibition	**87,836,406**	-
Others	**712,950**	322,281,296
Unallocable	**4,604,403**	(36,118,258)
Depreciation and amortization		
Software division	**130,189,128**	289,647,400
Equipment division	**7,856,521**	8,739,629
Fees from students	**41,817,382**	44,623,123
Theatrical exhibition	**4,318,026**	-
Others	**8,018,634**	7,147,265
Unallocable	**6,314,602**	6,039,636
Capital employed		
(Segment assets - Segment Liabilities)		
Software Division	**286,916,555**	388,993,489
Equipment Division	**65,424,234**	66,361,340
Fees from students	**(87,999,625)**	253,692,660
Theatrical exhibition division	**109,856,087**	-
Others	**116,046,990**	110,583,590
Unallocable (includes minority interest)	**137,896,134**	(329,795,573)

* includes exceptional items

(Currency: Indian Rupees)

The Group has disclosed Business Segments as the primary segment.

Management has identified five business segments (including alignment of business segments identified in earlier years) – Software division, Equipment division, Education, Theatrical exhibition division (commenced on 1 July 2011) and others. Segments have been identified taking into account the nature of the business, the differing risks and returns, the organisation structure and internal reporting system.

Software division primarily comprise film/ TV production, distribution and exhibition operations. Production operations represent production/ co-production of movies and allied. Distribution and exhibition operations represent acquisition of movie rights for overseas as well as Indian distribution for a fixed period and exploitation thereof. Equipment division comprises of the equipment given on hire to the outsider. Fees from students comprise the operations of an education, research and training institute that imparts training in various skills related to films, television and media industry. Theatrical exhibition operations comprise of a range of activities/ services offerred at theaters including sale of tickets, catering of food and beverages, etc. Others comprises mainly of the rental income.

The Group caters mainly to the domestic market and risks and rewards being similar across the market, there are no reportable geographical segments.

Segment Revenue, Segment Results, Segment Assets and Segment Liabilities include the respective amounts identifiable to each segment as also amounts allocable on a reasonable basis. Income and expenses which are not directly attributable to any business segment are shown as unallocated corporate income and expenses respectively. Assets and liabilities that cannot be allocated between the segments are shown as a part of unallocated assets and liabilities respectively.

3.33 Related party disclosures

Details of related parties including summary of transaction entered into by the Group during the year ended 31 March 2012 are summarized below:

A Parties where control exists

(i) Shareholders holding more than 20%

- Subhash Ghai

(ii) Key management personnel and relatives of such personnel

- Subhash Ghai - Chairman and Managing Director
- Parvez Farooqui - Executive Director
- Rahul Puri - Executive Director
- Mukta Ghai - Wife of Subhash Ghai
- Ashok Ghai - Brother of Subhash Ghai
- Siraj Farooqui - Brother of Parvez Farooqui
- Sameer Farooqui - Brother of Parvez Farooqui
- Sajid Farooqui - Brother of Parvez Farooqui
- Meghna Ghai Puri - Daughter of Subhash Ghai

(iii) Enterprise over which key management personnel have a control/ substantial interest/ significant influence

- Mukta Arts **–** Proprietary concern of Chairman and Managing Director
- MAL Employees Welfare Trust - Executive Director is settler and one of the director is Trustee
- Mukta Tele Arts Private Limited – Enterprise in which Subhash Ghai exercises significant influence
- Sharyans Resources Limited - Enterprise in which Vijay Choraria is the common director

CONSOLIDATED NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 31 MARCH 2012 (CONTD.)

(Currency: Indian Rupees)

3.33 Related party disclosures (Contd.)

B Transactions with related parties for the year ended 31 March 2012 are as follows:-

Transactions	Key Management Personnel and relatives of such personnel		Enterprises over which key management personnel have control / substantial interest / significant influence	
	31 March 2012	31 March 2011	**31 March 2012**	31 March 2011
Receiving of services				
Ashok Ghai - Professional fees	**2,196,000**	1,944,000	**-**	-
Mukta Arts - Rent	**-**	-	**60,000**	60,000
Employee benefits expense				
Siraj Farooqui	**2,173,400**	2,052,400	**-**	-
Sameer Farooqui	**435,000**	412,920	**-**	-
Sajid Farooqui	**480,240**	455,040	**-**	-
Managerial remuneration				
Subhash Ghai	**12,997,900**	23,209,717	**-**	-
Parvez A. Farooqui	**2,329,680**	2,088,246	**-**	-
Rahul Puri	**2,336,680**	2,100,584	**-**	-
Meghna Ghai Puri	**2,452,926**	2,162,262		
Reimbursement of expenses paid by the Group				
Meghna Ghai Puri	**-**	243,734	**-**	-
Advances given/ repaid during the year				
Subhash Ghai	**-**	5,000	**-**	-
Amount written off				
MAL Employees Welfare Trust	**-**	-	**-**	19,925,000
Payables				
Mukta Arts	-	-	**60,000**	60,000
Sharyans Resources Limited	-	-	**2,574,983**	7,500,000
Deposit receivable				
Mukta Arts	**-**	-	**300,000**	300,000
Personal guarantee given jointly by Mr. Subhash Ghai and Mrs. Mukta Ghai for secured loans taken from Kotak Mahindra Bank			**-**	-

3.34 Commitments

Estimated amounts of contracts remaining to be executed on capital account and not provided for aggregate to Rs 27,428,576 (2011: Rs 5,706,143).

3.35 Contingent liabilities

		31 March 2012	31 March 2011
a)	Claims not acknowledge as debt		
	Service tax matters*	**2,915,000**	2,915,000
	Local taxes	**18,772,376**	15,292,656
b)	Guarantees given by bank on behalf of the parent company	**19,701,390**	21,544,383

c) The Company Law Board had passed an order directing the Central Government to undertake an investigation under Section 237 of the Companies Act, 1956 on Mukta. Aggrevied by the said Order, Mukta had moved to the Bombay High Court (High Court) and obtained a stay on the said Order. Proceedings in this matter were completed on 7 January 2009 and Hon'ble Bombay High Court had quashed the investigation. The Central Government has on 25 February 2012 moved the Hon'ble Supreme Court challenging the Order passed by the Hon'ble Bombay High Court on 7 January 2009. The matters is pending with the Supreme Court. Based on the facts of the matters and favourable judgement received from the High Court, Mukta expects a favourable outcome.

(Currency: Indian Rupees)

3.35 Contingent liabilities (Contd.)

d) Matters in respect of Whistling Woods International Limited (WWI)-Income Tax

A Assessment year 2003-04

There were certain additions/ disallowances made in the assessment and the department had raised a demand of Rs 2,913,501(including interest Rs 651,159) Aggrieved by the assessment order, WWI had filed an appeal with the C.I.T (Appeals) who confirmed the additions/ disallowances. WWI subsequently filed an appeal with the Income Tax Appellate Tribunal which was also dismissed and WWI deposited the outstanding amount. During the year, the said demand has been provided for in the books of account. However, the Assessing officer had also levied penalty of Rs 2,500,000, which was contested by WWI with the C.I.T (Appeals) who confirmed the penalty. WWI subsequently filed an appeal with the Income Tax Appellate Tribunal which set aside the order and referred it back to the C.I.T Appeals and the matter is currently pending. WWI has not accrued for this liability as it is contesting the same and expects a favourable outcome.

B Assessment year 2004-05

There are certain additions/ disallowances made in the assessment and the Department had raised a demand of Rs 2,898,895 (including interest Rs 711,905) Aggrieved by the assessment order, WWI had filed an appeal with the C.I.T (Appeals) who confirmed the additions/ disallowances. WWI subsequently filed an appeal with the Income Tax Appellate Tribunal which was also dismissed and WWI deposited the outstanding amount. Based on consultation with its legal counsel, WWI is proposing to file an appeal with the Hon'ble High Court of Judicature at Bombay. The Assessing officer has also levied penalty of Rs 3,000,000, which was contested by WWI with the C.I.T (Appeals) who confirmed the penalty. WWI subsequently filed an appeal with the Income Tax Appellate Tribunal which set aside the order and referred it back to the C.I.T Appeals and the matter is currently pending. WWI has not accrued for the liability as it is contesting these matters and management believes that its position will be upheld.

C Assessment year 2005-06

There are certain additions/ disallowances made in the assessment and the Department had raised a demand of Rs 524,063 (including interest Rs 106,950). Aggrieved by the assessment order, WWI had filed an appeal with the C.I.T (Appeals) who confirmed the additions/ disallowances. WWI subsequently filed an appeal with the Income Tax Appellate Tribunal which set aside the order and referred it back to the C.I.T Appeals and the matter is currently pending. WWI has not accrued for the liability as it is contesting these matters and management believes that its position will be upheld.

D Assessment year 2006-07

There are certain additions/ disallowances made in the assessment and the department had raised a demand of Rs 207,903 (including interest Rs 54,127). The Assessing officer has also levied penalty of Rs 142,000, which was contested by WWI with the C.I.T (Appeals) who granted partial relief. Aggrieved by the assessment order, WWI had filed an appeal with the Income Tax Appellate Tribunal against the grounds upheld by C.I.T (Appeals) which upheld the decision of C.I.T (Appeals). WWI has subsequently filed an appeal before C.I.T (Appeals) and the matter is currently pending. WWI has not accrued for the liability as it is contesting these matters and management believes that its position will be upheld.

*** Notes**

1. Unless specified, the amounts are excluding penalty and interest, if any, that would be levied at the time of final conclusion.
2. The Companies in the group are party to various legal proceedings in the normal course of business and does not expect the outcome of these proceedings to have any adverse effect on the financial conditions, results of operations or cash flows.

3.36 Dues to Micro, Small amd Medium Enterprises

Under the Micro, Small and Medium Enterprises Development Act, 2006 (MSMED) which came into force from 2nd October 2006, certain disclosures are required to be made relating to Micro, Small and Medium Enterprises (MSME). On the basis of the information and records available with the Management, none of the Group's suppliers are covered, accordingly, disclosure of information with regards to principal, interest accruals and payments are not applicable.

3.37 Foreign currency exposures not covered by forward contracts

The Group has no foreign currency exposures as at 31 March 2012 (2011: Rs Nil).

CONSOLIDATED NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 31 MARCH 2012 (CONTD.)

(Currency: Indian Rupees)

3.38 Managerial remuneration

The remuneration paid to the managing director of the Parent Company for the period 1 April 2011 to 31 March 2012 amounting to Rs 12,997,900 and for earlier financial years 2005-06, 2006-07, 2007-08, 2008-09, 2009-2010 and 2010-11 aggregating to Rs. 87,628,769, is in excess of the limits prescribed under Section 198 of the Companies Act, 1956. The Parent Company made an application to the Central Government seeking post-facto approval for earlier years, which is awaited; application for the current year is being made. During the year, the Parent Company has received approval for part of the excess remuneration paid (approval received for remuneration aggregating to Rs 25,200,000 for the financial years 2005-06, 2006-07 and 2007-08). The Parent Company has made an application to authorities requesting reconsideration/ approval for the balance excess remuneration. Pending final communication from the authorities in this regard and application for the current year, no adjustment has been made in these financial statements.

3.39 Public Interest Litigation ('PIL') had been filed by Mr. Abdul Hamid Patel and Others alleging that the Maharashtra Film, Stage and Cultural Development Corporation Limited ('MFSCDCL') has not followed proper procedure while allotting the 20 acre land to the Company/ WWI. During the year, pursuant to the order of the High Court of Judicature at Bombay dated 9 February 2012, the Joint Venture Agreement ('JVA') relating to WWI between Mukta Arts Limited ('MAL'), the holding company, and MFSCDCL has been quashed/ rendered cancelled, WWI has been ordered to return the land to MFSCDCL and pay rent (including interest on arrears) retrospectively on the entire land since the date of the JVA. Further, the WWI has been directed not to accept admission for courses which extend beyond 31 July 2014. Of the total land admeasuring 20 acres, 14.5 acres vacant unused land has been handed over to MFSCDCL on 18 April 2012 and the balance is to be handed over on or before 31 July 2014. Pending discussion and/ or agreement with MFSCDCL and/or clarifications to be sought from the concerned parties, no adjustments have been made to the Share Capital structure of the Company and the carrying value of the Land rights in the books of account. Further, MFSCDCL has demanded Rs 799,523,424 towards rent and interest arrears thereon for the period up to 18 April 2012. However, in terms of the Order of the High Court, the said amount together with future rent till the date of vacation of the premises is adjustable against the value of the Company's building on the said land. The valuation is to be carried out by an expert valuer to be appointed by the Government, which has not yet been commissioned. The petition for special leave to appeal filed with the Supreme Court of India has been dismissed. However, the Company and WWI have filed a review petition with the High Court, which has not yet come up for hearing. Pending final disposal of the review petition and valuation of the building, no adjustment has been made in these financial statements as management is hopeful of reliefs based on the issues involved and on merits of the case, as also of a high valuation of the building.

3.40 Public interest litigation ('PIL') has been filed with regards to sale agreement entered into by the Parent Company with the Sarpanch of Gram Panchayat Badsa- Haryana for sale of 20 acres of land in Badhsa village of Jhajjar district in Haryana to the Parent Company. The Punjab and Haryana High Court stayed the execution of the sale deed and the matter is yet to come for hearing. The management is in the process of preparing its response to the said order and believes that it has a good chance of wining the case.

3.41 Prior period comparatives

The previous year's figures have been re-grouped/ re-arranged as necessary to conform to the present year's classification consequent to notification of Revised Schedule VI under Companies Act, 1956.

As per our report of even date attached.

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

Bhavesh Dhupelia
Partner
Membership No: 042070

Place : Mumbai
Date : 29 May 2012

For and on behalf of the Board of Directors

Subhash Ghai
Chairman and Managing Director

Parvez A. Farooqui
Executive Director

Rahul Puri
Executive Director

Ravi Poplai
Company Secretary

<u>**MUKTA ARTS LTD.**</u>

(Consolidated financial statements) Financial year ended 31 March 2012

Statement pursuant to exemption received under section 212(8) of the Companies Act, 1956 relating to subsidiary companies

Sr. No.	Particulars	Whistling Woods International Limited	Connect.1 Limited	Mukta Tele Media Limited	Coruscant Tec Private Limited
a)	Capital	400,000,000	600,000	500,000	7,500,000
b)	Reserves	(583,401,218)	338,000	(3,614,519)	(4,056,447)
c)	Total Assets	367,325,493	3,078,774	8,582,588	9,355,098
d)	Total Liabilities	367,325,493	3,078,774	8,582,588	9,355,098
e)	Details of investment (Except in case of investment in Subsidiaries)	-	250	250	-
f)	Turnover	183,849,129	240,000	4,603,447	18,737,495
g)	Profit before taxation	(89,639,744)	77,590	208,876	1,371,659
h)	Provision for taxation	2,913,501	24,669	-	252,423
i)	Profit after taxation	(92,553,245)	52,931	208,876	1,119,236
j)	Proposed dividend	-	-	-	-

Notes

MUKTA ARTS LIMITED

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

ATTENDANCE SLIP

I hereby record my presence at the 30th Annual General Meeting of the Company at Whistling Woods Institute Auditorium, Dada Saheb Phalke Chitranagari, Goregaon (East), Mumbai- 400065 on Thursday, the 27th of September, 2012 at 4.00 p.m.

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

Folio No. / Beneficiary Account No.: ______________________________

Signature of the Member/ Beneficial Owner: ______________________________

Proxy / Authorised Representative ______________________________

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

MUKTA ARTS LIMITED

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

PROXY FORM

I/We ______________________________

of ______________________________

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

of______________________________

or failing whom______________________________

of______________________________

as my /our Proxy to attend and vote for me/us and on my/our behalf at the **30th Annual General Meeting** of Mukta Arts Limited to be held on Thursday, the 27th September, 2012 at 4.00 p.m. at Whistling Woods Institute Auditorium, Dada Saheb Phalke Chitranagari, Goregaon (East), Mumbai- 400065 and at any adjournment(s) thereof.

Signed this ………...…………………… day ………...…...……. 2012

Folio No. / Beneficiary Account No. : ______________________________

Signature of the Member / Beneficial Owner: ______________________________

Affix
Revenue
Stamp

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

MUKTA ARTS LIMITED

Registered Office

3rd Floor, Mukta House, Behind Whistling Woods Institute, Filmcity, Goregaon (E), Mumbai - 400 065.

Tel.: +91 22 3364 9400 Fax : +91 22 3364 9401

www.muktaarts.com